



STANDING COMMITTEE ON PUBLIC ACCOUNTS
REPORT NO. 42 OF 2018

***Report of the Public Accounts Committee on the Audits of
Government Ministries and Departments for the year
ended 31st December, 2014
(Volume 1 to Volume 4)***



PARLIAMENT OF THE REPUBLIC OF FIJI
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May 2018

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Chairman's Foreword

This report follows the Report of the Auditor-General of the Republic of Fiji – Audit Report of Government Ministries and Departments - December 2014. This is my fourth report as the Chair of the Standing Committee for Public Accounts.

I welcome the opportunity to showcase the progress that Ministries and Departments in Fiji continue to make. Even the issues identified in these reports have either been resolved or are in the process of being addressed.

While the instances of the mentioned issues have reduced there are issues that still need to be addressed as shown in the recommendations and committee observations.

The report identified audit issues within 38 Ministries and Departments for 2014. Of these, twenty ministries and departments were provided with an unqualified audit report with attention drawn in some instances.

A total of eighteen ministries and departments were provided with a qualified audit report. The qualified audit report emanated from issues ranging from unsubstantiated and unreconciled general ledger account variances, accounting irregularities in account balances, non-disclosure of account balances, board of surveys either not carried out or carried out but the losses were not approved or not recorded as losses to government and stock take were not carried out.

Furthermore, the Committee's review of the Audit Reports highlighted that capacity is an inherent issue with accounting officers lacking the basic fundamentals required for reconciling and maintaining accounts.

This report contains a total of eight recommendations and observations made by the Committee. These recommendations have been made in good faith, and we urge the relevant party for which the recommendation is made, to consider and respond accordingly. Some of the pertinent recommendations made are as follows:

- Ministry of Economy should increase staffing and resources in their Internal Audit Division in order to be able to conduct (quarterly and bi annual) internal audit inspections to all Ministries and Departments.
- Ministry of Economy should conduct regular and timely training for Financial Officers on FMIS and ensure that the system is compatible with the actual operations of the Ministries and Department.
- Ministries and Departments should ensure that daily reconciliations are conducted and also strengthen their internal controls in terms of separation of duties and conducting supervisory checks.
- Ministries and Departments should ensure that procurement of technical equipment, such as, generators, pharmaceuticals, vessels, mechanical equipment,

non-sugar access roads for example, are carried out by competent personnel, particularly where procurements are made from abroad.

- Finally, Ministries and Departments should promptly take action on valid recommendations made by the Office of the Auditor General.

At this juncture, I wish to thank fellow committee members for their efforts in clearing this backlog namely: Hon. Mohammed Dean, Hon. Alexander O'Connor, Hon. Aseri Radrodro, and Hon. Ratu Naiqama Lalabalavu. I also wish to acknowledge the immense contribution provided by the late Hon. Ratu Sela Nanovo during his tenure as a Member of the Standing Committee.

I, on behalf of the Public Accounts Committee, commend this report to the Parliament.



Hon. Ashneel Sudhakar

Chairperson

CHAPTER 1: Introduction

Background

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

This Report looks at the Report of the Auditor General on the annual accounts of Ministries and Departments for the year ended 31st December, 2014, Parliamentary Papers 63 to 66 of 2015 in terms of the following Volumes:

- Volume 1: Audit Report on Whole of Government Financial Statements and Annual Appropriation Statement 2014;
- Volume 2: Audit Report on the General Administration Sector;
- Volume 3: Audit Report on the Social Services Sector; and
- Volume 4: Audit Report on the Economic & Infrastructure Sector.

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

The entities which appeared before the Public Accounts Committee are as follows:

- Office of the President
- Office of the Prime Minister and Public Service Commission
- Office of the Attorney General and the Solicitor General
- Ministry of Finance
- Ministry of iTaukei Affairs
- Ministry of Defence, National Security and Immigration
- Ministry of Labour, Industrial Relations and Employment
- Ministry of Foreign Affairs, International Co-operation and Civil Aviation
- Elections Office
- Judiciary
- Parliament
- Accountability, Transparency, Human Rights and Anti-Discrimination Commissions
- Office of the Director of Public Prosecutions
- Ministry of Justice, Anti-Corruption & Communications
- Fiji Corrections Services
- Information Technology and Computing Services
- Ministry of Information

- Ministry of Strategic Planning, National Development and Statistics
- Ministry of Rural and Maritime Development and National Disaster Management
- Fiji Military Forces
- Fiji Police Force
- Peacekeeping Missions
- Ministry of Education, National Heritage, Culture and Arts, and Higher Education Institution
- Ministry of Health.
- Department of Housing
- Ministry of Local Government, Urban Development and Environment
- Ministry of Social Welfare, Women and Poverty Alleviation
- Ministry of Youth and Sports
- Ministry of Agriculture
- Ministry of Fisheries and Forest
- Ministry of Lands and Mineral Resources
- Ministry of Industry and Trade
- Ministry of Sugar
- Ministry of Public Enterprise and Tourism
- Ministry of Works and Transport
- Ministry of Public Utilities and Energy

General Observations

The Committee made the following observations on the common recurring issues from the submissions received:

- Unsubstantiated write-offs due to lack of supporting documentation and posting errors over a period of time;
- Boards of survey are not conducted annually as required;
- Internal Audit by Ministry of Economy is not done at regular intervals. It is conducted on the basis of risk associated with individual Ministries and Departments;
- Lack of internal audit within the individual Ministries and Departments;
- Lack of awareness and adherence to the required standards of accounting for withholding and provisional tax;
- Lack of compliance on the preparation and submission of monthly reconciliations to the Ministry of Economy;
- Lack of supervision by the supervisory officers in the implementation of finance manual and procedures of the Ministry;
- Issues and challenges still exist relating to the migration from the old system to the new Financial Management Information System (FMIS) despite the introduction of FMIS since 2004;
- Capacity of staff and the level of human errors that resulted in mis-postings and qualifications of Audit Reports;
- Involvement of staff in fraudulent or suspicious activities;
- Lack of knowledge of staff on accounting regulations, manuals, procedures and instruction.
- Anomalies in terms of procurement contracts, its vetting process and delays related to this;
- Lack of supervision at every level;
- Laxity in instituting disciplinary action and implementing surcharge;
- Laxity in complying with Auditor General's recommendations;
- High staff turnover and lack of continuity and succession plan;
- Inheritance of past problems and refusal by incoming officers to take ownership of the responsibilities on hand;
- Lack of preparatory work by staff of the Office of the Auditor General, Ministry of Economy and individual Ministries and Departments on the issues at hand during submissions;
- Lack of experience or technical knowledge when Ministries procure plant and equipment, including capital works;
- Lack of experienced and technical staff on the job resulting in continuous turnover.

Committee Recommendations

The Committee recommends the following:

1. The Ministries and Departments should ensure that effective feasibility studies and surveys should be taken before the execution of work on any Capital projects.
2. Ministry of Economy should increase staffing and resources in their Internal Audit Division for them to be able to conduct (quarterly and bi annual) internal audit inspection to all Ministries and Departments.
3. Ministry of Economy should conduct regular and timely training for all officers (especially Financial Officers) on the FMIS and ensure that the system is compatible to the actual operations of the Ministries and Department. Consideration should also be given to reintroducing civil service exams for example H1, H2, etc. depending on the cadre.
4. Ministries and Departments should ensure that daily reconciliations are conducted and also to strengthen their internal controls in terms of separation of duties and supervisory checks.
5. Millions of dollars have been written-off as a result of missing records, human errors and balancing of the books. Ministries and Departments should ensure that officers who fail to comply with the relevant legislation and manuals should be adequately disciplined in order to curb future occurrences of such substantial write-offs
6. Ministries and Departments should promptly take action on valid recommendations made by the Office of the Auditor-General.
7. Ministries and Departments should ensure that procurement of technical equipment, such as, generators, pharmaceuticals, vessels, mechanical equipment, non-sugar access roads for example, are carried out by competent personnel, particularly where procurements are made from abroad.
8. All capital projects should be supervised by a designated Clerk of Works with the relevant technical skills and expertise.

Committee Members

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

Hon. Ashneel Sudhakar MP, Chairman
Hon. Mohammed Abe Dean MP, Deputy Chairman
Hon. Alexander O'Connor MP (Member)
Hon. Aseri Radrodro MP (Member)
Hon. Ratu Naiqama Lalabalavu MP (Member)

At this juncture, the Committee wishes to acknowledge the immense contribution provided by the late Hon. Ratu Sela Nanovo during his tenure as a Member of the Standing Committee.

During the Standing Committee's meetings, the following alternate membership arose pursuant to Standing Order 115(5):

Hon. Howard Politini
Hon. Alifereti Nabulivou
Hon. Alvick Maharaj
Hon. Jiosefa Dulakiverata
Hon. Moses Bulitavu

Resource Persons

The Committee together with the officials from the Office of the Auditor General and the Ministry of Economy conducted public hearings in the Parliamentary precincts. The officials that assisted the Committee were:

OFFICE OF THE AUDITOR GENERAL:

| | |
|---------------------------------|-------------------------|
| Mr. Ajay Nand (Auditor-General) | Mr. Moshin Ali |
| Mr. Sairusi Dukuno | Mr. Jayant Ram |
| Mr. Kuruwara Tuinisalevu | Mr. Krishneel Pal |
| Mr. Niraj Kumar | Mr. Mitieli Nawaqavou |
| Mr. Seremaia Delana | Mr. Emosi Rokoleakai |
| Mr. Dineshwar Prasad | Ms. Alanieta Nasilivata |
| Mr. Ilaitia Varani | Ms. Rusiate Baba |
| Mr. Abele Saunivalu | Mr. Mitieli Nawaqavou |
| Ms. Finau Nagera | Ms. Farisha Bi |
| Ms. Makereta Dyer | Ms. Raveena Kumar |
| Ms. Anisa Nasome | Ms. Merewalesi Ledua |
| Mr. Mohammed Firoz | Ms. Ashika Chand |
| Ms. Ashika Chand | Mr. Emosi Qiokacikaci |
| Ms. Sulueti Cakau | Mr. Samuela Tupou |
| Mr. Manish Dewan | Ms. Suluweti Cakau |

Mr. Emanuel Sami

MINISTRY OF ECONOMY:

Ms. Sala Raiwalui
Ms. Ana Waqanisau
Mr. Sailosi Sawana
Mr. Amit Kishore
Ms. Ana Waqanisau
Mr. Jona Dalaga
Mr. Ilisoni Tokalaulevu
Mr. Kaushal Bali
Ms. Sala Kurusiga
Mr. Ashneel Prasad

Ms. Mereani Naisara
Ms. Laniet Senibulu
Ms. Miriama Elliot
Mr. Dominiko Tabuaura
Mr. Kenneth Brown
Mr. Atunaisa Balematuru
Mr. Atin Chand
Mr. Amit Kishore
Mr. Mohammed Rahat

CONSULTANT

Mr. Robert Oakeshott

CHAPTER 2: Volume 1: Audit Report on Whole of Government Financial Statements and Annual Appropriation Statement 2014

2014/2015 WHOLE OF GOVERNMENT SUMMARY

REVENUE, EXPENDITURE, INVESTMENTS, and SUMMARY OF SIX KEY ISSUES

Introduction

In 2015, the audit of Whole of Government concludes with an unqualified audit report, under section 152(2) of the Constitution, section 6 of the Audit Act and sections 46 and 47 of the Financial Management Act 2004.

A total of 37 Agency Financial Statements were prepared in accordance with the Financial Management Act 2004 and Finance Instructions 2010. Of these, unqualified audit reports were issued on 20 financial statements while audit reports on 17 financial statements were qualified on the following grounds:

- 1) Variances were noted between reconciliations prepared by Ministries and Departments and FMIS Ledger maintained by Ministry of Finance;
- 2) Board of Survey was not carried out;
- 3) Financial transactions were not recorded in the FMIS Ledger
- 4) Amounts reflected in Trust and Trading Manufacturing Accounts were not fully supported.

Government Performance in 2015

| | Original Budget 2015 (\$'000) | Revised Budget 2015 (\$'000) | Actual Results 2015 (\$'000) | Variance ¹ 2015 (\$'000) | Variance (%) |
|----------------------|-------------------------------------|---------------------------------------|---------------------------------------|---|-----------------|
| REVENUE | | | | | |
| Operating Receipts | 2,571,412.3 | 2,571,412.3 | 2,542,813.7 | (28,598.6) | (1) |
| Investing Receipts | 551,026.1 | 551,026.1 | 250,701.7 | (300,324.4) | (55) |
| TOTAL REVENUE | 3,122,438.4 | 3,122,438.4 | 2,793,515.4 | (271,725.8) | (9) |
| Item | Original Budget 2015 (\$'000) | Revised Budget 2015 (\$'000) | Actual Results 2015 (\$'000) | Variance ¹ 2015 (\$'000) | Variance (%) |
| EXPENDITURE | | | | | |
| Operating | 1,938,856.2 | 1,957,387.7 | 1,874,199.9 | 83,187.8 | (4) |
| Capital | 1,321,877.4 | 1,320,192.8 | 1,045,503.5 | 274,689.3 | (21) |
| Value Added Tax | 75,558.5 | 74,298.1 | 55,636.4 | 18,661.7 | (25) |

| | | | | | |
|---|-----------------------|---------------------|---------------------|------------------|-------------|
| TOTAL EXPENDITURE | 3,336,292.1 | 3,351,878.6 | 2,975,339.8 | 376,538.8 | (11) |
| Net (Deficit)/Surplus | (213,853.7) | (229,440.2) | (181,824.4) | 47,615.8 | (21) |
| Debt Repayment | 149,668.3 | 678,025.5 | 677,261.7 | 763.8 | (0.1) |
| Gross Surplus/(Deficit) | (363,522) | (907,465.7) | (859,086.1) | 48,380 | (5) |
| Net (Deficit)/Surplus as A Percent of GDP | (2.5%) | (2.6%) | (2%) | 8.8% | |
| Nominal/Provisional GDP | 8,668,818.0[n] | 8,668,818[n] | 9,210,800[p] | 541,982 | |

| Head No | Ministry/Department | Appropriation ⁶⁸ (\$) | Revised Amount (\$) | Actual Expenditure 2015 (\$) | Savings/(Overspent) (\$) | % |
|---------|---|-------------------------------------|------------------------|---------------------------------|-----------------------------|-----|
| 1 | Office of the President | 4,202,825 | 4,202,825 | 3,827,804 | 375,021 | 9 |
| 2 | Office of the Prime Minister | 14,305,046 | 14,305,045 | 12,553,159 | 1,751,886 | 12 |
| 3 | Attorney General and Solicitor General | 17,181,187 | 17,181,186 | 13,755,679 | 3,425,507 | 20 |
| 4 | Ministry of Finance | 80,803,208 | 80,803,224 | 77,480,472 | 3,322,753 | 4 |
| 5 | Ministry of iTaukei Affairs | 10,283,016 | 10,283,017 | 9,717,730 | 565,287 | 5 |
| 6 | Ministry of Immigration, National Security and Defence | 7,152,924 | 7,152,924 | 7,128,406 | 24,518 | 0.3 |
| 7 | Ministry of Employment, Productivity and Industrial Relations | 15,734,753 | 15,734,709 | 15,305,910 | 428,799 | 3 |
| 8 | Ministry of Foreign Affairs | 41,779,542 | 41,779,536 | 41,255,330 | 524,206 | 1 |
| 9 | Office of the Auditor General | 4,082,574 | 4,082,574 | 3,329,801 | 752,773 | 18 |
| 10 | Fijian Elections Office | 7,089,092 | 7,089,092 | 5,119,295 | 1,969,797 | 28 |
| 11 | Judiciary | 40,382,831 | 40,382,832 | 27,692,106 | 12,690,726 | 31 |
| 12 | Parliament | 8,888,234 | 8,888,234 | 7,612,055 | 1,276,179 | 14 |
| 13 | Independent Commissions | 10,249,191 | 10,249,191 | 9,053,686 | 1,195,505 | 12 |
| 14 | Office of the Director of Public Prosecutions | 5,715,089 | 5,715,089 | 4,696,316 | 1,018,773 | 18 |
| 15 | Ministry of Justice | 42,822,416 | 42,822,395 | 38,682,595 | 4,139,800 | 10 |
| 16 | Ministry of Communications | 33,704,175 | 33,704,201 | 17,049,204 | 16,654,997 | 49 |
| 17 | Public Service Commission | 43,131,770 | 43,131,770 | 38,587,428 | 4,544,342 | 11 |

| | | | | | | |
|----|---|-------------|-------------|-------------|------------|----|
| 18 | Ministry of Rural and Maritime Development and National Disaster Management | 32,108,508 | 32,107,650 | 29,926,150 | 2,181,500 | 7 |
| 19 | Republic of Fiji Military Forces | 103,317,112 | 103,317,114 | 85,091,759 | 18,225,355 | 18 |
| 20 | Fiji Police Force | 120,499,912 | 120,499,901 | 109,046,124 | 11,453,777 | 10 |
| 21 | Ministry of Education, Heritage and Arts | 401,649,593 | 401,649,310 | 398,375,173 | 3,274,137 | 1 |
| 22 | Ministry of Health and Medical Services | 269,738,232 | 269,738,232 | 239,013,309 | 30,724,923 | 11 |
| 23 | Department of Housing | 27,699,066 | 27,699,066 | 17,448,683 | 10,250,383 | 37 |
| 24 | Ministry of Women, Children and Poverty Alleviation | 44,812,093 | 44,812,148 | 43,933,368 | 878,780 | 2 |
| 25 | Ministry of Youth and Sports | 16,690,714 | 16,690,746 | 16,057,425 | 633,321 | 4 |
| 26 | Higher Education Institutions | 85,739,202 | 85,739,200 | 79,985,127 | 5,754,073 | 7 |
| 30 | Ministry of Agriculture | 64,972,249 | 64,972,231 | 52,575,862 | 12,396,369 | 19 |
| 32 | Ministry of Fisheries and Forests | 23,981,192 | 23,981,234 | 22,892,886 | 1,088,348 | 5 |
| 33 | Ministry of Lands and Mineral Resources | 32,994,273 | 32,994,312 | 25,353,544 | 7,640,768 | 23 |
| 34 | Ministry of Industry, Trade and Tourism | 49,484,531 | 49,484,689 | 47,110,788 | 2,373,901 | 5 |
| 35 | Ministry of Sugar | 11,768,650 | 11,768,624 | 10,580,205 | 1,188,419 | 10 |
| 36 | Ministry of Public Enterprise | 10,518,861 | 10,518,816 | 9,234,952 | 1,283,864 | 12 |
| 37 | Ministry of Local Government, Urban Development and Environment | 32,682,568 | 32,682,569 | 24,585,109 | 8,097,460 | 25 |
| 40 | Ministry of Infrastructure and Transport | 113,023,524 | 113,023,600 | 104,634,654 | 8,388,946 | 7 |
| 41 | Water Authority of Fiji | 239,221,511 | 239,221,511 | 194,221,421 | 45,000,090 | 19 |

| Head No | Ministry/Department | Appropriation ⁶⁸ (\$) | Revised Amount (\$) | Actual Expenditure 2015 (\$) | Savings/(Overspent) (\$) | % |
|---------|---|-------------------------------------|------------------------|---------------------------------|-----------------------------|----------|
| 43 | Fiji Roads Authority | 653,788,560 | 653,788,560 | 559,396,677 | 94,391,883 | 14 |
| 49 | Peacekeeping Missions | 72,626,918 | 72,626,918 | 68,611,388 | 4,015,530 | 6 |
| 50 | Miscellaneous Services | 156,850,907 | 218,073,007 | 176,576,117 | 41,496,890 | 19 |
| 51 | Pensions, Gratuities and Compassionate Allowances | 42,343,300 | 42,343,400 | 38,878,319 | 3,465,081 | 8 |
| 52 | Charges on Account of Public Debt | 430,719,000 | 974,662,732 | 972,678,004 | 1,984,728 | 0.2 |
| | Total | 3,424,738,358 | 4,029,903,414 | 3,659,054,020 | 370,849,395 | 9 |

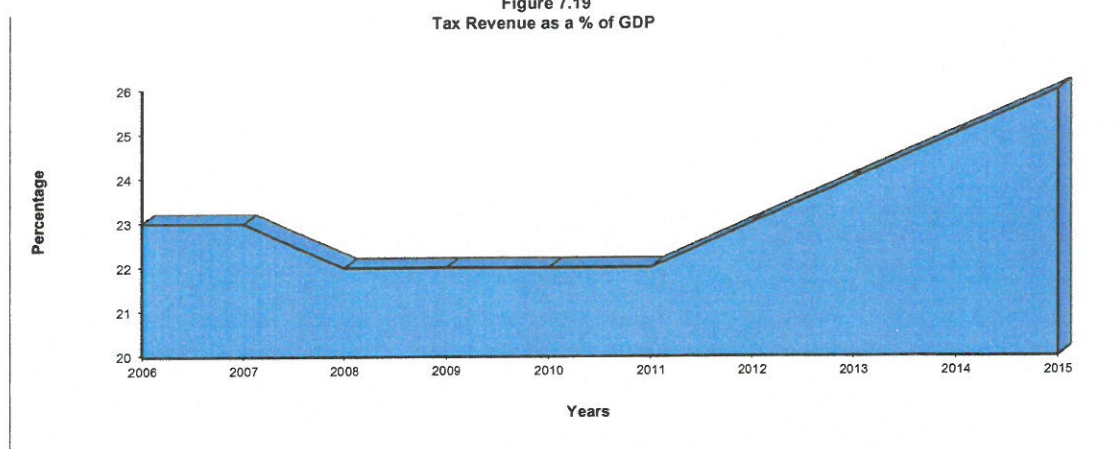
REVENUE

Comparison of Tax Revenue and GDP

| Year | Tax Revenue (\$) | GDP (\$) | % of Tax Revenue/GDP |
|------|---------------------|------------------|----------------------------|
| 2005 | 1,065,808,942 | 5,040,000,000 | 21 |
| 2006 | 1,227,220,772 | 5,325,700,000 | 23 |
| 2007 | 1,230,363,366 | 5,440,100,000 | 23 |
| 2008 | 1,243,057,337 | 5,614,900,000 | 22 |
| 2009 | 1,209,223,648 | 5,614,100,000 | 22 |
| 2010 | 1,302,130,578 | 6,024,400,000 | 22 |
| 2011 | 1,512,378,397 | 6,768,500,000 | 22 |
| 2012 | 1,616,297,515 | 7,109,500,000[r] | 23 |
| 2013 | 1,879,243,556 | 7,715,700,000[r] | 24 |
| 2014 | 2,117,742,442 | 8,435,900,000[r] | 25 |
| 2015 | 2,359,863,232 | 9,210,800,000[p] | 26 |

Tax Revenue as a percentage of GDP over the last 10 years has been between 21% - 26%.

Figure 7.19
Tax Revenue as a % of GDP



Actual revenue collections by government in 2015 from its normal operations totaled \$2,800,234,786 thus recording a shortfall of \$322,203,614 or 10% of the total estimated revenue collections. The key contributing factor to the shortfall was that the budgeted revenue was based on the planned disposal of government shares in government owned entities (FEA, AFL, Government Printery and KTFZ) which did not eventuate in 2015.

| Year | Investing Revenue – Actual (\$) | Operating Revenue – Actual (\$) | Total Actual [a] (\$) | Investing Revenue – Budgeted (\$) | Operating Revenue – Budgeted (\$) | Total Budgeted [b] (\$) | Variance [a-b] (\$) |
|------|---------------------------------|---------------------------------|-----------------------|-----------------------------------|-----------------------------------|-------------------------|---------------------|
| 2011 | 29,699,034 | 1,774,878,062 | 1,804,577,096 | 79,675,200 | 1,667,797,412 | 1,747,472,612 | (57,104,484) |
| 2012 | 86,043,083 | 1,854,766,943 | 1,940,810,026 | 35,819,200 | 1,906,987,800 | 1,942,807,000 | 1,996,974 |
| 2013 | 59,894,427 | 2,038,833,496 | 2,098,727,923 | 75,744,230 | 2,032,634,700 | 2,108,378,930 | 9,651,007 |
| 2014 | 80,723,993 | 2,290,281,755 | 2,371,005,748 | 513,955,960 | 2,207,821,990 | 2,721,777,950 | 350,772,202 |
| 2015 | 255,471,929 | 2,544,762,857 | 2,800,234,786 | 551,026,138 | 2,571,412,262 | 3,122,438,400 | 322,203,614 |

In addition, government also recorded \$22,745,668 from operation of Trading and Manufacturing Accounts.

Total arrears of revenue increased by \$585,679 or 0.4% from \$150,840,876 as at 31/12/2014 to \$151,426,555 as at 31/12/2015.

The following anomalies were noted:

- (i) The audit noted that debt owed to Ministries and Departments for more than five years amounted to 37,584,996 or 25% of the total arrears. Although some Ministries/ Departments have indicated in the past that that write offs would be pursued, this is yet to occur. Resource constraints have also been indicated as one of the reasons contributing to delay in recovery of arrears.
- (ii) The Ministry for Economy-Pension, Judiciary, Agriculture and Infrastructure had more than 50% of their respective total arrears aging more than five years. Entities having about 25% to 50% of total arrears included the Fiji Police Force (43.8%), Water of Authority (36.9%), Ministry of Infrastructure (35.5%), Ministry of Finance-FRCA

Customs (31%) and Ministry of Lands and Mineral Resources (30.4%). Refer to Appendix 2 for details.

Significant Arrears of Revenue Over 5 Years by Ministry/Department

| Year | Min Of Finance – Pensions (\$) | Min of Communications – TAF (\$) | ITC Services (\$) | Min of Education (\$) | Min. of Health & MS (\$) | Govt Printing (\$) | Peacekeeping Missions (\$) |
|------|--|---|-------------------------|-----------------------------|--------------------------------------|--------------------------|----------------------------------|
| 2011 | 2,651 | 1,299,929 | 1,014 | 16,144 | 427,160 | 113,192 | 1,573,273 |
| 2012 | 15,589 | 3,994,537 | 1,862 | 8,119 | 451,365 | 641,013 | 6,133,366 |
| 2013 | 62,036 | 5,831,427 | - | 16,330 | 210,647 | 368,368 | 1,623,583 |
| 2014 | 159,883 | 8,837,731 | 30 | 12,180 | 208,800 | 634,344 | 1,587,290 |
| 2015 | 218,095 | 11,429,826 | 1,486 | 13,984 | 330,756 | 743,936 | 1,855,323 |

EXPENDITURE

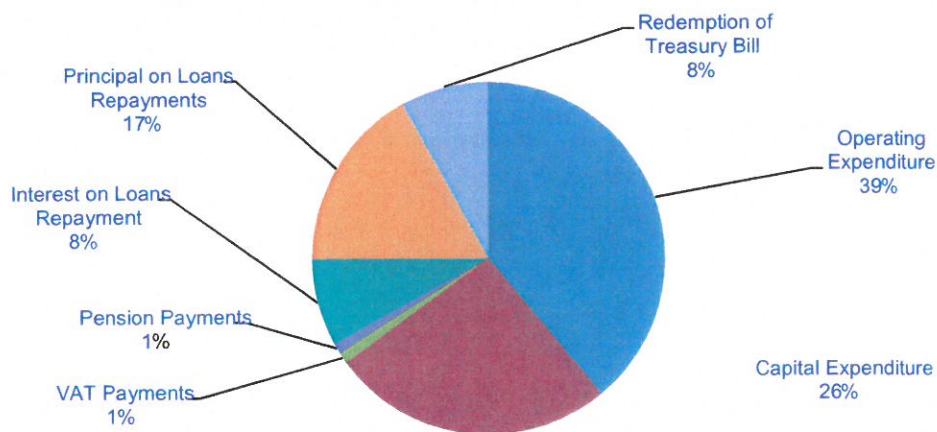
In 2015, expenditure totalled \$4,029,904,149 increased by \$922,690,849 or 30% from \$3,107,213,300 budgeted for in 2014.

As at 31/12/15, government incurred a total expenditure of \$3,970,769,776 thus recording a budget savings of \$59,134,373 or 1.5%. The significant budget saving was mainly due to the savings recorded in capital budgets across ministries and departments.

Overview of the 2015 Budget and Actual Expenditure

| 2015 Original Budget | Virements | 2015 Revised Budget | Expenditure | Actual Expenditure 2015 | 2015 Budget Saving/ (Overspending) | Actual Expenditure 2014 | Increase / (Decrease) in Actual Expenditure | % Increase / (Decrease) |
|----------------------|-------------|---------------------|------------------------------|-------------------------|------------------------------------|-------------------------|---|-------------------------|
| (\$) | (\$) | [a] (\$) | | [b] (\$) | [a-b] (\$) | (\$) | (\$) | |
| 1,615,462,200 | 2,944,961 | 1,618,407,161 | Operating | 1,540,173,910 | 78,233,251 | 1,434,490,110 | 105,683,800 | 7 |
| 1,321,877,400 | (1,684,624) | 1,320,192,776 | Capital | 1,045,503,540 | 274,689,236 | 930,115,814 | 115,387,726 | 12 |
| 75,558,500 | (1,260,320) | 74,298,180 | VAT Payments | 55,636,374 | 18,661,806 | 57,395,410 | (1,759,036) | (3) |
| 42,343,300 | --- | 42,343,300 | Pension Payments | 38,878,319 | 3,464,981 | 36,785,353 | 2,092,966 | 6 |
| 281,050,700 | 15,586,505 | 296,637,205 | Interest on Loans | 295,147,698 | 1,489,507 | 264,309,159 | 30,838,539 | 12 |
| 149,668,300 | 528,357,227 | 678,025,527 | Principal on Loans | 677,261,695 | 763,832 | 202,166,704 | 475,094,991 | 235 |
| --- | --- | --- | Redemption of Treasury Bill | 318,168,240 | (318,168,240) | 280,578,002 | 37,590,238 | 13 |
| 3,485,960,400 | 543,943,749 | 4,029,904,149 | Total Government Expenditure | 3,970,769,776 | 59,134,373 | 3,205,840,552 | 764,929,224 | 24 |

Figure 6.1: Total Expenditure Incurred in 2015 By Type



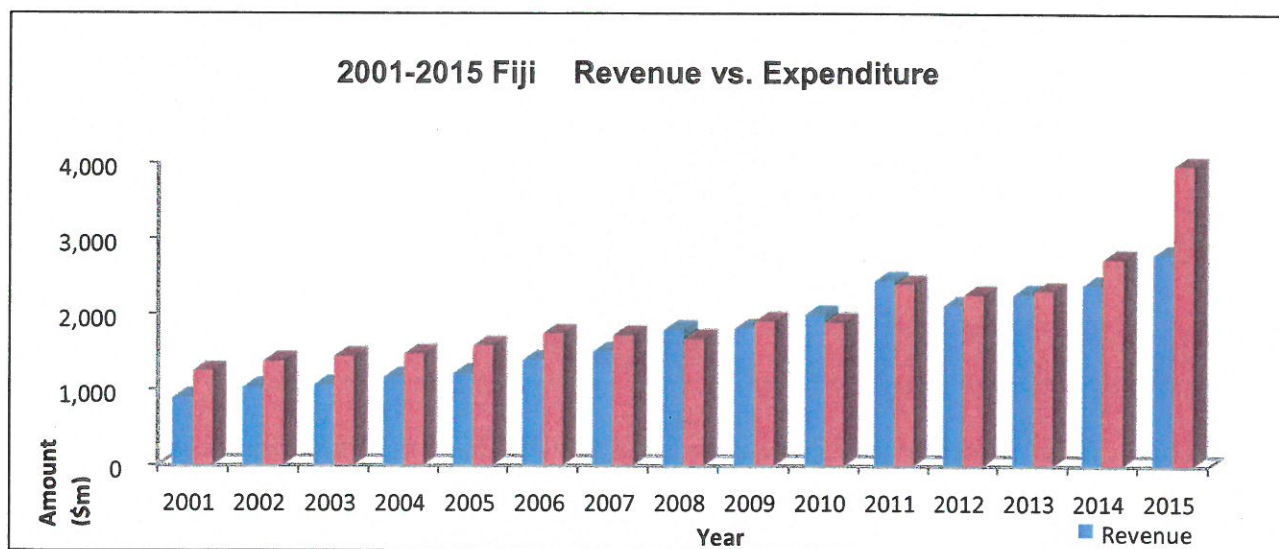
In 2015, total expenditure increased by \$764,929,224 or 24% compared to the total expenditure of \$3,205,840,552 incurred in 2014. This was primarily due to increases noted in Principal Loan Repayments (\$475,094,991 or 235%), redemption of Treasury Bills (\$37,590,238 or 13%), interest payments of loans (\$30,838,539 or 12%) and capital expenditure (\$115,387,726 or 12%).

In addition to the total expenditure, the Trading & Manufacturing Account (TMA) as the trading arm of Government incurred a total expenditure of \$14,911,192.

Government's expenditure for the past five years has been increasing and the majority of the spending was on operating expenditures. Total expenditure in 2015 increased by 24% or \$764,929,224 compared to the increase of 30% or \$742,627,969 in 2014.

Government Expenditure for the past 5 Years

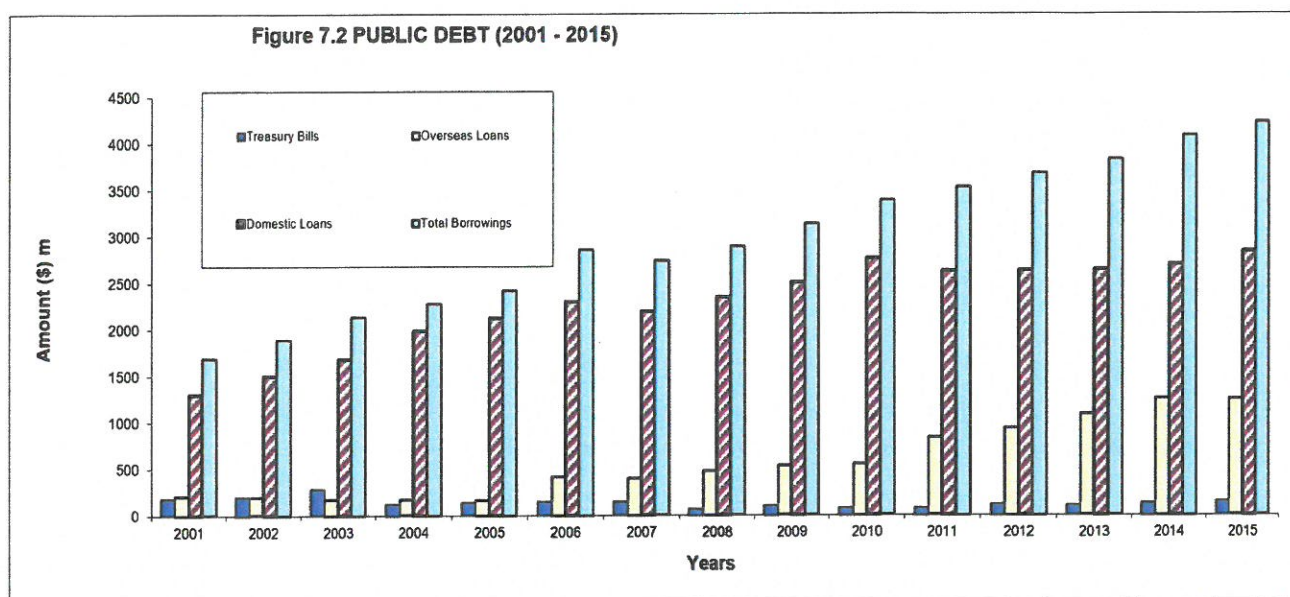
| Expenditures | 2011 (\$) | 2012 (\$) | 2013 (\$) | 2014 (\$) | 2015 (\$) |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Operating | 1,088,155,668 | 1,163,505,072 | 1,212,492,362 | 1,434,490,110 | 1,540,173,910 |
| Capital | 494,534,923 | 533,838,990 | 586,349,201 | 930,115,814 | 1,045,503,540 |
| Vat Payments | 43,978,964 | 50,043,665 | 41,682,412 | 57,395,410 | 55,636,374 |
| Pension Payments | 33,374,303 | 36,371,123 | 35,340,641 | 36,785,353 | 38,878,319 |
| Interest on Loans | 267,218,638 | 260,860,919 | 260,450,670 | 264,309,159 | 295,147,698 |
| Principal on Loans | 503,003,259 | 249,483,884 | 179,320,244 | 202,166,704 | 677,261,695 |
| Redemption of Treasury Bills | 416,019,281 | 265,852,974 | 147,577,053 | 280,578,002 | 318,168,240 |
| Total | 2,846,285,036 | 2,559,956,627 | 2,463,212,583 | 3,205,840,552 | 3,970,769,776 |
| Expenditures | 2011 (\$) | 2012 (\$) | 2013 (\$) | 2014 (\$) | 2015 (\$) |
| Increase/(Decrease) | | (286,328,409) | (96,744,044) | 742,627,969 | 764,929,224 |
| % Change | | (10%) | (4%) | 30% | 24% |



The above shows that government expenditure of \$3,652,601,500 exceeded revenue \$2,793,515,400 during 2015 resulting in a gross deficit of \$859,086,100 for the year 2015.

DEBT AND BORROWING

Over the past 15 years, the percentage of overseas borrowings constituted an average 17% of the borrowings.



Public debt has been increasing over the years and in 2015, a further increase of 3% or \$137,957,041 was noted when compared to the debt of \$4,083,194,826 owed in 2014. The increase was due to an increase in domestic debt by \$165.2 million and Treasury Bills by \$12.7 million. Overseas borrowings decreased by \$12.9 million in 2015 compared to 2014.

Government Borrowing Composition - 2001 – 2015

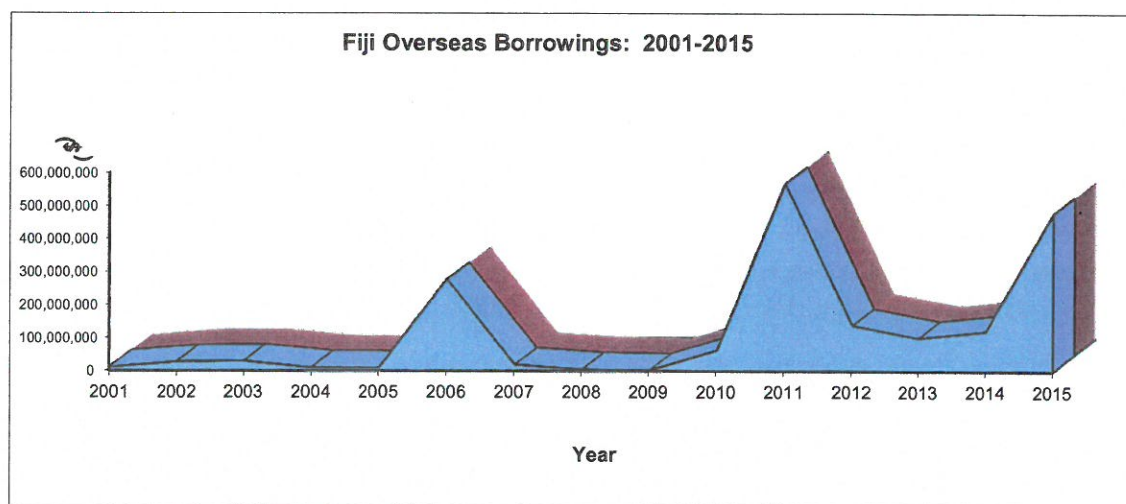
| Year | Domestic Bonds | | Overseas Borrowings | | Treasury Bills | | Total | |
|------|----------------|----------|---------------------|----------|----------------|----------|---------------|----------|
| | Amount \$'000 | % Change | Amount \$'000 | % Change | Amount \$'000 | % Change | Amount \$'000 | % Change |
| 2001 | 229,000.9 | 9 | 10,247.0 | (32) | 424,654.9 | 229 | 663,902.8 | 87 |
| 2002 | 299,000.0 | 31 | 26,196.7 | 156 | 437,465.8 | 3 | 762,662.5 | 15 |
| 2003 | 291,000.0 | (3) | 28,745.3 | 10 | 580,634.6 | 33 | 900,379.9 | 18 |
| 2004 | 449,218.2 | 54 | 9,267.7 | (68) | 189,256.7 | (67) | 647,742.6 | (28) |
| 2005 | 319,967.0 | (29) | 8,641.3 | (7) | 326,951.1 | 73 | 655,559.4 | 1 |
| 2006 | 356,778.6 | 12 | 283,258.7 | 3,178 | 528,715.4 | 62 | 1,168,752.7 | 78 |
| 2007 | 100,536.3 | (72) | 19,855.8 | (93) | 685,889.2 | 30 | 806,281.3 | (31) |
| 2008 | 341,266.9 | 239 | 20,802.8 | 5 | 391,725.9 | (43) | 753,795.6 | (7) |
| 2009 | 404,239.8 | 18 | 25,476.8 | 22 | 253,821.7 | (35) | 683,538.3 | (9) |

| | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-------------|------|
| 2010 | 452,734.1 | 12 | 61,949.5 | 143 | 687,313.1 | 171 | 1,201,996.7 | 76 |
| 2011 | 81,470.5 | (82) | 569,043.1 | 819 | 411,970.9 | (40) | 1,062,484.5 | (12) |
| 2012 | 192,102.0 | 136 | 136,428.7 | (76) | 306,664.5 | (26) | 635,195.2 | (40) |
| 2013 | 172,822.0 | (10) | 99,466.3 | (27) | 138,122.1 | (55) | 410,410.4 | (35) |
| 2014 | 233,405.8 | 35 | 120,241.3 | 21 | 306,883.4 | 122 | 660,530.5 | 61 |
| 2015 | 257,356.1 | 10 | 474,272.0 | 294 | 336,000.0 | 9 | 1,067,628.1 | 62 |

The increase in government borrowing was noted for both overseas and domestic borrowings. Overseas borrowing increased by 294% in 2015 from a total of \$120,241,251 borrowed in 2014 while domestic borrowings increased by 10% from \$233,405,800 in 2014. Treasury bills raised in 2015 increased by 9% from \$306,883,399 raised in 2014. The increase in overseas borrowing in 2015 was due to the refinancing of global bonds.

Overseas Borrowings

The total outstanding overseas borrowing of Government as at 31 December 2015 was \$1,241,407,386 which represents 29% of the total outstanding borrowings. Majority of the overseas borrowings obtained were to finance capital projects.



There were marked increases in overseas borrowing in years 2006 and 2011. In 2015, overseas borrowings increased again due to issuance of \$US150 million, \$US250 million and the \$US200 million in global bonds.

The Government borrowed a total of \$478,804,784 from overseas. Of the total amount borrowed, \$268,612 was in the form of interest capitalization and direct disbursement. Overseas loan repayments totalling \$635,574,673 were made in 2015, which comprises of \$77,497,979 in interest and \$558,076,694 in principal payments.

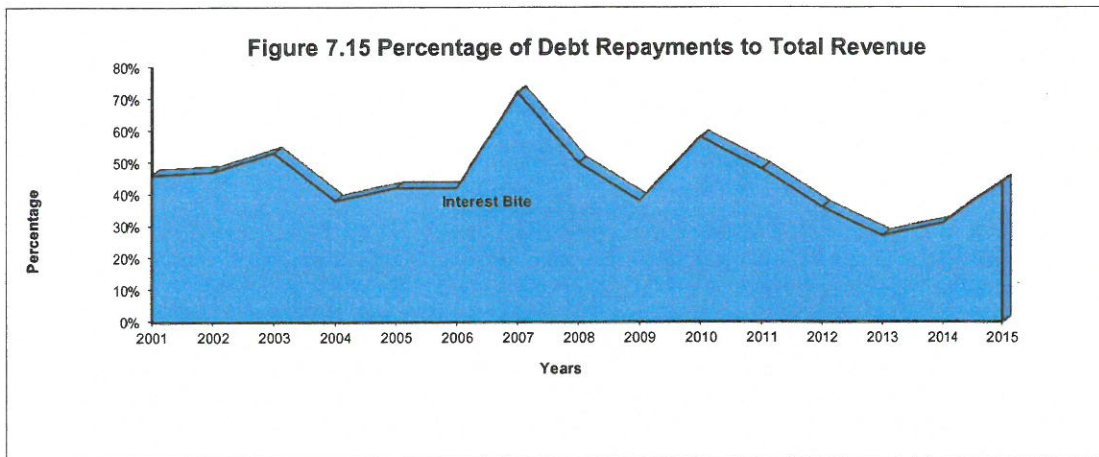
Overseas Loan Disbursements for 2015

| Loan | Cash (\$) | Capitalisation Of Interest (\$) | Direct Disbursement (\$) | Total (\$) |
|---|--------------|---------------------------------------|--------------------------------|--------------------|
| Road Upgrading Project | | | | |
| Buca/ Moto Roads | --- | --- | 12,429,878 | 12,429,878 |
| Sigatoka / Serea Roads | --- | --- | 8,039,335 | 8,039,335 |
| Nabouwalu/ Dreketi | --- | --- | 91,864,224 | 91,864,224 |
| Flood Recovery Loan | | | | |
| Emergency Flood Recovery Loan | --- | --- | 1,773,182 | 1,773,182 |
| Housing Project | | | | |
| 2014 ADB/ Transport and Infrastructure Project | | 268,612 | | 268,612 |
| Total | --- | 268,612 | 114,106,619 | 114,375,231 |

Further details of outstanding borrowings by Government as at 31/12/15 are outlined as follows:

- Borrowings in relation to the Road Upgrading Project comprised of 98% or \$112.3 million of the total outstanding overseas borrowings. The funds obtained for this project were to be used for road upgrading, rehabilitation, and the management of road assets and sector resources.
- Emergency Flood Recovery loan totalled \$1.7 million or 2% of the overseas loan outstanding as at 31/12/15.

Percentage of Debt Repayments to Total Revenue



In 2015, the financial flexibility measure was 46% indicating that the total debt repayment was equivalent to 46% of the revenue received by the Government during the year compared to

31% during 2014. Therefore, 54% of revenues collected were available for government programs compared to 69% during 2014. In 2015, overseas borrowings made up 29% of outstanding government borrowings which decreased by 2% compared to 2014.

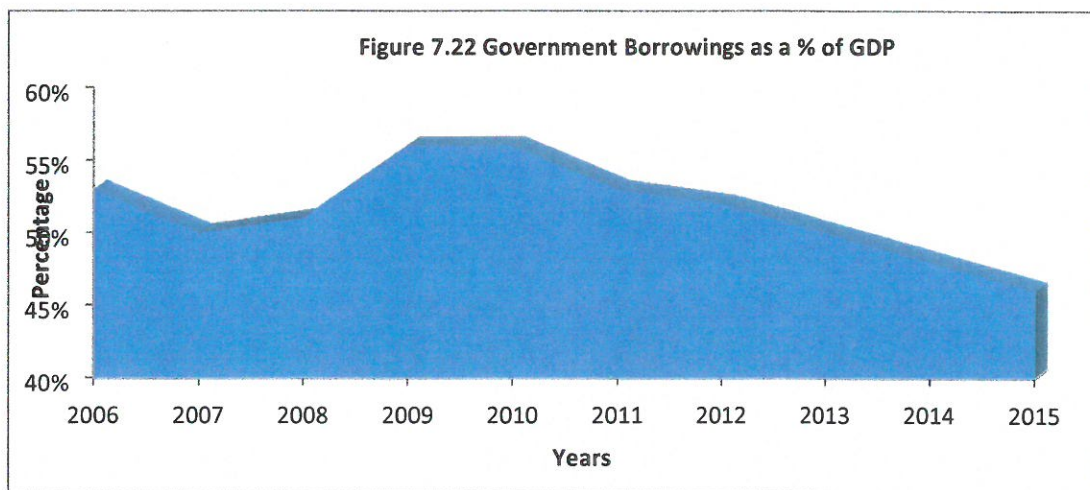
Total Government Debt to Gross Domestic Product

The total Government debt as a percentage of GDP as at 31 December 2015 was 46%, indicating debt sustainability relative to the production of goods and services.

| Year | Government Debt (\$) | % of Growth | GDP (\$) | % of Growth | Public Debt as a % of GDP |
|------|----------------------|-------------|------------------|-------------|---------------------------|
| 2006 | 2,858,713,537 | 18 | 5,325,700,000 | 6 | 54 |
| 2007 | 2,734,471,967 | (4) | 5,440,100,000 | 2 | 50 |
| 2008 | 2,886,805,555 | 6 | 5,614,900,000 | 3 | 51 |
| 2009 | 3,130,061,918 | 8 | 5,614,100,000 | (0.01) | 56 |
| 2010 | 3,382,723,748 | 8 | 6,024,400,000 | 7 | 56 |
| 2011 | 3,530,451,273 | 4 | 6,768,500,000 | 12 | 52 |
| 2012 | 3,678,829,200 | 4 | 7,109,500,000[r] | 5 | 52 |
| 2013 | 3,824,939,969 | 4 | 7,715,700,000[r] | 9 | 50 |
| 2014 | 4,083,194,826 | 7 | 8,435,900,000[r] | 9 | 48 |
| 2015 | 4,221,151,867 | 3 | 9,210,800,000[p] | 9 | 46 |

Percentage growth in Government debt is 3% only while the percentage growth in the economy is 9% indicating a slight decrease in debt burden of individuals in 2015. In 2015, percentage change in national debt relative to the GDP was 46%, a decrease of 2% when compared to 48% 2014.

Government Borrowings as a Percentage of GDP



The Government needs to sustain adequate resources to fund existing programs, commence new projects as well as meet existing creditor obligations to maintain the level of borrowings at a sustainable level.

SUMMARY OF KEY ISSUES

1. Write offs for 2016

Subject to this or any other Act, the Minister of Finance may write off losses in respect of public money, state assets and agency assets.

The Finance Instructions may require each budget sector agency:

- (a) To undertake appropriate recovery action for losses;
- (b) To maintain a register of losses containing the details required to be recorded by the Finance Instructions; and
- (c) To include details about losses and recovery action in the audited financial statements to be included in the agency's annual report.

Accounts receivable balances totalling \$14,673,909 were written off as approved by Ministry of Finance. The write off include irrecoverable accounts due to debtor's inability to pay and accounts without proper documentation because of poor control, absence of account reconciliation and lack of timely reviews of general ledger posting and errors by Ministries and Departments.

Write offs approved by the Ministry of Finance

| Ministry/ Department | Amount (\$) |
|----------------------------------|------------------------|
| Public Service Commission | (9,951,711) |
| Min of iTaukei Affairs | (37,400) |
| Office of the Auditor General | (110,555) |
| Elections Office | (49,695) |
| 00Fiji Corrections Services | (7,539) |
| Min of Rural Maritime | (40,175) |
| Fiji Military Forces | (17,715) |
| Fiji Police Force | (14,689) |
| Min of Education | (49,941) |
| Min of Fisheries | (66,747) |
| Ministry/ Department | Amount (\$) |
| Min of Lands & Mineral Resources | (6,834) |
| Min of Works | (1,880,855) |
| Water Authority | (7,038) |

| | |
|-----------------------------|---------------------|
| Govt Printing TMA | (212,765) |
| Min of Health TMA | (106,059) |
| Min of Works TMA | (2,114,179) |
| Department of Housing Trust | (12) |
| | (14,673,909) |

The write off of accounts receivables is a loss of public funds.

The Minister for Economy on 31st May 2016 approved for the write off of a sum of \$1,874,524.69 from various accounts in the 2015. Two adjustment exercises had already been carried out in 2013 and 2014 amounting to \$96 million and \$20 million, respectively.

2. Ministries/Department that did not carry out Board of Survey properly, or at all.

| Ministries/Departments |
|---|
| Ministry of Local Government, Housing, Environment |
| Ministry of Sugar |
| Ministry of Foreign Affairs |
| Office of the President |
| Ministry of Rural and Maritime Development and National Disasters |
| Ministry of Education, Heritage and Arts |
| Ministry of Agriculture |

3. Expenditure planning ("December cheques")

Once again, Ministries and Departments concentrated spending of their budgets towards the end of 2015 (December) hence indicating lack of proper financial planning during the year. This contributed to significant unrepresented cheque balances at the end of the year, placing undue strain on government cash flows at the beginning of 2016.

4. Public debt

At the end of 2015, the percentage of national debt relative to GDP was 46%. This is a decrease of 2% when compared to 2014, and an increase by XXX% by comparison to the previous decade.

5. Anomalies in Cash at Bank Balance

Variances were noted between the bank reconciliation and FMIS general ledger. The general ledger had been overstated by a sum of \$1,619,790 as at 31/12/15.

A sum of \$600,331 in the scholarship recovery bank account was still reflected in the Ministry of iTaukei Affairs general ledger as at 31/12/15 despite the transfer of the administration of scholarships to the TSLB in 2014.

Variances totalling \$1,627,016 were noted between the TMA Bank Reconciliation and FMIS general ledger as at 31/12/15.

Variances totalling \$1,351,354 were also noted between the Trust Bank Reconciliation and FMIS general ledger. Furthermore, two Trust cash accounts at Ministry of Justice and the Public Service Commission, with a total balance of \$1,027,504, were not recorded in the FMIS general ledger.

6. Root Cause Analysis

Analysis of audit findings reported in 2014 and 2015 indicate the following as root causes behind the issues highlighted;

- **People**

- 1) Inability to prepare reconciliations, investigate and rectify variances
- 2) Supervision of work of subordinates
- 3) Inability to manage capital projects
- 4) Procurement processes not followed
- 5) Payment procedures not followed
- 6) Diversion of funds
- 7) Conflict of interest not managed
- 8) Records not updated

- **Processes**

- 1) Delay in approval of capital projects
- 2) Procedures for debt recovery not effective
- 3) Policies need to be formulated in some areas

- **Systems**

- 1) Automated inventory management systems not used

CHAPTER 3: Volume 2: Audit Report on the General Administration Sector

Section 1: Office of the President

Roles and Responsibilities:

The President is vested with the Executive Authority of the State in accordance with Chapter 4:81(2) of the 2013 Constitution of the Republic of Fiji. The President is also the Commander in Chief of the Republic of Fiji Military Forces in accordance with Chapter 4:81(3) of the 2013 Constitution and Chancellor of the Order of Fiji. The Office of the President, in collaboration with the Office of the Prime Minister, ensures that all and any advice tendered to the President are consistent with the provisions, principles and spirit of the Constitution of the Republic of Fiji. At the operational level, the Office of the President is responsible for providing on a daily basis a timely and high standard of professional administrative, protocol and ancillary support services to the President to enable the successful fulfillment of all of the President's Constitutional, ceremonial and public duties.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2014 accounts of the Office of the President resulted in the issue of a qualified audit report. The Travel advances expenditure totalling \$746,326 was not reconciled and journalized to the relevant expenditure allocations during the year. Consequently, total expenditure is understated by \$746,326 in the Statements of Receipts and Expenditure.

The Committee was informed that the Office of the President did not comply with accepted accounting rules of Expenditure as a result of several contributing factors including the absence of a dedicated Accounts Officer, the absence of a fully-fledged Accounts Section, the shared nature of financial reporting responsibilities with the Office of the Prime Minister and the lack of capacity building and succession plans during that time.

The Committee noted that the anomalies have now been addressed through financial reforms such as having a fully-fledged Accounting Section and a dedicated Accounts Officer.

1.2 Statement of Receipts and Expenditure

The Office of the President incurred a total expenditure of \$2,564,097 in 2014. Total expenditure increased by \$156,046 or 6.5% in 2014 compared to 2013 due to increases in Established Staff, Travel and Communications expenditures. Salaries for all civil

servants were raised in 2014 and the increase in local and overseas official engagements for His Excellency the President.

1.3 Appropriation Statement

The Office of the President incurred expenditure totaling \$2,564,097 in 2014 against the budget of \$3,622,974 resulting in a savings of \$1,058,877 or 29%.

PART B: AUDIT FINDINGS

1.4 Backlog and Overdrawn Operating Trust Fund Account

The Committee noted that the reconciliation for the Operating Trust Fund Account was not prepared from April to December 2014. As a result the balance of \$36,877 in the Operating Trust Fund Account general ledger account could not be reconciled as at 31/12/2014.

In addition, the Trust Fund Account continued to be overdrawn since 2010. This is attributed to the failure in performing Trust Fund Account reconciliation. Despite being highlighted in the previous years' audit reports, the Office of the President still failed to reconcile the overdrawn balances.

The Committee was informed that due to the lack of capability in the Office staff, there was a significant amount of mispostings in the Operating Trust Fund Account. This led to significant debit balances or overdrawn accounts. However, the establishment of a fully-fledged Accounts Section, in addition to the recruitment of a qualified and experienced Accountant, has enabled the Office to address the issue of mispostings and the reconciliations are now conducted on a monthly basis. The extra trust allocations have been deactivated and closed by the Ministry of Economy and by the end of 2015 all the Trust Fund had a zero balance.

The Committee agreed with the Auditor General's recommendations that:

- The Senior Assistant Secretary should ensure that monthly reconciliations are carried out and any overdrawn trust fund accounts are investigated and adjusted accordingly.
- The internal control procedures in the Accounts Sections, specifically supervisory checks should be strengthened to avoid such discrepancies.

In addition to the OAG recommendations the Committee further recommends that the Office should prepare timely reconciliations to ensure that the account is not overdrawn at any point in time. Furthermore, accounts staff should be appointed based on relevant qualification and experience. Proper training and capacity building should be carried out to ensure that financial procedures and accounting transactions are covered adequately.

1.5 Non – Clearance of Balances in Revolving Fund Account

The Committee noted that the advances were not reconciled and journalized to the travel expenditure allocations during the year. As such, expenditure is understated in the Statement of Receipts and Expenditure. The Office has failed to maintain, record, reconcile and journalize advances to the relevant expenditure allocations. Hence, expenditure in the Statement of Receipts and Expenditure are understated

The Committee was informed that the retirement of accountable advances could not be completed from 2012 to 2014 due to the lack of knowledge and capabilities in the Office, which was caused by a series of factors including the non-existence of a dedicated accounts officer position for over 16 years, the absence of an accounting section, and the consequential lack of capacity building. The Committee further noted that these have all been addressed through an organizational reform which the Office had completed in 2014 which resulted in the creation of a fully-fledged accounting section with three dedicated accounts positions, and the recruitment of a qualified and experienced accountant to manage the section. The Office has now cleared the Revolving Fund Account as of 2016 as evidenced in the GL671 Report.

The Committee agreed with the Auditor General's recommendations that:

- The Office should ensure that the advance account balance is reconciled and journalized accordingly to expenditures.
- Disciplinary action should be instigated against officers for the un-reconciled and non-recovery of balances.

The Committee recommended that the Office should ensure that the balances of revolving fund account are cleared on a timely basis.

Even though the Committee agrees with the OAG's recommendation the Committee is concerned of the lack of action taken for disciplinary measures.

1.6 Maintenance of Corporate Credit Card

According to the Office of the President Credit Card Policy "it is the responsibility of the designated reconciliation clerk within each ministry and department to examine and reconcile the credit card bank statement and the individual receipts produced by the card user on a monthly basis. All receipts supplied by the card holder upon return must contain his/her signature to certify that the expense was incurred for official purposes. Any transaction appearing on the credit card bank statement that is not supported by a signed receipt is to be personally reimbursed by the card holder seven (7) days upon return. Proper justification needs to be provided to the reconciliation clerk and the accounting head to support the non-availability of the receipt".

Further "all credit cards, other than that of the Prime Minister will have a maximum limit of \$5,000".

The Committee noted the following anomalies:

- The credit card had a credit balance of \$10,024 as at 31 December 2014;
- The credit card bank statements were not properly kept for audit purposes; and
- Reconciliation of statement and receipts were not prepared as no credit card payment was sighted.

The committee was informed that in 2014, the Credit Card for the Office of the President had a limit of \$5,000 and the Card was used solely for the President/Head of State's official travels abroad. However, the card limit has always been insufficient to cater for His Excellency the President's official expenses and the high risks associated with carrying cash, the Office opted to deposit additional funds into the Credit Card. This resulted in the Credit Card Account balance turning to credit balances.

Also the lack of capability in the Office at that time had resulted in the poor maintenance of the Credit Card.

The Committee was further informed that the office now has a fully-fledged Accounts Section that has enabled the proper maintenance of the Credit Card Account and the card is now kept under a lock and key at the Accounts Safe. The Card PIN number is kept only by the Official Secretary, and is used only when the Head of State travels abroad. Receipts and card statements are properly kept and submitted to the Accounts Section after every tour. Also by the end of 2015, all the excess credit were transferred to the Government Consolidated Fund Account reducing the Credit Card Account Balance to \$5,000, the approved limit under the Credit Card Policy.

The Committee agreed with the Auditor General's recommendations that:

- The Accounts Officer in consultation with the Permanent Secretary should ensure that credit card statements verification and reconciliation are performed on a monthly basis.
- The credit card limit for the President should be increased to adequately cater official travelling costs

The Committee further recommends that the Office should ensure that it maintains its corporate credit card transactions efficiently, within limits, diligently and continuously updating the usage.

Secondly, proper credit card limit should be obtained before official overseas travel engagements on a case by case basis.

1.7 Accountable Advance Not Retired

The Committee noted that accountable advances were not retired after the 7 day period after returning from overseas official trips. The lack of supervisory checks in the Accounts section had resulted in such anomalies. Non-timely retirement of advances accumulates accounts receivable and results in unrecorded expenditure for the period.

Hence the expenditure has be understated by \$47,874 at year end resulting in the misstatement of the Office's financial statement.

The Committee was informed that the non-reconciliation and retirement of accountable advances were due to the lack of capability in the Office and this contributed to the accumulation of outstanding balances in the Revolving Fund Account (RFA).

The Committee was informed that the organizational restructure in 2014 enabled the Office to recruit a qualified and experienced Accountant who has helped to address the non-clearance of Accountable Advances and in 2015 and 2016 all the Advances taken during that financial period were retired and debited to the necessary Operating Allocations.

The Committee agreed with the Auditor General's recommendations that:

- The Accounts Officer must ensure that the retirements of accountable advance are done within 7 days of completion of travel and claim forms to be completely filled with time of departure and arrival to station.

The Committee further recommended that the Office must ensure that all accountable advances should be retired within 7 days of completion of travel and should be strictly adhered to.

Committee Recommendations and Resolutions:

- The need for each Ministry and Department to have their own Accounts Section with qualified accounting personnel with relevant accounting roles and responsibilities.
- The Ministry of Economy's Internal Audit Team should conduct regular internal auditing rather than performing audits based on risk assessment.
- Proper planning and forecasting of credit card limit for overseas travels.
- Implementation of disciplinary actions in relation to the anomalies highlighted, example the accountable advances not being retired within 7 days from the date of return.

Section 2: Office of the Prime Minister and Public Service Commission

Roles and Responsibilities:

Office of the Prime Minister

The primary role of the Prime Minister's Office is to provide sound policy and administrative support to the Prime Minister in his role under the provisions of Section 92 of the Constitution. The Prime Minister's Office also has a central place in facilitating the decision-making responsibility of Cabinet and its collective responsibility to Parliament under the Provisions of Section 91 of the Constitution, and ensures the implementation of Government's policies. These responsibilities are undertaken through activities within the Prime Minister's Office, namely Administration and the Cabinet Office. This includes the facilitation of infrastructure development, dissemination of Government's intentions and objectives inclusive of the Constitution, administration of poverty alleviation programmes, oversight of national projects (Fiji Roads Authority, Public Service Broadcasting contract and Mahogany Industry Development) and the promotion and monitoring of Government initiatives by the Strategic Framework for Change Coordinating Office are also relevant in this regard.

Public Service Commission

The Public Service Commission under Section 126 (1) of the 2013 Constitution is responsible for the following functions:

- a) To appoint permanent secretaries with the agreement of the Prime Minister;
- b) To remove permanent secretaries with the agreement of the Prime Minister;
- c) To institute disciplinary action against permanent secretaries;
- d) To make such other appointments and perform such other duties, functions and responsibilities as may be prescribed under written laws;
- e) To reassign one or more permanent secretaries amongst the various ministries of the state with the agreement of the Prime Minister; and
- f) To determine the remuneration of the Permanent Secretaries.

PART A: FINANCIAL STATEMENT

2.1 Audit Opinion

The audit of the 2014 accounts of the Office of the Prime Minister and Public Service Commission resulted in the issue of a qualified audit report. The basis of qualification is as follows:

Trading and Manufacturing Account: Total receivables of \$68,461 were noted in the Trading and Manufacturing Account as at 31 December 2014. This was not disclosed in the Agency Financial Statements. Hence Total Assets maybe understated for the year ended 31 December 2014.

2.2 Statement of Receipts and Expenditure

The Office of the Prime Minister and Public Service Commission collected revenue totalling \$1,023,614 and incurred a total expenditure of \$49,682,440 in 2014.

Revenue collection increased by \$1,002,690 in 2014 due to the clearance of previous years stale cheques by the Office of the Prime Minister and the recording of miscellaneous revenue by the Public Service Commission.

Total Expenditure decreased by \$17,253,722 or 26% in 2014 due to decreases in overseas travel costs, transfer of Agriculture Marketing Authority grant to Ministry of Agriculture and scholarship funds to Tertiary Loan Education Scheme.

2.3 Appropriation Statement

The Office of the Prime Minister and Public Service Commission incurred expenditure totalling \$49,682,440 in 2014 against the revised budget of \$53,330,902 resulting in a savings of \$3,648,461.

In 2014, Cabinet approved the redeployment of \$1,000,000 from the Office of the Prime Minister's budget to Fiji Roads Authority.

2.4 Trust Fund Account Statement of Receipts and Payments

The Office of the Prime Minister utilized \$2,930,368 in 2014 from the Chinese grant for various projects selected by the Office.

In addition, the Office utilized \$16,746 from Taiwan Grant on various projects selected by the Office.

2.5 Trading and Manufacturing Account (TMA) – Government Quarters

Net Profit increased from \$641,641 in 2013 to \$905,099 in 2014.

PART B: AUDIT FINDINGS

OFFICE OF THE PRIME MINISTER

2.6 Unsubstantiated Write Off

The Committee noted that liabilities totaling \$1,161,731 were approved to be written off by Ministry of Finance without any supporting documents to justify the reason for write offs. As a result the audit could not ascertain the accuracy of the write-off in the general ledger system.

The Committee was informed that the Write Off for the General Ledger accounts had been an initiative that had been undertaken by the Ministry of Finance FMIS Unit.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accountant should ensure that all write offs are properly substantiated with supporting documents to justify the reasons for write offs.

2.7 Unverified Accounts Receivable Balance

The Committee noted that the Account Receivables (1-02101-02999-560203) had an unexplained balance of \$217,822 recorded in the general ledger system. Thus, Audit was unable to substantiate the balance for the above allocation as the Office failed to provide any details or records.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accountant should ensure that transactions posted to the general ledger (FMIS) are supported with documentary evidence.
- The Principal Accountant should review the general ledger balances in a timely manner and liaise with the Ministry of Finance for any unverified balances noted in the general ledger system.

2.8 Diversion of Rural Sports Complex Fund for Retention Monies

The following anomalies were noted in the administration of the above retention fund;

- Audit established that the Office issued a cheque number 79951 dated 19/12/2014 totaling \$937,872.89 from the rural sports complex allocation payable to Permanent Secretary Prime Minister Office (PSPMO) to account for the 10% retention for Nadi, Nawaka and Ba river;
- Audit could not establish as to which bank account was the cheque paid to as the Office did not produce any records of the banking of the cheque number 79951; and
- Audit could not ascertain if the retention monies has been paid to the contractors.

The Committee was informed that this issue had been resolved as OPM has now opened a separate account to avoid such issues and undertakes timely reconciliation of accounts to ensure proper record keeping.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accounts Officer should provide to audit the banking details of cheque number 79951 dated 19/12/2014.
- The Director Corporate Services should ensure that funds are used for the purpose it was appropriated for.

PUBLIC SERVICE COMMISSION

2.9 Irregularities in Operating Trust Fund Account

The Committee noted the following anomalies:

- The operating trust account had an overdrawn account of \$233,933 which was carried forward from 2013.
- A variance of \$2,805 was also noted between the general ledger and department's reconciliations as at 31/12/14.
- Three of the twenty trust fund accounts were dormant for the last 4 years.

The anomalies indicated that the reconciliations of operating trust fund accounts were not effectively carried out by the responsible officers which resulted in the carrying over of overdrawn and dormant accounts.

The Committee was informed that the Construction Implementation Unit (CIU) is now responsible for reconciling Bond Trust Account. The CIU consists of the Administrative and Finance Team with a qualified surveyor. The Unit however does not have a registered engineer or an architect. These responsibilities have been outsourced following the tender process. The Committee further noted that the CIU are the enforcers of ensuring that the standards are met.

The Committee agreed with the Auditor General's recommendations that:

- The Commission should liaise with Ministry of Finance to close off dormant accounts and rectify the overdrawn account.
- Reconciliations should be properly carried out every month and any variances noted to be rectified accordingly.

2.10 Drawings Account Unreconciled Balances

The audit noted the following anomalies:

- The Commission's Drawings reconciliation in December 2014 included an unsubstantiated figure of \$79,982.
- A variance of \$9,791 was noted between the Commission's reconciliation and the general ledger as at 31/12/14.
- A total of \$16,972 stale cheques remain uncleared as at 31/12/14. Of these, \$16,511 has been outstanding from 2013.
- Unpresented cheques for 2014 are still substantial despite the introduction of EFT payments.

Drawings reconciliations were not effectively carried out which resulted in the above anomalies. This demonstrates the laxity of accounting officers responsible including immediate supervisors.

The Committee agreed with the Auditor General's recommendations that:

- The Commission should ensure that proper reconciliation is carried out on a timely basis and independently checked by immediate supervisors. Any variances should be rectified immediately.
- The Commission must clear the outstanding stale cheques in line with Finance Instructions.

2.11 Revolving Fund Account (RFA)

Verification of the General Ledger (FMIS) records revealed that account allocation 1–02300–00000–560000 – Accounts Receivable had a debit balance of \$9,941,319. However, no reconciliation was done for months of January to October 2014 as balances included prior year amounts. Hence audit could not fully substantiate the correctness of the above balances.

Audit highlight that this issue was highlighted in the previous audit report, however no corrective action had been taken by the office.

The Committee agreed with the Auditor General's recommendations that:

- The Accounting Head must enquire with Ministry of Finance and rectify the balance.

2.12 Lending Fund Account

The Term Loans Receivable balance as at 31/12/14 includes three scholarship loan accounts which are controlled by the PSC. At the balance date, all three accounts were noted to have credit balances.

Audit verification noted an unexplained variance of \$28,013 between the department's reconciliation and the general ledger. Refer below for details.

The Committee agreed with the Auditor General's recommendations that:

- The Commission must ensure reconciliation of GL balances with the Department records through proper accounting practices given in the financial instructions.
- The Commission must enquire with Ministry of Finance and rectify the balance.
- The Commission must ensure proper controls and accounting practices are implemented to improve the processes in scholarship loans and recoveries.

2.13 TMA Receivables

The Committee noted that a total outstanding rent of \$68,461.28 for the Trading and Manufacturing Account as at December 2014 had not been disclosed in the Agency Financial Statements.

The Committee was informed that the Ministry have assessed the underlying cause of this problem and have revamped accordingly the accountability & reconciliation mechanisms including the recovery process. Also, a sum of \$13,121.28 has been recovered as at 31 January 2015 from the total outstanding rent of \$68,461.25 while the Unit is closely following up with the relevant tenants to ensure that the arrears are fully recovered

The Committee agreed with the Auditor General's recommendations that:

- The Commission should continuously follow up with the tenants to clear their arrears on time.
- TMA for each quarter should include outstanding rent.

2.14 Management of Government Quarters

Audit noted the following anomalies in the management of government quarters including quarters' records:

- The Commission to update the maintenance/renovation history including maintenance cost of each government quarters;
- There is no routine maintenance plan for all government quarters;
- All complaints and requests from the tenants/ministries/concerned parties for renovations to be undertaken were not documented and filed in the respective quarter's files;
- The site inspection report by the Technical Officer to assess the extent of renovations to be done was not filed;
- The data currently maintained manually by the Unit is incomplete with regards to monthly rent, grading of quarters, post descriptions of tenants, date of occupancy of tenants, rent deductions up date and file references for individual tenants.
- There is no clear demarcation of responsibilities between the Commission and Ministry of Works with regards to renovation of government quarters. In 2014, a sum of \$2,978,686 was utilised by the Ministry of Works in the maintenance of quarters in the Western Division. This costs was not reflected in the Trade and Manufacturing Account for the Commission in 2014.

The Committee was that there are technical officers based at the different divisions who are in the capacity to address issues such as maintenance of Government Quarters, inspections, complaints and requests from tenants, ministries, or concerned parties. Furthermore all site inspection reports are available in the respective Quarter Files. Also, the Ministry have the Quarters Maintenance Excel Spread Sheet which indicates the Contractors Name, Quarters number, approved amount and states whether it's a minor or major renovation.

The Committee agreed with the Auditor General's recommendations that:

- The OA Unit should maintain the maintenance records for each quarters including site inspection report of renovation work to be done, maintenance period, contractor and actual costs of maintenance.
- The OA Unit should prepare a routine maintenance plan for all government quarters.
- A complaints register for quarters should be maintained and updated regularly.
- Proper consultation and coordination should be made with Ministry of Works with regards to maintenance of government quarters.
- Reconciliation of quarters' rent deduction should be carried out regularly.

2.15 Ineffective Database System

The database 'Legacy applications for PSC Housing' is not properly executed by the housing unit as intended for in 2014. The database was to improve quarter's management and provide reliable and up to date information. The possibility of integrating data with stakeholders and interfacing quarter's data is stringently limited.

The audit noted the following:

- List of updated quarters and occupants cannot be printed on a timely manner for references;
- Evaluation quarters per Division cannot be done from the database;
- History Log for previous tenant are erased as soon as a new tenant is created or updated in the system;
- Tenant details are not updated for current tenants - prior tenant's details still appearing;
- Reports such as financial reports, monthly arrears, profit report and total rent by district cannot be printed or viewed;
- Summary data per Quarter is not updated;
- Evaluation records not appearing for inputs per quarters including its history log;
- Market rate and monthly rental details not updated for a particular quarter nor the number of bedrooms available;
- The images interface is not utilized;
- Vacant quarters generated by the database report is not updated or failing to reflect the current status per quarters as some of these quarters have been occupied;
- Market rate tab for filling cannot recognise some numbers when inputted. Numbers not recognised are 7, 8 and 9.

The unit has thus reverted to manual reconciliations as the database is not fully effective as intended. No action has been done by the Commission to rectify the above anomalies and improve the system.

Even though the development and implementation of the database 'Legacy applications for PSC Housing' was delayed from 2013 to 2014, it is yet to effectively capture all housing data and provide automated reports which are still manually produced.

The Committee was informed that initially, the Ministry did not have a database System at the time of audit. However MOE has secured Technical Assistance from ADB to establish national database module for all construction related projects, which tracks project progress under CIU. The Unit is also working on records management system to record all quarters, tenants and all other related details.

The Committee agreed with the Auditor General's recommendations that:

- The OA Unit should complete the implementation of the database to assist with the management of the PSC office accommodation and quarters.

2.16 Anomalies in Rent Deductions for Government Pool and Rented Quarters

Audit noted that 320 officers from ministry's and departments under pool quarters did not have rent deductions from their salaries. It was also noted that 13 officers' employment agencies were unclear or not recorded

Audit further noted a total of 80 officers under Government rented quarters failed to deduct their rent contributions.

Non-deduction of rent payable from basic salary is a breach of General orders and state finance regulations and subsequent loss of government revenue.

The Committee was informed that 16 Officers salary had been deducted at subsidized rental rate and the Ministry is currently working with Divisional Commissioners and the respective agencies to ensure that rent deductions have been effected from eligible officers. The Ministry is also working with line agencies to ascertain the correct number of tenants that fall under this category.

The Committee was further informed that the Civil Servants who work in the Maritime Zone and occupy quarters are required to pay 4% of basic salary subsidized rental rate while doctors and nurses serving in District and Rural Hospitals/ Health Centers are entitled to free housing as per PSC Circular No. 49/2011.

The Committee agreed with the Auditor General's recommendations that:

- The OA Unit should ensure tenants pay the authorised rent levied and recover the owed rent to state where necessary.
- The OA Unit should improve its data quality and integrity. It is important to maintain accurate data for quarter's administration purposes including operational, strategic needs and any recovery measures.

2.17 Non-Eligible Officers occupying Quarters

Audit noted that 97 officers from the discipline forces and statutory authorities were not eligible to occupy quarters. The Fiji Police Force with the highest number amounting to 38 officers.

Audit further noted that several officers have been transferred to other stations but were not updated in the Office of Accommodations records.

This is the result of poor record keeping and failure to implement an effective and efficient communication system with the Divisions.

The Committee was informed that work is in progress to determine the non-eligible Officers occupying Government Quarters and a total of 11 Police Officers have been evicted in Nadi. Furthermore there is Divisional Housing Board who is responsible for allocation of all Quarters except institutional the quarters under Military, Police and Corrections Department in the respective Divisions.

The Committee was further informed that the CIU is currently assessing the Government Pool Quarters that are occupied by statutory bodies (MSAF, BAF), which have been approved by Divisional Housing Board due to the nature of their operations.

The Committee agreed with the Auditor General's recommendations that:

- The OA Unit should ensure only eligible tenants are accommodated in Government quarters. Unauthorized tenants must be identified and removed to allow other accommodation and housing needs.
- The OA Unit should improve its data quality and integrity to ensure the correct information is maintained.

2.18 Market Rented Quarters

The Public Service Commission is responsible for the provision of adequate office accommodation and for prescribing and supervising the physical working condition for the public service and providing proper housing for the civil servants and members of the public. Audit noted that some tenants were paying rent less than the valuation amount. The Office Accommodation Unit indicated that these tenants had been occupying quarters that were yet to be renovated

Renting quarters at the rates less than the valuation amount is loss of revenue to government.

The Committee was informed that the Quarters have now been renovated and the Ministry of Lands and Mineral Resources has conducted the rental valuation for all quarters in Suva and all tenants are now occupying Government Quarters in Suva and are paying the market rent.

The Committee agreed with the Auditor General's recommendations that:

- The OA Unit should prioritise the renovation of market rented quarters to ensure the correct revenue is remitted to government.

2.19 Rent Arrears

Audit noted that some tenants vacated the quarters in 2013 with outstanding rents. The tenants' rights and obligations have not been fully complied with and this a breach of agreement with the state.

Without strict recovery procedures, lack of monitoring and financial arrangements with tenants, the arrears of revenue will continue to increase losing out potential state revenues.

The Committee was informed that the cases have been referred to Small Claims Tribunal to further search for former occupants so that the rent arrears could be recovered. Also the defaulter's names have been forwarded to Department of Immigration so that they are unable to travel abroad until their rental arrears are cleared.

The Committee agrees with the Auditor General's recommendations that:

- The Commission TMA staff must ensure that tenants clear their arrears as agreed in the tenancy agreements. That reasonable notice is also allowed on reasonable grounds.
- Necessary tenancy follow ups should be done before allowing tenants to continue to occupy the quarters without payment of rent for a period of time.
- The Commission TMA manager should initiate recovery procedures from former residents owing high rent arrears.

Section 3: Office of the Attorney General and the Solicitor General

Roles and Responsibilities

The Office of the Attorney General provides legal services to the Government and facilitates access to the law with independent and impartial professional legal services of high calibre. The Attorney General is the Chief Advisor to the Government whose Permanent Secretary is the Solicitor General.

PART A: FINANCIAL STATEMENT

3.1 Audit Opinion

The audit of the 2014 financial statement of the Office of the Attorney General resulted in the issue of an unqualified audit report. However, management attention was drawn to the following:

The Office of the Attorney General had an accumulated balance of \$169,123 in the operating trust fund account as at 31/12/14, being surplus from hosting the Attorney General's Conference accumulated from previous years and yet to be transferred to the consolidated fund. Included in this balance is the surplus of \$32,712 for the 2014 Attorney General's Conference, thus the revenue is understated.

The Committee was informed that the revenue had not been understated. The funds in the trust account had accumulated from previous years and all monies collected for the 2014 Attorney-General's conference were receipted to this trust account and all payments were made accordingly.

The Committee was further advised that as per the advice of the Office of the Auditor-General during the exit meeting the Office opened a new bank account titled "Conference Trust Account" on 28 August 2015. Following this the surplus funds were transferred from the operating trust account to the new Conference Trust Fund and all monies collected for the Conference are credited to this account.

3.2 Statement of Receipts and Expenditure

The Office of the Attorney General and the Solicitor General collected revenue totaling \$176,423 and incurred a total expenditure of \$13,601,265 in 2014. Total revenue decreased by \$195,981 or 53% in 2014 compared to 2013 as a result of decreases in hotel license, other licenses and registration of patents revenue collection. Total expenditure increased by \$4,349,538 or 47% in 2014 compared to 2013 due to increases in payroll, travel and communication costs, special expenditures and operating and capital grants and transfers.

The Committee further enquired on the reasons for the substantial decrease in revenue and was informed that these were due to the advance collection of license fees for 2014 in 2013. Further revenue from court cases and gaming licenses also decreased. The Committee was also informed that increases in expenditure was due to increased budget for the Legal Aid Commission from \$2.2m (2013) to \$4.4m (2014) to be used for funding the opening of new offices in Navua, Savusavu and Nasinu.

The Committee had enquired whether the audit of the Ministry includes the audit of the Legal Aid Commission. The Committee was informed that the Commission is audited separately and only the payment of the grant is audited under the Office of the Attorney-General.

Also in 2014 the Department of Civil Aviation was transferred to the Office of the Attorney-General with a budget estimate of \$7,687,000.00

The Committee noted that the other reason for the increase in expenditure was because the Department of Civil Aviation, as per policy decision, was transferred from the Ministry of Public Enterprises to the Office of the Attorney-General. The Department of Civil Aviation has been undertaking a number of legal negotiations to finalise Air Services Agreements (ASA) with numerous countries. For example, the Department finalised a Memorandum of Understanding (MOU) with the Government of Japan to allow for improved air services between Fiji and Japan. Similarly, legal negotiations are underway with the Government of India and other countries.

3.3 Appropriation Statement

The Office of the Attorney General and the Solicitor General incurred expenditure totalling \$13,601,265 in 2014 against a revised budget of \$16,112,400 resulting in a savings of \$2,511,135 or 16%.

In 2014, Cabinet approved the redeployment of \$2,575,000.00 from the Office budget to Fiji Roads Authority.

The Cabinet decision was made under the Financial Management Act by the Minister for Finance at that time,

PART B: AUDIT FINDINGS

3.4 Operating Trust Account – Attorney General’s Conference

The Committee noted that the Department had an accumulated balance of \$169,123 as at 31/12/14 in their operating trust account. This were the accumulated surplus funds from hosting the Attorney General’s Conference annually.

The Committee was informed by Audit that it is not correct to keep the surplus funds in the operating trust account as it is not a liability and should have been transferred to revenue at year-end. Hence, revenue is understated by \$169,123.

The Committee was informed that the Minister for Economy approved the opening of a separate trust account for the Attorney-General's Conference where all funds have been transferred. The new trust account was created with HFC Bank on 26 August 2015. All revenue and expenditure relating to the Conference are reflected under this account. Furthermore, the accumulated balance from the operating trust account was \$169,123, which had been used to pay the first deposit of \$76,400 for the 2015 Attorney-General's Conference with the balance of \$92,723 being transferred to the new Conference Trust Account.

The Committee agreed with the Auditor General's recommendations that:

- The Department should transfer the surplus funds from the above operating trust fund account to revenue.

Committee Recommendations and Resolutions:

The Committee notes the opening of the new account to accommodate the transfer and deposit of the surplus funds from the operating trust fund account.

Section 4: Ministry of Economy

Role and Responsibilities

The Ministry is responsible for formulating and implementing fiscal, financial and monetary policies. Its main functions are the collection and disbursement of public revenue, raising and repayment of loans, and developments of economic policies. It also provides various services to other departments, which include provision of printing and stationery services by the Government Printer, procurement and processing of supplies through Fiji Procurement Office. Also coming under the ambit of the Ministry of Finance are the several statutory bodies namely the Fiji Revenue and Customs Authority. The government commercial companies include the Fiji Development Bank and the Unit Trust of Fiji.

PART A: FINANCIAL STATEMENT

4.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Finance resulted in the issue of a qualified audit report. The qualifications were as follows:

Trading and Manufacturing Account (TMA)

The debit balance of TMA surplus capital transferred to Operating Fund Account of \$6.0 million as shown in Balance Sheet – Trading & Manufacturing Account could not be validated and also contrary to the nature of equity balance.

The following issues were drawn to the attention of the Ministry:

Trading and Manufacturing Account (TMA)

The Trading & Manufacturing Account-Accounts Receivable of \$295,810 as at 31 December 2014 could not be substantiated due to an un-reconciled balance between the general ledger and arrears of revenue return for both Fiji Procurement Office and Government Printing as at 31 December 2014;

The non-recognition of provision for obsolete stock amounts for both raw materials of \$241,174 and finished goods of \$332,165 have overstated net profit by \$573,339 for the year ended 31 December 2014.

The Committee was informed that the qualification of audit report in 2014 had been due to non-substantiation of the transfer of funds from the Fund 4 (Trade and Manufacturing Account) to Fund 1 (Consolidated Fund Account) so out of the total adjustment of \$989,404 movement in 2014 there was a remittance of excess cash in the sum of \$904,877. MoE is of the view that the overall format of reporting for TMA needs to be reviewed which will mean that the financial position for the TMAs will need to be

appraised and line items within to be correctly identified. The Committee was further advised that the TMA surplus is just a movement of cash from Fund 4 to Fund 1.

As a way forward in addressing some of the issues that had been raised in terms of the strengthening of internal processes the Ministry is working collaboratively with the Office of the Auditor General and has also sought external expertise from the IMF through PFTAC.

4.2 Head 4, 50, 51 and 52- Statement of Receipts and Expenditure

The Ministry of Finance budget is appropriated as Head 4 in the 2014 Budget Appropriation Authority with Government Printing & Stationery Department (GPSD) and Fiji Procurement Office (FPO).

The consolidated revenue for the Ministry totaled \$2,549,423,794 with a consolidated expenditure of \$64,134,921 during 2014 from Head 4.

Total revenue increased by \$329,055,134 or 14.8% in 2014 due to the increase in state revenue being the operating revenue by \$246,143,843 or 12.4%. Miscellaneous revenue also increased by \$1,414,494 or 30.9% as a result of clearance of previous year's unidentified revenue through bank lodgement clearance.

Total expenditure decreased by \$5,260,298 or 7.6% due to the decrease in established staff expenditure by \$724,920 or 7.8%, decrease in travel and communication expenditure by \$1,295,763 or 81.3%, decrease in maintenance and operations expenditure by \$1,484,999 or 55.5%, decrease in purchase of goods and services expenditure by \$3,520,197 or 64.3%, decrease in capital construction by \$258,616 or 100%, decrease in capital purchase by \$602,204 or 83.6%, decrease in capital grants and transfer by \$500,000 or 50.0%. These decreases were mainly due to the expenditure group for Information, Technology and Computing Services Department (ITC) being shown separately from the Ministry's budget results.

The Ministry incurred expenditure of \$142,008,449 in 2014 from Head 50.

Total expenditure under Head 50 increased by \$57,773,910 or 69%. This was related to introduction of capital grants to Tertiary Scholarship and Loans Board (TSLB) which increased by \$52,330,108 or 114%.

Total expenditure under Head 51 increased by \$1,444,712 or 4% in 2014 compared to 2013. This was due to the increase in pension payments by \$2,460,920 or 10%, gratuities \$271,230 or 26%. The increase in pension payments was mostly related to the female pension compensation of \$2,015,710 in 2014.

The finance charges on public debt increased by \$26,704,948 or 6% compared to 2013 due to increases in finance charges on public debt for miscellaneous payments by \$80,652 or 8%, increase in finance charges on public debt for overseas loans by

\$7,696,824 or 10.8% and increases in finance charges on public debt for domestic loans by \$18,927,472 or 5%.

4.3 Appropriation Statement

The Ministry incurred expenditure totalling \$64,134,921 in Head 4 in 2014 against a revised budget of \$64,835,852, resulting in a saving of \$700,931 or 1%. The Ministry approved the transfer of funds totalling \$471,161 from SEG 1 to other SEG's within Head 4.

The Ministry incurred expenditure totalling \$142,008,449 in Head 50 in 2014 against a revised budget of \$168,102,072 resulting in savings of \$26,093,623 or 16%. The Ministry approved the redeployment of funds out from Head 50 totalling \$11,921,793 to Fiji Roads Authority. The Ministry also approved the transfer of funds totalling \$3,710,879 out from SEG 10 to SEG 7 within Head 50.

The Ministry incurred expenditure totalling \$36,785,353 in Head 51 in 2014 against a revised budget of \$39,747,400 resulting in a savings of \$2,962,047 or 7.5%.

The Ministry incurred expenditure totalling \$466,475,863 in Head 52 in 2014 against a revised budget of \$503,517,266 resulting in a savings of \$37,041,403 or 7%.

4.4 Statement of Losses

The Ministry of Finance recorded no loss of cash or revenue in 2014 however, items worth of \$338,087 were written off following the Ministry's Board of Survey conducted in 2014. In addition, sum of \$7,333,900 for accounts which are asset in nature were also written off as part of clearing of previous years unsubstantiated postings.

The Committee was further informed that the \$7.3 million write off is not a loss to government but the breakdown is as follows:

- \$4.3 million is for adjustments made to the Drawings Accounts; and
- the residual figure of \$2.9 million relates to Government Supplies which was carried forward from 2009 and the remaining \$15,154 was for the Government Printing and Stationery Department. When Government Supplies closed down they had unreconciled balances so they transferred it to FPO. Evidence in terms of the miss-posting is available

4.5 Consolidated Manufacturing Account – Trading & Manufacturing Activity

The Consolidated Manufacturing Account is for Government Printing & Stationery Department and Fiji Procurement Office. Total production costs in 2014 amounted to \$1.2 million.

4.6 Consolidated Trading Account – Trading & Manufacturing Activity

The Consolidated Trading Account is a consolidation of Government Printing & Stationery Department and Fiji Procurement Office accounts. The cost of goods sold amounted to \$1.2 million whilst sales income was only \$2.9 million, resulting in a gross profit of \$1.7 million.

4.7 Consolidated Profit & Loss Statement – Trading & Manufacturing Activity

The consolidated profit & loss statement showed a consolidated net profit of \$1.66 million compared to a net loss of \$1.12 million in 2013. Total expense for 2014 was \$129,794 with the major components of expenses being incurred on other expenses.

4.8 Balance Sheet – Consolidated Trading & Manufacturing Activity

The consolidated net assets of the Ministry during the year 2014 totalled \$5.2 million which declined by \$2.4 million (31%) compared to 2013. This was attributed to a reduction in Accounts Receivable by \$2,685,965 (90%). The cash at bank balance increased by \$672,356 or 27% due to increase in sales revenue by the Government Printing & Stationery Department in 2014 compared to 2013 as Ministry/Department have opted to request Government Printing & Stationery Department for its printing needs. In addition, raw materials decreased by \$562,584 or 49%, accounts receivable decreased by \$2,685,965 or 90% and fixed assets decreased by \$182,852 or 100% in 2014.

4.9 Consolidated Trust Account Statement

Total trust funds for the Ministry increased by \$1,278,439 or 14% in 2014 due to decrease in refunds/payments of performance bond & Mahogany licenses fees by \$6,400,821 or 81%.

MINISTRY OF ECONOMY

4.10 Budget Allocation For 2014

The Ministry's revised budget was \$60.6 million for the year ended 31/12/14 excluding Government Printing & Stationery Department and Fiji Procurement Office which are also discussed later in the report.

The Ministry's budgetary allocation was divided into operating expenditure totalling \$59.6 million, capital expenditure totalling \$0.6 million and VAT expenditure totalling \$0.4 million.

Overall there was savings of \$186,818 or 0.3% of the revised budgeted. However, the Ministry over-spent established staff expenditure by \$51,354 or 1% and government wage earners expenditure by \$11,286 or 6% of the revised budget estimate.

4.11 Miscellaneous Payments of Government – Head 50

The budget estimates and budget statements are to be prepared as far as practicable in accordance with internationally accepted standards. The revised budget for Miscellaneous Expenditure (Head 50) was \$168.1 million for the year ended 31/12/14.

The Head 50 budget allocation was divided into operating expenditure totalling to \$35.6 million or 21%, capital expenditure totalling \$128 million or 76% and VAT expenditure totalling to \$4.5 million or 3%. There was a savings of \$26 million or 16% of the revised budgeted expenditure.

4.12 Head 51 – Pensions and Other related Payments

The revised budget for pension and other related payments was \$39.7 million for the year ended 31/12/14. The Head 51 budget allocation was divided into operating expenditure totalling \$39.7 million comprising of Pensions, Gratuity and Compassionate allowances. There was a savings of \$2.96 million or 7% of the revised budgeted expenditure.

4.13 Debt Repayment Expenditures - Head 52

The revised budget for repayments of debt was \$503.5 million for the year ended 31/12/14. The Head 52 budget allocation was divided into Finance Charge on Public Debt for Miscellaneous Payment of \$6.0 million or 1%, Finance charges on Public Debt for Domestic loan of \$406 million or 81% and Finance charges on Public Debt for Overseas Loan of \$91.3 million or 18% of the budgeted expenditure. There was a saving of \$37 million or 7% of the budgeted expenditure.

4.14 Anomalies in the accounting of Mahogany Trust Funds Account

Audit review of the Miscellaneous Trust Fund Account revealed the following anomalies:

- The mahogany trust fund account balance of \$44,163 as at 31 December 2014 as shown under SLG 84 was not regularised with evidence of any cheque payment from Ministry of Public Enterprise to MoF and repaid to the trust fund bank account. However the audit noted that a journal voucher was only raised by Ministry of Public Enterprise during December 2014 to clear the SLG 84 balance.
- In addition, the MoF adjusted the inter departmental clearance (IDC) accounts with Ministry of Public Enterprise totalling \$66,440.64 by debiting the Head 50 expenditures (1-50101-50999-100221) instead of Mahogany Trust Fund Account resulting on a negative expenditure amount shown in Head 50 general ledger.
- During 2014, the acquittal details of mahogany trust fund expenditures amounting \$553,140.27 incurred by Ministry of Public Enterprise paid through SLG 844 were not submitted by Ministry of Public Enterprise as required under SLG 84 reporting guidelines.

The Committee was informed that the fees and mahogany licenses received by the Mahogany Industry Council is remitted to the Ministry and based on the advice of the Council, the funds are then dispersed. Since the Ministry of Public Enterprise did not have a separate bank account then, the funds were transferred to their SLG84 Account. MoE understands that the Auditors have checked the records and they are with the Ministry of Public Enterprise.

The Committee was further informed that in 2015 this account was moved to the Prime Minister's Office where the Secretariat of the Mahogany Industry Council sits and following the book entry adjustments for postings made by MPE in 2015, the MoE paid around \$44,163 into the Mahogany Industry Council's bank account in May of 2016. The acquittals for the account have been provided by the MPE including the audited accounts and these are also available with the Ministry.

The OAG had advised the Committee that at the time of audit, the transfer only happened in the GL and no actual money moved to Ministry of Finance from Ministry of Public Enterprise.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry of Finance should properly monitor and supervise the movement and utilization of Miscellaneous Trust fund to ensure that funds released has been utilized in the manner it was given for; and
- The SLG 84 reporting guideline which requires paying Ministry being Ministry of Finance to remind Ministry of Public Enterprise on the submission of acquittals on the use of funds recorded under SLG 84.

4.15 Misuse of Taxpayers Funds for Sports and Social Club Activities

On 04/06/14, the Ministry made an advance payment to a Sportswear Company via Electronic Fund Transfer (EFT) totalling \$22,248.40 for purchase of sports gear for the Ministry of Finance staff⁶ and was to be recovered from staff within a 3 months' timeline. Deductions were effected from staff accounts but instead of reimbursing the funds to government, the deductions were paid to the Social Club account.

As the initial payment to the Sports Company of \$22,248.40 still lay outstanding in the Revolving Fund Account, the Ministry passed several journal entries from the Operating Trust account and Drawings account totalling \$12,711.42 to reduce the Revolving Fund Account. The Ministry then passed numerous journal entries from the Drawings and other accounts to clear off the Operating Trust Fund account.

As at 31st December 2014, the Revolving Fund had a balance of \$9,536.98 whilst the Operating Trust accounts had been zeroed without any reimbursement from the overpayment made to Social Club.

Upon audit enquiry in 2015, the Social Club reimbursed the sum of \$9,536.98, whilst \$12,711.42 remained outstanding. Further enquiry revealed that the Ministry on 27th

March 2015, made another payment of \$23,959.40 to the Sportswear Company. The manipulation of various accounts reveals a deliberate attempt to cancel the debt.

The Committee was informed that an internal investigation was carried out and since then, in relation to the outstanding amount of \$12,711.42 and the Ministry has recovered more than 50% and recovery continues. In relation to the staff involved, one has retired, one has migrated and the other has moved to another ministry. For those that are still in the system, the outstanding amounts are being recovered from them.

The sports gear amounting to \$22,248.40 was for the Wellness Program for the Ministry of Economy. The Permanent Secretary had authorized the payment but there was an oversight on the part of the staff concerned. The recovered funds from the staff should have gone back to the government but instead it went back to Sportswear Company. An internal investigation was conducted and all the staff concerned were surcharged. MoE now has an Advanced Payment Register which is reconciled on a monthly basis and the reports are sent to the respective Permanent Secretary. Salary advances have been stopped. Accountable advances have been limited to official travel only.

The Internal Audit team informed the Committee that their recommendation to the Ministry of Finance at the time was for the Staff Board to review the explanation by the officer and make a submission to the Solicitor General for legal opinion. Depending on the legal opinion, there should be further referral to FICAC. That was the recommendation to Management and it was up to them to implement it.

The Committee agreed with the Auditor General's recommendations that:

- An internal investigation should be conducted to identify those responsible for the manipulation of the various accounts and corrective actions to be instigated accordingly.
- Social Club Executives should also be dealt with accordingly for utilising taxpayers funds.

4.16 Balance of Head 50 Funds transferred to SEG 1

An audit review noted that Fiji Police Force made an unauthorised transfer of funds into SEG 1 without the approval of the Permanent Secretary for Finance totalling \$132,256.59 to be incurred for the Force's remunerations contrary to SLG 84 Reporting guide Section 9.5. The audit noted that these funds were initially transferred from Head 50 to SLG 84 to meet 2014 election expenses.

As at August 2015, SLG 84 reconciliation¹² from Fiji Police Force for the funds released from Head 50 during 2014 were yet to be accounted by the Ministry. The above findings indicate the laxity of Ministry of Finance to monitor and to ensure that the funds disbursed from Head 50 have been utilised for its intended purpose.

The Committee was informed that a policy is in place which requires all ministries to submit their SLG84 reconciliations to the FMIS Unit irrespective of movement of funds

within the SLG84 allocation. Measures have been put in place to curb the issue. The FMIS team also continues to remind the Accounting Heads during monthly meetings that they need to be well versed with Government's financial regulations and that accounting heads should revert to the Ministry if they needed advice or were unclear on how to treat certain transactions. In addition, the FMIS Unit continues to provide regular training to agencies to ensure that they are able to address issues such as miss-posting and the like.

- In terms of the unauthorized transfer of funds by the Fiji Police Force into SEG 1 without the approval of the Permanent Secretary of Finance totalling \$132,256.59, it was explained that this was an issue in 2014 but this has been addressed by a dedicated team within the FMIS Unit to ensure that such issues are addressed immediately with the Accounting Heads.
- Question was also raised on whether this laxity led to the non-reconciliation by the Fiji Police Force attended to by the Ministry. The Committee was informed that in that year, the former PS Finance had written to the Commissioner of Police to explain this issue and they did provide an explanation. The norm is for the respective agency to provide the reconciliation but it was not done so the Ministry wrote to Fiji Police Force. The Journal Vouchers are available as evidence. Details of the reconciliation will be submitted to the Committee.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should send out clear reminder to Ministry/Department that transfer of budgeted funds into SEG 1 or 2 is not allowed as per the requirements of section 10 of the Finance Instruction 2010.

4.17 Anomalies in Payments for Election Expenses for Fiji Police Force

An audit review of the payments carried out by Fiji Police Force revealed the following anomalies:

- 11 mobile phones issued to the Police Officers valued at \$429 during the election period have yet to be returned to the Force;
- The Police Force Accountant could not provide for audit verification those meal claim forms with respect to claim of subsistence allowance and travelling expenses incurred on 20/09/2014 totalling \$10,584;16.
- Similarly, audit could not obtain any verbal explanation from Fiji Police Force despite email correspondence to the Accounts Section for clarifications on the subsistence allowance and travelling expenses paid to Officer (EDP 51607) on 11/09/2014 and 16/09/2014 of \$40,500 and \$17,460 respectively; and
- The acquittal of the accountable advance retirement for EDP # 5190317 revealed an overpayment of \$5,760.

The Committee was informed that this also relates to General Elections expenses for the Fiji Police Force. As mentioned earlier, this was an issue in 2014 and MoE has implemented measures to ensure proper acquittals of Head 50 funds by Ministries and

Departments. From then, details of the acquittals are kept with the Budget Division. Again the MoE has revamped the monitoring of Head 50 and within the FMIS Unit, officers have been allocated individual accounts to monitor and report on daily for any irregularities or unapproved transactions. Since 2016, the FMIS Unit has carried this out in consultation with the Budget Division.

- MoE to provide more details to the Committee on the 11 mobile phones purchased and issued to the Police Officers at that time; and also on the meal claim forms with respect to claims of subsistence allowance and travelling expenses incurred on 20/9/14 amounting to \$40,500 and \$17,460 respectively.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry of Finance Budget section as administrator of funds for Head 50 should ensure that proper monitoring is done for the funds released to Ministries and Departments;
- The Budget Section shall monitor and scrutinize all acquittals received in relation to Head 50 expenditure to ensure that funds are being used for its intended purpose; and
- The Budget Division should investigate the Force acquittals and ascertain that funds were used for its intended purpose. Any overpayments or irregular payments are investigated and recovered accordingly.

4.18 Irrecoverable Surcharge resulting in Loss of Tax Payers' Funds

The audit noted that \$842,025.84 was reflected as surcharge arrears as at 31/12/14. In addition, the audit noted that 41% of those arrears are more than five years old, 33% are between two to five years and 26% less than two years old.

Moreover, out of \$842,025.84, an amount totalling \$306,470.1321 (36.4%) are now considered irrecoverable due to Officers who have retired, terminated or resigned from the service.

The audit noted that the Surcharge Unit has come up with various strategies during the year 2014. However, a review of the implementation of these strategies revealed that processes are yet to materialize in terms of progress to make recovery. The unit mentioned that lack of TIN numbers hindered the recovery process. Failure by the Ministry to collect the arrears on timely basis has led to irrecoverable surcharge amount totalling \$306,470.13.

The Committee was informed that the Surcharge Unit has taken a number of initiatives to address this. Recovery is now assessed according to the surcharged officer's contract period. There is a regular review of surcharge arrears. The unit has also increased deductions for officers that are nearing retirement or are at the end of their term of contract. Those officers that have been surcharged with significant amounts are also now required to sign a debt agreement and the Unit maintains regular contact with those that are surcharged and located in remote or out stations. Where applicable MoE

takes the claims further to the Small Claims Tribunal and in the event that all measure have been exhausted and the debt remains due to death or incapacity of the surcharged officer, the irrecoverable amount is then considered for write-off.

- In terms of collection of arrears the amount collected from 2014 to April 2017 has decreased from \$842,000 to \$490,000.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry's surcharge Unit should liaise with the respective Ministries/Department to locate those Officers in order to conduct timely and consistent recovery of irrecoverable amounts owed to the Government; and
- The Ministry should continuously review those strategies and work in partnership with Solicitor-General's office on ways to be able to recover and reduce those arrears before those due not being enforceable for recovery due to statute barred implications.

4.19 Delay in provision of Solicitor General's Office advice

Audit review noted that from the years 2006 to 2014, a large number of accident cases are still yet to be resolved waiting on the Solicitor General's advice. This indicates potential loss of government for the surcharge balance of \$651,143.09 from 2006 to 2009 as it would be considered statute barred in accordance with Section 4(1) (d) of the Limitations Act [Cap 35].

Longer recovery period could result in unwarranted suspension of cases due to retirement, resignation, death of officer, or officers becoming incapable to work due to medical reasons, thus losses of the government will not be recovered. There is a possibility that officers responsible for the accidents may no longer be in the service given the delay in surcharge actions.

The Committee was informed that as stated in the Ministry's comments, it has issued a circular on the vehicle accident checklist and the government fleet management unit within the Ministry is working closely with the surcharge team and the Solicitor General's Office, noting that the Ministry needs all the cases to be dealt with in a consistent manner. MoE has noted an improvement in the turnaround time for advice coming from the SG's Office. Also with the policy of leasing vehicles, there is a comprehensive damage cover so for cost of damage to vehicles resulting from accidents, officers are only surcharged for the excess amount which is lower and this also helps with recovery or payment of the surcharge. The recovery period as mentioned earlier is now three years or over the term of the officers' employment. If the vehicle is state-owned then the officers are surcharged with the full cost of repairs.

- The Committee further noted that if the MoE did not proceed with the immediate filing of cases, the amount of \$651,143.09 would be lost forever.

The Committee agreed with the Auditor General's recommendations that:

- Stringent and immediate measures need to be applied by the surcharge authority in their follow up with Ministries/ Departments to have these pending cases considering the Limitation Act of damages cost to vehicle becoming irrecoverable and to avoid those losses to Government; and
- The Ministry should in consultation with Solicitor General's Office discuss of a strategy to clear those pending advice and ways to overcome those time limitations.

FIJI PROCUREMENT OFFICE

4.20 Budget Allocation For 2014

The Department's revised budget of \$1.5 million in 2014 included payroll, non-payroll and VAT expenditure. The Department's budgetary allocation was divided into operating expenditure of \$1.4 million, capital expenditure of \$28,847 and VAT expenditure of \$37,000. There was an over expenditure of \$12,497 or (1%) against the total revised budget at the end of 2014.

4.21 Misplaced Declaration of Confidentiality and Interest Forms

An audit review of the tender files records for various tenders recorded for 2014 revealed the "Declaration of Confidentiality and Interest form" are not filed contrary to Section 7.1.5 of the Guide to the Tender and Evaluation Process 2010. Discussions revealed that the Declaration of Confidentiality & Interest Forms must have been misplaced.

The Committee was informed that the Ministry has taken note of the OAG's recommendations. The Compliance Unit of the Fiji Procurement Office now verifies all the tender details to ensure that regulations are complied with before the tender requests are submitted to the Government Tender Board. Projects that are above \$50,000 would require a waiver and it will go to the Fiji Procurement Office. Anything procured below that amount can be approved by the Permanent Secretary.

The Committee agreed with the Auditor General's recommendations that:

- The Procurement Office must ensure that Declaration of Confidentiality and Interest form is completed by the tender evaluation committee members before commencing the initial evaluation of the tenders and filed securely.

GOVERNMENT PRINTING AND STATIONERY DEPARTMENT

4.22 Budget Allocation For 2014

The Department's revised budget in 2014 totalled \$2.67 million. The Department's budget allocation was divided into operating expenditure totalling \$2.6 million or 97%, and VAT expenditure totalling to \$80,600 million or 3%. A savings of \$526,611 or 20% of the total budgeted expenditure was noted at the end of 2014.

4.23 Internal Control Weaknesses

The audit review of the internal controls systems for the Trading and Manufacturing Account (TMA) revealed the following anomalies:

- For the selected printing jobs between the months of October 2014 to November 2014 it was noted that the Department incurred loss of \$45,459.21 as a result of actual cost of printing job exceeding the estimated costs of printing.
- Moreover, an audit review of the selected printing jobs during the period 16 May 2014 to 16 October 2014 revealed the absence of supervisory checks on the calculations of job costing sheets resulting in various printing works being either having under-cost or over-cost by \$49,457.31 and \$37,301.18 respectively. In additions, there were inconsistencies in profit margin for each printing jobs which indicate that the control over cost for each printing jobs were not being monitored

The Committee was informed that in 2015, the Department was transferred to the Ministry of Public Enterprises. It was noted that one of the major contributing factors to the variances was due to the breakdown of machines so jobs were diverted to other machines with higher machine rates, if they were to meet customer deadlines. MoE has also informed the Ministry of Public Enterprise which has now taken over the Department.

- The Committee was informed that most of the work carried out was for the printing of exam papers and also printing of documents for the Fiji Parliament.

The Committee agreed with the Auditor General's recommendations that:

- The Government Printer should ensure that there is an improvement in coordination and communication between the planning and coordination sections in order to minimize the losses.
- The Government Printer should ensure that the details in the job costing sheets are verified and checked to ensure consistency in profit margin.

4.24 Trading and Manufacturing Account (TMA) Expenses Funded From Operating Fund Account

The Committee noted that TMA fund expenditures (Fund 4) were being funded form Operating expenditures (Fund 1) of the Departments. Refer below for some examples:

- Payment for electricity, water rates, telephone bills are made from operating fund (fund 1) whilst these services are also used in TMA operations (fund 4).
- The Department transferred funds from TMA (Fund 4) to operating fund account (Fund 1) for payment of overtime and meal allowances.
- During audit, Ministry of Finance FMIS Division did confirm by email on 21 February 2015 that transfer of funds between fund 1 and fund 4 is not allowed except for the purchase of the goods and services³¹.

The illustrations above confirm that the payments were not related to purchase of goods and services.

The Committee was informed that the Ministry has taken note of this and the Department has been transferred to the Ministry of Public Enterprise. To prevent inter-fund transactions, the TMA FMIS users have been allocated specific profiles within the FMIS system and this is to prevent the TMA users from posting into the consolidated fund. The Asset Management Monitoring Unit in co-ordination with the FMIS team have also conducted trainings for agencies with TMAs that have had a history of such transactions. The training is to instruct them or to update their knowledge on the correct payment processes and receipting selection processes. In addition, the Ministry has finalized the TMA Policy in June 2015 which emphasizes that inter-fund transactions between Fund 1 and Fund 4 are not permissible.

The Committee agreed with the Auditor General's recommendations that:

- The Department should consult Ministry of Finance FMIS Division to ensure that costs are apportioned to appropriate funds in the general ledger where necessary.

4.25 Slow moving and Obsolete Inventory

Review of the stock take report revealed that inventories valued at \$198,906 and \$573,338 are slow moving and obsolete inventories as at 31/12/14 making up 57% of the total closing stock³⁴ of TMA. The findings reflect lack of commitment by the Department in monitoring the stock levels and could result in the incurrence of additional costs such as storage, security of the inventory items.

The Committee was informed that most of the slow-moving stocks were made up of Fijian Readers which were printed way back in 1998, as well as textbooks that are no longer relevant due to changes in syllabus by the Ministry of Education. Other slow-moving stocks relate to the stocks for the 2006 General Elections where purchases were done upon the request of the Supervisor of Elections to print jobs like boundary maps, ballot papers and the printing done was extra so there is still some leftover in stock. Another reason for slow-moving stock was due to the changes in technology. The machines that are available are quite obsolete and they are no longer working.

- Submission to be made for a write-off of the machines as they cannot be repaired and are no longer in operation as the parts are not available locally or from the supplier.

The Committee agreed with the Auditor General's recommendations that:

- The Department should review the inventories and come up with strategies to reduce the slow moving and obsolete inventories.

4.26 Discrepancy between Physical Stock and Stock Card Balance

The stock take report as at December 2014 for the Department revealed that stock quantity of most of the items did not match with the balances in the tally cards. The variances were due to tally cards not being updated. A total of \$65,231 as at 2014 showed deficit balances indicating that the stock cards not recording movement of individual inventory items in/out from the stores while \$47,089 worth of inventory item being surplus items not recorded in the tally cards.

In addition, the audit noted that similar variances were also appearing in previous years while the Department failed to take any action to minimize these variances.

If tally cards are not updated or maintained, the management is not in a position to determine the quantity of any stock it has at any point in time. The above also increases the risk of unauthorized sale, theft subsequently resulting in loss of government revenue.

This issue has been raised in the previous year's audit reports, however the Department failed to take heed of the audit recommendations.

The Committee was informed that the Storeman have been advised to be more vigilant and to update the tally cards as soon as stocks were issued. The Committee also noted from other Ministries that the stock cards were not maintained properly which left room for mismanagement. The card would show less items but there was more in stock so if you remove some items, no-one would know about it.

Also as a way forward the new TMA Policy strictly states the stock-take processes where at year end an independent person undertakes the stock-take. All that the Storeman has to do is to update his tally cards according to the stock-take.

The Committee agreed with the Auditor General's recommendations that:

- The Department should ensure that the tally cards are regularly updated and verified against the physical stock.
- The Store man should be disciplined for not updating the movements of inventory in the tally cards.

Section 5: Ministry of i-Taukei Affairs

Role and Responsibilities

The Ministry is mandated to provide policy advice to the Minister for i-Taukei Affairs and to develop, implement and monitor related policies and programmes for the 'good governance and well-being of the i-Taukei people' that is stipulated in the i-Taukei Affairs Act; consistent with the shared Values, Vision and Principles of the People's Charter for change, Peace and Progress and reinforces the application of the relevant provisions of the "Bill of Rights" under the 2013 Constitution of the Republic of Fiji.

The Ministry also provides the link between the Government and various i-Taukei institutions that amongst other things; serve both the rural and urban i-Taukei populace. The Ministry is the custodian for official records on traditional knowledge and forms of cultural expressions; various Registers significant to the i-Taukei on resource ownership and usage. The Registers are also reference materials for resolving disputes. It acts as the judiciary for all i-Taukei disputes on land, customary fishing grounds and traditional headship titles. The Ministry also facilitates and promotes programmes aimed at safeguarding i-Taukei traditional knowledge and expression of cultures.

The Ministry administers the Government Scholarship Programme for i-Taukei and Rotumans. The aim of the programme is to bridge the knowledge gap through access to higher education opportunities by developing and advancing excellence in academic performance that also promotes the Ministry's vision of an 'Enlightened Vanua for a progressive Fiji'.

PART A: FINANCIAL STATEMENT

5.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of i-Taukei Affairs resulted in the issuance of an unqualified audit report.

5.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$180,464 and incurred expenditure totalling \$7,933,140 in 2014. Total expenditure declined by \$7,336,862 or 48% in 2014 compared to 2013 due to a reduction in operating grants which was a result of the transfer of the Scholarship funds to Tertiary Education and Loan Scheme (TELS).

5.3 Appropriation Statement

The Ministry of i-Taukei Affairs incurred expenditure totalling \$7,933,140 against the revised budget of \$8,471,957 resulting in a savings of \$538,817 or 6%.

PART B: AUDIT FINDINGS

5.4 Backlog RFA and Operating Trust Reconciliation

The audit noted that the Ministry did not prepare Revolving Fund Account reconciliation for the last quarter of the year. As a result the Ministry did not reconcile the Revolving Fund and Operating Trust Fund general ledger account totalling \$5,748 and \$1,399 as at 31/12/2014. Failure to reconcile accounting records in a timely manner reflects poor accountability and financial management.

The Committee was informed that the backlog RFA and Operating Trust Reconciliation had been due to the Finance Management Information System (FMIS) variance year in and year out that resulted in the delays in updating reconciliations which ultimately led to the backlog.

The Ministry further stated that they had been able to rectify the variance in collaboration with the Ministry of Economy and highlighted that the backlog in RFA and Operating Trust Reconciliation have been updated and that the systems are on with expected deadlines.

The Committee agrees with the Auditor General's recommendations that:

- The Ministry should ensure that monthly RFA Reconciliation is prepared in timely manner and variances noted are rectified in a timely manner.

5.5 Scholarship Bond Recovery

The audit noted that the Ministry of i-Taukei Affairs in consultation with the Ministry of Finance receipted a total of \$169,2953 as Bond recoveries from bond absconders of which \$103,9384 were received in previous years but kept in trust by the Ministry and the remaining \$65,357 were received in 2014.

The committee noted that a separate Bank account opened by the Ministry of Finance for receipt of Bond recoveries is still being maintained with a balance of \$575,550 as at 31 December 2014.

Since the TSLB is now mandated to administer and maintain records for all scholarships, loans and students bonds agreements, the 2014 receipts should have been paid to them to update their records for the recoveries from bonded students.

The establishment of the Tertiary Education Loan Scheme in 2014; resulted in the transfer of all iTaukei Affairs scholarship files, including the bond agreements forwarded to the Tertiary Scholarship and Loans Board office (TSLB) from January, 2014.

The Committee was informed that the Ministry of Economy officials had been contacted regarding the transfer of the Bond recovery bank account to TELS. However, the

Ministry of iTaukei affairs has yet to receive any official acknowledgement or confirmation from the Ministry of Economy.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should be relinquished from all scholarship duties including administering of bond recoveries and maintaining of a Bond recoveries bank account.

The Committee further recommends that the Ministry of Economy's acknowledgement should be forwarded to the Ministry on the administration of Bond Accounts at the earliest and the Auditor-General should also follow up on this on the next audit.

5.6 Short Notice of Resignation

Audit noted that the Deputy Secretary (EDP No. 58852) resigned with immediate effect without paying 30 days salary. They further noted that the officer has not returned the following office items:

- 1 HP laptop computer with carry case;
- 1 iPhone 5;
- Office key;
- Filing cabinet key; and
- Ministry's files.

Audit further stated that this indicates that the Ministry did not adhere to the regulation in place when accepting the officer's resignation and thus resulted in the loss of government money and assets.

The Committee was informed that the Ministry issued notice to the Permanent Secretary for Rural Maritime and National Disaster Management on the 10th May 2016 for the recovery of salary, as the officer in question is currently employed in the same capacity as Deputy Secretary. The Ministry received a response in agreement with the deductions to be undertaken.

As a way forward to ensure that a similar event does not occur again, the Ministry advised that they are reviewing the Standard Operating Procedure; with the new Open Merit System, the proposed system must address officers that are retiring, including those that will be resigning from the Service.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should ensure that the salary is recovered from the officer and all government assets are properly returned.

The Committee further recommends that the Auditor-General should do a follow up and determine whether the recovery has been undertaken and advise the Committee in his next audit.

5.7 Revenue not included in Vat Assessment

Audit noted that revenue was neither accounted in the VAT returns lodged to Fiji Revenue and Customs Authority (FRCA) for VAT assessment nor recorded in the general ledger VAT account of the Ministry (1-05000-00000-863200). Also failure to account for VAT on revenue implies that the VAT payable to FRCA is understated.

The Committee was informed that as part of its internal controls, the Ministry had included the VAT components of revenue collected in the VAT Returns.

Further, the Committee was informed of a revised Standard Operating Procedure (SOP) has been developed to reflect the VAT components to the Commissioner of Inland Revenue on the supply of goods and services subjected to VAT.

The Committee agreed with the Auditor General's recommendations that:

- **The Ministry should ensure that revenue is included in the VAT Return submitted to FRCA for assessment.**
- **The Ministry should ensure that monthly VAT reconciliations are properly checked before payments are made to FRCA.**

The Committee further recommends that more awareness and training should be provided to its staff to ensure simple errors do not reoccur in future.

5.8 Backlog of iTaukei Affairs Board Financial Statements

According to Section 6.1 (a) of the Grant agreement between the Fiji Government and the iTaukei Affairs Board that within the end of each quarter, iTaukei Affairs Board will provide a comprehensive report to the Minister of iTaukei of the operation of iTaukei Affairs Board and iTaukei institutions of that quarter. Each report must detail the progress report on the programmes undertaken for each of the key result areas.

Further, Finance Instruction 2010 Section 16(3), a grant agreement must provide the organisation or person receiving the grant to agree to keep proper files and accounting records in relation to the grant and to make these files and records available upon requests by the administering agency or the Auditor-General.

The committee noted that the Ministry paid a total of \$4.1 million in grant to iTaukei Affairs Board (iTAB). Even though quarterly reports have been provided by the Board to the Ministry, the accounts of the Board has not been audited for some years.

Table 5.5 – Details of iTaukei Affairs Board Grant Disbursement

| Grant Recipient | Amount (\$) |
|--------------------------|------------------|
| i-Taukei Affairs Board | 2,000,000 |
| Provincial Council | 1,000,000 |
| Na Mata | 50,000 |
| Turaga-ni-Koro Allowance | 722,000 |
| Mata ni Tikina Allowance | 350,000 |
| Total | 4,122,000 |

Further, the committee noted that iTaukei Affairs Board account was not submitted on a timely manner to the Office of the Auditor-General since 2003 for audit. The failure to implement controls indicates a passive role of the Ministry to monitor and account

Table 5.6 – Details of Financial Statements

| Year | Grant Amount (\$) | Date Received by Audit |
|--------------|----------------------|------------------------------|
| 2003 | 5,653,826 | 16/12/14 |
| 2004 | 5,377,979 | |
| 2005 | 5,878,258 | |
| 2006 | 14,612,936 | 08/12/14 |
| 2007 | 14,770,880 | 22/12/14 |
| 2008 | 14,547,214 | Yet to be submitted |
| 2009 | 15,751,046 | |
| 2010 | 16,448,918 | |
| 2011 | 14,612,936 | |
| 2012 | 13,393,168 | |
| 2013 | 11,938,243 | |
| 2014 | 4,122,000 | |
| Total | 137,107,404 | |

The Committee was informed that the Ministry continues to verify the acquittals on a quarterly basis in 2014 and submits to the Ministry of Economy. This processes allowed for the release of funds to the Ministry.

In 2017, the Ministry had informed the Committee that a work plan on the outstanding iTAB Annual Accounts from 2008 was currently being prepared. They assured the Committee that by the end of December 2017, a total of 93 Accounts will be submitted to the Auditor-General for auditing purposes. Furthermore, the Ministry had previously informed the Committee that the Board had already submitted 42 Annual Accounts to the Office of the Auditor-General.

The Ministry have taken the following measures to address the backlog of accounts:

- i. Acquisition of a new integrated financial system for iTAB and PCs. Work with the Vendor is expected to commence by mid-March, 2017 with full installation to be completed by 31.07.2017 (end of the financial year). The Board anticipates to go live by 01.08.2017;
- ii. Recruitment of qualified accountant(s) in its Finance Department;
- iii. Quarterly Provincial Treasurers workshops organised to train Treasurers on GL reconciliation and annual accounts preparations;
- iv. Audit confirmations and/or evidences are obtained from financial institutions. However some of these financial institutions have discarded records that are more than 7 years;
- v. A Taskforce is set up within the finance team to work on backlogged iTAB and Provincial Councils annual accounts and provide assistance to external auditors when required; and
- vi. Purchase of a new server, now hosted by ITC. (After the crash of the old server). Transactions were reposted and postings now up-to-date.

The Committee agreed with the Auditor General's recommendations that:

- The Grant Agreement between the Government through the Ministry and the iTAB can be improved to include the submission of financial statements and annual reports as one of the deliverables in order to get the submission of financial statements up to par.

The Committee further recommends that the resources at the Provincial Level needs to be upgraded in terms of capacity building by the staff and technology.

5.9 Anomalies in the Reorganization

According to the Public Service Commission Circular 2 of 2001 dated 12/01/01 – Preparation & Formulation of MP and IWP, the Permanent Secretary and Head of Departments may liaise with respective desk officers in the Management Improvement Division of Public Service Commission for any assistance in regards to the formulation of management/individual work plans and review of position descriptions.

In 2014, the functions of the Scholarship Unit were relocated from the Ministry to the Tertiary Scholarship and Loans Board (TLSB). The twenty (20) staffs of the former Scholarship Unit remained with the Ministry. The Prime Minister/Minister of iTaukei Affairs approved on 19/02/14 for the Ministry to be reorganized. From the reorganization, the former Scholarship Unit was renamed to Productivity, Reform and Training. An administrative officer post, executive officer post and a clerk post was traded off to create a Director position to oversee the Corporate Services Division. Out of the twenty posts, eighteen (18) remained.

Audit noted the various anomalies with regards to the reorganization of the Ministry.

Table 5.7 – Anomalies noted after Reorganization.

| Anomaly | Posts/ Units Affected | Audit Remarks |
|---|---|--|
| No monthly report of each unit under the Corporate Service Division | Finance and Accounts Unit, Productivity & Reform Unit, Training & Research Unit, Management Information system Unit, Monitoring and Executive Support Unit, | The units did not submit a monthly report on the progress of implementation of the Unif's plan, highlighting (%) of achievements, milestones and challenges faced. |
| There are insufficient duties for the following posts | Human Resource Division 1. Clerical Officer Leave, Human Resources & Asset Management 2. Clerical Officer Establishment, Human Resources & Asset | The clerical officer (leave) role is the management of leave for all staffs which manage the post advertisement and person to post list update. The clerical officer (establishment) role is the management of staff establishment which manages the record of new, temporary and project appointment, promotions, transfers, contract, termination |

| Anomaly | Posts/ Units Affected | Audit Remarks |
|---------|---|---|
| | Management 3. Clerical Officer AMU, Human Resources & Asset Management | and internal postings. The clerical officer (Assets Management Unit) role are maintaining and safekeeping of essential registry records, periodically updates of records, register all incoming and outgoing correspondence, provide file references and monitor movements of files. |
| | Productivity Reform Unit 4. One Senior Administrative Officer Productivity & Reform 5. Clerical Officer Productivity & Innovative 6. Clerical Officer Wellness, Productivity & Innovative 7. Clerical Officer Quality Circle, Productivity & Innovative. | The Productivity Unit consist of four officers with only three roles. The first role is to facilitate and coordinate improvement and marketing process to enhance productivity within the Ministry. This consist of carrying out Service Excellence Initiatives (SEA), office layout, corporate & sports uniform, energy. The second role is to be the secretariat of the Ministry Disciplinary Board however the audit noted that there was no Board meeting during the year. The third role is to monitor compliance of OHS and energy efficiency policies which consist of four OHS training, one first aid training, one fire drill evacuation and one medical check for the year. |

| | | |
|--|---|--|
| | <u>Productivity Reform Unit</u> 8. Administrative Officer Productivity & Innovative | The officer has five roles which consist of service excellence facilitation, quality circle (plan for improvement of strategies in place), <u>analyse</u> customer complaints, Administrative support to Director Corporate Service (meetings with SEA Champion from the four Division), and Supervision of three clerical officer and one <u>executive officer</u> . |
| | <u>Monitoring and Executive Services Unit</u> 9. Administrative Officer Monitoring & Impact Assessment 10. Clerical Officer Monitoring & Impact Assessment. | The roles of the two post consist of five roles which includes the establishment of the <u>i-Taukei Road show</u> (oversee the road show programs including media coverage align with current legal instruction & policies in place), capturing Ministry advocacy programs such as Government Service Exhibitions, facilitate media coverage (publication, coverage in social media such the internet site), secretariat to the media and website committee, events co-ordinator of road show. |

The Audit further noted that according to the 2014 Annual Corporate Plan of the Ministry, Output 4 – Education & Training – scholarship is no longer an output of the Ministry.

The above findings indicate that the Ministry maybe overstaffed and staffs are being employed with fewer duties.

The Committee was informed that since 2015, the Ministry have been working on reorganizing Units and processes to improve efficiency and effective service delivery within the organisation. There were changes undertaken within the Corporate Services Division and the iTaukei Lands and Fisheries Commission to realign their duties and also to cater for the new duties within the Commission. Also since 2015, there was an increase in customer service demand that resulted in the Ministry reviewing its Corporate Division and transferring the following positions to the iTaukei Lands & Fisheries Commission.

As a way forward, the Ministry has developed a Standard Operating Procedure (SOP) on monthly reporting process and achievements of each Unit and reflected in the Corporate Services Division monthly report. This is also reflected in the Corporate Services Division Business Plan.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry needs to review the reorganization that was done and assess whether it was properly done.
- Important areas of need to be in line with its core functions are identified and human resources are concentrated in these areas.
- Posts that are not in line with the core functions of the Ministry requiring staffs to perform fewer duties need to be realigned.

The Committee further recommends Auditor-General should conduct an evaluation exercise of the Ministry's developed SOP for the reorganizing of staff and report back to the Committee.

Section 6: Ministry of Defence, National Security and Immigration

Roles and Responsibilities

The Ministry manages the nation's security (a prerequisite to stability and peace) and delivers this through the formulation and implementation of policy initiatives, programmes and projects on matters of national security and public order, man-made national crises and emergencies, defence, aerial surveillance, search and rescue operations, national day and other celebrations.

The Ministry is also responsible for immigration matters that include citizenship, detention and deportation, passports, visa, permit, border control, combat trafficking in person, refugee status determination and migration. It also provides a coordinating role through the Defence and Security Forces Liaison Unit on policy matters for the two disciplined services in the Fiji police Force and Republic of Fiji Military Forces.

PART A: FINANCIAL STATEMENTS

6.1 Audit Opinion

The audit of the 2014 financial statement of the Ministry of Defence, National Security and Immigration resulted in the issuance of an unqualified audit report.

6.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$10,170,183 and incurred expenditure totalling \$7,369,525 in 2014.

Total revenue increased by \$451,587 or 5% in 2014 compared to 2013. The increase is attributed to the increase in demand for Fiji passports.

Total expenditure increased by \$1,397,589 or 23% in 2014 compared to 2013. This was mainly due to the completion of the national war memorial and war museum and purchase of existing building to serve as a Detention Centre for Department of Immigration.

6.3 Appropriation Statement

The Ministry incurred expenditures totalling \$7,369,525 against the revised budget of \$7,989,199 resulting in a savings of \$619,674 or 8%.

6.4 Trust Fund Account Statement of Receipts & Payments

The Immigration Trust Fund Account records immigration bond received from permit holders.

Net surplus increased by \$710,276 or 27% in 2014 compared to 2013 as a result of increase in bond receipts during the year.

PART B: AUDIT FINDINGS

6.5 Main Trust Fund Account – Bond

The audit noted that the Department of Immigration trust fund cash at bank account maintained at Westpac Bank Corporation did not reconcile to the general ledger balance as a variance of \$106,849 existed between the Department of Immigration Bond trust fund cash and bank recorded in the general ledger (\$14,048,348) and the Department of Immigration Bond bank balance (\$14,155,197) contrary to section 32(6) of Finance Instructions 2010.

The audit further noted that the reconciliation was not endorsed and verified by the Senior Accounts Officer for its correctness. The bank reconciliation is a vital internal control mechanism that acts as a checking tool in an accounting function.

The Committee agreed with the Auditor General's recommendations that:

- The Senior Accounts Officer must ensure that all Trust Fund records reconcile at year end are correctly prepared, checked and verified. Any variances noted are to be investigated and rectify accordingly.

The Committee further recommends that the bank reconciliations which is an important control mechanism should be endorsed and verified by the responsible officer. The committee notes that this is a common occurrence in the Ministry and Departments.

6.6 Un-reconciled Drawings Account

EFT was recommended to be used by government ministries and departments to reduce un-presented cheques at year end, reduce the risk of stale and lost cheques, save time, cost and human effort for the government to make payments and deposit to the bank and record keeping. As such, the agencies are required to formulate appropriate processes and procedures to ensure the efficient and effective use of the EFT. The agencies Head of Sections are required to put in place internal control measures to safeguard the processes and procedures of EFT as stipulated under section 59 - (1) of the Finance Instructions.⁷

The Auditors noted the following anomalies in the drawings accounts for the two Departments:

- A variance of \$51,903 and \$9,682 was noted between the general ledger (FMIS) and the Department's records.
- Un-presented cheque listing consists of stale cheques totaling \$25,241 was not journalized at the end of the year for Defence.

- Department's un-presented cheques listing as at 31/12/14 include payments made through the Electronic Fund Transfer (EFT) totalling \$32,162.

The Committee was informed that the Ministry acknowledges the Auditor-General's recommendations and stated that at the commencement of 2014 Financial Year the Ministry of Economy introduced a new format for Drawings Account reconciliation. This instruction was issued via their Circular No. 2 of 2014, dated 21st January, 2014. Furthermore, the Ministry stated that since its inception there had been minimal training conducted in order to train their respective staff.

The Accounts Officer then who had attended the training had been sent home following findings of the investigations conducted by the Ministry of Economy, and there were continued difficulties in understanding the new format. Therefore, the Ministry was reliant on the Ministry of Economy in the preparation of the Drawings account. The Ministry of Economy continued to prepare the Drawings Account reconciliation for all the Ministries from 2014 until 2016.

As a way forward, the Ministry has developed its SOP in order to streamline such processes. The Ministry is also considering instituting disciplinary actions for officers not adhering to Accounting Guidelines as a stringent measure.

The Committee agreed with the Auditor General's recommendations that:

- Adequate internal controls and supervisory checks should be strengthened in the Accounts Section to ensure clearance of variances, stale cheques and errors in a timely manner.
- The Department of Defence should ensure that the required correct information for EFT payments are given to the bank to avoid accumulation of EFT payments in Un-presented cheques list at year end.

The Committee further recommended that due to lack of understanding of the FMIS System, staff should be continuously trained to avoid such system errors.

6.7 Loss of Money and Unsubstantiated Write offs

The Department of Defence recorded loss of money totalling \$10,257 in the agency financial statement submitted to audit. The audit could not substantiate the actual amount of loss due to fraud allegation as all revenue records pertaining to loss are in the custody of Criminal Investigation Department of the Fiji Police Force for investigation.

In addition to the \$1,756,941 trust fund cash approve write-offs by Minister of Economy, liabilities totalling \$1,217,908 recorded in the general ledger system were also written-off by Ministry of Finance without any supporting documents to justify the reason for write offs.

As a result the audit was not able to ascertain the accuracy of the write-offs in the general ledger system and the loss reported in the Statement of Loss.

The Committee was informed that the officer who had been implicated in the loss of money, that is, the \$10,257 was the Head of the Accounts Section at the time of incident. Upon the discovery of this case which synonymous to theft, the officer was immediately relieved off his duties with effect from 8th September, 2014 to allow for the conduct of internal investigations with the assistance of the Ministry of Finance. The officer's contract was due for renewal as well on 11th October in the same year but was not renewed. The case was then handed over to the Fiji Police Force (FPF) for investigation, Case No. CIDHQPP 190/2014 with the Fraud Unit. The FPF investigation has been completed and we understand the case is now before the Director Public Prosecutions.

As a way forward, the Ministry has now reviewed its internal control system which includes the appointment of two Revenue Collectors and enhanced verification of cash and daily bank lodgments.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should review the internal controls weaknesses pertaining to revenue and implement cost effective system of internal controls which safeguards money against loss.
- The Ministry should ensure that all write offs are properly substantiated with supporting documents to justify the reasons for write offs.

The Committee further recommended that there should not be any write-offs without substantive documents by the Ministry of Economy.

Though the Committee cannot comment further on Cases that are before the Courts, nevertheless it is of concern to the Committee that such court cases are taking longer to resolve.

DEPARTMENT OF DEFENCE

6.8 Payments made after the Cut-off Date - Advance Payments

Audit noted the following anomalies in relation to this issue:

- The Ministry purchased numerous items after the closure of the cut-off date for issue of Local Purchase Orders;
- Absence of local purchase orders, invoices, competitive quotes; and
- Payment made before goods were received and services performed by the supplier.

As such, the above shows a breach of the instructions in the Ministry's Finance Manual, sections 2.8.1 and 2.8.2 and Finance Circular 20/2014. It also indicates poor procurement planning which could be catalyst to abuse, misappropriation and could result in wastage of taxpayer's funds. Prepayments without contractual agreements are

a risk to government as no binding contracts are available to enforce performance or delivery of goods by the vendor.

The Committee was informed that the Ministry noted the financial requirements that only essential items can be purchased after the cut-off date of LPOs. Given the nature of the work of the Division that looks after policy and the Disciplined Forces, it was thought necessary to purchase and replace the old photocopier since it had been incurring a lot of expenses in terms of up keeping since 2008.

The Ministry admits their negligence and the Permanent Secretary of Defence is currently conducting an internal investigation in terms of some of the processes that was being by-passed in this particular case.

Furthermore the payments related to the two laptops and five desktops which totalled \$15,412 on which Audit commented that there had been no signed delivery of the received items. These items were received on 2nd February, 2015 as per the Fixed Assets Register, hence, the advance payments.

The Ministry noted the financial requirements that only essential items can be purchased after the cut-off date of LPOs and during the reporting period, however the Ministry needed to purchase replacement and new equipment for the new officers to support the reorganisation of the Ministry.

Furthermore, the Ministry also acquired new equipment to enhance the search and rescue work being conducted by the secretariat, together with the Fiji Naval Division.

The Ministry stated that they note the requirement of the Finance Circular 20/2014 and as the way forward, a procurement plan has been developed to avoid unplanned purchases during closure of accounts and a Procurement Request Form has been designed and now being used accordingly within the Ministry to avoid future issues as such.

The Committee agreed with the Auditor General's recommendations that:

- The Accounts Officer should ensure cheques are processed and released to the contractor after the successful completion of the work with necessary documentation in place to justify the processing of payments.
- The Accounts Officer should draw proper procurement plans and ensure all procurements are done before closure of Local Purchase Orders to avoid advance payments and extravagant purchases.

The Committee further recommends no payments should be made to the Contractor(s) before successful completion of works and signed off by Clerk of Works with relevant documentation i.e. completion certificate, engineering certificate, etc.

6.9 Internal Control Weaknesses for Procurement

Audit noted the following anomalies as identified below;

- Absence of local purchase orders, invoices, competitive quotes and other supporting documents to justify the payments made; and
- Funds release to other government agency was not properly acquitted.

The Committee was advised that the Ministry is considering instituting disciplinary action. This is an internal directive given from the PS's office in terms of simple instructions being bypassed. Currently the investigations are in progress in terms of these issues being raised because unfortunately, after working with the team in terms of preparing these audit findings, the Ministry found laxity in terms of their documentation.

As the way forward, the Ministry has developed a checklist to ensure that all procurement regulations, for example, the provision of three quotations, are adhered to before the requested budget is released.

The Ministry have also sent out reminder notices to relevant organisations on the provision of proper acquittals for funds issued during the Fiji Day and the Remembrance Day events every year.

The Ministry advised the Committee that they play an important role in coordinating National Events such as Fiji Day and Remembrance Day. Once the Programme has been drawn out, there are different budgets that are provided by the various agencies that will be engaged during the event.

As the way forward, the Ministry advised the Committee that for any future events, all relevant inter-agencies engaged will have to cover for their own expenses and the Ministry responsible will reimburse accordingly only when acquittals with supporting documents are provided.

The Committee agreed with the Auditor General's recommendations that:

- The Accounts Officer should strengthen internal control for payments and ensure proper checking is done to avoid the above anomalies.
- The Accounts Officer should ensure that acquittals are obtained with appropriate documentations and evidences to support payment vouchers.

The Committee further recommended that the Ministry's procurement plans should be strictly followed and adhered to as per the Government's Procurement Regulation 2010 and Ministry of Finance Circular – Circular No. 20 of 2014.

DEPARTMENT OF IMMIGRATION

6.10 Payroll Overpayments

Review of the payroll records by the Auditors revealed the following anomalies;

- A re-engaged officer (EDP No. 62959) continued to receive salaries even after the officer had tendered his resignation effective on 01/09/14. The officer continued to be paid salaries to 09/09/14 resulting in an overpayment of \$3,275.58. The audit further noted that the officer failed to give 30 days' notice and did not pay 30 days' salary in lieu of the aforesaid notice. The audit further established that the officer has paid \$1,300 and balance of \$1,975.58 is yet to be recovered from the officer.
- The officer (EDP 92593) was overpaid \$650 during the period of acting appointment. The officer was appointed to act as Assistant Accounts Officer from 08/08/14 to 07/11/14 and re-graded from clerical officer to Immigration Inspector effective on 22/09/14 at the existing salary thus allowing the officer to receive the acting allowance of \$975 from pay 16 to pay 19. The audit noted that the officer was paid \$1,625.84, thus the overpayment of \$650.

The Committee was informed that in the case of the re-engaged officer (EDP No. 62959) the Department was not given 30 days' lieu notice as stipulated in General Orders 214(a) as the officer tendered their resignation on Friday 29/08/2014 and did not turn up for work on Monday thereon. However, with numerous calls and reminders made to the Officer, the Department managed to recover \$1,300.00 in June, 2015 thereafter the Department has made attempts to get her to pay the balance of \$1,943.20 which has been futile. The Department further advised that they would take necessary measures to recover this amount.

Furthermore in the case of officer (EDP 92593) who was overpaid the acting allowance the Committee was informed that the reason for this was that the officer continued to be paid acting allowance as she was still engaged with accounts work. An agreement was reached between the accounts and passport supervisors for the Officer to complete the pending reconciliations to update revenue reports and payments and then start at Passport upon completion. This resulted in the officer staying back at Accounts section for another two weeks. The Department further advised that in adhering to formal instruction they will recover the overpaid acting allowance from the Officer.

The Committee agreed with the Auditor General's recommendations that:

- The Senior Accounts Officer should ensure that salaries of the officers leaving the public service are ceased on time and implement proper and stringent internal control such as supervisory checks to avoid overpayments.

The Committee is of the view that such instances reflects incompetence resulting in unnecessary Government Resources and time consuming and therefore further

recommends that stringent disciplinary measures against the responsible officer should be instigated

6.11 Loss of Funds Due to Late Notification to Airline Company

The audit noted that the Department incurred losses totalling \$2,187 for a cancelled trip for the Principal Assistant Secretary (PAS). The costs included airline ticket and visa costs to enter New Zealand and no reason was provided for cancellation of the trip.

The Committee was informed that this had been a result of the decision made by the Director at the eleventh hour to not send the designated officer for the scheduled trip. This decision was made in haste as the situation warranted it. However, the Department will work on strengthening their controls and planning to avoid future occurrences.

The Committee agreed with the Auditor General's recommendations that:

- The Department should ensure that proper controls such as proper planning of officers travelling overseas must be strengthened to avoid loss of taxpayers' funds.

The Committee further recommends that PAC does not accept decisions made on the eleventh hour to justify the haste decisions they made despite the situation had warranted it. Such Management decisions are unacceptable and this is clearly a direct loss to the Government and surcharge the Director for this loss as the reasons are not clearly stated.

6.12 Provisional Tax not deducted

The Department of Immigration engaged a contractor in 2014 for the renovation of Nadi Office. The audit noted that the Department failed to deduct the provisional tax of 15% from the gross amount as the company failed to submit certificate of exemption.

The Committee was informed that since the contractor was a local the Department had assumed that the provisions of Section 1B of the Income Tax Regulation applied only to expatriates. However, after the down payment had been made the Department learnt that the provision also applied to local contractors. Following this the Department approached the contractor, a local carpenter, to refund the 15% provisional tax unfortunately he did not have the means to pay out at that point in time and had agreed to pay in instalments. However this arrangement has not been honoured to date.

The committee was further informed that no disciplinary actions had been taken against the officer but have been assured by the Department that necessary procedures have been put in place to address this anomaly.

The Committee agreed with the Auditor General's recommendations that:

- The Senior Accounts Officer should ensure that proper tax deduction is made at source in accordance to Income Tax Regulation before payment is released to contractors who are not exempted from tax.

Despite the assurance by the Department about the necessary procedures that will be taken in regards to this particular issue, the Committee further recommends disciplinary measures should be instigated against the officer concerned.

6.13 Damage/Loss of Passports and Poor Maintenance/Storage of Records

The audit of passports revealed that damaged passport books and missing blank passport books costs totaled \$28,120 in 2014. A total of 85 passports were damaged and a total of 285 blank passport books had been missing.

Audit noted the following anomalies:

- The damages to passports resulted from machine errors such as printing problems, improper lamination, overheating and inking problems while some were human errors arising from judgment errors, typing errors, incorrectly placing the passport books in the machine;
- The loss report was not prepared for damaged books contrary to section 14 of the Finance Manual to instigate recovery of losses in accordance with section 63 (1) (b) of the Finance Instructions;
- A security failure on the first and second floor rear office entrances of the building where people of different nationalities can easily gain entry into the office facilities and at times pass through the conference room and account section where cabinets, files are located along the walkway. Hence there is a high risk of loss of data pertaining to the Integrated Border Management System (IBMS) server in Suva. The matter has been an on-going practice and state resources are prone to theft and misuse especially the safety of data recorded in the IBMS;
- There is lack of security in the office in restricting unauthorised entrance from the back door and a general failure to maintain official documents securely and properly indicating the non-recognition of government records as a valuable resource and source of evidence for official transactions; and
- Apart from the financial costs of damages and loss of blank passport books, information security also faces a very high risk.

The Committee was informed that the Department had purchased steel shelves and have neatly stacked away passport applications and other files in the Passport and Citizenship section. Furthermore with regards to the Citizenship section, the Department had purchased compactors that safely stores and keeps the files in good condition.

The Department advised the Committee that they have made an effort to reduce damaged passports through the following:

- i. conducted investigation to identify the responsible officers;
- ii. counseled officers responsible for the damage;

- iii. internal transfer of officers who had shown no improvement;
- iv. continuous reminders at the management meetings on the issue; and
- v. continuous monitoring through issuance of internal circulars and email reminders.

As a result the number of damaged books was reduced by 63% from 2013 to 2014.

The Department further advised that they acknowledge the recommendation for the Manager Passports to prepare a loss report in accordance with the Financial Manual and the Department has taken necessary steps to preparing loss reports.

The Committee agreed with the Auditor General's recommendations that:

- The Director should urgently strengthened security control access into the Department's operation centre such as Accounts and Administration section to ensure the safety of state resources.
- The Manager Passports should ensure efficiency of passport processing, reducing the damages made to passport processing.
- The Manager Passports should ensure that loss reports are prepared in accordance with the Finance Manual 2012.

The Committee further recommends that upon our Performance Audit Visitation to the Immigration Office Suva, we noticed that the Department seriously has space issues making it difficult for them to safely keep the documents. The Committee also recommends that the Immigration Office to be relocated to a building structure with more storage area for safe keeping of documents and also easily accessible by the general public.

Section 7: Ministry of Labour, Industrial Relations and Employment

Role and Responsibilities

The core responsibility of the Ministry of Labour is to pursue the attainment of decent work standards under the provisions of Section 20 of the 2013 Constitution. The provision clearly defines the right to fair employment practices, including human treatment and proper working conditions. The responsibilities focuses on the promotion of employment opportunities; development of healthy workers; the provision of healthy and safe working environment; fair working conditions; good faith employment relations and productive workplaces. These responsibilities are achieved by focusing on developing a modern and an enabling policy environment supported by sound labour laws, policies, institutional practices and values, underpinned by tripartite social dialogue. Pursuant to Section 33 of the 2013 Constitution, the Ministry has a central role in fulfilling the right to work and obtain a just minimum wage. Other responsibilities of the Ministry include; non-discrimination of workers through the Equal Employment Opportunity (EEO) principles.

PART A: FINANCIAL STATEMENT

7.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Labour, Industrial Relations and Employment resulted in the issuance of an unqualified audit report.

7.2 Statement of Receipts and Expenditure

The Ministry of Labour, Industrial Relations and Employment collected revenue totalling \$1,100 and incurred expenditure totalling \$9,983,078 in 2014.

The revenue collected by the Ministry was basically commissioned from Weekly Wage Earners.

The total expenditure increased by \$1,489,414 or 18% in 2014 compared to 2013 mainly due to the Pay rise for all civil servants, Revolutionary Labour Reform and the undertaking of the National Minimum Wages Reform.

7.3 Trust Statement of Receipts and Expenditure

The Ministry of Labour, Industrial Relations and Employment has five trust accounts:

- Occupational Health and Safety Trust Account (OHS)
- Child Labour Unit Trust Fund (CLU)
- Employment Relations Agency Trust Account (ERT)
- National Employment Centre Trust Fund (NEC)
- Ministry of Labour Trust Account (WBC)

7.3.1 Occupational Health and Safety Trust Statement of Receipts and Expenditure

The Occupational Health & Safety Trust Account collected revenue totalling \$1,583,962 and incurred expenditure totalling \$1,619,511 in 2014. The total expenditure increased by \$647,475 or 67% in 2014 compared to 2013 mainly due to the increase in the payment of project officers, and purchase of Toyota Land Cruiser.

7.3.2 Child Labor Trust Statement of Receipts and Expenditure

The Child Labour Unit Trust Account collected revenue totalling \$51,276 and incurred expenditure totalling \$30,399 in 2014. The total expenditure decreased by \$57,894 or 66% in 2014 compared to 2013 mainly due to the decrease in expenses for the operation of the Child Labour Unit within the Ministry.

7.3.3 Employment Relations Trust Statement of Receipts and Expenditure

The Employment Relations Trust Account collected revenue totalling \$148,992 and incurred expenditure totalling \$216,835 in 2014. The total expenditure increased by \$212,503 or 4905% in 2014 compared to 2013. Expenses incurred were mainly for Turin training for Labour Compliance officers, overtime for drivers, International Labour Conference in Geneva and upgrade of volunteers & temporary officers.

7.3.4 National Employment Centre Trust Statement of Receipts and Expenditure

The National Employment Centre Trust Account collected revenue totalling \$33,649 and incurred expenditure totalling \$22,958 in 2014. The total expenditure decreased by \$58,406 or 72% in 2014 compared to 2013. Expenses incurred were mainly related to Inter-Agency workshop and signing of memorandum of understanding.

7.3.5 Ministry of Labour Trust (WBC) Statement of Receipts and Expenditure

This account comprises of Wages Disputes, Workmen's Compensation and OHS Consultancy. The WBC Trust Account collected revenue totalling \$6,039,727 and incurred expenditure totalling \$5,845,683 in 2014. The total expenditure increased by \$2,729,644 or 88% in 2014 compared to 2013. Expenses incurred were mainly for workmen's compensation, wages dispute and OHS consultancy:

- Workmen's compensation – compensation that is paid to workmen and their dependents are first placed in the trust account before it is paid to them.

- Wages dispute – has the arrears of wages owed by employers to workmen. These are first placed in the trust account before it is paid out to them.
- OHS consultancy – OHS officers usually carry out overtime for clients. Overtime is paid into the trust account by clients and is later paid out to OHS officers. Also, the project officer's salaries are paid from OHS Trust Account to OHS consultancy from where it is being paid to relevant SEGs.

7.4 Appropriation Statement

The Ministry of Labour, Industrial Relations and Employment incurred expenditure totalling \$9,983,078 in 2014 against the revised budget of \$10,013,561 resulting in a savings of \$30,483 or 0.3%.

PART B: AUDIT FINDINGS

7.5 Arrears of Revenue

As at 31/12/14, the Ministry's arrears of revenue amounted to \$30,343 compared to \$46,183 in 2013, a decrease of \$15,840 or 34%. The Audit noted that 38% of the arrears of revenue are more than 5 years. The Ministry is liaising with Ministry of Finance (Debt Unit) and had drafted a Cabinet Memorandum for the application for write-off for revenue that is more than 5 years totalling \$11,407.42. This shows weak measures undertaken to collect these revenue and may become irrecoverable if not collected on a timely basis.

The Committee was informed that arrears of revenue were in relation to the five Trust Accounts namely Occupational Health and Safety Trust Account, Child Labour Unit Trust Fund, Employment Relations Agency Trust Account, National Employment Centre Trust Fund and Ministry of Labour Trust Account.

The Committee was informed that the write-off was approved in 2015. The Ministry further highlighted that the current Arrears of Revenue is \$9,520.00. Also as a way forward the Ministry had developed a Standard Operating Procedure whereby payment is required to be made upfront before inspection is conducted by the OHS Inspectors.

The Committee also noted situations where the Ministry was not able to recover arrears of revenue for OHS Inspection from Fiji Development Bank and AFL due to missing records. The entities were willing to pay for the fees conducted way back in 1996 provided the Ministry gives proof of the work. Unfortunately, the Ministry could not provide any evidence because records could no longer be located and supposedly went missing when the office was relocated to Civic House from the previous location.

The Committee agrees with the Auditor General's recommendations that:

- The Head of Accounts should ensure that revenue dues are collected on a timely basis to avoid further accumulation of arrears balance.

The Committee further recommends that despite the reasons given by the Ministry on the missing file it views it as a lame excuse, the Ministry must at all times ensure proper safe keeping and storage. Failure of which should result in disciplinary measures being taken into account.

7.6 Un-reconciled Drawings Account

Audit noted the following anomalies in respect to drawings account:

- A variance of \$62,473 between the general ledger (FMIS) and the Ministry's reconciliation/board of survey for the drawings account.
- A variance of \$22,967 between the opening balance (01.01.14) as per Ministry's January reconciliation and the audited closing balance (31.12.13) for drawings account.
- The Ministry's un-presented cheque listing consists of EFT payments totalling \$71,673.62 as un-presented.
- One reconciliation was prepared for the month of January to October instead of the monthly reconciliations.
- Audit was provided with the unsigned copies of the reconciliation for the month of January to December by Ministry of Finance.
- Unsubstantiated balance of \$22,967 appearing in January – October and November reconciliation. In December, \$23,539 was written off in order to remove the unsubstantiated balance and bring the department's reconciliation in line with the general ledger (FMIS).

The Committee was informed that the 2015 and 2016 Drawings Accounts reconciliation has been completed and reconciled.

The Committee agrees with the Auditor General's recommendations that:

- Supervisory controls and checks should be strengthened in the Accounts Section to avoid such discrepancies.
- The Accounts Head should ensure that the Ministry's monthly Drawings Account reconciliation reconciles with the FMIS balances and any variances noted should be investigated and adjusted accordingly.
- The Ministry should ensure that the drawings reconciliation is prepared on a monthly basis.

7.7 Vehicle Accident – North Pole Rentals

The audit noted that an Officer (EDP No: 93161) – Technical Officer (OHS Compliance Service) was not surcharged for motor vehicle accident which occurred on 14/11/2013. The Ministry paid a sum of \$4,500 to North Pole Rentals for the damages to the rented vehicle. Audit further stated that the lack of follow up by the Ministry may result in the officer leaving the public service without any surcharge action taken against him.

The Committee was informed that \$855.00 has been recovered with a balance of \$3,645 as at 07/03/2016 and the Officer has been deducting \$45.00 per fortnight.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should constantly follow up with Ministry of Finance on the status of the accident report.

The Committee had recommended that the Ministry further investigate the issue in terms of the indemnity cover with North Pole Rentals and for all future rental hires.

Section 8: Ministry of Foreign Affairs, International Co-operation and Civil Aviation

Role and Responsibilities

The role of the Ministry of Foreign Affairs and International Cooperation is to lead the formulation and conduct of Fiji's Foreign Policy and serves as the regular intermediary between the state and foreign countries. This role focuses on the discharging of Fiji's Foreign policy to promote, advance and protect Fiji's national interest abroad in all sectors. More precisely this includes:

- Developing and maintaining cordial bilateral relations with as many countries as possible particularly focusing on those which offer greatest opportunity/advantage in economic terms (markets, investment, inbound tourism and development assistance)
- Working closely with like-minded countries and also intergovernmental organization in pursuing wider issues which have a national bearing, such as the special needs of small island developing states
- Securing maximum benefits at least possible cost from intergovernmental organization, in particular of those where Fiji is a member
- Contributing towards a more open world trading system
- Participating in initiatives directed at international and regional peace and security
- Accessing skills, technologies and experience relevant to national development
- Providing consular services to Fiji's citizens and intending visitors.

PART A: FINANCIAL STATEMENT

8.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Foreign Affairs and International Co-operation resulted in the issue of a qualified audit report.

The board of survey were not carried out for eleven (11) of Fiji Mission overseas from the total of eighteen (18) mission overseas office contrary to section 49 (1) of the Finance Instructions 2010. As such the completeness and accuracy of the statement of losses cannot be ascertained.

The Committee was informed that this qualification was a result of a lack of compliance from the Missions on the submission of their respective Board of Survey reports to the Headquarters. As a way forward, the Ministry advised the Committee that they have issued an Internal Circular in 2015 directing Missions to submit their BOS Reports in line with the 2016 Budget Timelines.

8.2 Statement of Receipts and Expenditure

The Ministry collected revenue totaling \$516,322 and incurred expenditure totaling \$39,370,528 in 2014. Refer below for details of revenue collected and expenditure incurred during the year.

The Ministry's operating revenue increased by \$152,496 in 2014 compared to 2013 due to increase in Over Payment Recovery (OPR) for advances, interests, rent arrears, commission charges for wages and refunds.

The miscellaneous revenue increased by \$332,926 in 2014 compared to 2013. This consisted of funds from Development Partners, received and receipted by the Ministry, which was previously collected and receipted by the Aid Unit of the Ministry of Finance (MOF). Much of these increase in 2014 (81%) consisted of donations made by the Embassy of China in Fiji towards the Chinese President's visit to Fiji in November of 2014.

8.3 Appropriation Statement

The Ministry incurred expenditure totaling \$39,370,528 in 2014 against the revised budget of \$40,179,721 resulting in a savings of \$809,193 or 2%.

PART B: AUDIT FINDINGS

8.4 Non-Reconciliation of Overseas Mission Bank Accounts to General Ledger

The overseas missions' bank accounts' facilitate the payment for mission expenditure and the transfer of monies from the consolidated fund account. At the end of the month, the expenditure is journalized to respective budgetary expenditure allocation.

Cash held in the general ledger FMIS system for the 18 overseas mission bank accounts as at 31/12/14 totaled \$6,025,668.

The Committee noted that upon submission of the bank accounts reconciliation by overseas missions, the Principal Accountant failed to reconcile the cash at bank balances reflected in the general ledger to the actual cash held in the missions' bank accounts resulting in the irreconcilable difference of \$1,200,023.

The Committee was informed that 2014 was the first time that the Ministry conducted a reconciliation on their overseas missions' bank account. In the process of doing this the Ministry was in consultation with the FMIS Unit.

The Committee noted that the reconciliation issue in question is at the posting level at the Ministry's Headquarters whereby the overseas Missions' transactions or expenditures needed to be recorded in the FMIS system against the Missions' accounts. As for Missions, the Committee was informed that they have been submitting their bank reconciliations on a monthly basis and it is balanced.

The Committee further noted that the Accounts Section had been allocated more staff as compared to previously whereby it was only Principal Accounts Officer, a Senior Accountant, an Accounts Officer and all the Clerical Officers.

The Committee was advised that under the Financial Management Act, the responsibility of financial operations of any Ministry lies with the Permanent Secretary. The Ministry of Economy can only recommend corrective measures to the Ministry.

The Ministry of Economy has provided assistance to the Ministry by transferring one of their staff in the last financial year to assist them with their reconciliations.

The Committee was informed that the Ministry continues to conduct regular consultations with FMIS team and a formal request, seeking approval to write off mispostings affecting the reconciliations, was submitted and approved by the Ministry of Finance for 2015. This was then regularized by the Ministry of Economy through MOF Journal WOFF15.

The Committee agreed with only one of the Auditor General's recommendations that:

- The Principal Accountant should ensure that bank balances in overseas mission accounts are reconciled with the overseas mission general ledger.

The Committee further recommends that the Ministry very strictly adhere to the recommendations put forward by the OAG's Office because the irreconcilable differences of \$1,200,023 is of great concern.

The Director Finance of the Ministry and the Ministry of Economy should plan and conduct timely visitations to all the overseas Missions.

8.5 Electronic Fund Transfer (EFT) Recorded Under Unpresented Cheques

Audit noted that the Ministry's un-presented cheques listing as at 31/12/14 include payments made through the Electronic Fund Transfer (EFT).

This indicated that the bank cannot transfer the funds to the vendor bank account due to incorrect bank account details given to the bank by the Office.

The Committee was informed that when funds are being directed through EFT to banks corresponding account, most of these transfers are done in batches and when bank reconciliation proper are undertaken, the transactions are matched individually and thus the batches total continued to be shown as unpresented.

The Ministry assured the Committee that they have undertaken corrective measures since 2015 to address this matter. This is evident in December 2015 when EFT bank reconciliation no longer showing any unpresented cheque listings.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accounts Officer should ensure that the required correct information for EFT payments are given to the bank to avoid accumulation of EFT payments in Un-presented cheques list at year end.

The Committee further recommends that Ministry should ensure that the vendors' details are recorded accurately in order for a successful EFT transaction.

8.6 Incomplete Board of Survey Report

The Committee noted that the Ministry failed to carry out the board of survey for the eleven missions and Embassies. Without a board of survey, the Statement of Losses (other than money) cannot be substantiated.

The Committee was informed that the Ministry in its commitment to minimize audit queries and at the same improve efficiency in its operation, an internal Circular was issued in 2015 highlighting 2016 Budget Timelines. This resulted in improvements in the Ministry's 2016 Financial Statements Report. The Report explicitly highlighted that all Board of Survey submissions has been submitted to Ministry of Economy.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accounts Officer must ensure that Section 49 of the Finance Instruction 2010 and section 7.4.1 of the Ministry's Finance Manual 2013 are strictly complied with.

The Committee further recommends that the Ministry should conduct timely Board of Survey.

8.7 Unsubstantiated Write Off

The Committee noted that liabilities totaling \$50,041 were approved to be written off by Ministry of Economy without any supporting documents to justify the reason for write offs. As a result the audit could not ascertain the accuracy of the write-off in the general ledger system.

The Committee was informed of the following:

- Allocation 1-08103-80701-863101 on Administration Contributions Foreign Mission - \$44,177.48. Since 1993, the Fiji High Commission in Wellington has been making some payments for their operational expenses by debiting their Trust Fund allocations. The administrative cost for the Consular services charged by the Mission has been credited to this same allocation since 2007. The payments quoted were more than revenue and this resulted in the overdrawing of the Trust Account. The request for write off had been to clear overdrawn amount being brought forward from previous years. Further to this the Committee was informed that as part of the Ministry's commitment to address the matter, an

instruction was issued to Missions to abstain from quoting or debiting the trust allocations when making payments.

- For Allocation 1-08101-80101-861599 on XXX PD Others - \$5,863.36. This allocation was overdrawn since 2007 due to an unidentified amount brought forward since 2006 when the Ministry started to prepare proper reconciliation for all Trust Fund Accounts. The Committee was further advised that this had been one of the dormant accounts which were part of the write-off exercise conducted in 2014 by Ministry of Economy as the background to the existence of this account had not been clear.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accounts Officer should ensure that all write offs are properly substantiated with supporting documents to justify the reasons for write offs.

The Committee further recommends that the issue of write-off is of great concern and the Ministry should ensure that proper supporting documentation are maintained in order to avoid such occurrences in future. Consideration to be given to responsible officers to be taken to task.

Ministry of Economy's Internal Audit Unit should conduct regular internal audits

8.8 Failure to Maintain and Produce Proper Records for Audit Verification

The audit noted the following anomalies in the administration and maintenance of accounting records and documents pertaining to payments made;

- Missing payment voucher and as such payments recorded in the general ledger system could not be substantiated;
- There was lack of supporting documents attached with payment voucher to justify the payment made.

The audit further stated that the Ministry also did not provide any response on audit query about the need to change return flight dates four days earlier than the date paid which cost the Ministry an extra \$7,328 for a revised one way ticket for the Minister.

The Ministry informed the Committee that they had gone through all the individual transactions that had been able to properly compile the relevant required documents. Also the Ministry highlighted that in their effort to effectively address queries raised, the Finance Division of the Ministry has developed its internal Filing Systems Standard Operating Procedures (SOPs) to guide each member of the Division on the processes that they need to adhere to for filing.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accounts Officer should ensure that all accounting records are properly maintained in accordance to section 15.1.3 and 2.9.4 of the Finance Manual.
- The Director Corporate Services and Principal Accounts Officer should strengthen supervisory checks for records keeping for the Accounts Division.

8.9 Anomalies for the Refurbishment of New Office – St. Stephen Building

The Ministry contracted a construction company to carry out the Refurbishment works for the new office at St. Stephen Buildings in Suva. The tender process was waived by the Minister of Finance on 07/07/14 at the request of the Ministry. The Memorandum of agreement for the Refurbishment works was signed on 15/07/14 at a contract price of \$1.5million for durations of twenty four (24) weeks or six months. The following anomalies were noted.

- The refurbishment work on the Stephen building was delayed by more than a year (18 months) as funds were provided in 2013.
- The audit established that there was no evidence of vetting of agreement of the Refurbishment works by the Solicitor General's Office;
- The audit also established that the Ministry did not perform due diligence prior to signing of the agreement as the Ministry did not involve Building Engineer from the Building and Government Architects of the Public Works Department to be part of the project;
- The scoping of the contracted work was not independently determined to safeguard the interest of the Government.
- Further scrutiny of the agreement reveals that the clauses of the agreement do not include any independent technical monitoring or the issue of an engineer's certification for the completion of the contracted work for different phases before each contact payment and at the end of the project. As a result all the payments made to the contractor totaling \$1,348,420 were not certified by an independent building engineer before the release of each payment;
- No independent engineer's completion certification has been sought.
- Upon Ministry of Finance memo to seize all unutilized rolled over funds in the SLG 84 by the 15th August 2014, the Ministry then processed payments totaling \$468,001 without any service or work done by the contractor. The cheques were released later to the contractor.

The works were completed on 28/03/15 and the Ministry has paid a total of \$1,348,420 to the contractor with the retention amount to be paid after the defect liability period which ends on 28/8/15. As at 15 August 2015, the renovated building remained unoccupied and redundant for almost six months. The defect liability period has been wasted as the Ministry did not move in to occupy the building and enable them identify defects to be repaired at a cost to the contractor. Any defect identified after the defection period will be repaired as additional costs to government.

The Committee was informed that all relevant documents relating to this project has been properly documented and filed. However, the FICAC is currently conducting its

own assessment of the project and all these documents have been submitted to their Office, as directed by a Court Search Warrant

The Ministry assured the Committee that the experiences acquired from the implementation of this project has prompted them to be more vigilant in their assessment prior to making recommendations for any payments for future projects.

The Committee agreed with the Auditor General's recommendations that:

- The Permanent Secretary should inquire about the deficiencies and negligence found in the project and take appropriate actions to correct and strengthen internal controls.
- The Permanent Secretary and Deputy Secretary should ensure that due diligence are performed prior to signing of the agreement.
- Without the engagement of the government engineers, competent and independent private engineers should be sought.
- The Principal Accounts Officer should ensure cheques are processed and released to the contractor after the successful completion of the work with necessary documentation in place to justify the processing of payments.
- The Ministry should ensure that the refurbishment office are occupied so that government resources are efficiently and effectively utilized.

OVERSEAS MISSIONS

8.10 Payments Anomalies Noted for Overseas Mission Office

8.10.1 Papua and New Guinea

The audit noted the following anomalies for payments made by Papua New Guinea Embassy;

- payment vouchers and other supporting payment records were not stamped paid;
- three quotations were not obtained for airline payments;
- overpayment of per diem allowance to the Second Secretary;
- poor planning for travelling since the Second Secretary had changed his travelling time after payment was made which caused unnecessary charges.

The Committee was informed that the MSG Festival of Arts and Culture was held in PNG in 2014 where the total 130-member Fiji delegation participated and performed in four different Centers around the country.

During the event a member of the Fiji delegation, Ms. Finau Mara, passed away (6th July 2014) and it was decided that her body to be repatriated on 13th July 2014 (a week later). Prior to the repatriation of the body, the PNG Government informed through the diplomatic channel that its Minister for Culture, Hon. Boka

Kondra, will be escorting the body to Fiji and attend the Fijian traditional protocol of 'reguregu' on behalf of the Government and people of PNG. Given the last minute notification, the decision to have SS Naivalucava travel to Fiji was made after verbal consultations between the High Commissioner and the then Permanent Secretary as part of diplomatic courtesy for Minister Kondra. As such, there was no formal approval for SS Naivalucava's trip to Fiji.

8.10.2 Brazil Mission

The audit also noted that the main supporting documents such as invoices were not stamped "paid" for some payments by Brazil Mission Office.

The Ministry advised that according to copies kept at the Mission, all payment vouchers for 2014 were stamped paid, checked and authorized by supervising officer and that they ensure that all the payment vouchers are stamped and filed accordingly.

The Committee agreed with the Auditor General's recommendations that:

- The Director Corporate Services and Principal Accounts Officer should strengthen supervisory checks for records keeping and ensure that procurement procedures and guidelines are followed.
- Proper planning for travels should be made to avoid additional cost and overpayments of per-diem allowance are to be recovered from PNG staff. .

Section 9: Elections Office

Roles and Responsibilities

The Supervisor of Elections acting under the direction of the Electoral Commission administers the registration of voters and conducts elections of members of Parliament and such other elections as Parliament prescribes and may perform such other functions as are conferred by written law. (Section 76 Clause 2 of the Constitution)

PART A: FINANCIAL STATEMENT

9.1 Audit Opinion

The audit of the 2014 accounts of the Elections Office resulted in the issue of an unqualified audit report. However, attention was drawn to the following:

There is an un-reconciled difference amounting to \$560,356 between the General Ledger (FMIS) Trust Fund Account and General Ledger (FMIS) Trust Fund Bank Balance. Accordingly, I have been unable to ascertain the accuracy and completeness of the Trust Fund account balance in the general ledger as at 31 December 2014.

9.2 Statement of Receipts and Expenditure

The office incurred a total expenditure of \$11,582,312 in 2014 compared to \$3,799,984 in year 2013. Total expenditure increased by \$7,782,328 or 204.8% in 2014 compared to 2013. The increase was mainly attributed to the increase in special expenditure for the 2014 General Elections.

9.3 Appropriation Statement

The Office incurred expenditure totalling \$11,582,312 in 2014 against a revised budget of \$17,971,531 resulting in a savings of \$6,389,219 or 35%.

9.4 Statement of Losses

The Office recorded loss of money amounting to \$9,156 in 2014 being polling day workers salary wrongly paid to wrong bank account numbers and the owners of the account had fully withdrawn the amount. A loss report was sent to Ministry of Finance Surcharge Unit and Police for further investigation.

There was no loss of fixed assets recorded for the year 2014. However, following Office's Board of Survey conducted in 2014, items worth \$42,990 were written off as approved by the Permanent Secretary of Economy.

9.5 Trust Fund Account Statement of Receipts and Payments

A trust fund account was opened in 2014 to account for all the funds received as Aid for the 2014 elections. The Trust Account collected Aid monies totaling \$21,607,512 and incurred expenditure totaling \$16,376,946.

PART B: AUDIT FINDINGS

9.6 Variance in Trust Fund Account

According to the Finance Instruction 2010 – Section 58(3), 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 responsible officer shall sign the reconciliation. Un-reconciled items must be investigated and resolved promptly.

The committee noted a variance of \$2,532 exists between the trust fund bank reconciliation and the trust fund bank account balance in the general ledger as at 31 December 2014.

Table 9.4 – Variance between Trust Fund Bank Reconciliation and Bank Balance in GL

| Details | Amount (\$) |
|-----------------------------|----------------|
| FMIS (1-10101-10001-520701) | 1,228,035 |
| Bank Reconciliation | 1,230,567 |
| Variance | 2,532 |

Also, the committee noted a variance of \$560,356 existed between the trust fund account and the trust fund bank balance in the general ledger as at 31 December 2014.

Table 9.5 – Variance between Trust Fund Bank Reconciliation and Bank Balance in GL

| Details | Amount (\$) |
|-----------------------------|----------------|
| FMIS (1-10000-00000-890000) | 1,788,391 |
| FMIS (1-10101-10001-520701) | 1,228,035 |
| Variance | 560,356 |

The above indicates that the Office failed to reconcile the cash at bank general ledger balance and true trust fund balances properly, resulting in variances noted. As a result,

audit was not able to ascertain the accuracy and completeness of the Trust Fund account balance in the general ledger as at 31 December 2014.

The Committee was informed that FEO had received significant international Donor support for the 2014 General Election. These funds had been kept in an independent Trust Account.

For accountability purposes, payments were made from this Trust Account as per the agreements with the Donors.

The FEO had used FMIS to control the use of funds in the Trust Account.

However in the FMIS, when a Purchase Order is raised, it automatically debits the VAT portion. As a result, when payments were approved from the Trust Account, the VAT portion was automatically deducted in the FMIS resulting in the variance in the Operating Budget.

The Committee was informed that following the conclusion of the 2014 General Election, the variance was discovered and immediately reconciliation was done to correct the misposting. The FMIS Unit in Ministry of Economy were able to rectify this matter.

As a way forward, FEO has its own independent Financial Management System as off 1 August 2016. This customized finance management software will allow the FEO to prepare reports based on IFRS. The FEO will also be able to operate its finances based on the nature of its responsibilities.

The Committee agreed with the Auditor General's recommendations that despite events such as the General Elections:

- The Head of Accounts should ensure that proper monthly reconciliations between bank reconciliation balance and trust fund bank account balance in the general ledger is done and any errors or variances noted should be investigated and adjusted accordingly.

9.7 Operating Trust Fund Accounts

Section 25(1) of the Financial Management Act 2004, trust fund accounts comprises monies which are not the property of the state and not utilized for the purpose of Government. In addition, trust money is to be accounted separately from Public Money and other money and by convention should always have credit balance.

Also Finance Circular 4/98 of 30/03/98, states that the trust fund account should not any time be overdrawn.

A variance of \$398,058 existed in the operating trust fund accounts balance between the Office reconciliation and the general ledger (FMIS) records.

In addition, as at 31 December 2014, the Office Operating Trust Fund Accounts had an overdrawn balance of \$4,435 compared to \$509,684 in 2013, a decrease of \$505,249 or 99% mainly due to write off of dormant balances totaling \$398,058 in operating trust account.

Despite the write off of the dormant accounts, the account still is overdrawn by \$4,435. This indicated that monthly reconciliations and independent checks by supervisors were not effectively carried out. Also, this could have been avoided had the Officer been more vigilant in preparation of the Operating Trust Fund Account reconciliations.

The Committee was informed that reconciliation of the operating trust fund account was carried out and the balances in the PAYE Tax Arrears were verified and adjusted. Furthermore the balance of \$20,005 stated in the FNPf Trust Account was the carried forward balance from previous years and the said amount had been written off in liaison with Ministry of Economy in 2015. Currently FNPf deductions are correctly posted to the Trust Fund Account and monthly payments are reconciled with the general ledger entries.

FEO further highlighted that they have established a control process that monthly payments for the Trust Fund Account should be equivalent to the trust fund entries. Any misposting during the month is adjusted within the current month.

The Committee agreed with the Auditor General's recommendations that:

- The Accounting Head should ensure that the Trust Account is not overdrawn at any point in time in accordance with Finance Circular 4/98.
- The Accounting Head should ensure that all FNPf deductions are credited to the trust accounts.
- The Accounting Head must investigate the overdrawn (debit) trust fund accounts and take appropriate action.
- The internal control procedures in the Accounts Sections, specifically supervisory checks should be strengthened to avoid such discrepancies.

9.8 Anomalies in Procurement of Goods and Services

According to the Fijian Elections Office Finance Manual Section 37.2(f), purchase of equipment necessary for the operation of FEO should be accompanied by raising LPO. Also, section 7.5 requires employees engaging the services or works prior to the issue of Purchase Order shall be disciplined and if any employee commits this twice in a calendar year shall be issued with a final warning. Similarly, section 11.6, immediately after payment has been affected, the FOP preparing the payment must stamp "paid" on all vouchers and the supporting documents to avoid any double payments.

Section 7.1 states that competitive quotations for procurement of all goods, services or works valued at FJD\$200.00 or more should be obtained. Section 11.4, the HOD FA must not certify any payment as correct unless he or she is satisfied that it is in accordance with the PO, contract, invoice, or other documentation and authorization.

Audit noted that the office failed to comply with its Finance Manual 2014 in accounting for the procurement of goods and services. Proper procurement procedures were not followed and there is a risk that the office could be overcharged by suppliers of goods and services.

The Committee was informed that FEO had been tasked to run the 2014 General Election in about 6 months which required immediate procurement on numerous goods and services in order to minimize the risk of non-delivery. Furthermore, there had been instances where the FMIS system was not able to provide the required support due to system issues like FMIS did not issue LPO after 5pm in 2014 until the FEO requested for special permission.

Also there were various services which had been acquired without knowing the total value until it was seen how much had been used. For instance, the free of charge 545 telephone service to the voter was in fact paid for by FEO. However, FEO could not issue an LPO to make a payment until the companies provided an invoice indicating the amount.

The Committee was further advised that FEO's current procurement policy is now specifically detailed and designed for procurement of goods and services for Fijian Elections Office. All purchase for Fijian Elections Office is done through approved minute from directors and approved procurement evaluation form. The procurement evaluation form include three competitive quotes, contracts or approved documentation, justification of the selection of the vendor, which is approved by Manager Procurement, Financial Controller, Director and Supervisor of Elections. The Office also has a separate Tender policy for goods that need to be procured costing over \$100,000.

As a way forward FEO stated that they have also acquired a customised finance software that should eradicate most of the audit issues that had been highlighted.

The Committee agreed with the Auditor General's recommendations that:

- The Head of Department Finance & Accounts and Procurement should ensure that procurement rules and regulations are strictly adhered to. Any deviation should be properly authorized and supported with documentary evidence.

9.9 Sitting Allowance for Electoral Commission Members

Section 75(1) of the 2013 Constitution of the Republic of Fiji, the Electoral Commission established under the State Services Decree 209 continues in existence. The Chairperson and the members of the Commission shall be appointed by the President, on the advice of the Constitutional Offices Commission.

The members of the Electoral Commission were appointed on 9 January 2014 through Government Gazette. However, the Gazette did not contain anything on the remuneration or the allowances of the members.

The Electoral Commission members were paid sitting allowance of \$500 per day. Discussion with the HOD – Accounts & Finance revealed that the allowance was approved following the discussions between the Attorney General and the Chairperson of the Electoral Commission.

However, no official correspondence between Attorney General and the Chairperson of the Electoral Commission was provided for audit verification.

Table 9.8 – Sitting Allowance Payments

| Date | Cheque No. | Amount (\$) | Description |
|----------|------------|-------------|---|
| 02/05/14 | 1141 | \$6,703.92 | Being payment of sitting allowance to one Commission member for attending the Electoral Commission Meeting on 02/04-29/04/14 |
| 01/09/14 | 2767 | \$7,076.33 | Being payment of sitting allowance to one Commission member for attending the Fijian Electoral Commission Meetings and Electoral – related meetings from 04/08-29/08/14 |
| 01/09/14 | 2769 | \$5,040.00 | Being payment of sitting allowance to one Commission member for attending the Fijian Electoral Commission Meetings and Electoral – related meetings from 04/08-29/08/14 |
| 10/09/14 | 2980 | \$6,236.58 | Being payment of sitting allowance to one Commission member for attending the Fijian Electoral Commission Meetings and Electoral – related meetings from 04/08-29/08/14 |

Audit stated that in the absence of relevant documents, it had been difficult to substantiate the accuracy of the allowance paid.

The Committee was informed that the Sitting allowance for the Electoral Commission (EC) Members was paid in accordance with the confirmed email from the Acting Permanent Secretary for Justice, Anti-Corruption, and Communications who had also been responsible for Elections which stated the actual sitting allowance which the members had been eligible for.

The Committee agreed with the Auditor General's recommendations that:

- The HOD – Accounts & Finance should be more vigilant and ensure that all mandatory rules and regulations are being adhered to.
- The HOD – Accounts & Finance should ensure that official memorandum or circulars are obtained to validate the accuracy of the rates for sitting allowance.
- Sitting allowance of the Election commissioners should be gazetted.

The Committee further recommends that remunerations and allowances, the process of which was not followed henceforth, it agrees with the recommendation of the Auditor-General that such measures should not be through emails but through gazettes.

Section 10: Judiciary

Role and Responsibilities

The Judicial Department is responsible for enhancing the quality of justice in the community by ensuring an effective and accessible Court System as the cornerstone of Justice. The Court System will uphold the principles of impartiality, equality, fairness and access, while protecting the dignity and rights of all members of the community. In line with the Constitution of the Republic of Fiji 2013, Chapter 5, Part A 97(2), of the Republic of Fiji and the law, which they must apply without fear, favour or prejudice.

PART A: FINANCIAL STATEMENT

10.1 Audit Opinion

The audit of the 2014 accounts of the Judiciary Department resulted in the issuance of an unqualified audit report. Management attention however was drawn to the following matters.

- The Bank account balance for Judicial Trust Fund Accounts for Suitors, Maintenance and Sundries is not sufficient to support the general ledger balances for Cash at Bank (Fund 9 - SAG 52) and Main Trust account (Fund 9 – SLG 89). A shortfall of \$783,222 is noted from the Bank Reconciliation.
- The state and agency revenue totalling \$4,079,691 is reflected in the Statement of Receipts and Expenditure while a further sum of \$13,345,569 was not collected by the department which remained outstanding as arrears of revenue. These mainly comprise court fines and charges of which a total of \$10,024,462 are aged more than five years which has not been analyzed to determine irrecoverable amounts for write offs. The Statement of Losses does not include any write offs for arrears of revenue.

10.2 Statement of Receipts and Expenditure

The department collected revenue totalling \$4,079,691 and incurred expenditure totalling \$27,959,839 in 2014. The department's total revenue decreased by \$95,026 or 2 % in 2014 compared to 2013 due to the decreases in court fines. The total expenditure increased by \$6,392,361 or 30% in 2014 compared to 2013 due to increases in expenditure for established staff and capital construction.

10.3 Appropriation Statement

The department incurred expenditure totalling \$27,959,839 in 2014 against the revised budget of \$31,486,445, resulting in a savings of \$3,526,606 or 11%.

Also in 2014, the Cabinet had approved the redeployment of \$4,158,129 from the Department's budget to Fiji Roads Authority.

The committee enquired about the statistics on the number of expatriations judges given the concerns of the Committee of the savings of the Department in SEG 1 of \$1.21m. However, the committee was informed by the Department was not forwarding the information requested.

10.4 Statement of Losses

The Department recorded loss of money amounting to \$38,134 in 2014.

- Navua Magistrates Court – one of the Officers embezzled around \$37,127. This was reported to Police and investigation is still going on.
- Korovou Magistrates Court – one of the officers embezzled around \$1,007. This was reported to Police and investigation is still going on.

There was no loss of fixed assets recorded for the year 2014. However, following Department's Board of Survey conducted in 2014, items worth \$186,973 were written off as approved by the Permanent Secretary of Finance.

10.5 Trust Fund Account Statement of Receipts & Payments

Judiciary fund and Legal Practitioners' trust fund accounts are used to record the interest received from the trust fund kept by the individual legal practitioners. Suitors, maintenance and sundries trust fund accounts are used to deposit and make payments pursuant to the orders made by the courts.

The trust fund account balance increased by \$3.1million in 2014 compared to 2013 mainly due to decrease in payments from Judiciary Trust, Maintenance Fund and Sundries Fund.

PART B: AUDIT FINDINGS

10.6 Un-reconciled Main Trust Bank Account

According to the Judicial Department Finance Manual 2013 Part 15.4.1 and 4.2 that within 5 days after the end of each month, the Assistant Accounts Officer (Ledgers) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account. Details of balances must be attached to the reconciliation statement.

The committee noted that fewer funds are available in the Main Trust Bank account to support the FMIS General Ledger balance for the same account (Fund 9 - Seg 52). The general ledger recorded a balance of \$19,827,490 as at 31 December 2014 while the bank reconciliations balance calculated was \$19,044,268. A variance of \$783,222 existed between the two records.

The committee further noted that the Ministry of Finance adjustment of \$784,441, dated 31 January 2014, to correct the variance between the Bank ledger account balances

(SAG 52) and its corresponding trust account (SLG 89) as the major cause of the variance. The adjustment to equate the general ledger bank account to the trust fund account was merely a book entry without any cash deposited to the Trust account in the Bank.

The anomaly above indicates the inability of the accounts section to properly reconcile main trust funds recorded in the general ledger (FMIS) with the funds kept in the bank.

The Committee was informed that the reconciliation is properly carried out and all details are shown in the Bank Reconciliation. There are no outstanding deposits. The previous practice where Post Fiji amounts were credited to the allocations without the money being deposited to the bank has been stopped. The receipts from Post Fiji are entered in a register, reconciled at the end of the month and debit note sent to Post Fiji for the funds.

Once monies are received it is then receipted and banked. Also direct deposits are made to the bank by various companies and government departments but they fail to provide the details in order for the Department to post the monies to the correct allocations. Despite numerous reminders there is still no response thus monies are not recorded in GL and remains unpaid.

The Department further advised that they are trying to resolve the bank errors however this will take a while as their records are in the archives which take time to be retrieved. The Department further stated that they are working with the Ministry of Economy to determine the reason for the variance between Seg 89 and Seg 52.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accounts Officer must ensure that proper Bank Reconciliation of Trust Funds is carried out with the inclusion of Outstanding Deposits.
- Direct deposits must be properly receipted and recorded in FMIS GL.
- Proactive measures should be taken to resolve bank errors.
- Ministry of Finance adjustment should be reviewed and proper investigation conducted to determine cause of variance between Seg 89 & Seg 52.

The Committee further recommends

-Adjustment without supporting documents

-Whole process of unreconciled balances

-The Judiciary needs to reinvent its process because the current processes are not working which continues in so much unreconciled balances.

10.7 Arrears of Revenue

The Judicial Department Finance Manual 2010 – Section 9.2.1 states that the credit officer must promptly follow up accounts that fall due. If the recovery is unsuccessful after one month, the following actions shall be taken:

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

Section 9.2.4 clearly states that if a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery

Audit noted a significant increase in arrears of revenue by \$1,377,538 or 12% in 2014 amounting to \$13,345,569 as compared to \$11,968,031 in 2013. In 2008, the balance was around \$10,574,640 and has been consistently increasing since.

The Committee noted that the arrears of revenue comprises of Court fees, fines and cost awarded to the state. The Department has established a Fine Enforcement Unit to manage the arrears of revenue. Despite this exercise, the arrears of revenue for the Department remained substantial.

Arrears of revenue for less than 1 year increased by \$721,472 (75%) in 2014 totaling \$1,678,769 compared to \$957,297 in 2013. Similarly, arrears between 1 to 2 years also increased by \$354,198 (97%) totaling \$719,925 from \$365,727 in 2013.

Lack of control and recovery measures are evident in this anomaly which warrants immediate review and collaboration.

Further delay in collecting the outstanding revenue increases the likelihood of non-collection of revenue which may require write-offs resulting in revenue loss for the government.

The Committee was informed by the Department Heads during the interview that the lack of human resources has contributed to the increasing arrears in revenue. Also, the Department has had several discussions with the Ministry of Economy on the same over the last two years to allow the Fine Enforcement Unit to work closely with the Police Department in recovering these arrears.

However, this has not been approved to date.

The Department is also working on the confirmation of the correct outstanding amount which are more than five (5) years for write off purposes. This exercise requires additional personnel.

The Committee was informed that the respective details of the arrears of revenue example traffic fines, could not be provided by the Department as it is still work in progress.

The Committee agreed with only three of the Auditor General's recommendations as the data bureau is no longer in existence:

- Proper details of personal data to be recorded for all debtors at initial stage.
- Pro-active follow-up on defaulters after 21 days arrears.
- Fine Enforcement Unit should be well legislated giving them powers to execute warrants with full resources.

The Committee further recommends that:

- 1. Stringent measures should be implemented such as fortnightly reviews to be implemented to improve the collection of arrears.*
- 2. Regular staff appraisals should be conducted to align to the collection of arrears of revenue; and*
- 3. Appropriate resources should be allocated to the Department as per the request stated above.*

10.8 Delay in Taking Disciplinary Action

As per internal correspondence titled "Suspension Pending Disciplinary Proceedings", the contents of the correspondence included this para to all suspended officers:

"During the period of suspension, all entitlements to salary and benefits are also suspended. However, you may make appropriate submissions to the Department to be paid a quantum of your salary after three months from the date of your suspension"

Audit noted that several disciplinary cases have been pending for long, resulting in payment of quantum for a prolonged period without any service rendered by the officer to the department.

Table 10.7 Officers Paid Quantum during Suspension

| EDP No. | Suspension Date | Reason for Suspension | Audit Remarks |
|---------|-----------------|---|---|
| 63070 | 18/07/14 | The officer misappropriated government revenue amounting to \$3,788.75 and Trust money amounting to \$865.00 as Revenue Collector for Magistrates Court Rakiraki. She also failed to report the misappropriation of revenue by another staff. | <ul style="list-style-type: none"> ✓ From 01/01/2015 quantum of 50% is being paid whilst on suspension. ✓ Total quantum paid as at pay 13/2015 - \$3,164.72. ✓ The officer is still on quantum since the outcome of disciplinary proceedings is still pending. |
| 91897 | 18/06/14 | Failed to adhere to the directives given, regarding his posting to magistrate court Nadi | <ul style="list-style-type: none"> ✓ From 14/10/14 quantum of 50% is being paid whilst on suspension. ✓ Total quantum paid as at pay 13/2015 - \$4,521.03. ✓ The officer is still on quantum since the outcome of disciplinary proceedings is still pending. |
| 93572 | 04/06/14 | Officer assisted an accused in preparing mitigation documents and received the documents in registry without being stamped. | <ul style="list-style-type: none"> ✓ From 02/09/14 quantum of 50% is being paid whilst on suspension. ✓ Total quantum paid as at pay 2/2015 - \$2,573.52 |
| 93587 | 26/03/14 | Manipulated the sick sheet by altering the resumption date | <ul style="list-style-type: none"> ✓ From 31/07/14 quantum of 50% is being paid whilst on suspension. ✓ Total quantum paid as at pay 13/2015 - \$5,651.28. ✓ The officer is still on quantum since the outcome of disciplinary proceedings is still pending. |

| EDP No. | Suspension Date | Reason for Suspension | Audit Remarks |
|---------|-----------------|--|---|
| 92033 | 30/07/14 | The officer had misappropriated government revenue amounting to \$3,788.75 and trust money amounting \$865.00 between 4/7/14 to 15/07/14 whilst employed with Judicial department in Rakiraki. | <ul style="list-style-type: none"> ✓ From 12/11/14 quantum of 50% is being paid whilst on suspension. ✓ Total quantum paid as at pay 13/2015 - \$4,016.77. ✓ The officer is still on quantum since the outcome of disciplinary proceedings is still pending. |
| 93678 | 09/04/14 | The officer was alleged of sexually harassing his co-workers especially the ladies at Family Court, Labasa. | <ul style="list-style-type: none"> ✓ From 31/07/14 quantum of 50% is being paid whilst on suspension. ✓ Total quantum paid as at pay 13/2015 - \$5,825.17 ✓ The officer is still on quantum since the outcome of disciplinary proceedings is still pending. |
| 92952 | 17/03/14 | The officer as an Assistant Court Officer (Magistrates Court Tailevu) misappropriated government revenue amounting to \$107.25 and failed to do daily banking. | <ul style="list-style-type: none"> ✓ From 19/09/14 quantum of 50% is being paid whilst on suspension. ✓ Total quantum paid as at pay 13/2015 - \$5,129.64. ✓ The officer is still on quantum since the outcome of disciplinary proceedings is still pending. |

The Committee was advised that the cases highlighted in the Audit Reports have been completed and necessary actions have been taken.

The Committee was informed that the Department has a separate tribunal for the Judicial Department employees. Previously, the Department was under the Public Service Disciplinary Tribunal. The interim period caused a lot of delays in concluding

these disciplinary cases. The Department has a tribunal member who is a sitting Magistrate dealing with these disciplinary cases internally for a speedy result.

The committee was informed that there is now a Judicial Services Commission implementing disciplinary processes and calculation of quantum salary entitlement with the 3 month timeline. The Department assured the committee they now have a huge task that before 3 months, all disciplinary matters will need to be resolved.

The Committee agreed with the Auditor General's recommendations that:

- The Head of Disciplinary Unit should ensure that at least an investigation report is prepared within three months following the suspension of the concerned officer.
- The internal control procedures in the Disciplinary Unit, specifically supervisory checks should be strengthened to avoid such discrepancies.

The Committee further recommends the Auditor General reports back to the Committee on the evaluation of the Tribunal and Commission in his next Audit Report.

10.9 Anomalies in Capital Construction Works

Judicial Finance Manual 2013 – Part 2 Introduction – Expenditure, the proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.

As the correspondence between the Attorney-General and Acting Minister of Finance dated 06/006/14, waiver of the tender process was granted by the Acting Minister of Finance for the renovation and relocation works of Parliament to Government Building, at a total cost of \$1,985,023.42 VIP (inclusive of 20% contingency).

Tender No. WSC 256/2012 – Contract for Construction of the New Tribunal Court No. 2 & Registry at Government Buildings – Judicial Department indicates that the contract for construction of the new tribunal Court No. 2 and Registry at Government Buildings, Suva was awarded to a contractor at the cost of \$148,637.37 on fixed lump sum contract for the duration of nine weeks, with 10% as retention fee inclusive of the tendered price.

The following anomalies have been noted in capital construction works:

- A contract sum of \$1,871,756.60 for consultancy works for design, supervision, commissioning and fit-outs for Lautoka High Court Complex was approved. Audit noted that a variation work of \$86,135 has been performed by the contractor, however, no approval for variation work was provided for audit verification.
- The renovation and relocation works of Parliament to Government Building included a contract sum of \$1,272,512.97 awarded to another contractor. Also, 20% contingency is approved, thus, the total contract sum inclusive of

contingency is \$1,527,015.56. However, as per the last claim (Progress Payment Certificate No. 5) submitted by Director Buildings and Government Architect, the value of work performed to date was \$1,561,323.98. Thus, variation of \$34,308.42 is noted compared to the total contract sum inclusive of contingency. No approval for variation work was provided for audit verification.

- Audit also noted that the retention fee has been reduced for all the contractors during the final payment without any amendments to the contracts or approval from the Government Tender Board.

The Committee was informed of the following in terms of the anomalies in capital construction works:

- Lautoka High Court Complex: The request for approval for the variation was made on 14/07/2015 which was granted on 29/07/2015 and payment made on 17/08/2015 amounting to \$85,215.00.
- The renovation and relocation works of Parliament to Government Building: The total cost of the project was \$1,985,023.43 VIP, \$1,726,107.32 VEP. Acting Minister of Finance had approved waiver of the Tender Process thus RIE for \$1,614,963.00 VEP and virement of \$114,716.05 VEP was prepared and approved by Ministry of Economy (MOF then). The total VEP for this project was \$1,729,679.05 due to some overseas purchases.

A total payment of \$342,260.08 VEP was made to various companies for the works carried out for this project, thus leaving a balance of \$1,387,418.97 VEP.

Western Builders Limited was paid a total of \$1,289,789.36 VEP in the year 2014 which is \$1,483,257.77 VIP.

The Original contract to WBL was \$1,282,678.44 but due to variations this was increased to \$1,561,323.98 VIP.

Payments were made within the funds approved by the Hon Minister for Finance and realized by the Ministry of Economy.

- Retention fee has been reduced for all the contractors during the final payment without any amendments to the contracts or approval by the Government Tender Board

The Department was instructed by the Director Buildings and Government Architect (DBGA) via a payment certificate to make payments minus the 5% retention. The Department did not seek the Government Tender Board's (GTB) approval as the tender process for the renovation and relocation works of Parliament to Government Buildings was waived by the Hon Minister of Economy.

The Department had sought an explanation from the Director Buildings and Government Architect for an explanation as he would be in a better position to do this. However to date, the reply is yet to be received.

The Committee agreed with the Auditor General's recommendations that:

- The Department should properly monitor contract works and payment to ensure that they are carried out within the contract terms and conditions.
- The internal control procedure in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.

The Committee further recommends that proper planning and work programme should be instituted and closely followed by the Department for all Capital Works.

Section 11: Parliament

Role and Responsibilities

The primary function of the Parliament is provided for under Section 46(1) of the Constitution of the Republic of Fiji which states that: "the authority and power to make laws for the State is vested in Parliament consisting of the Members of Parliament and the President and is exercised through the enactment of Bills passed by Parliament and assented to by the President".

The core business of the Parliament is to provide secretariat support and services to enable the Parliament of the Fiji Islands to perform the above functions.

PART A: FINANCIAL STATEMENT

11.1 Audit Opinion

The audit of the 2014 accounts of the Parliament Office resulted in the issue of an unqualified audit report.

11.2 Statement of Receipts and Expenditure

The Parliament Office recorded revenue totalling \$1,793 and incurred expenditure totalling \$5,108,271 in 2014.

Total expenditure increased by \$4,082,365 or 398% in 2014 compared to 2013. The increase was due to the opening of Parliament in October 2014 and related expenditures pertaining to it.

11.3 Appropriation Statement

The Parliament Office incurred expenditures totalling \$5,108,271 in 2014 against the revised budget of \$7,069,960 resulting in a savings of \$1,961,689 or 28%.

The amount of savings over 10% of allocation may imply improper planning and work implementation.

PART B: AUDIT FINDINGS

11.4 Capital Expenditure and Renovation of Parliament

According to the Audit Act Cap. 70 Section 6 (2) (c), the Auditor General shall satisfy himself that expenditure has been properly authorized and applied to the purposes for which funds were appropriated by Parliament and has been otherwise properly accounted for and that the regulations and procedures applied are sufficient to secure an effective.

The Agency Financial Statement (AFS) of Parliament stated its Total Capital Expenditure exclusive of VAT was \$2,467,171. The AFS does not include other expenses budgeted and paid from the Ministry of Finance Head 50 – Miscellaneous Expenditure vote totalling \$3,474,095 and other services and work received as grant.

The Disclosure of all expenses relating to the Capital works carried out in Parliament is necessary for the completeness and accuracy of the expenditure assertions in the AFS.

In 2014, the Department requested an additional provision of \$4.25m in addition to the \$500,000 appropriation for the refurbishment and renovation of the new Parliament Government Buildings. The total estimated cost of the project was \$7.71m which was not budgeted for. The Ministry of Finance released \$3.71m and credited the Department's SLG84 account and the office utilized \$3.474m and sends acquittals to the Ministry of Finance.

The Parliament Office did not reflect that expenditure in the AFS as it presumed that it would appear in the Ministry of Finance Statement of Accounts. However, the Office was then advised by the Office of the Auditor-General that even though the expenses were budgeted and paid by the Ministry of Finance Head 50 – Miscellaneous vote, it will not appear in the Department's Statement of Payment but must be declared in the AFS under notes on significant variations.

The Committee agreed with the Auditor General's recommendations that:

- The Parliament office should also disclose other expenditure incurred for its operations and maintenance which are paid for by the Ministry of Finance and other donors.
- The Parliament office should ensure that records for assistance received from other donor agencies are properly accounted for and submitted to audit upon request.

11.5 Anomalies in Capital Work

Audit Act Cap. 70 Section 6 (2) (c), "Guiding Principles of Procurement" requires that any procurement of goods, services or works shall be issued so as to promote the following principles:

- value for money;
- maximize economy and efficiency and the ethical use of Government resources;
- promote open and fair competition amongst suppliers and contractors;
- promote the integrity of, fairness and public confidence in the procurement process; and
- Achieve accountability and transparency in the procedures relating to procurement.

Procurement Regulations 2012 – Section 3 (1), where the Board has given approval not to seek tenders, they must do so in writing. If it is impractical to comply with regulation 30 sub regulation (1) in relation to the provision of urgent infrastructure development

and services, The Minister for Finance may on this basis exempt such particular infrastructural services from complying with regulation 30 sub regulation 1. Also, Finance Circular No. 9/2012, the procurement limit delegated to the Major Tender Board has been amended to \$50,001 or more.

On 31/12/14 the Parliament Office recommended and paid Construction Company for the order and installation of two Durasound Won-Door valued at \$125,325.96. Audit noted the following anomalies in the procurement:

- The installation was not part of the contract for the refurbishment of offices for the Parliament office;
- The Parliament office did not obtain tender board approval. The procurement was approved by the Solicitor General even though the purchase was above his authorized limit;
- An advance payment of \$125,325.96 on cheque 23431A dated 31/12/14 was made to the contractor without certification of work progress;
- An unexplained variance of \$28,814.04 was paid to the contractor in excess of the amount quoted from the overseas supplier.

While the need for goods may have been necessary and urgent, it certainly does not require deviations from policies and guidelines governing the purchase of good and services. This could result in unauthorized procurement and over expenditure.

The Committee agreed with the Auditor General's recommendations that:

- The Parliament Office must ensure to call for tender of any procurement of goods and services worth \$50,001 or more.
- The Parliament Office should seek the Minister of Finance approval for waiver of tender in case of emergency work.
- The Parliament Office must ensure that payments to contractors are made based on the progress reports submitted by the Director Buildings and Governments Architects.
- The Parliament Office should recover the overpayment from the Contractor.
- Stipulated procurement regulations and procedures should be strictly adhered to as costs and losses associated with them are high.

11.6 Anomalies in Parliament Renovation Works

The Financial Management Act requires Permanent Secretaries to manage its finances in a responsible and prudent manner. In terms of procurement, Finance Circular No. 3/2013 states that Permanent Secretaries need to ensure that all the appropriate policies, procedures and guidelines are in place to achieve the best value for money.

A written contract or agreement must be entered into with the approved bidder for the supply of the goods, services or works tendered. Legal advice must be sought on the draft contract or agreement as stated in the Parliament Office Manual 2013 – Section 2.4.18

The procurement limit delegated to the Major Tender Board has been amended to \$50,001 or more according to the Procurement Regulations 2012 Section 30 (1)

The Procurement Regulations 2012 section 48 (3), (4) states that if it is impractical to comply with regulation 30 sub regulation (1) (above) in relation to the provision of legal services, the Attorney General may apply to the Minister for Finance to be exempted from Regulation 30 (1). If it is impractical to comply with regulation 30 sub regulation (1) in relation to the provision of urgent infrastructure development and services, the Minister for Finance may on this basis exempt such particular infrastructural services from complying with regulation 30 sub regulation 1.

Audit noted that the Parliament office engaged the services of three contractors whose contract costs were more than \$50,001 to carry out the renovation works at the Parliament complex without calling for tender or waiver of tender. The contractors were engaged through Expression of Interest which was approved by the Solicitor General even though the cost of the work exceeded his procurement approval limit.

The Committee was informed by the Office that the Tender Process may have been overlooked due to the urgency and the circumstances then to complete the renovation works within the limited timeframe. The Secretary-General to Parliament has assured the Committee that regulations and policies are in place and is strictly followed in the future dealings pertaining to capital projects in Parliament.

The committee further noted that no written contract or agreement was executed between the Parliament office and some of the contractors that were engaged in the renovation works. This could allow room for collusion or unfair opportunities to other similar service providers and uneconomical service engagement. This could be catalyst to abuse, misappropriation and could result in wastage of taxpayer's funds.

The Committee agreed with the Auditor General's recommendations that:

- The Parliament office must ensure that procurement of major goods and services is facilitated with written contracts or agreement.
- The Parliament office should strictly comply with the provision of procurement regulations and obtain tender board's approval or waiver for works worth \$50,001 or more.

The Committee further recommends that

1. *The make-up of the Tender Board Membership should include personnel with proper and genuine technical expertise.*
2. *The use of Head 50 funds should be accounted by the Parliament which has been allocated the fund and should be reflected in the books of the Office.*

11.7 Follow up on Recovery of Funds Paid for Incomplete Renovation Works

The Parliament Office Finance Manual 2013 – Section 2.8.4 states that the **Accounts Officer** must not certify a payment as correct unless satisfied that:

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

Audit highlighted in the 2012 audit report that the Parliament office made a contract payment totalling \$426,690 to a Construction and Building Design company for the capital works at the Veiuto Parliamentary Complex including renovation to the roof of the main parliamentary complex. The Ministry of Work assessed that only 22% of the work were completed.

In response to the 2012 Audit findings¹⁰ the Parliament office stated that a Parliament Renovations Project Committee was established to oversee renovations and recover funds from the contractor.

Follow up on prior years capital expenditure audit found delays of recovery actions for either the sum paid to the Construction and Building Design Company or the roofing materials purchased for Veiuto Complex.

The Committee agreed with the Auditor General's recommendations that:

- The Secretary General to Parliament should liaise with the Solicitor General's Office to recover the substantial payments made for the incomplete work and the recovery of damages.
- Recovery of purchased materials should also be considered.
- Officers found negligent should be disciplined.

The Committee was informed that the matter is before the Court.

Section 12: Accountability, Transparency, Human Rights & Anti-Discrimination Commissions

Role and Responsibilities

The Accountability and Transparency is a multi-faceted Office that will deal with freedom of information, code of conduct issues for public officials and other areas of law concerned with accountability, transparency and responsibility for public officials and institutions.

The Human Rights and Anti-Discrimination Commission has a responsibility to ensure that Fiji's human right laws are respected through a three-fold perspective; educating the public, advising government about its obligation in International law, and receiving and acting complaints from the public.

PART A: FINANCIAL STATEMENT

12.1 Audit Opinion

The audit of the 2014 financial statement of the Accountability, Transparency, Human Rights and Anti-Discrimination Commission resulted in the issuance of an unqualified audit report.

12.2 Statement of Receipts and Expenditure

The Office incurred a total expenditure of \$550,000 in 2014. The increase in operating grants and transfers by \$137,500 or 33% in 2014 was due to the full disbursement of budgeted funds to Human Rights and Anti- Discrimination Commission. The budgeted fund was not fully disbursed to Human Rights and Anti- Discrimination Commission in 2013.

12.3 Appropriation Statement

The Office incurred expenditures totalling \$550,000 against the revised budget of \$550,000. In 2014, the Cabinet approved the re-deployment of \$735,070 from Accountability, Transparency, Human Rights and Anti-Discrimination Commission's Budget to Fiji Roads Authority.

Committee Recommendations and Resolutions:

The Committee noted that there had been no issues that had been identified for the Commission by the Office of the Auditor General.

Section 13: Office of the Director of Public Prosecutions

Role and Responsibilities

The Office of the Director of Public Prosecutions is responsible for prosecuting appeals before the Court of Appeal and the Supreme Court. In addition, all High Court trials are prosecuted by State Counsels who also handle appeals to the High Courts at Suva, Lautoka and Labasa. Cases of special difficulty or of public interest in the Magistrates' Courts are processed by the Director of Public Prosecutions Office. Under the 2013 Constitution, Section 117, Subsection (8) a – d, the Director of Public Prosecutions may:

- institute and conduct criminal proceedings;
- take over criminal proceedings that have been instituted by another person or authority (except proceedings instituted by the Fiji Independent Commission Against Corruption);
- discontinue, at any stage before judgment is delivered, criminal proceedings instituted or conducted by the Director of Public Prosecutions or another person or authority (except proceedings instituted or conducted by the Fiji Independent Commission Against Corruption); and
- Intervene in proceedings that raise a question of public interest that may affect the conduct of criminal proceedings or criminal investigations.

PART A: FINANCIAL STATEMENT

13.1 Audit Opinion

The audit of the 2014 financial statements of the Office of the Director of Public Prosecutions resulted in the issuance of an unqualified audit report.

13.2 Statement of Receipts and Expenditure

The Office of the Director of Public Prosecutions collected revenue totalling \$5,494 and incurred a total expenditure of \$4,489,294 in 2014.

Total expenditure increased by \$542,319 or 14% in 2014 compared to 2013. The increased expenditure was mainly attributed to the increase in established staff due to the appointment of three new Assistant Director of Public Prosecutions. There was also increase in travel communication due to subsistence and accommodation costs for State Counsels attending Court matters at other stations.

13.3 Appropriation Statement

The Office incurred expenditure totalling \$4,489,294 in 2014 against the revised budget of \$5,525,713 resulting in savings of \$1,036,419 or 19%.

13.4 Statement of Losses

The Office of the Director of Public Prosecutions did not report any loss of money or assets during the financial year ending 31/12/14.

13.5 Trust Fund Account Statement of Receipts and Payments

The Trust fund account consists of balances held for forfeited assets and Director of Public Prosecutions trust account.

Committee Recommendations and Resolutions:

The Committee noted that there had been no issues that had been identified for the Office of the DPP by the Office of the Auditor General.

Section 14: Ministry of Justice, Anti-Corruption & Communications

Roles and Responsibilities

Department of Justice

The Ministry of Justice is responsible for the efficient and effective administration of the legal registries under its portfolio in upholding Section 139 and 173 of the Constitution. The Ministry deals specifically with the registration of land titles, births, deaths, marriages, companies, business names, credit unions, money lenders, bankrupt people, wound up companies and the management of its Corporate Services.

Department of Communications

The Department of Communications provides policy advice, implements initiatives and facilitates programs to improve the quality and delivery of cost-effective and competitive telecommunications and postal services throughout Fiji.

PART A: FINANCIAL STATEMENTS

14.1 Audit Opinion

The audit of the 2014 accounts for the Ministry of Justice, Anti-Corruption and Communication resulted in the issue of a qualified audit report. The qualifications are as follows:

- The Statement of Losses (other than money) could not be substantiated as the Board of Survey was not done contrary to Section 49 (2) of the Finance Instruction 2010.
- A variance of \$12,089,982.29 exists between the Telecommunications Development Trust Fund cash at bank account balance in the Financial Management Information System (FMIS) and the Telecommunication Development Trust Fund Bank Reconciliation balance as at 31 December 2014. Contrary to Section 32 (6) and 58 (3) of the Finance Instruction 2010, the monthly reconciliation for 2014 were not verified, signed and dated by the responsible officer. As a result, audit could not ascertain the trust fund cash at bank account balance or whether all receipts and payments have been accurately accounted in the main trust fund accounts.

14.2 Statement of Receipts and Expenditure

The Ministry collected revenue totaling \$1,451,347 and incurred expenditure totaling \$5,442,778 in 2014.

Total revenue decreased by \$5,056,876 or 78% in 2014 due to no further sales of 4G licenses and spectrum auctions. Total expenditure increased by \$860,395 or 19% in

2014 compared to 2013 mainly due to increase in staff salaries and wages, grant for Telecommunication Authority (TAF), PITA member subscriptions, filling of vacant project positions and increased capital purchases.

14.3 Appropriation Statement

The Ministry incurred expenditure totaling \$5,442,778 in 2014 against the revised budget of \$7,143,877 resulting in a savings of 1,701,099.

In 2014, Cabinet approved the redeployment of \$575,000 from the Ministry's budget to the Fiji Road Authority.

14.4 Telecommunication Development Trust Statement of Receipts and Expenditure

The trust account is for the Telecommunication Development Trust Fund Account maintained by the Department of Communication.

Substantial increase was noted in trust revenue in 2014 due to increases in receipts from Communication entities including Digicel, Vodafone, Kidanet, etc. in 2014. On the other hand, the expenditure increased by \$1,859,256 or 357% in 2014 compared to 2013 due to opening up of new telecentres around the country in 2014.

PART B: AUDIT FINDINGS

14.5 Board of Survey not conducted

The audit noted that the Ministry has not conducted the board of survey for 2014.

Without a board of survey, the Statement of Losses (Other than money) cannot be substantiated. This forms as a qualification basis to the agency financial statement for the Ministry.

The Committee agreed with the Auditor General's recommendations that:

- The Accounting Head should ensure that a Board of Survey is conducted and the resulting loss report is prepared in accordance with Section 49 of the Finance Instruction for inclusion in the Statement of Loss.

14.6 Anomalies in Telecommunication Development Trust Fund Account

The audit noted a variance of \$12,089,982.29 exists between the Telecommunication Development Trust Fund Account cash at bank account balance in the Financial Management Information System (FMIS) and the bank reconciliation balance as at 31 December 2014.

Table 14.4: Variance in Telecommunication Development Trust Account

| Details | Amount (\$) |
|--|----------------------|
| FMIS Cash Balance (9-36301-36001-520000) | 13,412,296.19 |
| Bank Reconciliation Balance as at 31/12/14 | 1,322,313.90 |
| Variance | 12,089,982.29 |

Additionally, a variance of \$35,808.29 exists between the Telecommunication Development Trust Fund Account balance in the Financial Management Information System (FMIS) and the balance disclosed in the Trust Fund statement of receipts and payments which was also the cash at balance in FMIS.

Table 14.5: Variance in Telecommunication Development Trust Account

| Details | Amount (\$) |
|---|------------------|
| FMIS Trust Fund Account Balance (9-36301-36001-895041) | 13,376,487.71 |
| Trust Fund Account Statement of Receipt and Expenditure/ FMIS Cash Balance (FMIS Cash Balance (9-36301-36001-520000) | 13,412,296.00 |
| Variance | 35,808.29 |

The monthly reconciliations for 2014 have not been checked, verified and signed off by the Principal Accounts Officer.

As a result, audit could not ascertain the trust fund cash at bank account balance or whether all receipts and payments have been accurately accounted in the main trust fund accounts. The variance of (\$12,089,982.29) has led to the qualification of the Ministry's agency financial statement.

The Committee agreed with the Auditor General's recommendations that:

- The Principal Accounts Officer must ensure that monthly reconciliation is checked, verified and signed off. Any un-reconciled item(s) must be promptly investigated and resolved.
- The Department of Communication should investigate and rectify the variance that exists in the cash at bank balance.

14.7 Unreconciled Drawings Account

The audit noted a variance of \$54,346.76 between the general ledger (FMIS) and the Department's reconciliation relating to the drawings account.

Table 14.6: Variance in Drawings Account

| Details | Amount (\$) |
|-----------------------------|------------------|
| FMIS | 384,038.49 |
| Department's Reconciliation | 438,385.25 |
| Variance | 54,346.76 |

The Department could have avoided the above anomaly had they been more vigilant in reconciling the variances and getting them adjusted accordingly.

The Committee agreed with the Auditor General's recommendations that:

- The Accounting Head should reconcile its monthly Drawings Account reconciliation with the FMIS balances and any variances noted should be investigated and adjusted accordingly.

14.8 Continuous Re-engagement of Officer and Absence of a Succession Plan

The audit noted the following anomalies with regards to the re-engagement of Officer EDP number 45075 to Senior Administration Officer and acting Administrator General:

- Officer retired on 17/08/12 and was re-engaged to the Service for 1 year term in 2012 but has been continuously reengaged till to date.
- The post of Senior Administration Officer and Administrator General are not included in the approved scarce skills category.
- The Ministry of Justice does not have any succession plan in place to ensure that a suitable candidate is selected after the re-engagement period of the re-engaged officer;
- It was noted that in the year 2012, an appointment was made for an administrative officer to be an understudy to the acting Administrator General, however, the officer resigned. Following this, no other action was taken by the Ministry to appoint an understudy for the post of administrator General;
- On 03/02/2015, the Officer EDP 45075 wrote to the Acting Permanent Secretary/Solicitor General stating his current re-engagement contract will expire on 17/08/15 and in light of that he is willing to have his contract extended for a further 1 year. Subsequently, on 04/02/15, the Acting Permanent Secretary/

Solicitor General approved his re-engagement well before expiration of current re-engagement contract;

- The ministry was not able to provide for audit the performance review, successor review and medical review done to support the renewal of the contract extension.

In the absence of a succession plan, a suitable candidate with the right calibre may not be trained to take over the responsibilities of an Administrator General. As a result, the officer EDP 45075 has been continuously re-engaged from 2012.

The Committee agreed with the Auditor General's recommendations that the Ministry should ensure that there is a succession plan in place.

14.9 Fees and Charges

The rates for fees and charges in the Companies office are stipulated in the Companies act incorporated in 1985. The Money lender Act was last revised in 1977.

Apart from the VAT portion adjustments, the fees and charges has not been reviewed in order to reflect the current cost of providing the services.

Without regular reviews of the fees and charges, services may have been provided below sustainable or equitable levels.

These issues were highlighted in the 2013 Audit Report; however audit noted there has not been any change in the fees and charges.

The Committee agreed with the Auditor General's recommendations that:

- The Accounting Head should reconcile its monthly Drawings Account reconciliation with the FMIS balances and any variances noted should be investigated and adjusted accordingly.

Section 15: Fiji Corrections Services

Roles and Responsibilities

The Fiji Corrections Service is responsible for the safety and security, the humane treatment and the provision of relevant and appropriate behavioural intervention programmes for all those committed to our custody by the Courts.

Under the framework of the Peoples' Charter for Change Peace and Progress and the Fiji Corrections Act 2006 and the 2013 Constitution, Chapter 2; Section 26, Chapter 5; Section 98,99,100,101,102,118,119, Chapter 6; Section 130, Chapter 7 and 8 , the Department has continuously focused on enhancing the quality of custodial care, reviewing the relevancy and effectiveness of inmates' rehabilitation programmes, developing its human resources capacity and capability, promoting the effective and efficient use of resources and its active participation in the major Government reforms to modernise the service.

PART A: FINANCIAL STATEMENTS

15.1 Audit Opinion

The audit of the 2014 accounts of the Fiji Corrections Service resulted in the issue of a qualified audit report. The qualifications are as follows:

- Trading and Manufacturing Activity debt \$102,300 as at 31/12/14 was not disclosed in the agency financial statements understating the consolidated TMA – Balance Sheet as at 31 December 2014.
- Prisoners cash trust fund bank statement balance (\$367,452) was not reconciled with the general ledger balance (\$283,580) contrary to section 32 (6) of the Finance Instructions 2010. As such, the correctness and completeness of the trust fund account balance cannot be confirmed.
- The statement of losses recorded unapproved losses: loss of money (\$45,597), estimated loss of assets destroyed in fire (\$150,000) and other items following the board of survey (\$265,207) contrary to section 57(2)(3) of the Finance Instructions 2010.

15.2 Statement of Receipts and Expenditure

The Department collected total revenue of \$62,575 and incurred expenditure totaling \$31,535,997 in 2014.

Total expenditure increased by \$11,403,063 or 57% in 2014 compared to 2013. This was mainly due to increases in operational costs relating to staff salaries and new recruitments, repair and maintenance costs of fixed assets, office, institutional upkeep, supplies, rations, stores, clothing, uniform and emergency equipment's for 2014 General Elections.

Major increases also noted in Capital construction of the New Lautoka Remand Centre (Phase 1 Building 1), upgrade of FCS roads, electrical works, Naboro institutions, boundary fencing, site development of New Female Corrections facility in Lautoka, CCTV for four correction institutions, upgrading of staff quarters and institutional buildings, the construction of piggery and poultry sheds for the Correction Enterprise Unit.

Capital purchases included the purchase of 27 specialized vehicles for its main centres, LAN/WAN network upgrade, purchases of improved/modern radio and communication technologies, office equipment for Correction institutions and 1 mechanical excavator for Naboro Correction farm.

15.3 Appropriation Statement

The Department incurred a total expenditure of \$31,535,997 against the revised budget of \$35,749,200 resulting in a savings of \$4,213,203.

15.4 Trust Account Statement of Receipts and Payments

The Trust Account had a closing balance of \$283,581 in 2014 when compared to \$206,203 in 2013.

The Committee was informed that the Corrections receipts consist of the burial revenue which is state revenue. This revenue is collected from all those who want to bury their loved ones in the cemeteries that are administered by the Fiji Corrections Service." In 2014, it increased from 2013 by \$13,000 in revenue which is the agency revenue. The Miscellaneous Revenue as stated in the Report as Miscellaneous Fee is from the rental of some of the Corrections assets and recovery of some overpayment.

The Committee was further informed that with regards to the rental of some of the assets, the entity mostly give it back as miscellaneous revenue in the Consolidated Fund Account. Mostly, other departments will hire the entities buses for official conferences and the Yellow Ribbon tents.

15.5 Trading and Manufacturing Account

The committee was informed that in 2014, all figures increased from the 2013 figures. From what was gathered in 2013, the TMA had been revived for the sole purpose of inmates' rehabilitation. In 2014, it was extended to seven SBUs for TMA and that is why all the increases have come in, namely; they have engaged in poultry, piggery, tailor, joinery, vegetables and crops. Those are the main SBUs that were revived from TMA that had made an increase in 2014.

The direct labour costs refer to the inmate costs of \$2 a day. When inmates are released, they also take that additional to the PSG. That is their commercial allowance when they work as part of the rehabilitation programme. The committee noted that that

wage rate of \$2 is similar to the special stage rate, so it is under the discretion of the Commissioner.

PART B: AUDIT FINDINGS

15.6 Overdrawn Trust Fund Account

Audit noted that a number of trust fund accounts that had been overdrawn as at 31 December 2014 totaling \$10,771.76.

The committee was informed that the Audit opinion was based from that \$458,918. The auditors came up with the balance showing that it should be \$471,000. Hence, the entity has amended that in their books and has made reconciliation as at December 2014.

The Committee agreed with the Auditor General's recommendations that:

- The Accounting Head should ensure that the Trust Account is not overdrawn at any point in time in accordance with Finance Circular 4/98.
- The Accounting Head must investigate the overdrawn (debit) trust fund accounts and take appropriate action.
- The internal control procedures in the Accounts Sections, specifically supervisory checks should be strengthened to avoid such discrepancies.

15.7 Anomalies in the Drawings Account

The committee was informed that when transactions were already processed in the FMIS system and yet is presented in the bank in the next operational day. For FCS, this was due to the closing of accounts and this is beyond their control. FCS was just complying with the Ministry's directive that all payments should be processed in the last day because whatever that goes to the bank through FT, "we just send them and it depends on them when they are going to debit our account in order to fully complete the transaction that we have processed"

The audit noted the following anomalies in drawings account:

- An unexplained variance of \$243,763 was noted between the reconciliation performed by the department (\$444,354) and the balance recorded in the general ledger (\$200,592).
- Of the department reconciliation:
 - A total of \$59,627 stale cheques remained un-cleared as at 31/12/14. Of these, \$14,600 has been outstanding from 2013.
 - A total of \$370,172 was outstanding in electronic fund transfer (EFT) payments.

- A total of \$73,149 EFT payments were not journalized in the respective general ledger accounts.
- Write off of drawings account totalled \$315,171 relating to balances from previous years.
- Despite the variances, the drawings reconciliations were certified as correct by the Senior Accountant and the Commissioner.

The Committee agreed with the Auditor General's recommendations that:

- The Department should ensure that general ledger reconciliations are carried out explaining and journalizing balances on a monthly basis.
- The Department should properly check reconciliations performed before certifying these records as correct.
- The Department must clear the outstanding stale cheques in line with Finance Instructions.

15.8 Non – Reconciliation of Prisoners Cash Trust

The prisoners trust fund account records wages earned by the prisoners for work performed while in prison and is payable upon their release.

Prisoner's cash trust fund bank statement balance (\$367,452) was not reconciled with the general ledger balance (\$283,580).

The Committee agreed with the Auditor General's recommendations that:

- The Accounting Head should ensure that the Trust Account is not overdrawn at any point in time in accordance with Finance Circular 4/98.

15.9 Management of Trading and Manufacturing Activities

Cabinet decision number 237 dated 17th June 2008 established three Trading and Manufacturing Activities (TMA) with a ceiling of \$200,000 - Piggery (\$80,000), poultry (\$50,000) and crops (\$70,000).

The audit noted the following anomalies in the operation of TMAs:

- Monthly reports for each TMA produced were not filed centrally - registry;
- Consolidated TMA performance report was not prepared;
- Monthly TMA reports was not forwarded to headquarters for reconciliations;
- The corrections service officers performed the accounting and book-keeping duties despite their limited knowledge in the field of accounting;
- The current TMA standard operating procedures focuses on the revenue collectors but lacks guidance for operations of distinct TMAs; and

The committee was informed that there was lack of accountability in the system at TMA enterprise and since had concurred with the Audit opinion due to the manual process that TMA is still tagging on to. After a month, then whatever that is done manually is being loaded into the system so that the system is updated at the Ministry of Economy for them to view the Corrections reconciliation since the entity submits to the Finance Ministry.

Secondly, the lack of accounting background as most of the Correctional officers are only used to correctional duties and are not equipped with accounting knowledge in order to handle TMA. The committee was informed that TMA is a semi-commercial based business for Government and involves some business knowledge and that is where the entity lacked in.

The third is the lack of standard operating procedures that Fiji Correctional Services has. This issue has been rectified by drafting their Standing Operating Procedures for the collection of revenue or sales and also for the purchasing of items, the need for input production for TMA.

A total of \$102,300 was owed for the poultry TMA as at 31/12/14, however, was not disclosed in the TMA financial statement

The Committee agreed with the Auditor General's recommendations that the Department should:

- Explain the operation of four unauthorized TMAs;
- Review the management, reporting and accountability of its TMAs; and
- Ensure effective controls are in place to effectively collect debts owed.

15.10 Un-authorized Losses Recorded in the Statement of Losses

Finance Management Act 2004 Section 35 states that the Minister of Finance may write off losses in respect of public money, state assets and agency assets. Write off losses in excess of this limits but less than \$50, 000 must be referred to the Permanent Secretary for Finance while write off losses in excess of \$50,000 must be referred to the Minister for Finance.

The audit noted that losses totaling \$457,804 was yet to be approved. The losses related to: loss of money (\$45,597), estimated loss of assets destroyed in fire (\$150,000) and other items following the board of survey (\$265,207).

The yet to be approved write-off of losses was recorded in the Statement of Loss in the agency financial statement.

The committee was informed that this was in relation to the three losses that were made; loss of assets in Taveuni, ticketing and the Board of Survey Report.

The Committee agreed with the Auditor General's recommendations that:

- The department should strictly adhere to Financial Management Act (section 35) and Finance Instructions (section 57(2)(3)) prior to recording the write-off in the Statement of Losses.

15.11 Incomplete Capital Works and Purchases

A total of \$6.125 million and \$3.6 million were provided for in the 2014 budget estimate for capital construction and purchases respectively. A total of \$19.6 million was spent as capital outlays by the department over the four period from 2011 to 2014.

Table 15.9: Capital Outlays over the four year period

| Year | Capital Construction (\$) | Capital Purchases (\$) | Total (\$) |
|--------------|---------------------------------|------------------------------|-------------------|
| 2011 | 1,057,406 | --- | 1,057,406 |
| 2012 | 10,510,370 | --- | 10,510,370 |
| 2013 | 1,384,515 | --- | 1,384,515 |
| 2014 | 3,957,870 | 2,683,883 | 6,641,753 |
| Total | 16,910,161 | 2,683,883 | 19,594,044 |

The audit noted the following anomalies in the capital outlays for the year 2014:

The department only utilized \$3.96 million (65%) in constructions and \$2.7million (75%) is capital purchases resulting in un-utilized funds of \$3 million (32%). Funds were un-utilized due to incomplete projects or were due to savings from completed projects. Refer to Table 15.10 for details:

The Committee agreed with the Auditor General's recommendations that:

The department should:

- Review its incomplete projects and ensure it is successfully implemented;
- Explain the over-budgeting of projects resulting in savings;
- Explain the use of savings from completed projects for other purposes and take corrective actions and
- Draw from lessons and experiences in implementing capital projects for an efficient and effective execution of capital works.

15.12 Un-authorized transfer of funds

If an amount appropriated by an Annual Appropriation Act for a financial year has not been used in that financial year or is unlikely to be used in that financial year, the

Minister for Economy may authorize the carry-over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date. The funds requested for carry-over are reflected in the budget allocation of requesting Ministry or Department for the respective year.

Government Tender Board awarded the contract for the construction of the Lautoka Remand Centre to at a cost of \$1,739,827 (VIP) with a contingency sum of \$173,983 (VIP) on 13th November 2014.

The audit noted the transfer of funds allocated for the construction of the Lautoka Remand Centre contrary to section 19(1) of the financial management act 2004 as outlined below: A total of only \$414,292 was expended for the Lautoka Remand Centre in year 2014. To hold the unused funds since the project was on-going and contract in place, the department created a book – entry transferring \$244,314 from the operating fund account, standard expenditure group to standard liability group (SLG) account, titled Prisons Sports and Social Club Trust Fund. The payments followed to the contractor in 2015 as second and third progress payments from the SLG 86 FCS Sports and Social Club Trust Fund. The department failed to comply with section 19(1) of the financial management act 2004 to roll-over the funds in year 2015.

The committee was informed the reason was that, the project started in December but 1st December, 2014 was the last accounting period. From the 1st to that last period, all documentation and rating of the project was ongoing through the Office of the Solicitor-General and also the engineering consultations. When that occurred, FCS had already signed the contract agreement with the contractor to pay him after December, so the funds were moved to this RFA and you can see that the first payment of \$244,000 was done. The \$108,000 and \$136,000 was moved to RFA but as alluded by the Auditor, it was an abuse of office and there was a risk of fraud in trying to move those funds or whatever the risk element is. But we paid out that amount to the contractor without defrauding that amount or whatever element that was assumed by the Auditors just to safeguard, observe and honour the contract that we had signed with the contractors because if we did not pay the amount, I think the situation would had gone worse and that we could have violated the contract with the contractor. That is why we moved the funds so that on behalf of Government, we should honour the contract that we had signed. It was noted that this project has been completed.

The Committee agreed with the Auditor General's recommendations that:

- The department should strictly adhere to section 19(1) of the Financial Management Act to carry-over funds of lapsing projects.

Section 16: Information Technology and Computing Services

Roles and Responsibilities

The primary role of ITC Services is to support the Government in the provision of ICT capabilities on a secure platform that will showcase opportunities and enhance public sector efficiency, professionalism for the Government and its employees.

One of ITC Service's strategic priorities is to transform or re-engineer government services across all Government agencies through the realization of the e-Government strategy. This holistic strategy adopts the three legged stool approach, focusing on people, processes and Technology. In collaboration with other Government agencies, corporate sectors, NGO's and other stakeholders, ITC Services will develop, promote, coordinate and support strategies that foster service excellence through the utilization of e-Government Application tools.

PART A: FINANCIAL STATEMENTS

16.1 Audit Opinion

The audit of the 2014 accounts of Information Technology and Computing Services (ITCS) resulted in the issue of an unqualified audit report.

16.2 Statement of Receipts and Expenditure

The Department collected revenue amounting to \$25,440 which consists of state revenue of \$862 in relation to receipt of commission fees, while agency revenue of \$24,578 are the data fees received.

However, a total expenditure of \$10,750,252 was incurred in 2014 comprising of operating expenditures of \$8,474,652, capital expenditures of \$1,093,866 and Value Added Tax of \$1,181,734. Refer to Table 16.1 for details of receipts and payments for the year 2014.

Table 16.1: Statement of Receipts and Expenditure for 2014

| Description | 2014 (\$) | 2013 (\$) |
|----------------------|---------------|---------------|
| RECEIPTS | | |
| State Revenue | 862 | 682 |
| Agency Revenue | 24,578 | 56,275 |
| TOTAL REVENUE | 25,440 | 56,957 |

Total expenditure increased by \$501,082 or 5% in 2014 when compared to 2013 mainly due to increase in SEG 7 - Special expenditure that was attributed for consultancy payments to Yalamanchili International PTE Ltd for the development and deployment of the Government IT blueprint roadmap.

Yalamanchili International PTE Ltd – there are a number of projects with respect to software development, digitization of a number of Ministries and Departments and their softwares. The payment was for the engagement of Yalamanchili for the provision of those services, as well the management of ITC that resulted in the increase in its expenditures.

16.3 Appropriation Statement

The ITCS incurred expenditures totaling \$10,750,252 against a revised budget of \$19,584,004 resulting in a savings of \$8,833,752 or 45%.

During the year, the Ministry of Finance transferred funds from Seg 09 (Capital Purchase) and Seg 13 (Value Added Tax) to the Fiji Roads Authority totaling \$517,500.

Committee Recommendations and Resolutions:

The committee noted that there have been no issues identified for the Department of ITC by the Office of the Auditor-General.

Section 17: Ministry of Information

Roles and Responsibilities

The Ministry of Information is Government's primary information agency providing the link between Government, the media and the public. The Ministry's role is to better inform the public about Government's policies, programmes and plans. It also has the responsibility of improving knowledge generation and distribution through the archives.

To undertake these responsibilities, the Ministry provides administrative support and policy advice, as well as collates, generates and disseminates Government information through its film and television services/production facilities, its news and publication facilities, its depository for public records.

PART A: FINANCIAL STATEMENTS

17.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Information has resulted in the issue of an unqualified audit report.

17.2 Statement of Receipts and Expenditure

The Ministry of Information collected total revenue of \$26,445 and incurred total expenditure of \$3,153,346 in 2014.

Total expenditure decreased by \$2,110,999 or 40% in 2014 compared to 2013. This was mainly due to the transfer of Library Services to the Ministry of Education and no capital expenditure was incurred in 2014.

17.3 Appropriation Statement

The Department incurred expenditures totaling \$3,153,346 in 2014 against the revised budget of \$3,947,980 resulting in a savings of \$794,634 or 20%.

17.4 Statement of Losses

The Statement of Losses for 2014 showed no significant findings.

PART B: AUDIT FINDINGS

17.5 Thirty Day's Salary in Lieu of Notice Not Paid

Audit noted that the Information Officer (Tech), EDP 93983 gave his immediate resignation with effect from 27/06/14. The immediate resignation was approved by the then Permanent Secretary and was told to pay up the 30 days' salary in lieu of notice.

The total amount owed by him equaled to a sum of \$1,992.35. The officer had agreed to pay up the sum owed in monthly instalments.

Despite reminders sent to the former officer by the Ministry, the amount is yet to be recovered.

The committee was informed that the" Ministry had, in fact, filed a claim in the Small Claims Tribunal and the Small Claims Tribunal has, in fact, made an order and copies of that is attached in the report. The Small Claims Tribunal has made as order that this person pay the amount. If this person still has not paid the amount, what we will now be doing, Mr. Chairman, is that we will be seeking enforcement of this through the Magistracy and if need be, then filing insolvency proceedings against this person. It is just a small amount and if this person were to present himself to the Ministry to say that he will enter into some form of a partial payment arrangement going forward, we will be happy to accommodate that but this person has been non-responsive over the years, but we intend to take that action now that we have got an order from the Small Claims Tribunal"

The Committee agreed with the Auditor General's recommendations that the Ministry should ensure the recoverability of the sum owed by the former staff. Full payment of 30 days salary in lieu of notice should be collected upon immediate resignation, otherwise, staff should give a 30 days' notice for their resignations.

Section 18: Ministry of Strategic Planning, National Development and Statistics

Roles and Responsibilities

The Ministry comprises of the Strategic Planning and National Development Office (SPND) and the Fiji Bureau of Statistics (FBOS). The Strategic Planning Office co-ordinates and monitors all development efforts and formulates and monitors the implementation of the National Development Plan and Strategies. It provides policy advice on Macroeconomic, Sectorial and Human Resources issues, undertakes economic aggregate forecasting, formulates the Public Sector Investment Programmes, coordinates Government's reform agenda through its Good Governance Unit, coordinates manpower planning particularly in the identification of priority areas, chairs and provides secretariat services to the many committees it represents and other Government committees. The major roles of Fiji Bureau of Statistics [FBOS] are to collect, compile, abstract analyse and publish statistical information relating to the commercial, industrial, agricultural, social, economic and general activities and conditions of the people of Fiji in a timely and coherent manner. The Department organizes a coordinated scheme of social and economic statistics relating to Fiji and conducts a Census of the population of Fiji and Household Surveys as required. FBOS collaborates with Government Ministries/Departments and other agencies in the collection, abstraction, analysis, and publications of statistical records.

PART A: FINANCIAL STATEMENTS

18.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Strategic Planning, National Development and Statistic resulted in the issue of a qualified audit report for the year ended 31 December 2014 due to the following reasons:

- 1) The Statement of Losses and the Trust Statement of Receipts and Payments were not submitted for audit;
- 2) Records to substantiate the payments totaling \$57,104 relating to Integrated Human Resources Development Programme (IHRDP) trust account in 2014 were not provided for audit;
- 3) The miscellaneous revenue totaling \$205,518 as shown in Statement of Receipts and Expenditure relating to bank lodgment clearance account have not been correctly classified together with no supporting records provided for audit;
- 4) The Ministry did not effectively implement the internal control system over the payment process resulting in incorrect classification of expenditures for various standard expenditure groups within Strategic Planning Office; and
- 5) The Accountable Advance account of Strategic Planning Office reflected an outstanding balance of \$340,216 which is yet to be retired nor accounted under travel and communication expenditure.

18.2 Statement of Receipts and Expenditure

The Ministry incurred a total expenditure of \$9,385,499 during 2014 compared to \$10,147,496 incurred in 2013. However the Ministry showed total revenue during the year 2014 totaled \$213,593 compared to \$13,900 for the year 2013. The huge increase in miscellaneous revenue during the year 2014 was attributed to the incorrect classification for the accounting of bank lodgment clearance account during 2014 without any supporting document not provided for audit.

18.3 Appropriation Statement

The Ministry incurred expenditure totaling \$9,385,499 during the year 2014 against the revised budget of \$10,584,291 resulting in a savings of \$1,198,792 or 11%.

PART B: AUDIT FINDINGS

18.4 Unaccounted Accountable Advances

Travelling officers are to submit an acquittal together with supporting documents within seven days after returning from travel. When cash or bank cheques are received, the revenue collector shall immediately issue an official receipt. The revenue collector must enter relevant details specified on the receipt before signing it. During April 2014, the Strategic Planning, National Development Office (SPNDO) embarked on the provincial consultation for the Green Growth Framework following Cabinets approval for Fiji's membership to the Global Green Growth Institute (GGGI) subject to the GGGI membership endorsement process. The SPNDO then initially issued accountable advances totaling \$35,479 to three Officers during April 2014 to cater for the following expenses:

- 1) catering;
- 2) travelling cost;
- 3) fuel for consultation attendees & government motor vehicle;
- 4) sound system; and
- 5) venue hire expenses.

Audit review of the acquittal records revealed the following anomalies:

The Office provided supporting records to acquit \$26,240, with an amount of \$9,239 not being accounted for. Refer to Table 18.3 for details:

Table 18.3: Details of acquittals for the accountable advance issued to the three officers for the Provincial Consultation (Rounded off to nearest dollar)

| Expenditure Incurred | Western Division Consultation (\$) | Central/ Eastern handled by Assistant Accounts Officer (\$) | Northern Division consultation handled by Employee 63613 (\$) | Totals (\$) |
|--|---------------------------------------|--|--|-----------------|
| Catering | (2,250) | (8,520) | (3,000) | (13,770) |
| Travelling Cost | (979) | (3,009) | (2,559) | (6,547) |
| Fuel Cost | (503) | (280) | (705) | (1,488) |
| Sound System (Hire) | (450) | (450) | (405) | (1,305) |
| Venue Hire | (530) | (250) | — | (7800) |
| Other Expenses | (492) | (449) | (222) | (1,1830) |
| Total Expenditure incurred as per acquittal | (5,204) | (12,958) | (6,891) | (25,053) |
| Total Advance Issued | 10,000 | 10,479 | 15,000 | 35,479 |
| Total Refunded to Office | (4,796) | 4,796 | (1,187) | (1,187) |

| Expenditure Incurred | Western Division Consultation (\$) | Central/ Eastern handled by Assistant Accounts Officer (\$) | Northern Division consultation handled by Employee 63613 (\$) | Totals (\$) |
|----------------------------------|---------------------------------------|--|--|----------------|
| (Rounded Amount) | | | | |
| Total Advance unaccounted | — | 2,317 | 6,922 | 9,239 |

Employee EDP # 63613 responsible for the Northern Division funds consultations and the Assistant Accounts Officer have yet to provided acquittal records with relevant supporting document totaling \$6,922 and \$2,317 respectively;

Whilst the consultations concluded in April 2014, the refund by Employee EDP # 63613 of \$1,187 was receipted by the Assistant Accountant on 31 December 2014, eight (8) months after the consultation period;

The unaccounted money of \$9,239 is a result of the absence of supervisory oversight and not implementing the internal control mechanism at the Office's Accounts section and the requirements of Finance Manual not been adhered to.

The Committee agreed with the Auditor General's recommendations that:

- The SPNDO should carry out an investigation on the unaccounted accountable travel advance of \$9,239 and report to FICAC for any evidence of unethical practices; and
- The Ministry of Finance consider merging the Accounts section of the SPNDO to ensure that oversight controls as required by Finance Manual and monitoring mechanisms are being effectively implemented.

18.5 Poor Maintenance of Expenditure Supporting Documents

The Accounting Head is responsible for the safekeeping and proper maintenance of all accounting records or documents. All payments, including VAT, must be immediately recorded in the financial management information system and an Expenditure Ledger.

The certifying officer must check and sign the cash requirement report for all the vouchers or invoice to be paid before the payment clerk prints the cheques, matches and accepts payments in the system. The certifying officer must check the information on the Payment Register report against each cheque leaf before signing the cheques.

To ensure proper checks are in place, Accounting Heads are instructed to ensure that for all Payment Voucher raised, a cash requirement report as well as a disbursement report are properly verified against payment vouchers before they are initialed and filed alongside the payment vouchers.

From the review of expenditure accounts of the Strategic Planning Office for the year 2014, audit noted that all payment voucher prepared were not attached with the cash requirement report as well as the disbursement report were not signed contrary to Ministry of Finance Circular 23/2014.

Moreover, the audit review of the cash payment register (AP470) generated by Financial Management Information System (FMIS) showed disparity between the systems cheque records, the cheque leaf and the un-presented cheques list at month end.

These are fully discussed below:

A review of the un-presented cheque listing recorded at year end showed voided cheques (chq 23098, 23099) are still listed as un-presented cheque at year end even its replacement cheques for these voided cheques have been presented to the Bank;

Mismatch in the cheque numbers between hard copies of the cheque leaf (22962) and the system generated cheque number (22961) while the payees and amount of the cheque are the same.

The above findings indicate those fraudulent risks of not maintaining proper records and adequate trail of records by not having a supervisory role. The audit noted the lack of accounting personnel at the Ministry Accounts section.

Insufficient paper trail from the absence of proper documentation raises the question of the completeness, accuracy and the reliability of financial information posted in the general ledger.

The committee was informed that due to the team responsible for Accounts then, the Ministry was not able to ensure segregation of duties and since the merger, we have ensured that there is improved compliance with regard to payments processes as per

Finance Circular 23/2014 which allows separation of duties. Now, all the payments go through a stringent verification process before the payments are made.

The Committee agreed with the Auditor General's recommendations that:

The Strategic Planning Office should:

- Request the assistance of Ministry of Finance Treasury to oversee the work of its Assistant Accounts Officer and there is separation of duties;
- Adopt the requirements of the Finance Circular 23/2014 where hard copies of cash requirement reports as well as the disbursement report printed being checked and signed off for every payment made together with payment vouchers.

18.6 Increasing Trend in Outstanding Accountable Advance and not cleared with 7 days of completing travel

Loans or 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.

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel. Upon clearance of the advance, the accounts officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.

The Accountable advance account for the Strategic Planning, National Development Office (SPNDO) showed an outstanding balance of \$340,318 as at 31/12/14, which increased by \$200,353.27 or 143% compared to 2013.

The committee was informed that these issues are now being handled by the Treasury Unit of the Ministry. So the Cash and Payments Unit have set out the procedures for retirement of all accountable advances. We send strict reminders to the officers who are issued accountable advance as per the Finance Instructions.

As I mentioned earlier in relation to the former Assistant Accounts Officer, we have dealt with his employment in the Ministry and in regards to this issue. We have noted that FICAC is continuing the investigations and we expect an interview to be carried out before the end of this month with the Assistant Accounts Officer.

You will also note that, in fact, most of the officers had retired their advances but this was not posted into the General Ledger by the Assistant Accounts Officer. So while we agree that the Assistant Accounts Officer's work was not monitored

then, with the transfer of all of the Strategic Planning Office accounting functions to Treasury, we now expect that these sorts of issues will not resurface in the next financial statements.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should ensure that acquittals for all the outstanding advances are followed up on a timely basis and cleared accordingly to the relevant allocation;
- The Assistant Accounts officer should be disciplined for failing to carry out his role as required under the Finance Instructions 2010 and the Finance Manual; and
- The Ministry should put in strategies and impose salary deductions at source as a way to reduce accountable advances balances and including the interest imposed on the outstanding balance.

18.7 Anomalies in the IHRDP Trust Account

The Trust officer shall make available for the audit the necessary trust documents supporting the transactions and balances of the Trust account. All payments from the trust account shall be adequately supported and made only for the purpose of the trust.

The trust officer must submit the trust reconciliation to the Accounting Head within 10 days after the end of the month. The Trust reconciliation shall be in accordance with the format provided in Schedule 6. A duplicate must also be submitted to Ministry of Finance. Each year the trust officer shall prepare an annual trust receipts & payments statement within two weeks of the end of the year.

The Integrated Human and Resource Development (IHRDP) Trust account was set up in June 2013 to hold 1/3 community contribution for the IHRDP projects. The following anomalies were noted:

- 1) The Statement of Losses and the Trust Statement of Receipts and Payments were not submitted for audit contrary to the requirements of section 71(1) of the 2010 Finance Instructions.
- 2) The trust account reconciliation for 2014 were not maintained by the Ministry;
- 3) There were various manual issued IHRDP trust cheques (Cheque 43, 44, 45 & 46) totaling \$11,937.70 which were not recorded into the FMIS Cash Payment Register system;
- 4) The IHRDP Unit did not prepare any bank reconciliation, cash book reconciliation and general ledger reconciliation as required under Schedule 6 of the 2013 Pro-forma Finance Manual;
- 5) A variance of \$50,871 exists between the general ledger (1-17101-63999-520401) and the Trust Cash reconciliation prepared by FMIS Unit of the Ministry of Finance;
- 6) Various payment vouchers for 2014 totaling \$61,643 were not provided for audit review and audit could not validate the payment to being properly authorized.

The committee was informed that prior to the transfer to the Ministry of Industry, Trade and Tourism we reconciled the Trust Account up to June 2016. From July 2016, the Ministry now handles all accounting functions for the project. Again, the issue of lack of timely reconciliation, we managed to clean up the Trust Account prior to the handing over. We note that the Ministry of Industry, Trade and Tourism has a good team in charge of their accounting functions so we are assured that the proper controls regarding the payments for the project will be monitored and handled appropriately going forward.

The Committee agreed with the Auditor General's recommendations that:

The Strategic Planning office should:

- consider requesting Ministry of Finance to have its Accounts Units well-resourced with competent personnel who have general and extensive knowledge of accounting by designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement;
- ensure that adequate supervision is practiced in the operation of the Trust to safeguard hard earned contributions of the communities towards the IHRDP funded projects.

18.8 Drawings Account Anomalies - Strategic Planning Office

The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safes at least once a year. A report on this is to be submitted to the Director FMIS and Auditor General's Office by 28/02/15.

If cheques remain in the un-presented cheques list for more than 3 months, the Accounting Head must attempt to locate the payees and have their cheques presented before they become stale. The Accounting Head shall review the un-presented cheque list and determine whether a replacement cheque should be issued for cheques that are stale.

Audit review of the Drawings account of the Strategic Planning Office noted the following anomalies:

- 1) The Office did not prepare the Annual Board of Survey on its Drawings account as at 31/12/14. At the time of the report finalization, the report is still yet to be prepared.
- 2) A variance of \$2,901 exists between the total un-presented cheques - Drawings Reconciliation against the Drawings account general ledger.
- 3) The audit noted that stale cheques totaling \$19,478 existed as at 31/12/14. However, there were no evidence of evidence of reviewing the unrepresented cheque listings to determine whether a replacement cheque should be issued;
- 4) The FMIS Unit of the Ministry of Finance had involved themselves in the preparation of the reconciliation for the year 2014 which should be the responsibility of the Strategic Planning Office.

The Committee was informed by the Ministry that in the Report mentioned that the Drawings Account for 2014 was not conducted but since the merger, MOE is now handling all these functions. We are now closely tracking cheques issued by the Ministry through our Cash and Payments Unit. Now with merger, we only have one Drawings Account and as I mentioned, tracking of cheques has been handled appropriately by the Treasury Unit which includes a review of all un-presented cheques.

The Committee agreed with the Auditor General's recommendations that:

- The Office should immediately carry out a Board of Survey on the Drawings account to verify the drawings accounts reconciliation and general ledger records;
- The Office should review the Drawings account reconciliation for previous years issued cheque and confirm if they are actually stale. If these cheques have been presented, credit entries in the Drawings account should be confirmed and adjusted accordingly;
- The Office should always review its un-presented cheques on a regular basis and attempt to locate the payees and have their cheques presented before they become stale.

18.9 Anomalies on Receipting and Banking Processes

The *revenue collector* shall keep one lodgment form and attach the other form to the cash analysis book.

The accounts officer shall prepare a journal voucher or journal entry input form before posting revenue transactions into the general ledger. The journal voucher for an adjustment should outline:

- ✓ reason for raising adjustments;
- ✓ the accounts that should be debited and credited;
- ✓ the amount debited to each account.

Audit review noted that revenue collector's cash analysis sheet which contained issued revenue receipts details were not fully completed throughout the year. The relevant bank lodgment forms were separately filed and not attached to the cash analysis sheet as required by the Finance Manual.

In addition, audit noted that there were no revenues being posted to general ledger for the year 2014 by the assistant accounts officer. However, FMIS unit of the Ministry of Finance only made adjustments to clear those Bank Lodgement Clearance (BLC) account at year end.

Hence unidentified credits amounting to \$205,518 recorded in the BLC account of the Strategic Planning, National Development Office (SPNDO) were reflected as Miscellaneous Revenue allocation due to the inability to identify corresponding debits in the BLC which the responsibility of the Assistant Accountant to complete the receipting process.

The Committee was informed by the Ministry that all the recommendations proposed by the Auditor-General have been implemented. We now have all our revenue collections and banking processes handled by the Treasury Department and we have since instituted proper internal controls.

We have also undertaken, as of last year, recruitment of qualified staff. Some of these new staff are accountants from the private sector. So with the new staff complement with the strengthening of the Treasury Division, we are now able to complete banking processes, undertake regular reconciliations and also peer reviews within the Treasury Unit. As I have mentioned, one of the notable changes that we undertook was the separation of duties.

The Committee agreed with the Auditor General's recommendations that:

- The SPNDO with Ministry of Finance Treasury assistance should put in place measures to ensure adequate supervision and segregation of duties and officers assigned duties to receive, banking and postings of entries are independent of each other.

18.10 Use of Accountable Advance Allocation for Purchases of goods and services

The Accounting Head must not certify a payment as correct unless they are satisfied that:

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

The travel advance shall be charged to the advances account until cleared through submission of the acquittals. Upon clearance of the advance, the Accounting Head shall update the debtors register, offset the advance account and debit the appropriate expenditure account.

The audit noted that the Strategic Planning Office incurred a total of \$56,489 for various procurements of goods and services during the year have been classified as accountable advance allocation (1-17101-63999-570301) without the use of appropriate expenditure account.

Refer to table below for details of procurement being made.

Table 18.5: Examples of payments classified as accountable advance instead of using applicable expenditure allocations

| Date | Cheque/ EFT no. | Amount (\$) |
|------------|--------------------|----------------|
| 04/25/2014 | 22321 | 8,860 |

| Date | Cheque/ EFT no. | Amount (\$) |
|------------|--------------------|----------------|
| 04/03/2014 | 22257 | 11,675 |
| 04/03/2014 | 22259 | 3,140 |
| 05/29/2014 | 22414 | 1,400 |
| 05/29/2014 | 22419 | 2,758 |
| 06/02/2014 | 22428 | 2,414 |
| 06/03/2014 | 22429 | 2,360 |
| 07/28/2014 | 22632 | 18,961 |
| 07/31/2014 | 22657 | 3,757 |
| 09/05/2014 | 22738 | 3,654 |

The above findings indicates that expenditures have not been properly recorded in the correct expenditure accounts hence the expenditures for the Ministry have been understated at year end while accountable advance allocation has been overstated.

The above is a blatant disregard to standing governments finance policies and regulations and the intention of Assistant Accountant may have been to distort the financial records.

The Committee was informed that this relates to the former Assistant Accounts Officer who has been disciplined as recommended by the Auditor-General. All our accountable advances are now handled by the Treasury Section and for goods and services; these are only procured now through the use of LPO.

The Committee agreed with the Auditor General's recommendations that:

- The Assistant Accounts Officer should be surcharged for authorizing the payments of procurement of goods and services being classified as Accountable advance allocation which are for the purpose of travel advance only.

18.11 Acquittal records for Accountable advance and payment vouchers not provided for audit

The Accounting Head are responsible for the safekeeping and proper maintenance of all accounting records or documents.

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. Where an advance has not been acquitted within seven days of travel, the Accounting Head shall effect recovery through a salary deduction from the concerned officer's salary within six (6) fortnights.

The audit noted that acquittal records for the accountable advances for official duties during the year 2014 were not provided to audit. Hence audit could not verify whether the

Officers have fully acquitted the accountable advances and being expended for the purposes it was given for.

Moreover, two payment vouchers could not be located due to improper filing of the accounting records.

In addition, all the trust fund payment vouchers and related source documents made out of the Integrated Human & Resources Development Programme (IHRDP) during the year 2014 were not provided for audit.

The payments were made out to various payees via the following mode of payments;

- (i) Manual cheques amounting to \$57,104.93 (chq no. 10 to 46)
- (ii) Electronic fund transfer (EFT) payments amounting to \$4,538.21(EFT no. 1 - 32 and 143 -145)

The audit noted following the discussion with the Assistant Accounts Officer that the payment vouchers may have been misplaced during the cleaning up of the office.

The above findings indicate the laxity of the Accounting Head to ensure that all accounting records are properly filed and safeguarded.

In the absence of these payment vouchers and acquittal records, there is a high risk that unauthorized and fraudulent payments may have been made and it was not possible to verify whether the advances issued had been properly retired and the funds were utilized for the purposes it was expended for.

The committee was informed that Acquittal Records for Accountable Advance and Payment Vouchers not provided for Audit; these have been recovered by IHRDP staff and going forward with the handing over to the Ministry of Industry, Trade and Tourism, the accounts will then be monitored by the Ministry.

In regards to advances that are now being handled by the Treasury Unit, it is also responsible for issuance and monitoring of acquittals, as well as recovery of advances.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should locate the acquittal records for the payment vouchers issued for accountable advances to determine which Officers have yet to adequately acquit the travel advance with relevant supporting documents.
- In the absence of receipts and acquittal records, all outstanding advances should be recovered via salary recovery from the relevant officers.

18.12 Agency Financial Statements under Finance Instructions 2010

The annual financial statement for a budget sector agency must:

- (a) be signed by the chief executive officer of the agency or by a person specified for that purpose in the Finance Instructions; and

(b) be as audited by the Auditor-General and be accompanied by his or her audit opinion.

Each agency must include the following statements in its annual financial statements:

- (i) a statement of receipts and expenditure;
- (ii) a profit and loss statement for each trading and manufacturing activity (where applicable);
- (iii) an appropriation statement;
- (iv) a statement of assets and liabilities for each trading and manufacturing activity (where applicable);
- (v) notes to the statement of assets and liabilities for each trading and manufacturing activity (where applicable);
- (vi) a statement of losses;
- (vii) a trust account statement of receipts and payments (where applicable).

The following anomalies were noted:

- 1) The Department of Strategic Planning, National Development and Statistics submitted its financial statements on the 08 April 2015 and not on the 31 March 2015, as required under the Finance Instruction 2010;
- 2) The Annual Financial statements did not include its Statement of losses and the Trust Account Statement of Receipts and Payments as required by section 71(1) of the Finance Instruction 2010; and
- 3) The annual board of survey report for approval to write off of its unserviceable assets has yet to be forwarded to Ministry of Finance.

Non-submission of the statement of losses and statement of receipts and payments for the Trust account is a blatant disregard of the Finance Instruction requirement.

The committee was informed that this was submitted in April 2015. It did pass the timeline of March 2015 but from 2015, the AFS has been prepared by the MOE.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should ensure that statement of losses and Statement of receipts and payments for Trust are prepared as required under section 71(1) of the Finance Instruction;
- The Agency Financial Statement should be submitted for audit no later than 31 March.

18.13 Anomalies in Operating Trust Account

Trust Fund Accounts comprise monies, which are not the property of the State and are not utilized for the purposes of government.

The audit noted that the operating trust fund account for the Strategic Planning Office had a credit balance of \$93,322 as at 31 December 2014. The trust fund account increased by \$15,174 or 19% compared to 2013.

The majority of the trust fund account balance of \$93,322 as at 31/12/14 is made up of the outstanding FNPf deductions, Service Worker Credit Union, and PSC scholarship loan which have credit balances of \$37,647, \$23,946 and \$20,199 respectively.

The audit noted that monthly reconciliation of the operating trust fund accounts failed to identify the particulars of the outstanding balance without fully detailing the list of officers making salary deductions and payment made to relevant entities. Therefore, the outstanding balance would denote the entities that did not receive those deductions of officers.

The increase in the trust fund account balances indicates the delayed payment of trust monies by the officer.

The committee was informed that the balances in the Trust Account was a result of the balances carried forward from the previous years. As you have mentioned, after an exhaustive exercise the unsubstantiated balances which could not be verified, were the balances that were carried over the last five years and since then, the Treasury Section has undertaken reconciliation.

The Committee agreed with the Auditor General's recommendations that:

- The Office should ensure that all the monies kept in the trust are cleared and paid to the respective payees accordingly on a timely basis during the month end; and
- The trust accounts reconciliation should reflect amounts which can be supported with reliable financial data which is true and fair.

Section 19: Ministry of Rural and Maritime Development and National Disaster Management

Role and Responsibilities

The Ministry of Rural and Maritime Development and Disaster Management is mandated to manage and coordinate government's efforts in rural and maritime development programmes under the Integrated Rural Development Framework (IRDF) to support the aspirations of the Peoples Charter for Change, Peace and Progress, and further to support the "Bill of Rights" provisions of the 2013 Constitution of the Republic of Fiji.

These are targeted to generate economic growth and improving the standards of living in our rural communities, include the Self-Help Programme, Non-Cane Access Roads, Rural Housing Assistance Scheme, Emergency Water, and Maritime Roads Programme and facilitates the administration of the Committee for Better Utilization of Land.

Furthermore, the Ministry is also responsible for the implementation of the National Disaster Management Strategy as required by the 1995 National Disaster Management Plan and the National Disaster Management Act 1998 covering disaster prevention, mitigation, preparedness, response, emergency operations, relief and rehabilitation.

In addition, the Ministry provides other ancillary and support services to rural and peri-urban communities. These services include births, deaths and marriage registrations, issuance of licenses and collection of license and permits fees.

PART A: FINANCIAL STATEMENTS

19.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Rural, Maritime Development and National Disaster Management resulted in the issue of a qualified audit report.

It was highlighted that we had a variance of \$3.6 million in our Trust Fund Account. That had been cleared off in 2015. Our bank reconciliation and the Trust Fund Accounts had been updated after this write-off had been approved.

The Committee was informed that the Ministry is also working on the Board of Survey. Currently, we are working with our four Divisions as highlighted. The Procurement Team is currently working with the Divisional officers to ensure that the Board of Survey is carried out on an annual basis and the Statement of Losses other than money is thus derived from this Board of Surveys.

19.2 Statement of Receipts and Expenditure

The Ministry of Rural, Maritime Development and National Disaster Management collected revenue totaling \$1,302,185 and incurred a total expenditure of \$34,523,286 in 2014.

The decrease in revenue by \$226,056 or 15% was mainly due to the decrease in liquor licenses, registration fees and building plan fees.

The total expenditure decreased by \$12,875,001 or 27% in 2014 compared to 2013 as a result of the decrease in capital grants and transfers fund allocated to the Ministry during the year.

19.3 Appropriation Statement

The Ministry incurred expenditure totaling \$34,523,286 against the revised budget of \$39,717,237 resulting in a savings of \$5,193,951 or 13%.

The committee was informed that bulk of the savings resulted from the under-utilization of funds for the purchase of a landing craft. The approved provision for the landing craft was \$7 million and the actual expenditure against this was \$2.8 million. This project was transferred to the Ministry of Infrastructure and the release of funds under R (under Requisition) was based on the Ministry of Infrastructure's request.

PART B: AUDIT FINDINGS

19.4 Unsubstantiated Loss Statement Due to Incomplete Board of Survey

Annual board of survey must be conducted by three 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.

The audit noted that the Ministry failed to submit the Board of Survey report for the year upon audit request for audit verification as the survey is still in progress.

Without a Board of Survey report, the Statement of Losses (Other than money) cannot be substantiated.

The committee was informed that is improving on the Annual Board of Survey to enable us to produce the Statement of Losses, other than money.

The Committee agreed with the Auditor General's recommendations that:

- The Director Corporate Services should ensure that a Board of Survey is carried out annually in accordance with Section 49 of the Finance Instruction and a copy is readily available for audit verification.

19.5 Significant Variance between Trust Fund Cash and Liability Account Balance

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

As at 31/12/14, the Ministry's trust fund liability account amounted to \$4,101,315 compared to \$2,544,985 in 2013, an increase of \$1,556,330 or 61%. Refer Table 19.3 for details of trust fund account balances for the past five years.

Table 19.3: Trust Fund Account Balance over the Five Year Period

| Year | Trust Fund Cash (\$) | Trust Fund Liability Account (\$) |
|------|----------------------------|---|
| 2010 | 1,948 | 666,638 |
| 2011 | (287,153) | (692,218) |
| 2012 | 6,198,769 | 2,435,050 |
| 2013 | 6,288,800 | 2,544,985 |
| 2014 | 7,733,755 | 4,101,315 |

As at 31/12/14, the Ministry's trust fund cash account amounted to \$7,733,755 compared to \$6,288,800 in 2013, an increase of \$1,444,955 or 23%. The audit noted a variance of \$3.6 million between the trust fund cash at bank recorded in general ledger (\$7.7 million) and the trust fund liability account balance (\$4,101,315).

The Ministry was not able to identify the detail of variance noted between the two records.

The audit further established that the Ministry have not completed the bank reconciliation for the *Provincial Development* Trust Fund Account for the year 2014.

The variance noted above and in the absence of proper reconciliations, the cash at bank balance in the general ledger could not be substantiated.

The committee was informed was by the Ministry that the variance had been identified and was written off in 2015.

The Committee agreed with the Auditor General's recommendations that:

- The Manager Finance should ensure that proper monthly reconciliations between cash at bank general ledger balance and trust fund liability account are

accurately carried out. Any variance noted should be investigated and adjusted accordingly.

19.6 Anomalies for the Trust Fund Cash Account

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.

Any errors or misallocations in the general ledger reconciliation must be immediately adjusted by way of journal vouchers. The Manager Finance shall ensure that any misallocation or outstanding balances from the previous month reconciliations have been dealt with.

Audit noted the following anomalies for the Trust Fund Cash Records;

- (i) The *Provincial Development* bank reconciliations were not provided for audit verification as the Ministry have not completed the bank reconciliation for the *Provincial Development* Trust Fund Account for the year 2014.
- (ii) There is a variance of \$2,979,993 for the *Provincial Development* Trust Fund cash balance between the cash at bank balance and the cash balance reported in the General Ledger (FMIS) as at 31 December 2014. Refer Table 19.4 for details.

Table 19.4: Details of Variance in Trust Fund Cash Account Balance

| Account Descriptions | Allocation | Domestic Bank Balance (GL) (\$) | Bank Balance (\$) | Variance (\$) |
|------------------------|----------------------|---------------------------------------|----------------------|------------------|
| Provincial Development | 9-18101-68999-520301 | 4,990,332 | 2,010,339 | 2,979,993 |

The Ministry was not able to identify the detail of variance noted between the two records. As a result, audit was not able to substantiate the accuracy of cash at bank balance as at 31 December 2014 for the Trust Fund Account in the General Ledger Account.

Failures to carry out proper bank reconciliations increase the risk of misappropriations and undetected fraud in a timely manner.

Due to the variances noted the Trust Fund Statement of Receipts and Expenditure for the financial year cannot be relied upon.

The Committee was informed that reconciliations have been corrected and completed after the write-off exercise that was carried out in 2015.

The Committee agreed with the Auditor General's recommendations that:

- The Manager Finance should ensure that proper reconciliations are carried out and any errors are investigated and resolved promptly in a timely manner to avoid significant variations in the bank account reconciliation.

19.7 Incorrect Preparation of Bank Reconciliation

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

Audit review and scrutiny of Trust Fund Account records reveal the following anomalies.

| True Trust Account | Anomalies | Remedies |
|--|--|--|
| WBC – Ministry of Provincial Development Trust Account | There is no cashbook for this bank account, only a cheque register is maintained. | The correct format of the bank reconciliation is shown in Schedule 2 of Part 6 (Cash Management) of the Ministry's Finance Manual. The bank reconciliation reconciles the bank statement balance with the cashbook balance. The cashbook balance is then compared with the GL balance. The two records should be the same. If variances are noted then this is rectified by either raising journal vouchers to correct the wrong entries or update the record which is lacking |
| | The reconciliations for January to October were all prepared and checked on 18/11/14 and approved by PS on 18/11/14. | |
| | The balance as per bank statement used in the reconciliation is incorrect as the opening balance for the month were used rather than closing balance of the bank statement | |
| | The lodgment not yet credited stated in the reconciliation is incorrect as it includes all the revenues from the bank statement excluding interest. The lodgments not yet credited amount should be the revenue that is in the cashbook and the GL but is not yet reflected in the bank statement. | |
| | The bank fees and charges (direct debits) should be added to the bank statement balance which is the correct format of the bank reconciliation. | |
| | The interest should be subtracted from the bank statement balance which is the correct format of the bank reconciliation. | |
| | Revenue in the GL does not match the revenue in the cash analysis sheet. There are revenues receipted and appeared in the bank statement but were not posted to the GL. | |
| BSP – PM's National Disaster Relief and Rehabilitation | There is no cashbook for this bank account, only a cheque register is maintained. | |
| | The reconciliations for January to August were all prepared and checked on 26/09/14 and approved by PS on 29/09/14. | |
| | The bank fees and charges (direct debits) should be added to the bank statement balance which is the correct format of the bank reconciliation. | |

| True Trust Account | Anomalies | Remedies |
|--------------------|--|----------------------|
| | The interest should be subtracted from the bank statement balance which is the correct format of the bank reconciliation. | certain information. |
| | The balance as per bank statement used in the reconciliation is incorrect as the closing balance for the month should be used and not the opening balance. | |
| | The lodgment not yet credited stated in the reconciliation is incorrect as it includes all the revenues from the bank statement excluding interest. The lodgments not yet credited amount should be the revenue that is in the cashbook and the GL but is not yet reflected in the bank statement. | |

The bank reconciliation is a vital internal control mechanism that acts as a checking tool in an accounting function. Failure to correctly prepare the reconciliations indicates problems in this account area that needs the vigorous attention of the management of the Ministry.

Failure to prepare the proper bank reconciliations could lead to fraud and misuse of public funds.

The committee noted that the Ministry has now rectified this anomaly and the reconciliations are now prepared on a monthly basis and submitted to the Ministry of Economy.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should ensure that reconciliations are conducted periodically with variances properly documented and appropriately accounted for.
- Non-compliance with the Finance Instructions should be dealt with accordingly.

19.8 Arrears of Revenue

The quarterly arrears of revenue report must outline the amount outstanding but not yet due, the total for each overdue age category; name of each debtor within each age category and the recovery actions taken for each overdue debt.

As at 31/12/14, the Ministry's arrears of revenue amounted to \$756,568 compared to \$656,688 in 2013, an increase of \$99,880 or 15%. Refer Table 19.6 for details of arrears of revenue for the past five years.

Table 19.6: Arrears of Revenue over the five year period

| Year | Amount (\$) | Per Cent Movement |
|------|-------------|-------------------|
| 2010 | 507,898 | 0 |
| 2011 | 499,358 | (2) |
| 2012 | 495,059 | (1) |
| 2013 | 656,688 | 33 |
| 2014 | 756,568 | 15 |

In addition, it was noted that arrears of revenue totaled to 58% of the revenue collected for the year. The above shows weak measures undertaken to collect these revenue and may become irrecoverable if not collected on a timely basis.

The Committee was informed that the Ministry has been working closely with the Tikina Council during their meetings to try and identify the licencees, who have ceased the operation of their businesses.

The Ministry has also worked on writing-off some of the arrears but this has again, escalated due to the requirements which state that applicants must have a retail licence, for example, one of the conditions by the Fiji Development Bank was that all applicants for the \$1,000 grant that they were giving, and needed to have a retail licence. All applicants obtained this licence from us and when they were not approved the grant, they failed to advise our office and this resulted in the increase of the arrears as they failed to renew their licences.

The Committee agreed with the Auditor General's recommendations that:

- The Manager Finance should ensure that revenue dues are collected on a timely basis to avoid further accumulation of arrears balance.

19.9 Revenue Anomalies

The Manager Finance is responsible for the safekeeping and proper maintenance of all accounting records or documents. The need to improve record management in all agencies is vital for promoting Good Governance, Transparency and Accountability in the public sector. It is the responsibility of all staff hierarchy levels in each agency to integrate proper record management upkeep.

All accounting staffs are responsible for proper maintenance and safekeeping of accounting records and documents, giving the Accounting Head the responsibility in implementing a sound internal control system to oversee this matter.

The revenue collector shall bank money received on a daily basis at least. The lodgment form shall be prepared in triplicate detailing the deposits to be made. If a receipt is spoilt, it shall be marked "cancelled" and retained in the receipt book. The revenue collector shall keep one lodgment form and attach the other form to the cash analysis book.

Our review of the revenue records revealed the following anomalies;

- 1) the original of a cancelled receipt was not retained in the receipt book;
- 2) banking were done after more than two days; and
- 3) Receipts were not recorded in the cash analysis sheet or bank lodgment form.

The finding indicates that banking was not properly checked by supervising officers to ensure that banking was done on the day revenue was collected or on the next banking day.

Failure to lodge revenue within two days increases the risk of misappropriation and theft of state revenue.

In the absence of records and supporting documents, transactions recorded in the general ledger are unauthenticated.

The committee was informed that the Ministry is now ensuring that all revenue collected are monitored at the Divisional level before it is submitted to the Ministry Headquarters. Provincial Administrators, District Officers and Assistant District Officers who collect revenue, also have made lodgments on a daily basis to the Divisional Accountant, who carries out all the necessary checks before they are forwarded to Headquarters for the second round of checks.

The Committee agreed with the Auditor General's recommendations that:

- The Manager Finance should ensure that all accounting records are properly maintained in accordance with section 17.2.1 of the Finance Manual.
- The Manager Finance should ensure that proper and stringent internal control such as supervisory checks on revenue collection or receipting should be strengthened to ensure that revenue are banked daily.

19.10 Rate Deducted for Government Rented Quarters Less than 8%

The Committee concurs with the Auditor General's recommendations that:

- The Manager Finance should ensure that underpaid rent is recovered and proper internal control such as payroll supervisory checks are done to ensure that all rental owed by staffs are recovered accordingly.

19.11 Failure to Retire Accountable Advance

It shall be the responsibility of the Manager Finance to ensure that a travel advance for an officer is not approved if he/she had taken an earlier advance and it has not yet been cleared. A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. Where an advance has not been acquitted within seven days of travel, the Manager Finance shall affect recovery through a salary deduction from the concerned officer's salary within six (6) fortnights.

A review of advances issued during the year reveal that a total of \$10,736 of advances were outstanding as at 31/12/2014.

Non-timely retirement of advances accumulates accounts receivable and results in unrecorded expenditure for the period. Hence the expenditure will be understated at year end resulting in the misstatement of the Ministry's financial statement.

The above indicates failure of the Ministry in the administration of advances and as such will be one of the compounding factors of large balances in advance accounts at year end.

The committee was informed by the Ministry that all advances that were outstanding in 2014 have been cleared.

The Committee agreed with the Auditor General's recommendations that:

- The Manager Finance should strengthen supervisory checks for the clearance of advances and recovery actions are implemented in accordance to section 8.1.14 of the Finance Manual.

19.12 Anomalies noted for Public Sector Investment Projects (PSIP)

The Public Sector Investment Program (PSIP) consists of a three -year pipeline of capital projects for funding through Government and development partners. The objectives of the PSIP are to produce a set of sound and viable projects that can be funded either domestically or by External sources; to enhance the efficiency and effectiveness of public sector investment; to raise the level of public sector investment relative to GDP and overall investment levels; to package and programme capital

investment projects to an international standard in order to attract donor financing; and to effectively plan and manage external donor financing.

Monitoring and Evaluation are to be conducted by respective project management teams at the following four levels: community; provincial and district level; divisional level (Planning and Coordination Cell); and HQ (Development Unit). Upon completion of a project, Provincial Administrators and District Officers are to forward a physical acquittal report to the Divisional Commissioners in the form of Completion Certificate.

The guiding principles of procurement requires that any procurement of goods, services or works shall be issued so as to promote value for money and maximize economy and efficiency and the ethical use of government resources. Permanent Secretaries and Heads of Departments were advised that all Government contracts are to be vetted by the Solicitor General's Office during negotiations stage and as well as prior to its execution. This is to ensure that the Government's legal recourse and exposure are properly considered and protected.

Due diligence is an integral part of the evaluation process that must be completed prior to awarding of the contract. During this phase, government agencies must check all the terms and conditions against the supplier's information as well as seek further information from the relevant authorities to verify the information provided. The process of due diligence will enable the Ministry to test the contractor's ability to fully perform the required standard of work.

The Manager Finance or Accounts Officer must not certify a payment as correct unless they are satisfied that there is documentation that the works have been carried out.

Audit scrutiny of the Public Sector Investment Program Project (PSIP projects) revealed the following anomalies:

- 1) Incomplete project after the completion timeframe;
- 2) Payments were continuously made despite projects were delayed by the various contractors;
- 3) Monthly project status and monitoring report were not filed and produce to audit to determine the status of the project;
- 4) There was no evidence of legal vetting of the Memorandum of Understanding (MOU) by the Solicitor General office.
- 5) The Memorandum of Understanding (MOU) does not specify timeframe of work and clauses for delay in work.

Failure to properly certify and approve the payments of PSIP projects increases the risk of fraudulent payments and corrupt practices which may not be detected in a timely manner thus increases the loss of taxpayers' funds.

In the absence of due diligence performed, the agreement may not be financially and legally sound. As such the risk of losses for Government increases as Government

would have to incur additional cost for completing the construction works if the contractor fails to successfully complete the works as per the required standard.

Failure to monitor the progress of the projects may result in the delay in implementation and completion of the project in a timely manner.

The committee was informed that for the "Eastern Division, Sir, the Division has fully noted the comments and taken heed of the recommendations put forth in the Report as highlighted below. For the Monitoring Report, we have now drawn up a monitoring template which will be submitted to the Provincial Administrators to follow and report on the progress of projects on a monthly basis.

On the Completion Certificates, we have ensured that the Provincial Administrators and District Officers with the Technical Officers comply with the filling of Completion Certificate for each project and is to be filled in the respective project files for records.

On non-endorsed project papers, we have now ensured that all papers are vetted by the Planning Unit, ensuring that the supporting documents are in order and then submitted to the Commissioner for endorsement before being forwarded to Accounts for funding. The process is now being followed to prevent this issue from recurring.

On our filing system; the Planning Cell of the Division is now working towards improving our filing system where all project documents are properly stored.

Furthermore, the Division has identified the gaps and weak areas in the monitoring and documentation of capital programmes of which, there will be a training conducted to minimize the loopholes highlighted in the Report. Also the Planning Cell is in the process of drafting an MOU for the self-help projects and the Rural Housing Assistance to be part of the project documentation as it is a requirement by the Ministry's Finance Manual. This will then be forwarded to the SG's Office for vetting before use.

On the Northern Division, the project Korosi/Balaga Road; the funding allocated every year was released to RFMF. However, the work was far delayed as per the scope of work. The SEPO (Senior Economic Planning Officer) has written to the Planning Office for the provision of additional funding to continue with the Project; however no funds were budgeted till now. The copy of the progress reports usually forwarded to the Planning Unit at Headquarters of the Ministry for the compilation and updates and all reports and correspondences have been filed at the registry.

Kilaka/Niudua Road and Vunilagi/Lea Road; these two roads were taken over by FRA in 2015. Funding and scoping of the work is handled by FRA. FRA was informed that they need to inform the Commissioner Northern's Office on the status of implementation and issues encountered with the project. A copy of the project reports are usually forwarded to the Planning Unit at the Ministry Headquarters for compilation and updates. All reports and correspondences have been filed with the registry.

On Nakasa/Uluivalili Grid Extension; the capital funding is only for the grid extension. Each applicant will be required to pay the consumer's deposit fees and connection fees

before the electrical installation is connected to the supply grid. The MOU is yet to be vetted by the SG's Office.

The additional funding of a \$194,250 from the Department of Energy is not for the connection of individual households. This is to top-up the project allocation of \$350,000 initially allocated for the project. There was no submission for individual household connections"

The Committee agreed with the Auditor General's recommendations that:

- The Divisional Officers, Provincial Administrator and Planning Officers should ensure that community projects are monitored on a monthly basis and reported to the Commissioner and the Permanent Secretary.
- The reports are to be filed in the project files for records and status follow up. All agreements should be competently vetted.
- The Ministry and the Division should inquire about the deficiencies and negligence found in the project and takes appropriate actions to correct and strengthen internal controls.
- The Ministry and the Division should ensure that due diligence are performed prior to signing of the agreement and payment to the contractors.

19.13 Anomalies Noted for Self Help Projects

The self-help scheme is to promote and assist rural dwellers in the construction of small infrastructural and/ or other projects and provision of income generating projects on a cost sharing basis where the community provides 1/3 contribution whilst Government provides 2/3rds of the total project cost. (Ministry of Rural, Maritime Development SOP – Part IV, Section 1.1)

A standard Memorandum of Understanding (MOU) where necessary is to be signed between the Divisional Commissioners and the recipient community on the use of a 'project' especially on machine related equipment. (Ministry of Rural, Maritime Development SOP – Part IV, Section 7.4) The Provincial HOD Committee and the Provincial Development Board are to discuss and endorse the projects for consideration by Divisional Commissioners. (Ministry of Rural, Maritime Development SOP –Section IV [5.3])

Provincial Administrators/District Officers are to be assisted by the recipient Community Management teams to monitor projects on a regular basis and provide progress reports to Divisional Commissioners on a monthly basis. (Ministry of Rural, Maritime Development SOP – Part IV, Section 8.2) Upon completion of a project, Provincial Administrators and District Officers are to forward a physical acquittal report to the Divisional Commissioners in the form of a completion certificate. (Ministry of Rural, Maritime Development SOP – Part IV, Section 7.5)

A file should be opened upon receipt of the Application/Project Proposal, and the same file should be used when funding is approved. (Ministry of Rural, Maritime Development SOP – Part IV, Section 4.3) Monitoring and Evaluation are to be conducted by respective project management teams at the following four levels: community; provincial and district level; divisional level (Planning and Coordination Cell); and HQ (Development Unit). (Ministry of Rural, Maritime Development SOP – Part IV, Section 8.1)

The audit noted poor record keeping for self-help projects and as such the status of the project cannot be ascertained and the following could not be determined:

- Monthly project status and monitoring report;
- Responsible Officers for monitoring projects;
- Certification on quality of project completed or handover certificate.
- There was no memorandum of understanding (MOU) between the Ministry and the recipient and the audit cannot determine the value of 1/3 contribution by the recipient;
- Instances were noted where there was no application/project proposal attached; and
- Also the audit further noted that there was no project profile and unsigned project profile attached. Refer Table 19.8 of projects reviewed.

Table 19.8: Details of Poor Record Keeping anomalies Noted in the Self Help Projects

| Name of Project | Amount (\$) | Remarks |
|---|-------------|---|
| Western Division | | |
| Yako Koro Doko Water Project | 15,195 | No MOU, no acquittal report and no Completion Certificate |
| Matalevu Water Project | 16,329 | |
| Namarai Youth Project | 11,686 | No MOU and no completion certificate |
| Namada Borehole Project | 10,476 | |
| Vatamai Borehole No. 1 Project Water Pump | 7,820 | No completion certificate and no acquittal report |

| Name of Project | Amount (\$) | Remarks |
|---|-------------|--|
| Eastern Division | | |
| Mackay Fishing Project | 17,530 | No completion certificate and MOU. Project profile not endorsed by Commissioner |
| Vunuku Sea Transport | 7,900 | No monitoring report, completion certificate and MOU |
| Uate Daveta Soko Outboard Engine Project | 7,900 | |
| Tokatoka Naivosadravu Outboard Engine Project | 5,092 | No monitoring report, completion certificate and MOU. Project profile not endorsed by CED |
| Muaninuku Village Water Project | 1,690 | No monitoring report, completion certificate and MOU. The value of the 1/3 contribution cannot be determined. |
| Juju Piggery Fence Repairs | 4,281 | |
| Sanaila Vakadurua Outboard Engine | 2,895 | No monitoring report, completion certificate and MOU. |
| Mosese Talemaipapalagi Sea Transport | 17,530 | No monitoring report, completion certificate |
| Northern Division | | |
| Vunivacea Rice Farming | 23,300 | There is no project file so therefore the 1/3 contribution cannot be determined. No application or project proposal attached. Project profile not signed by CND. |
| Nasoka Water Project | 13,791 | Application/Project proposal dated 17/12/13. No project profile attached. |
| Vuntarawau Water Project | 15,078 | There is no project file. Project profile not attached. |
| Napuka Village Fibre Boat and Engine | 10,600 | There is no project file – one third contribution cannot be verified. Project profile not attached. |
| Delavuna Water Project | 15,025 | There is no project file – one third contribution cannot be verified. |

Failure to properly record and monitor the progress of the projects, safeguard and endorse project paper may result in the delay in implementation and completion of the project in a timely manner. Also, the risk of fraud and manipulation is high.

In the absence of completion certificate, there is a risk that the project may not be surveyed, evaluated and certified by the required technical engineer and officer to ensure that it is completed satisfactorily to the required standard.

The committee was informed that for the "Western Division on the Yako Koro Doko Water Project, this was allocated \$15,195. The Completion Certificate was issued and MOU was not required for this project. The community contribution, including labour and gravel and the handover of materials were only made from the CWD to project owner.

Matalevu Water Project was allocated \$16,329. The project papers are captured in the file. The materials were all purchased and delivered to the site, with the handover certificate and delivery docket attached in the file.

On the Namarai Youth Project; it was allocated \$11,686. The project consists of an engine and fibreglass boat which does not require a Completion Certificate. The materials were handed over to the youth group in the village.

On the Namada Borehole Project, it was allocated \$10,476. The financial acquittals are recorded and filed. Design and scope have been captured in the folder, including the project proposal.

On the Vatamai Borehole No. 1 Project Water Pump, the MOU has been signed and the handing over carried out and acknowledgement yet to receive from the Water Committee. Water test was carried out by WAF and confirmation received that the water is fit for their consumption.

For Eastern Division, the Division has fully noted the comments and taken heed of the recommendations put forth in the Report as highlighted below.

On the Monitoring Report, they have now drawn up a monitoring template which would be submitted to the Provincial Administrators to follow and report on the progress of projects on a monthly basis.

On Completion Certificates; we have ensured that the Provincial Administrators and District Officers with the Technical Officers comply with the filling of the Completion Certificates for each project and is to be filed in their respective project files for records.

On the Non-endorsed project papers; we have now ensured that all papers are vetted by the Planning Unit, ensuring that supporting documents are in order and then submitted to the Commissioner for endorsement before being forwarded to Accounts for funding. The process is now being followed to prevent this issue from recurring.

On the filing system, the Planning Cell for the Division is now working towards improving their filing system where all project documents are properly stored. Furthermore, the Division has identified the gaps and weak areas in the monitoring and documentation of

capital programmes of which, there will be a training conducted to minimise the loopholes highlighted in the Report.

Also the Planning Cell are in the process of drafting an MOU for the Self-Help Projects and Rural Housing assistance to be part of the project documentation as it is a requirement by the Ministry's Finance Manual. This will then be forwarded to SG's Office for vetting before use"

The Committee agreed with the Auditor General's recommendations that:

- The Divisional Officers, Provincial Administrator and Planning Officers should ensure that community projects are monitored on a monthly basis and reported to the Commissioner and the Permanent Secretary. The reports are to be filed in the project files for records and status follow up.
- The Commissioners and the Provincial Administrators should ensure that all constructions works and project completed are certified by the respective technical officer from respective Ministries after completion.
- The Commissioners, Provincial Administrators and District Officers should ensure that project profile are properly signed and endorsed by authorized officers.

19.14 Inadequate Management of Project Materials/Items at Top Yard Store

Inventory purchasing, storage and recording should be efficiently managed to ensure that there is a sufficient level of inventories when needed, while minimizing the cost of holding inventory and the risk of stock becoming obsolete or damaged. (Ministry of Rural, Maritime Development and National Disaster Management, Finance Manual 2013 – Part 7, Inventory Management). Storage of Inventories shall be the responsibility of the store man. The Store man must ensure that adequate storage space is available for incoming stock as and when required, stocks are handled with care and well stored so as to reduce the risk of damage and quantity of stock is closely monitored to avoid excess holdings or shortages. (Ministry of Rural, Maritime Development and National Disaster Management, Finance Manual 2013 – Section 7.2.1)

A stocktake must be undertaken each year to verify the existence and condition of inventories on hand. (Finance Instructions 2010 – Section 38)

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years. (Finance Instructions 2010 – Section 49[1]) Annual boards of survey must be conducted by three 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. (Finance Instructions 2010 – Section 49[2])

The audit inspection of the store house at Topyard, Walu Bay revealed the following anomalies:

- There was no board of survey carried out for the year ended 2014;
- Unaccounted project building materials and other items were also noted to be stacked idly outside the yard which has been there for some years.
- Unaccounted materials stacked idly outside the yard are deteriorating due to weathering and wear and tear;
- Damaged and obsolete items were not cleared away which were occupying most of the space within the yard.
- Items and materials that were declared unserviceable were stacked inside the store room occupying good storage space for storing the building materials lying outside the yard.
- Audit further established that some items and materials declared unserviceable were still good and in useable condition.

The above anomaly was first highlighted in the 2012 Draft Audit Memorandum which was issued to the Ministry on 10/05/2013 however the Division failed to take immediate action.

Accumulation of project building materials and other items without being used or distributed in a timely manner is a waste of taxpayer's funds allocated to the Ministry depriving the development and assistance of communities and individuals.

The committee was informed that the Commissioner Eastern Division is currently using the unutilized building materials at Top Yard for community projects. The Permanent Secretary for Rural Development and National Disaster Management is requested for the utilization of the unused materials before they are supplied to the islands in the Eastern Division.

The Commissioner Eastern Division is working very closely with the Director, Corporate Services in the stock-take of items at Top Yard Storehouse and also assists in strengthening checks, management and monitoring of the building materials at Top Yard Store.

The Committee agrees with the Auditor General's recommendations that:

- The Officer in Charge of the top yard store should properly place items received in the shed or in a proper storage facility to avoid deterioration due to weathering.
- The Officer in charge should ensure that unserviceable items, damaged and obsolete stock are removed from the yard to allow proper storage space for the new project building materials and other items.
- The Commissioner Eastern Division should make use of those unserviceable items (which are noted to be in good conditions and other unaccounted project building materials) for new projects which are yet to be initiated, hence reducing the project cost for the government and saving some of the taxpayer's funds which could be used for other priority project.

- The Commissioner Eastern Division, Eastern Division Principal Planning officer and Director Corporate Services should immediately instigate a stock take of items at Top yard storehouse and strengthen supervisory checks in the management of storehouse at Top yard.

19.15 Anomalies in the Tropical Cyclone Evans Rehabilitation

Tropical Cyclone Evans hit Fiji at the end of the year 2012 to early 2013. The tropical cyclone destroyed properties and family homes of many in the Northern Division.

Once application is received from the applicants, an assessment team is sent to assess and verify the damaged houses. This assessment team will then estimate the required materials needed for the partly damaged house and those that need a complete new home. After assessment, a project profile is created for those approved applicants. The recipient project profile is then forwarded to Provincial Administrator or District Officer for recommendation for funding and then to the Commissioner Western Division for endorsement.

The project profile includes the residential dwelling damage assessment form, verification report and issuance voucher which documents the description of materials to be issue, value of assistance to be provided to the applicant, and the respective payee. Issue voucher are then endorsed and authorized for issue by the respective officer in charge for the verifications and assessments.

Audit noted the following anomalies in the Tropical Cyclone Evans Rehabilitation for Western Division:

- Damaged house even though one year has not even lapsed from the date of completion;
- Houses were not yet constructed even though all the materials have been delivered as recipients now face land and financial issues in repairing the partly damage house; and
- There were unsigned completion certificates noted. Refer Tables 19.9 and Table 19.10 of projects reviewed.

Table 19.9: Details of TC Evans Rehabilitation Anomalies Noted for Recipient of Assistance

| Recipient No. | Location | Damage Status | Remarks |
|---------------|------------------------|--------------------|--|
| 1 | Nagado Village, Nadi | Completely Damaged | House is completed and all materials have been received. However, the roof is leaking as shown in the picture. Due to the leak, one masonite board has started to disengage from the rest of the ceiling. Refer to figure 19.8 of appendix 19.2.1 for detail site visit. |
| 2 | Korovou Village, Tavua | Partly Damaged | House is yet to be completed and even though all the materials have been received. Refer to figure 19.9 of appendix 19.2.1 for detail site visit. |

| Recipient No. | Location | Damage Status | Remarks |
|---------------|---------------------------|----------------|--|
| 3 | Korovou Settlement, Tavua | Partly Damaged | House is yet to be completed and even though all the materials have been received. Refer to figure 19.10 of appendix 19.2.1 for detail site visit. |
| 4 | Vesaru Settlement, Ba | Partly Damaged | Physical verification on 30/01/15 indicates that the project is incomplete. The applicant had issues regarding the land he was residing on (the house which was damaged was on this land). The applicant moved to his in laws place. The site visit noted that some of the materials were used to renovate the in laws house while the leftover materials were still left idle. The materials were delivered to the applicant in March 2014. Refer to figure 19.11 of appendix 19.2.1 for detail site visit. |
| 5 | Vadravadra Village, Ba | Partly Damaged | Physical verification on 30/01/15 indicates that the project is incomplete. Audit noted that some of the materials were used to build a temporary shed while the leftover were still lying idle for 8 months as at the date of audit site visit verification on January 2015. The applicant informed that he had difficulty in paying a carpenter to do the job. Refer to figure 19.12 & 19.13 of appendix 19.2.1 for detail site visit. |

Table 19.10: Unsigned Completion Certificated Noted for Recieipient of Assistance

| Recipient No. | Address | Date completed | Remarks |
|---------------|--|----------------|---|
| 1 | Balenakula Settlement, Sabeto, Lautoka | 20/03/14 | The audit noted that completion certificate were attached but were not signed by contractor, owner and Commissioner Western |
| 2 | Lot 30, Field 40, Lautoka | 17/03/14 | |
| 3 | Tore Subdivision, Lovu, Lautoka | 18/03/14 | |
| 4 | Delaialuwalu, Natabua, Lautoka | 13/03/14 | |
| 5 | Naisilisili Village, Yasawa | 21/03/14 | |
| 6 | Vuaki Village, Yasawa | 20/03/14 | |
| 7 | Natawa Village, Yasawa | 21/03/14 | |
| 8 | Bukama Village, Yasawa | 19/03/14 | |
| 9 | Dalomo Village, Yasawa | 18/03/14 | |
| 10 | Tamusua, Yasawa | 20/02/14 | |

- The standard rehabilitation house requires the house to have guttering. The audit site visit verification for northern Division reveal that some houses did not receive guttering. Refer Figure 19.1 for evidence of house without guttering.

The committee was informed that for the Western Division, following are the names of the projects for *TC Evans*:

- 1) Nagado Village, Nadi;
- 2) Korovou Village, Tavua;
- 3) Korovou Settlement, Tavua;
- 4) Veisaru Settlement, Ba;
- 5) Vadravadra Village, Ba;
- 6) Balenakula Settlement, Sabeto, Lautoka;
- 7) Lot 30, Field 40, Lautoka;
- 8) Tore Subdivision, Lovu, Lautoka;
- 9) Delaialuwalu, Natabua, Lautoka;
- 10) Naisilisili Village, Yasawa;
- 11) Vuaki Village, Yasawa;
- 12) Natawa Village, Yasawa;
- 13) Bukama Village, Yasawa;
- 14) Daloma Village, Yasawa; and
- 15) Tamusua Village, Yasawa.

Quick resettlement was a highlight and ceremonial functions for the handing over organized during the completion of the houses and the handing over of the houses to the victims of the disaster.

Most of those rehabilitation works were carried out specifically by a separate team operating under the NDMO at each Division. The houses were opened collectively where they were issued with health occupancy slips that allow the owner to occupy the house. The priority of saving lives was an issue in which community members were living in make-shift tents and housing debris after *TC Evans*. All completely damaged houses for *TC Evans* have been replaced with a set of building material.

For the Northern Division, guttering for the recipients assisted during *TC Evans* rehabilitation had been fixed by the carpenters. In Taviya Village, there were two houses; one belonged to Ponipate Matawalu and the other to Tevita Maiwere. In Nakalou Village, three houses for Laisenia Rokoua, Eseta Vakacagicagi and Apisai Daveta.

The Committee agrees with the Auditor General's recommendations that:

- The Ministry should ensure that all assessment forms and verification reports are properly signed and endorsed by authorized officers after the completion of the projects.
- Agreements are to be made with recipients of assistance to ensure that materials are used within a reasonable timeframe according to the approval.
- The Ministry should inquire about the deficiencies and negligence found in the assistance and takes appropriate actions to correct and strengthen internal controls.
- The Ministry must improve its monitoring process and ensure that one technical staff is always present during delivery of materials to recipients.
- The Ministry must conduct proper investigation on all short supply or delivery of materials.

19.16 Anomalies in Rural Housing Scheme

Rural housing assistance aims at eliminating homelessness in rural Fiji through the provision of affordable, durable and cyclone resistant structures. The standard house is measured at 24ft x 16ft (24' x 16'), wooden structure and includes toilet and bathroom. The programme is operated on a cost sharing ratio of one third by the potential homeowner and two thirds by Government. (Ministry of Rural, Maritime Development SOP – Part VI, Section 7.1)

The Welfare Officer, Provincial Administrator and Divisional Commissioners are to identify the potential recipients using the Ministry of Welfare Assistance guidelines and are too closely adhere to the standard process in place. Individuals can also apply using the application forms that are to be endorsed by the Turaga ni Koro/District Advisory

Councilor. (Ministry of Provincial Development – Capital Budget Program – SOP – Section IX (4.1))

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt in good order and that the invoice is in accordance with the Purchase Order (PO). The receiving officer must be an officer other than the officer authorizing the PO. If the quantity of the goods received is less than the quantity shown in the supplier's invoice or delivery note, the receiving officer shall furnish a report to the Officer in Charge who shall arrange a claim against the supplier or carrier. (Ministry of Rural and Maritime Development and National Disaster Management, Finance Manual 2013 – Section 2.5.9 to 2.5.12)

Audit scrutiny of the rural housing scheme revealed the following anomalies:

19.16.1 Funding of Incomplete House Previously Assisted Due to Short Delivery

Audit noted that the Northern Division paid \$16,333 to hardware companies to supply building materials which were short supplied to recipients of rural housing in 2011. Audit could not determine the short delivery as the Division does not maintain proper records of material delivered in 2011 and the Division also reveal that there was lack of supervision and monitoring during direct delivery of materials to recipients. Refer Table 19.11 for details.

Table 19.11: Detail of Payment of Material Short Delivered to Recipient of Rural Housing Assistance

| Date | Cheque Number | Payee | Particulars | Amount (\$) |
|--------------|---------------|-------------------|---|---------------|
| 17/11/14 | 19494 | Hardware Supplier | Payment of building materials to recipient no. 1 | 6,325 |
| | | | Payment of building materials to recipient no. 2 | 1,996 |
| | | | Payment of building materials recipient no. 3 | 2,346 |
| 26/03/14 | 18490 | Hardware Supplier | Payment of building materials for recipient no. 4 | 5,666 |
| Total | | | | 16,333 |

Audit established that recipient number four (4) submitted his second application for a new house with the standard size of 24x16 in 2014. Audit site visit verification revealed that the building material supplied for the second application was used for extending the applicant's house.

19.16.2 Short Delivery of Materials to Recipients

The audit site visit verification revealed that some of the building materials were not delivered to Northern Division recipients. Refer Table 19.12 for details.

Table 19.12: Short Delivery of Materials to Recipients

| Date | Invoice No. | Supplier | Recipient Number | Description of Material Short Delivered | Quantity Invoiced | Quantity Received | Amount Invoiced (\$) | Amount Received (\$) |
|----------|-------------|----------|------------------|---|-------------------|-------------------|----------------------|----------------------|
| 30/07/14 | 3308022 | Hardware | recipient no. 1 | 8 feet Corrugated | 13 | 8 | 312 | 192 |

| Date | Invoice No. | Supplier | Recipient Number | Description of Material Short Delivered | Quantity Invoiced | Quantity Received | Amount Invoiced (\$) | Amount Received (\$) |
|--------------|-------------|-------------------|------------------|---|-------------------|-------------------|----------------------|----------------------|
| 06/09/14 | 3358015 | Supplier | | Roof Iron | 2 | 0 | 12 | 0 |
| 17/02/14 | 1233 | Hardware Supplier | recipient no. 2 | 4 Blade Galvanised Louver Frame (set) | 100 | 50 | 200 | 100 |
| Total | | | | | 115 | 58 | 524 | 292 |

Delays in the supplying of materials indicate poor administrations and accountability in delivering government assistance to the community undermining the trust of community towards the Government. As such the non-timely delivery of building materials denies the timely government assistance to the underprivileged individuals for improved standard of living and economic growth for the country.

Also, it cannot be deduced that public funds have been utilized efficiently, effectively and with economy.

Failure to strengthen internal control for the administration of rural housing scheme increases the risk of mismanagement, theft and fraudulent activity.

The committee was informed that this was for one – Mr. Taniela Vusoniawa. The materials were supplied based on the material list supplied by the applicant.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should inquire about the deficiencies and negligence found in the assistance and takes appropriate actions to correct and strengthen internal controls.
- The Ministry must improve its monitoring process and ensure that one technical staff is always present during delivery of materials to recipients.
- The Ministry must conduct proper investigation on all short supply or delivery of materials.

19.16.3 Delay in Construction

Audit noted the following houses were not yet completed even though all the materials have been delivered to the Western Division recipients:

Table 19.13: Incomplete Houses under the Rural Housing Assistance Scheme

| Recipient No. | Location | Comments |
|---------------|-----------------------------|---|
| 1 (M S Y) | Balata Settlement, Tavua | All the materials have been received on 05/06/2014. Only the house is still yet to be completed. Refer to figure 19.14 of appendix 19.2.2 for detail site visit. |
| 2 (V R) | Garampani Settlement, Tavua | All the materials have been received on 18/05/2014. However work on the house is still yet to be completed. Refer to figure 19.15 of appendix 19.2.2 for detail site visit. |

Delay in the use of materials for house repair increases the risk of theft, misuse and damage of the materials thus wastage of government funds.

The above imply that no proper monitoring could be one of the factors in the delay in completion of the project in a timely manner.

The committee was informed that this was in Balata Settlement and Garampani Settlement in Tavua, the houses had been completed. For Balata Settlement, the owner is now extending the house and for Garampani, the house is complete.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should ensure that agreements are to be made with recipients of assistance to ensure that materials are used within a reasonable timeframe according to the approval.

19.17 Non Cane Access Road Works Anomalies

A contractual agreement is to be developed and signed between the Divisional Commissioners Office and the Contractors on road works where necessary (Ministry of Rural, Maritime Development SOP – Part IV, Section 7.1). Permanent Secretaries and Heads of Departments were advised that all Government contracts are to be vetted by the Solicitor General's Office during negotiations stage and as well as prior to its execution. This is to ensure that the Government's legal recourse and exposure are properly considered and protected. (Public Service Circular 33/2013 on Government Contract and Ministry of Finance Circular 3/2013, clause 4.1 and 3.3)

Due diligence is an integral part of the evaluation process that must be completed prior to awarding of the contract. During this phase, government agencies must check all the terms and conditions against the supplier's information as well as seek further information from the relevant authorities to verify the information provided. The process of due diligence will enable the Ministry to test the contractor's ability to fully perform the required standard of work. (Ministry of Finance Circular 8/2013, clause 2.3 and 2.4 – *Conducting Due Diligence Prior to Finalizing Contracts*)

The Manager Finance or Accounts Officer must not certify a payment as correct unless they are satisfied that there is documentation that the works have been carried out.

19.17.1 Incomplete Construction of Roads - Western Division

Audit noted the following anomalies for Western Division non-cane access roads;

- The Division did not develop any contractual agreement for the construction of non-cane access roads;
- The audit established that the length of actual road works constructed is less than the approved scope and estimated length which were paid to the contractors. Refer Table 19.14 for details

Table 19.14: Details of Non-Cane Access Roadwork that is different from its scope and estimate

| Name of Road | Cheque No | Date | Amount (\$) | Scope Length | Actual Length | Variance | Remarks |
|--------------------|-----------|----------|-------------|--------------|---------------|----------|---|
| Komave Farm Rd | 17266 | 5/5/2014 | 18,500 | 3km | 1.3km | 1.7km | Refer to figure 19.16 of appendix 19.2.3 for detail site visit. |
| Tilivalevu Farm Rd | 17153 | 19/04/14 | 19,000 | 4.6km | 11km | (6.4km) | Refer to figure 19.17 of appendix 19.2.3 for detail site visit. |
| Vunarewa Farm Rd | 382 | 19/05/14 | 13,500 | 3km | 1.5km | 1.5km | Refer to figure 19.18 of appendix 19.2.3 for detail site visit. |

Failure to properly certify and approve the payments of non-cane access roads increases the risk of fraudulent payments and corrupt practices which may not be detected in a timely manner thus increases the loss of taxpayers' funds.

In the absence of due diligence performed, the agreement may not be financially and legally sound. As such the risk of losses for Government increases as Government would have to incur additional cost for completing the construction works if the contractor fails to successfully complete the works as per the required standard.

The committee was informed of the following from the Ministry:

Western Division; for the Komave Farm Road, three quotations were obtained to identify the contractor. The funds released for the farm road which is \$18,500 could only cater for 1.3 kilometers; however, the road is three kilometers long. Due to heavy rain, some cost of construction for roads were utilized to repair the damaged road that is the drainage and the waterways.

For the Tilivalevu Farm Road, three quotations were obtained to identify the contractor. The amount given was not sufficient to fund the total length of road according to the approved scope. However, the road was completed in the first quarter of 2015 but the road was not graveled as the budget could only cater for clearing and drainage works for the 7.5 kilometer road.

On Vunarewa Farm Road, three quotations were obtained to identify their contractor in which \$13,500 was paid to the contractor which could only cover 1.5 kilometers of the three-kilometer road. The rest of the funding was used to cover for the transportation of materials from the airport to the site. The road could not be completed due to obstacles by water pipelines along the proposed farm road. Part of the road has been put on hold pending the community's decision to remove the water pipelines.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should inquire about the deficiencies and negligence found in the project and takes appropriate actions to correct and strengthen internal controls.

19.17.2 Poor Maintenance and No Evidence of Agro Farming for Cavaga Farm Road

The Northern Division paid a total of \$130,000 to a Government Agency Engineer section for the construction of eight kilometre length Cavaga Farm Road located in Cavaga village in Solevu, Bua. The work involves clearing, drainage, gravelling, compaction, formation, culverts and headwalls.

The audit noted the following anomalies:

- The Government Agency Engineer section sub-contract the construction works to another contractor;
- The Division did not maintain any project file and as such the audit could not determine the evidence of community request, land owners consent, Agriculture officer, Provincial Development Board and Commissioner Northern endorsement, evidence of tender board approval and evidence of vetting of Memorandum of Understanding by the Solicitor General;
- Endorsement by Permanent Secretary on 12/03/14 after due date on 15/11/13;
- Audit cannot ascertain the quality of works carried out as there was no completion certificate, monitoring and progress reports submitted by the Division upon audit request;
- Audit established that the Memorandum of Agreement does not specify timeframe of work and clauses for delay in work.
- Poor maintenance of road and there was no evidence of agro farming as per below site visit verification;

The committee was informed that the funds allocated were only sufficient to carry out works for the first phase of two kilometres, thus this did not reach the site where agricultural farming is done.

19.17.3 Absence of Tender for Nasuva Crossing

The Northern Division paid a total of \$95,705 for the construction of Nasuva Crossing which is located in Nasuva village in Macuata. Audit noted the following anomalies:

- The Northern Division paid a total of \$51,000 to a contractor for the construction of Nasuva Crossing for which the contract was awarded through quotation process;
- In addition the Division purchased materials worth \$44,705 from various supplier to be used for the crossing;
- The Division did not maintain any project file and as such the audit could not determine the evidence of community request, land owners consent, Agriculture officer, Provincial Development Board and Permanent Secretary endorsement, evidence of tender board approval and evidence of vetting of Memorandum of Understanding by the Solicitor General;

- Audit cannot ascertain the quality of works carried out as there was no completion certificate, monitoring and progress reports submitted by the Division upon audit request;
- Audit established that the Memorandum of Agreement does not specify timeframe of work and clauses for delay in work.

The committee noted that there was no request for tender since the initial construction scope was less than \$50,000. However, an additional \$6,000 was later recommended by the Road Engineer for the construction of railings and the final touch humps.

19.17.4 Construction of Korosomo Farm Road Not According to Scope

The Northern Division paid a total of \$49,175 to a road contractor for the construction of eight kilometre length Korosomo Farm Road located in Korosomo settlement, Sasa, Macuata. The Memorandum of Understanding outlines the following scope of works;

- Stage 1 – Gravelling 4 km (\$17,187.50)
- Stage 2 – Gravelling 4 km (\$17,187.50)
- Stage 3 – Grading (\$10,800)
- Stage 4 – Compaction (\$4,000)

Audit noted the following anomalies:

- Audit site visit verification reveals that the construction of the road is incomplete as three kilometer of roads was constructed contrary to the eight kilometers;
- The Division did not maintain any project file and as such the audit could not determine the evidence of community request, land owners consent, Agriculture officer, District Officer, Provincial Council, Provincial Development Board, Commissioner Northern and Permanent Secretary endorsement and evidence of vetting of Memorandum of Understanding by the Solicitor General;
- Audit cannot ascertain the quality of works carried out as there was no monitoring and progress reports submitted by the Division upon audit request;
- The audit established that the Memorandum of Agreement does not specify timeframe of work and clauses for delay in work.

The above anomalies indicate that the Division failed to comply with its standard operating procedure requirements in selecting, evaluating and monitoring of projects. This has high risk of abuse, favoritism, work back-log, fraudulent activities and wastage of taxpayers' funds.

Failure to obtain proper approval allows room for collusion or unfair opportunities to other similar service providers and uneconomical service engagement.

The committee was informed that the initial scope was to upgrade 8 kilometers, however due to fund limitation, the project was only allocated with \$50,000 which

is only sufficient to carry out works for 3 kilometers, with compaction and some drainage works.

The Committee agreed with the Auditor General's recommendations that:

- The Ministry should inquire about the deficiencies and negligence found in the project and takes appropriate actions to correct and strengthen internal controls.
- The Ministry should ensure that due diligence are performed prior to signing of the agreement and payment to the contractors.
- The Ministry must ensure that a project file is opened and all required documents are filed from the planning to the completion stage. The files are to be closed upon completion of audit.

19.18 Unsubstantiated Expenditure as Records not produced for Audit – Northern Division

In the performance of his or her duties, the Auditor-General or a person authorized by him or her has access to all records, books, vouchers, stores or other government property in the possession or control of any person or authority.

The Manager Finance is responsible for the safekeeping and proper maintenance of all accounting records or documents. The need to improve record management in all agencies is vital for promoting Good Governance, Transparency and Accountability in the public sector. It is the responsibility of all staff hierarchy levels in each agency to integrate proper record management upkeep.

All accounting staffs are responsible for proper maintenance and safekeeping of accounting records and documents, giving the Accounting Head the responsibility in implementing a sound internal control system to oversee this mater.

Audit could not substantiate the expenditures totaling \$1,425,723 as the Division did not produce the following records for audit verification.

The committee was informed Northern Division; the office has received some records, paid vouchers that were not submitted to audit for verification. Measures undertaken were that all paid vouchers are now filed and stored for the safekeeping of the project.

The Committee agreed with the Auditor General's recommendations that:

- Proper and stringent internal control such as supervisory checks for records keeping in the accounts division should be strengthened to ensure that all accounting records are properly kept.
- The Principal Accounts Officer should ensure that all accounting records are properly maintained in accordance to section 15.1.3 of the Finance Manual.

Section 20: Fiji Military Forces

Role and Responsibilities

The RFMF is charged with, and responsible for the defence and state security of Fiji, in the maintenance of Law and Order in land and sea and provision of maritime surveillance of Fiji's maritime zone. It improves the living standards of rural community through infrastructure development and youth training of life skills provided by the Engineering Corp through its Trade Training. It also provides services to mariners through the coastal radio station (Suva Radio 3DP) for all vessels within Fiji waters as required under the International Law of the Sea and the surveying and charting of Fiji's Exclusive Economic Zone.

PART A: FINANCIAL STATEMENTS

20.1 Audit Opinion

The audit of the 2014 accounts of the Fiji Military Forces resulted in the issue of a qualified audit report for the following matters:

The Force did not include the RFMF Engineers Project Fund Account in its Agency Financial Statements for the year ended 31 December 2014. This account is also not recorded in the Government Financial Management Information System (FMIS) general ledger contrary to Part 16(2.1) of the RFMF Finance Manual 2014 and Part 3 Section 15 of the Finance Instructions 2010.

A sum of \$1.26million worth of stock was found to be in unusable conditions through a stock take conducted on 01/01/2015. This was neither disclosed in the Statement of Losses nor submitted to Ministry of Finance for necessary write off and disposal approval contrary to Part 14.2.12 of the RFMF Finance Manual 2014 and Part 8 Section 57(3) of the Finance Instruction 2010.

The committee further noted that the reasons for further qualifying the accounts:

- (i) Total Sales of \$2.2million disclosed under the Trading and Manufacturing Account (TMA) includes sales from TMA Plant Pool projects that are yet to be earned. This is from projects that are yet to be completed as at 31 December 2014. They are as follow:
 - Korosi/ Balaga project on going status with 65% total project cost of \$498,100 committed;
 - Vunisei Daku road project on going with 50% total project cost of \$261,992 committed;
 - Bau College High School site project on going status with 72% total project cost of \$510,171 committed; and
 - Colo I Suva project on going status with 62% total project cost of \$21,739 committed.

20.2 Statement of Receipts and Expenditure

The Force collected revenue totaling \$0.4 million and incurred expenditure totaling \$81.7 million in 2014. Refer Table 20.1 below for details.

Total revenue increased by 42.5% in 2014 compared to 2013 mainly due to the revenue received on salary overpayment recovery of previous years and commission received through payroll deductions.

Total expenditure decreased by \$45.1 million or 36% in 2014 compared to 2013 mainly due to the following:

Established Staff costs decreased by \$33.2 million or 34% in 2013 mainly due to the transfer of Activity 7 and 8 – Peacekeeping Mission expense allocation to Head 49.

Special expenditure decreased by \$9.0 million due to the transfer of Activity 7 and 8 – Peacekeeping Mission expense allocation to Head 49.

Capital construction decreased by \$2.1 million or 73% compared to 2013 due to a few projects not being undertaken. The projects includes relocation of Nadi 4FIR, upgrading of Sukanaivalu barracks, relocation of maintenance unit, Kiro boat life extension programme and upgrade of seawall and river wall at Togalevu Naval Base.

20.3 Appropriation Statement

The committee was advised that “the lapse appropriation in SEG 1 was noted of \$4.6 million was attributed to the creation and transfer of Activity 7 and Activity 8 to Head 49 - Peacekeeping Operations. The salaries for the Regular Force on TOD, before they were all paid from Head 19 but now they are being paid from Head 49”

20.4 Consolidated Trading & Manufacturing Account

The committee was also informed that “the approved ceiling for the TMA Operating Account is \$500,000. In 2014, the total expenses incurred amounted to \$1.5 million while revenue collected was \$2.2 million, resulting in a net profit of \$0.728 million. Due to the increased engagement of the RFMF Engineers in undertaking Government projects in normal deployment, the total revenue collected increased by 27 percent, compared to 2013. But it must be noted that the stated revenue are all committed funds towards specific projects, we again talking about the Engineers, with no provisions for profit”.

PART B: AUDIT FINDINGS

20.5 RFMF Engineers Project Fund Account

Financial transactions shall be posted into the automated information system (General Ledger System) using journal entry input forms or directly from source documents such as journal vouchers or payment vouchers. (RFMF Finance Manual 2014 – Part 16, Section 16.2.1)

All payments, including VAT, shall be immediately recorded in the financial management information system and an expenditure ledger. (Finance Instruction 2010 – Part 3, Section 15) A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorized to operate on it. (Finance Instruction 2010 – Section 32[1]) All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer. (Finance Instruction 2010 – Section 32[6])

A total of \$1.5 million is held in the Bank of South Pacific (BSP), namely, *RFMF Engineers Project Fund Account*. (BSP Bank Account Number 6652519) These are funds received for capital works from various Ministry / Department by the RFMF engineers.

The committee was informed that the RFMF is in the process of closing the Engineers Project Fund Account and has been liaising with the Ministry of Economy on the way forward. It has been advised by the Ministry of Economy that we must do the following:

- 1) before closing the Account, RFMF is to reconcile bank records with projects and this reconciliation exercise was completed in February 2017;
- 2) that the funds for new projects to be receipted into General Revenue SLG 84 which has now been done for all projects that had been undertaken by our Engineers; and
- 3) that acquittals to be submitted progressively to the client and the Ministry of Economy when completed and acquittals are now part of the new RFMF process.

The Committee agreed with the Auditor General's recommendations that:

- The CSO Finance should make available the authority for the operation of the bank account and liaise with the Ministry of Finance to open the general ledger account in the Government Financial Management Information System.
- For verification and monitoring of Project funds, the CSO Finance should ensure that bank reconciliations are carried out and is checked on an approved monthly basis.

- The Force should ensure that the annual financial statement does include the receipts and payments of the Project.

20.6 Incomplete Procedure for Accounting of loss through Stocktake

Writing of losses shall be considered after all practical and cost effective recovery measures have been undertaken. (RFMF Finance Manual 2014 – Part 14, Section 14.2.9) Write off losses in excess of \$50,000 must be referred to the Minister for Finance. (RFMF Finance Manual 2014 – Part 14, Section 14.2.12) Write off losses in excess of \$50,000 must be referred to the Minister for Finance. (Finance Instructions 2010 – Part 8, Section 57[3])

Audit noted the following irregularities in the accounting of stocks at the Camp Ordinance Depot of the Logistic Support Unit stores:

- two stock take were undertaken;
- loss of \$2,324,370 was detected in the first round of stock take and this decreased to \$1,261,568 in the second round of stock take;
- report for the final loss of \$1,262,568 was not submitted to the Minister for Finance through the Ministry of Finance for further necessary action which indicate incomplete stock take procedure;
- the stock take team of the Force has struck off the loss items from the ledger charge without the necessary approval from Minister for Finance; and
- Chief Staff Officer – Finance was not aware of the stock take nor was informed so that necessary procedures is followed with the Ministry of Finance and any recommendation for approval to write off loss from the Minister for Finance is disclosed in the Fiji Military Force Agency Financial Statement under Statement of Loss.

The above irregularities results from lack of knowledge and understanding of inventory management and procedures to be taken when undertaking stock take. Additionally, the lack of communication between the Stores Commanding Officer (SCO) and Finance Unit of the Force has resulted in the above.

The incomplete stock- take procedure through non- communicating of the loss for necessary write off from the Minister for Finance and non- disclosure in the agency financial statement has resulted in the qualification of the Force 's Agency Financial Statement. The Statement of loss is understated.

The committee was informed that the Board of Survey process and workflow has been strengthened as shown in Annex 3. This will allow for better co-ordination of information to ensure that all accounting data are recorded and reported correctly.

What happened in this one was really just a communication breakdown. RFMF, all these years, had two manuals that we operated on; Volume 1 and Volume 2.

Volume 2 is our Standing Orders for Stores and Accounts and that was how the RFMF operated on.

However, our financial system then evolved. We now operate under the FMIS and that Volume 2, the processes and systems that we followed was wrong. It did not comply with the current requirements that the Ministry of Economy requires in the new financial system. Last year we reviewed Volume 2 and are almost completed so again, our systems and processes for this sort of thing will be documented correctly so that it follows the new financial system as required by the Ministry of Economy.

The Committee agreed with the Auditor General's recommendations that:

- The Fiji Military Force should ensure that it complies with the RFMF Finance Manual 2014 and Finance Instructions 2010 with regards to inventory management and stock take.
- The Fiji Military Force should ensure that all loss resulting from stock take is communicated with the CSO Finance and is included in the Agency Financial Statement under Statement of Loss after necessary approval is obtained from the Minister for Finance.

20.7 Unsubstantiated Write-Offs

Subject to this or any other Act, the Minister of Finance may write off losses in respect of public money, state assets and agency assets. (Financial Management Act 2004 – section 34[1][a])

The Finance Instructions may require each budget sector agency:

- (a) To undertake appropriate recovery action for losses;
- (b) To maintain a register of losses containing the details required to be recorded by the Finance Instructions; and
- (c) To include details about losses and recovery action in the audited financial statements to be included in the agency's annual report. (Financial Management Act 2004 – section 35)

The audit noted that liabilities totalling \$5,409,497.68 were approved to be written off by Ministry of Finance.

No supporting documents were provided to justify the reason for write offs.

The committee was informed that this exercise, the Trust Account Write- Offs, was something that the Ministry of Economy directed all Government Departments to undertake. These balances were brought forward prior to the FMIS system so we were not able to verify the details because all the balances were brought forward from the old system. So we were not able to verify their

source documents and the details of those balances and they had asked us to identify those balances and apply for write-off.

The Committee agreed with the Auditor General's recommendations that:

- The Force should ensure controls on the use of the general ledger are improved.
- Monitoring and periodic reviews of the general ledger accounts are strengthened.

FORCE FARM ACCOUNT

20.8 Improper Staff Administration

No person may employ a worker and no worker may be employed under a contract of service except in accordance with this Promulgation. If a contract of service of a worker with an employer is made for duration in excess of one month, the contract must be in writing. An employer who employs a worker whose wages or rates of wages are prescribed or paid under an employment contract must keep a record (called the wages and time record) showing, for each worker:

- a. The name of the worker;
- b. The date of birth;
- c. The worker's address;
- d. The kind of work on which the worker is usually employed;
- e. The employment contract under which the worker is employed;
- f. The classification or designation of the worker according to which the worker is paid;
- g. A daily attendance register incorporating the hours between which the worker is employed on each day, and the days of the worker's employment during each week;
- h. The wages paid to the worker each week and the method of calculation; and
- i. Leave and leave entitlements. (Employment Relations Promulgation, 2007 Part 5, Division 1, No.22 (1), No.37(1) & Part 6, Division 1, No.45(1))

The Force's Farm in Nasinu has the following staff:

- 1 Farm Manager
- 1 Assistant Farm Manager
- 1 Accounts Clerk
- 6 Farm Hands

Audit noted the following anomalies in the audit of staff administration.

- No written contract formalized;
- No staff personal file maintained;
- No staff salary file maintained;
- Improper attendance register maintained; and

- Un-skill staff employed.

Furthermore, the office space is too congested and has limited working equipment and filling area.

The above shows poor Farm administration and inadequate capacity allocation by the Force management to the Force Farm.

Failure to properly administer staff may give rise to inefficiency, unproductivity and wastage of Farm funds.

The committee was informed that the Force have complied with the recommendations of the Auditor-General. We now have personal files that are maintained, however, RFMF is also in the process of formalizing contracts with farm permanent staff in there. Right now, there are only two Regular Force Officers who are employed at the farm but there are two girls who have been attached on the farm for a long time, so we would want to give them a contract. We now have an attendance register and I talked about that technological transfer programme where we have been assisted by the Ministry of Agriculture and the Taiwanese Consultants.

The Committee agreed with the Auditor General's recommendations that:

- The Force should ensure that written contract must be formalized and signed by individual staff
- The Force must ensure that all information pertaining to staff such as personal and salary information must be well documented, filed and maintained.
- Proper attendance register must be maintained.
- The staff of the farm to undergo continuous farm related training to improve skills and productivity.

20.9 Operation of Force Farm

The Farm main objective is to fully develop and manage a farm which will enable the Force to provide an additional food source in time of need and emergency. It shall also create an additional source of income after the farm is fully utilized.(RFMF Farm General Financial Regulation 4.1.4, 4.22 & 4.23)

Audit of the Farm records revealed that the RFMF Farm is not organized to be part of the core function and operation of the Force but operating outside the official Force organization as part of the staff welfare accounts that also operate the RFMF Canteen and Other Ranks Bar.

Audit noted the following anomalies;

- An Officer of the Force manages the RFMF Farm on a full time basis even though it does not serve any core functions of the Force.

- The RFMF Farm is situated on a state land and senior army officers are working directly either as committee members or current farm staff; therefore cannot be regarded as a private fund.
- The RFMF Farm includes a vast land area which remains to be utilized and is overgrown with grass near the Force Training Group. Similarly the piggery and poultry shed and fish ponds remains vacant and left in an unusable condition.
- The Force without developing the farm to operate on full scale, act as a retailer in buying packed chicken from Goodman Fielder, pigs and cassava from outside vendors and selling them to the officers.
- The Farm operation does not follow the official and government regulations on Finance and Administration.

Public resources are utilized by the RFMF Farm including the state land, farm buildings and equipment, water and power supply and personnel thus the ownership of Farm can be argued with the Force as a public entity rather than a private business entity.

The committee was informed that before it used to supply food for RFMF but we have found that, that was not proper, we are not an approved vendor, so we stopped. That farm was also what we called the Military for Life Concept where as you are nearing your retirement age, you go to the farm and learns some farming techniques for vegetables, those quick money earning vegetables that you can plant to prepare you as you go out. If you have land, you can go in and then utilize your land properly using the skills that you have learnt from that farm.

In partnership with the Ministry of Agriculture and the Taiwanese Government, the RFMF has not been the sole beneficiary, as I mentioned before. Right now, I am really keeping that farm because of those students. I asked them and they said that it is very hard for them to find a place to go and do their practical attachments. The good thing about that place is that, in FNU, for example, you major in one area and it could be root crops but in that farm, we have a little poultry, a little piggery so they also do those ones, even going into beekeeping. Those who do not do that at FNU have an opportunity to also learn from the Taiwanese experts who are there.

Right now, that place is really being utilized more by those students as practical attachment for them and we are looking at reviewing the operations of that farm right now, whether we still want to operate it as a farm, but that land area is part of our big plan where we can just build our training schools. For example, we have our Officers Training School that is slaughtered in one small area in Vatuwaqa. We can just build that in that 85 acres of land but right now, we are reviewing the usage and the future of that farm. The way it operates right now from whatever is being produced there, they sell it off and the money we get, we pay a little bit of allowance to these students who are doing their attachment there, just to assist them in their bus fare to come back the next day.

The Committee agreed with the Auditor General's recommendations that:

- The Commander must utilize the Force resources to serve the objectives of the RFMF.
- The RFMF farm organization and objectives should be reviewed in light of the core objective of the Force.
- Private operations should be organized away from public properties and resources.

20.10 Lack of Farm Planning on Force Farm Account

RFMF Farm establishes procedures for internal control in order to achieve some very specific objectives. These are:

- a- To avoid waste, inefficiency and fraud and to keep its resources intact;
- b- To maintain the highest standards of accuracy and reliability in the accounts and operation data;
- c- To encourage and measure how far the policy of the business is being implemented;
- d- To evaluate the efficiency of performance in all aspects of business activity; and to provide aid for management planning.(RFMF Farm Standing Operating Procedures & Farm Management Manual 2003 – history and objective of the Farm)

The audit noted that since 2007, there were no business plan and annual report prepared and compiled for the Farm.

This shows lack of planning and coordination on the part of the Force to plan and set annual targets and goals for the operation and growth of the Farm.

Lack of planning is evidently seen on the poor and unproductive state of the farm.

The Committee agreed with the Auditor General's recommendations that:

- The Farm Manager should draw up a business plan and set annual target for the operation of the Farm.
- The Farm Manager should produce annual report for the Farm to gauge farm performance and recommendations for the following year.

20.11 Weak Cash Control on Farm Account

Bank Reconciliation Statement should be prepared from time to time. This is to make sure that the amount in the bank matches the cash balances in the records. The person who handles cash should not be involved in entering the transactions in accounting records. The duties should be kept quite separate.(RFMF Farm Management Manual 2003 Part 4.16.3 & 4.16.6)

Audit noted that the following weaknesses from the audit of the Farm cash account:

- No bank reconciliations were done for 2014 and other previous years;

- No separation of duties in handling of cash as the officer handling cash is the same officer entering the transactions in accounting records.

The above were basically a result of the following:

- No proper handing over of accounts from the previous to the current Farm management;
- Poor accountability and financial management of farm account;
- Lack of staff;
- Under-skill staff with lack of accounting and management knowledge; and
- No segregation of duties.

Failure to prepare bank reconciliation will result in cash at bank not reconciled to farm records and could lead to cash embezzlement and fraud which could go undetected.

The committee was informed that the Force now have an officer who is employed to look after the accounts. We have a cash book that is maintained, we have it in Annex 6 as an example. We have monthly bank reconciliations that are prepared. I mentioned that two officers are employed at the farm to provide good governance and better transparency and accountability. We sent our Farm Manager for training in Taiwan, he is just looking after the farm operations and we have our own internal auditors to make regular checks on the farm.

The Committee agreed with the Auditor General's recommendations that:

- The CO LSU should appoint a competent officer with accounting and management background to be in charge of the Farm accounts and administration.
- Bank reconciliation should be prepared on monthly basis with correct format.
- There should be segregation of duties in the handling and accounting of cash.
- Officer handling accounting of farm account should undergo training on accounting related course relevant to Farm management.

20.12 Improper Farm Sales Records

IC farm is to ensure that either cash register or cash dockets are used. The total of cash dockets is compared with the total in the file minus any change at the beginning of the day.

IC farm has to control cash received from other sources too. Every-time a customer make a payment(s) he should get a receipt. The receipt should come from a book of receipt forms, which are numbered in sequence. When any payment is received, the receipt form should be completed, the original should be given to the customer and the duplicate is kept by the farm for the purpose of recording. The sequence of the receipt numbers is important. It shows whether any receipt and perhaps also the cash is missing so if any original receipt is

cancelled, it should be kept for audit purposes.(RFMF Farm Management Manual 2003 – Part 4.17 & 4.18)

The following anomalies were noted from the audit of recording of sales:

- Sale invoices were not raised;
- Sales invoices were not properly filled with dates, quantity and amount;
- Receipts were not raised for direct deposit payments; and
- Payments were recorded in receipts.

Furthermore, audit noted that the Farm purchased pigs and packed processed chicken in bulk and sells them individually to army personnel on account. Neither sales invoices raised nor individual debtor account opened to record such transactions.

The committee was informed that system and control is now in place and in compliance to the Government's accounting standards and procedures.

The Committee agreed with the Auditor General's recommendations that:

- The Force Farm Manager should ensure that:
 - Sales invoice are raised for all credit sales.
 - Sales incomes are properly filled with dates, buyer, quantity sold, and amount.
 - Receipts are raised for all direct deposit to bank account.
 - Payments are not recorded in receipt book.
 - Sales invoices are reconciled with receipts and its balance to debtor control account.
 - Supervisory role should be strengthened on Farm management.

20.13 Payment Anomalies in Force Farm Account

IC Farm when submitting requests for goods and services shall use the appropriate form authorized by CO LSU. Such form shall include:

- 3 quotations;
- Voucher;
- LPO; and
- Requisition.

CO LSU is only authorized to sign and approve. OC farm is only authorized to recommend payment vouchers where approval rests with CO LSU.(RFMF Farm Management Manual 2003 – Part 4, Section 4.1 & 4.1.1)

The audit noted the following anomalies on payment made from Farm Account:

- No requisition voucher raised;
- No purchase order raised;

- No competitive quotation obtained;
- No signature on payment vouchers for passed for payment, receiver and witness to payments made; and
- No stamp "paid" on all payment vouchers and supporting documents.

Table 20.9: Anomalies in Payments at Force Farm Account

| Date | Cheque No. | Details | Amount (S) | Payment Anomalies |
|--------------|------------|--|---------------|---|
| 09/01/14 | 4431 | Payment of 12 pigs @ \$475/pig | 5,700 | <ul style="list-style-type: none"> • No purchase order raised • No stamp "paid" • No competitive quotes • Payment voucher not passed for payment |
| 17/01/14 | 4436 | Partial payment of 150 carton crest chicken no. 14 x 10 @ \$106.40 per carton (VEP) | 17,000 | <ul style="list-style-type: none"> • No purchase order raised • No stamp "paid" • No competitive quotes obtained • Payment voucher not passed for payment |
| 21/03/14 | 4463 | Payment of refund to other ranks bar for payment to supplier of chicken | 2,000 | <ul style="list-style-type: none"> • No proper approval for loan • No record of loan from Canteen • The Farm Manager also manages the RFMF canteen and Other Ranks Bar |
| 28/03/14 | 4468 | Payment of chicken refund to other ranks bar for payment done to supplier of chicken | 1,300 | <ul style="list-style-type: none"> • No record of loan agreement & statement with Other ranks Bar • Payment voucher not signed and passed for payment • The Farm Manager also manages the RFMF canteen and Other Ranks Bar |
| 04/08/14 | 4513 | Payment of chicken manure and transportation | 500 | <ul style="list-style-type: none"> • Invoices totalling \$124.75 attached not supporting the payment of chicken manure. |
| 27/05/14 | 4487 | Payment of unpeeled cassava. | 1,300 | <ul style="list-style-type: none"> • Invoices attached not only for Inoke • Invoices attached only totalled to \$949.56 leaving a balance of \$350.44 for payment without invoices. • No approval for payment |
| 11/08/14 | 4518 | Payment of transportation and administration | 500 | <ul style="list-style-type: none"> • Invoices attached only totalled to \$223.73 leaving a balance of \$276.27 for payment without invoices. • No approval for payment and not stamp "Paid" |
| 27/09/14 | 4384 | Payment of chicken | 7,000 | <ul style="list-style-type: none"> • No purchase order raised |
| 18/10/13 | 4396 | Payment of 1,397 kg dalo @ \$0.80 per kg | 1,118 | <ul style="list-style-type: none"> • No purchase order raised • No competitive quotes obtained • No stamp "paid" on all payment documents |
| Total | | | 36,418 | |

The above shows that the Force Farm ignores governing procedures and breaches Farm Management manual and policies in place. Lack of supervision from the Force Head-quarters and supervisory role at the Farm operations and relevant training on payment procedures also contribute to the above.

The Farm has not been subjected to any internal audit from the Force's internal audit unit.

The above could result to abuse, misappropriation and wastage of funds.

The committee was informed that payments are now being processed in accordance with Government regulations and its operations are audited by the Internal Audit Team.

The Committee agreed with the Auditor General's recommendations that:

- The Farm Manager should ensure that payment guidelines are adhered to at all times.
- The Force Commander and CO LSU should strengthen its supervisory role on Farm operations.

- Internal audit should be carried out on the operations of the Farm.
- Proper training on payment procedures should be undertaken on the officer assigned to Farm operations.

20.14 No Accounts Receivable Control Account and Subsidiary Ledger Maintained

A farm should keep control accounts and subsidiary ledger because a control account appears in the general ledger and contains a summarized version of all transactions relating to accounts receivable. For example, it will have total figures for credit sales, or cash received from customers, during the period. However, the details of accounts receivable balances, such as which customers paid their account during the period and how much, will be shown in a subsidiary ledger. A subsidiary ledger contains individual accounts or records of specific debtors and shows the movements in their respective accounts. At any point in time, these two separate records must tally or agree (RFMF Farm Management Manual 2003 – Part 4.20.8)

The audit noted that the Force Farm does not maintain any accounts receivable control account and subsidiary ledger. Instead, the management relies on reports given by the Force Finance Unit and Force Pay Office.

The above shows poor administration and incapacity of the Farm management for proper recording of accounts receivable/debtors. This could result in fraudulent activities on Farm account if not monitored and controlled.

The committee was informed that while accounting ledger books are now opened, all farm transactions have been restricted to cash basis only until further notice.

The Committee agreed with the Auditor General's recommendations that:

- The Force Farm accounts clerk must:
 - Prepare accounts receivable control account with its subsidiary ledger.
 - Reconcile accounts receivable control account with its subsidiary ledger.

20.15 Poor Inventory Control at Force Farm Account

All goods in an undamaged condition and which are in no respects defective shall be taken on charge in a stock register. Control over stored inventories includes:

- a. The inventories must be stored at one place, which is known as the store and it should be locked. All items of similar nature should be together in bins, shelves or trays;
- b. Only one person should be in charge in store;
- c. Only authorized persons should have access to the keys of the stores;

- d. Inventories must be adequately insured;
- e. The storekeeper should make sure that nothing leaves or enters store without appropriate documentation
- f. Items which are purchased first should be sold first; and
- g. The storekeeper should do at least one stock take every year.

Furthermore, to maintain control over fixed assets the farm should keep a fixed asset register. Every fixed asset, moveable or not, should be identified by a number or code and there should be a procedure for checking regularly to make sure that they are all there and in the right place (RFMF Farm General Financial Regulation – Part 4.1.4, 4.22 & 4.23)

The audit noted that there was no inventory record maintained by the Force Farm and there was also no proper storage area. In addition, there was no proper inventory control in place and no board of survey was done in 2014.

This indicates poor administration by management.

Failure to maintain and control inventory may result in theft, abuse and fraudulent activities.

The committee was informed that the RFMF has adhered to recommendations in the Audit Report and has opened a non-expandable ledger to record assets. It has constructed a storage area and it is in the process of conducting a Board of Survey for borrowed items and has ensured that regular checks are undertaken by the RFMF internal audit team.

The Committee agreed with the Auditor General's recommendations that:

- The Farm Manager must:
 - Ensure proper inventory records are maintained for farm inventories.
 - Ensure that there is proper storage area in place.
 - Ensure annual board of survey is carried out and necessary action taken on the result.
 - Strengthen supervisory checks on the management of inventory.

20.16 Underutilization of Force Farm Area

When the Royal Fiji Military Force took over the farm it intended to produce food crops and pork for its own consumption. The farm is to supply these two products to the Supply Company of the Logistic Support Unit (LSU). It is envisaged that the Force would be self-sufficient in these products and therefore able to save or reduce its spending on rations.

The Farm main objective is to fully develop and manage a farm which will enable the Force to provide an additional food source in time of need and emergency. It

shall also create an additional source of income after the farm is fully utilized. (RFMF Farm General Financial Regulation 4.1.4, 4.22 & 4.23)

The audit noted that a vast land area remains to be utilized. It is only overgrown with grass. Similarly the piggery and poultry shed and fish ponds remains vacant and left in an unusable condition.

The Farm is currently operating as a wholesaler or middleman in buying packed chicken from Goodman Fielder, pigs and cassava from outside vendors and selling them to the Force and officers within the Force. The current operation of the Farm is outside its initial and intended purpose to build a production capacity to be able to produce and supply the Force with farm crops and live stocks.

The above demonstrates poor administration and decision making from the Farm Manager which has resulted in the Force procuring from outside vendors on its ration.

Failure to fully utilize the farm land area available deprives the Farm from realizing its full potential and meeting its core objective. The Force will continue to spend its funds on buying from outside vendors for its ration supply which it could have been saved if the Farm is operating to its full capacity.

The committee was informed that since the last audit the farm has grown steadily but with the assistance of the Taiwanese Technical Centre, from just a place where they plant *dalo* and normal crops, as I said, it can grow almost anything because of the technical expertise from Taiwan. As mentioned earlier, the Force is in the process of reviewing the farm, the assets and its capability, and to determine the future of that area whether it remains to be a farm or not.

The Committee agreed with the Auditor General's recommendations that the Force must:

- Review and carry out reform on the management of its Farm to ensure improvement in the utilization of Farm.
- Take appropriate action to ensure full utilization of idle land area.
- The CO LSU should ensure rations are acquired directly from approved vendors if the farm does not produce the require crops or livestock's.

20.17 Force Farm Boundary not fully fenced and secured

The RFMF Farm boundary covers the area east from the Force Training Group sports ground perimeter to West, the Prison compound security fence, and North-South along the existing cattle pasture. (RFMF Farm Standing Operating Procedures & Farm Management Manual 2003 – History and Objective of the Farm)

The following anomalies were noted:

- The farm boundary was not fenced and secured from outsiders.

- People living along the farm boundary have used the farm lands for their own farm use. No approval was taken from the Force.
- The farm is not subjected to any security.

The above have resulted in theft of farm produce and unauthorized entry and use of Force Farm property.

The committee was informed that the farm area has no boundary hence the Force was liaising with the Ministry of Lands to have the area surveyed to enable the Force to have the exact areas that needed to be fenced and then will put on the fencing once the exact markings from the Ministry of Lands have been acquired.

The Committee agreed with the Auditor General's recommendations that the CO LSU must ensure the Farm boundary is properly fenced and secured.

RFMF ENGINEERS PROJECTS

20.18 Anomalies in Project Work at RFMF Engineer Unit

Permanent Secretaries shall:

- Be responsible for preparing the Ministry's or Department's Annual Procurement Plan outlining the requirements of the agency in terms of the procurement of goods and services and works that must be undertaken in a budget period;
- Ensure that all procurements in their Ministry or Departments are made with due regard to the guiding principles of procurement outlined in regulation 3;
- Execute and manage all procurement contracts signed on behalf of their Ministry or Department; and
- Provide these records on request for the Auditor General for audit purposes or by the Director Fiji Procurement Office for compliance checks.(Procurement Regulation 2010, Part 2(7))

Any procurement of goods, services or works shall be issued so as to promote the following principles:

- Value for money
- Maximise economy and efficiency and the ethical use of government resources;
- Promote open and fair competition amongst suppliers and contracts;
- Promote the integrity of fairness and public confidence in the procurement process; and
- Achieve accountability and transparency in the procedures relating to the procurement. (Procurement Regulation 2010, Part 1(3))

The Government Tender Board in its meeting No. 12/2014 held on 10/07/14 deliberated on your request for the above. The Board:

- i. Noted the recommendation and justification submitted.
- ii. Approved to appoint various contractors (14) to the Panel of Contractors for general building works, electrical, earthworks, consultancy and architecture for RFMF for a period of 2 years.
- iii. Directed that should any of the individual projects exceed \$50,000, a selective tender process must be taken.

In view of the limited validity period for FNPF and FRCA compliance documents, your office is requested to obtain current valid documents 'as and when' is obtained from approved contractors within the 2 year period. (Government Tender Board Approval memo to Commander RFMF dated 11/7/14)

Any person making payment in terms of a contract for services but not a contract of employment is required to make a deduction for provisional tax of 15% of gross amount of the payment at the time it is paid to the contractor. If a Certificate of Exemption is produced, no deduction is to be made from the payment (Legal Notice No. 70 – Income Tax Regulation 1976 – collection of provisional tax)

20.19 School Projects

Audit scrutiny of projects undertaken for schools through the Prime Minister's Office revealed the following anomalies:

- The absence of a memorandum of understanding (MOU) between the RFMF Engineer Unit and the Prime Minister's Office;
- Considerable delay of work completion;
- Project files for each were not updated. (Refer Table 20.10 for details)

Table 20.10: Anomalies noted on School Projects

| Project | Project Cost (\$) | Anomalies |
|-------------------------------|-------------------|--|
| Sawani Village School | 562,670.78 | <ul style="list-style-type: none"> • No memorandum of understanding in place • Project files not updated |
| Vervatuloa Primary School | 67,343.04 | |
| Naqalimare Primary School | 168,042.17 | |
| Nasivikoso District School | 198,906.86 | |
| Niusawa Methodist High School | 286,669.91 | <ul style="list-style-type: none"> • Project commenced in 2012 but completed in 2014 • No memorandum of understanding in place |
| Uluivalili Secondary School | 510,770.71 | |
| Project | Project Cost (\$) | Anomalies |
| | | understanding in place |

The absence of MOU shows weakness on the part of the Unit to properly accept projects with mutual contractual agreement with the Prime Minister's Office. Even though, the projects are for the Prime Minister's Office, The RFMF Engineer Unit as a contractor should demand MOU for all projects undertaken as a measure to

protect and safeguard the utilization of funds with conditions in the implementation of projects.

The above may lead to unplanned cost over-run, project delay and projects completed without the planned/agreed specifications.

The committee was informed that the Sawani Village School has been completed, Veivatulua Primary School has been completed, Naqalimare Primary School was completed in 2015, Nasivikoso District School was also completed in 2015, Niusawa Methodist High School and Uluivalili Secondary School. Also, now the MOUs that were signed between the client and our Engineers.

The Committee agreed with the Auditor General's recommendations that the Force Engineer must ensure that:

- a MOU or a contract is in place for projects it receives from the other government departments and ministries; and
- Project files are maintained and updated with all relevant milestone reports filed.

20.20 Korosi to Balaga Project – Vanua Levu

The Korosi to Balaga access road project started in 2011. The project is for RFMF Engineer Unit to construct access road from Korosi to Balaga. The project was to be done on 4 stages covering a total of 14 kilometres and is for the Ministry of Rural and Maritime Development and National Disaster Management (MRMD&ND). The Memorandum of Understanding between MRMD&ND and the RFMF Engineer Unit is signed on every year starting from 2011 to 2014 outlining the works to be done with total project cost for that year.

The audit noted the following anomalies with regards to the project:

- Slow implementation of project. A total of \$1,665,755.50 has been paid to RFMF Engineering Unit from 2011 to 2014 for this project, and it has not been completed;
- Allocation for 2014 of \$572,815 has been exceeded by \$45,174 as at 27/11/14. As at the date of audit on 05/08/15 the project is yet to be completed;
- Oversight in the Memorandum of agreement with sub-contractor –did not specifically state the cost of project, duration and length of road to be covered to guides the RFMF Engineering Unit and sub-contractor in the implementation at the same time have control on project fund; and
- Certificate of exemption submitted by the contractor has expired on 06/11/2014. The RFMF Engineering Unit did not deduct 15% provisional tax on payment made to Faizal totaling to \$51,640 vide cheque number 562 on 29/12/14.

The above anomalies are due to poor planning and poor monitoring by RFMF Engineering Unit in the execution of the project works given the weather condition and landscape the project is carried out on.

Information gathered from the Commissioner Northern Office that there is indeed great delay and slowness in the implementation of the project by the RFMF coupled with no report or update submitted to them.

Failure to properly plan, execute and monitor projects may result in the project being delayed with substantial cost overrun.

The committee was informed that the road project is basically being completed, except for some minor finishing works. This will be completed when funds are made available. The Force had given the Office of the Commissioner Northern the quotation for the remaining works and we are waiting for their decision.

The Committee agreed with the Auditor General's recommendations that the Force Engineer should liaise with the Commissioner Northern and an expert road engineer on how best to bring the project to completion.

20.20 New Bau College Site Project

A Memorandum of Understanding (MOU) was signed by the Ministry of Education and the RFMF Engineer Unit (the Unit) on 08th April 2014 for the development and upgrading of the new Bau College site at Mokani, Bau Tailevu. The total cost for the project as per MOU was \$1,300,343.46.

On 20th August 2014, the Unit sub contract and signed a MOU with a private Contractor No.1 for earthmoving works on the same project.

The audit noted the following anomalies with regards to the project:

- the private contractor is not an approved Government contractor nor approved contractor for the Force as approved through the Government Tender Board;
- the private contractor was selected through obtainment of competitive quotations;
- MOU signed with the private contractor does not have a project cost and timeline for the project;
- the private contractor does not produced a certificate of exemption for all contract payments claimed;
- The Unit did not deduct 15% provisional tax on payments made to the private contractor; and
- No officer from the Unit was present to verify and tally the loads of waste materials and hours used daily as claimed by the private contractor in its daily invoices on the use of dump trucks and excavators.

Table 20.11: Example of Payments made to the Private Contractor

| Date | Cheque No. | Details | Amount (\$) | Payment Anomalies |
|----------|------------|---|-------------|--|
| 30/09/14 | 433 | Payment for the mobilization of machines as per MOU | 8,000.00 | <ul style="list-style-type: none"> • Not an approved Government Contractor • No certificate of exemption attached • No 15% provisional tax deducted • Daily invoices claimed was not verified, tallied and agreed by the Unit to substantiate the number of loads and hours worked by the dump trucks and excavator. |
| 14/10/14 | 445 | Payment of equipment hire and works done by sub –contractor for new Bau college site - Mokani | 6,618.00 | |
| 17/10/14 | 451 | | 17,545.00 | |
| 28/10/14 | 462 | | 15,472.50 | |
| 05/11/14 | 469 | | 12,635.00 | |

The above shows oversight and lack of prudence and due diligence on the part of the Unit in the planning and execution of the project through the sub-contractor. The Unit has disregarded government regulation through the engagement of a non-approved contractor.

Failure to exercise due diligence and care from the planning to the execution of projects through MOU, may result in cost over-run, payment of fraudulent invoices and delay in projects. The government funds may not be economically utilised if such practice continued.

The committee was informed that the New Bau College Site Project has now been completed and the evidence has been annexed in the written responses received – The Project Handover Certificate.

The Committee agreed with the Auditor General's recommendations that the Force Engineer must ensure that:

- MOU is designed to include timelines and project cost;
- Only approved contractor from the Government Tender Board are engaged;
- Provisional tax is deducted for contract payments if certificate of exemption is not provided by the contractor; and
- Daily invoices on number of loads and hours worked by the contractor are verified tallied and agreed through separate Unit tally sheet before processed for payment.

20.22 Namara, Vunisei and Muanaisolo Project – Kadavu

A Memorandum of Understanding (MOU) was signed between the Ministry of Rural & Maritime Development and National Disaster Management (MRMD&ND) through the Commissioner Eastern office and the RFMF Engineer Unit (the Unit) on 04th February 2014 for the Namara, Vunisei and Muanaisolo road work

project. The project is for 4 months (120 days) of favorable/fine weather conditions at a total cost of \$298,772.76. The agreed works was road side clearing and drainage works, road formation works, gravelling works, road completion works, culvert drainage (conducted concurrently throughout) and road upgrade finishing works. The agreed time line as per MOU for works to commence on 17/02/14 and complete on 15/05/14.

Following this, the Unit sub-contracts the works to private Contractor No.2 with MOU signed on 21/06/14 for three months and private Contractor No.3 with MOU signed on 29/07/14 also for three months from 29/07/14 to 29/10/14. Another MOU was signed on 02/12/14 with private Contractor No.3 for another three months. The sub-contractors were selected through obtainment of competitive quotations.

The audit noted the following anomalies for the project:

- By sub-contracting the project works, the initial timeline with MRMD&ND is not met;
- MOU signed with the sub-contractors stated that payment for all works will be based on hours of work, irrespective of number of carting the truck made in an hour;
- Certificate of exemption for provisional tax was not produced/attached;
- Provisional tax at 15% of invoice paid was not deducted by the Unit;
- Private Contractor No.3 continues to work in the month of November after expiring of MOU on 29/10/14 and a second MOU was signed on 02/12/14 ; and
- Considerable delays for the project work as per initial MOU with MRMD&ND.

Considerable delays are seen in the implementation of this project and it demonstrates the lack of capacity within the unit to deliver services it agrees to provide as per MOU.

The Committee agreed with the Auditor General's recommendations that the Force engineer should not accept new projects if it does not have the capacity to implement them.

The Committee agreed with the Auditor General's recommendations that:

- The Force engineer should not accept new projects if it does not have the capacity to implement them.

Section 21: Fiji Police Force

Role and Responsibilities

The Fiji Police Force formulates and implements policies related to national defence, domestic security and public order, citizenship, maritime surveillance, passports, residency, national day celebrations and responding to natural disasters

PART A: FINANCIAL STATEMENTS

21.1 Audit Opinion

The audit of the 2014 accounts of the Fiji Police Force resulted in the issue of a qualified audit report. A variance of \$521,197 exists between revenue recorded in the general ledger (\$2,353,153) and the revenue recorded by the Force (\$2,874,350).

The committee was informed that the variance of \$521,197 in particular was not revenue but it was a misunderstanding on the part of the auditors and it was in fact our clearances for Accountable Advances and for bonds which the Police Officers were paying before proceeding on overseas leave. OAG confirmed that this has since been clarified and has been advised that the matter is now put to rest.

21.2 Statement of Receipts and Expenditure

The Force collected revenue totaling \$2,353,153 and incurred expenditure totaling \$102,856,705 in 2014. The committee noted that there was a revised budget allocated to the Force meaning that the Force has increased that initial budget.

21.3 Appropriation Statement

The Force incurred expenditure totaling \$102,856,705 against the revised budget of \$111,767,737 resulting in a savings of \$8,911,032 or 8%.

The committee was informed that the entity made this through virement. The FPF budget was \$111,767,737 and within that provision, the Force used the process of virement and there are some changes to be made to the revised budget so this is within the virement procedures. It is not additional funds; it is within the provision provided by the Government and has gone through the virement process resulting in the saving of \$8.9m

PART B: AUDIT FINDINGS

21.4 Variances and Absence of Separation of Duties for Revenue Account

The Force recorded a total of \$2,353,153 in state revenue for the financial year ended 31/12/14, an increase of 8% or \$176,325 from previous year. The audit noted that the

revenue clerk at Headquarters orders the receipt books from Ministry of Finance, maintains and reconciles the stock and distribution registers, collects the revenue for Headquarters, lodges the revenue to the bank, enters the record into the general ledger system (FMIS) and prepares the bank lodgment clearing account reconciliations. The audit further noted that the revenue records maintained by the Force did not reconcile with the revenue recorded in the general ledger system.

The committee was informed that the variances and absence of separation of duties for revenue account were resolved through internal controls through the appointment of a Revenue Collector and Revenue Clerk in 2015.

The Committee agreed with the Auditor General's recommendations that:

- The Force Accountant should review the internal controls for revenue and ensure that there is adequate segregation of duties.
- The Force should ensure that all revenue recorded reconciles with the revenue recorded in the general ledger system.

21.5 2014 Write Off for the Force

Liabilities are amounts owed by Government to creditors and should be paid and not written off. In addition to the above write off, Assets totaling \$1,888,862.13 was written off by the Ministry of Finance. These write off has been disclosed in the Force's Financial Statement under the Statement of Loss. The Audit noted that liabilities totaling \$1,127,139 were approved to be written off by Ministry of Finance without any supporting documents to justify the reason for write offs.

The Committee noted upon the confirmation from the Office of the Auditor General that the write off for the Force was due to the writing off allocations that was normally submitted for reconciliation which has had balance carried forward from previous years. One of which were Assets and Advances such as travelling expenses and accommodation for the Officers.

The committee was informed that the write off exercise was done across Government. A lot of that was to balance up the books as there were a lot of variances throwing out. The Office of the Auditor General advised that the entity were trying to clear the write-off as they were unverifiable and in this case, the assets.

The Committee agreed with the Auditor General's recommendations that the Force should ensure that all write offs are properly substantiated with supporting documents to justify the reasons for write offs.

21.6 Irregularities in Operating Trust Fund Accounts

Overdrawn trust fund accounts indicate that more payments have been made from the trust fund account than authorized.

Within five days after the end of each month, the Assistant Accounts Officer Ledgers shall prepare a trust reconciliation to reconcile trust account balances to the ledger total. Details of balances must be attached to the reconciliation statement. The Deputy Force Accountant shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents. The Force Accountant must submit the trust reconciliation to the Deputy Commissioner of Police within 10 days of the end of the month.

The audit noted the Force recorded an overdrawn amount (debit balance) of \$10,194 in the operating trust fund account. The above anomaly indicates that the operating trust fund accounts reconciliations were not carried out effectively to rectify the overdrawn account in a timely manner.

The committee was informed that the amount quoted therein of \$10,000 plus reimbursement has been made from the Commissioner's Welfare Trust Fund Account. The FPF have got a few Operating Trust Fund Accounts where the source of funds comes within the contributions from the members of the Force. This is a separate bank account and is not within the Fiji Police Drawings Accounts, run through the guidelines of the Trust Fund Account.

In this case, at that point in time, the committee was informed that there were no cheque signatories available and had used the funds from the Fiji Police Drawings Account to facilitate this. However, this variance has been cleared whereby the \$10,194 for Sports and Social which was supposed to be paid from the Trust Account but was taken from the Operating Account have now been reimbursed back to the Trust Account.

The Committee agreed with the Auditor General's recommendations that the Senior Accounts Officer should ensure that overdrawn balances are rectified in a timely manner.

21.7 Acquittals Not Done for Police Election Fund

The Year 2014 was a significant year due to the General Election being held in the country and the number of polling stations that Force had established. Basically, the officers were doing 12 hours a shift and had two categories of uniformed officers who were basically carrying out those responsibilities.

The audit noted that the Force failed to prepare acquittals for the utilization of the \$124,763 credited to Special Constabulary account. As a result the audit could not substantiate the \$124,763 as acquittals and necessary supporting documents were not produced to audit to justify the utilization of donor funds.

The committee was informed that in April 2015, acquittals were submitted to the Budget section of the Ministry of Economy, together with all other relevant information. General vouchers were raised to correct the errors for the misallocations whilst processing overtime payment to the Special Constables. The Force had initially written via e-mail to the Ministry of Economy for the utilization of this particular fund and whilst waiting, it was realized that there a morale issue as a result, those four hours per day was paid out to the members, totaling \$224,672.

The Committee agreed with the Auditor General's recommendations that:

- The Fiji Police Force should also disclose other expenditure incurred for its operations which are paid for by the Ministry of Finance.
- The Fiji Police Force should ensure that acquittals records for donor funds received from other donor agencies through Ministry of Finance are prepared, properly accounted for and submitted to audit upon request.
- The Fiji Police Force should consult Ministry of Finance to allocate or redeploy Funds to their budget to meet its operations.

21.8 FNPF Suspense Account

Audit noted that the Fiji Police Force had unidentified contribution of \$18,095 with Fiji National Provident Fund (FNPF) as at 31/12/2014. It is apparent that the balance may continue to increase and carried forward to the next financial year if the Force fails to reconcile the unidentified funds with FNPF.

The committee was informed that this normally comes about because of either there could be mistakes in a letter of the name of the Officers or maybe, some officers who have been previously in employment are re-joining the organization. However, the committee noted that these could be attributed to human error again in terms of the correct FNPF number because when the amount is posted, it does not go and sort of hits the amount on the FNPF side of things, so that is why the Suspense Account is created. Over a period of time, we have been able to solve this and we have now reduced the amount to \$4,399.

The Force has advertised in the local dailies for members to come forward so that the Force Accountant can clarify this. It is an ongoing exercise and it was noted that the entity have been able to reduce the amount from \$18,000 to \$4,399.

The Committee agreed with the Auditor General's recommendations that the Force should liaise with FNPF and reconcile and identify of the unidentified contribution.

The Committee agreed with the Auditor General's recommendations that:

The Committee strongly recommended that the Officials of the Fiji Police Force to have full time internal auditors to assist the Department with complying with the relevant manuals and legislation and to also strengthen the monitoring of Government funds.

Section 22: Peacekeeping Missions

Role and Responsibilities

The Fiji Military Force and Fiji Police Force provide international peacekeeping operations for UN sanctioned missions (UNDOF, UNAMI and MFO) in Syria, Iraq and Sinai.

According to UN Security Council mandate the deployment of UN security personnel into conflict zones must prove the following:

- Maintaining or restoring international peace and security, exclusively in the common interest of the international community;
- Disengaging the conflict parties;
- Creating conditions for peaceful settlement of a conflict;
- Monitoring cease-fire peace agreements;
- Rendering humanitarian assistance to civilian population in the area of deployment.

PART A: FINANCIAL STATEMENTS

22.1 Audit Opinion

The audit of the 2014 financial statement of the Department of Peacekeeping Mission resulted in the issue of an unqualified audit report.

22.2 Statement of Receipts and Expenditure

The Department of Peacekeeping Mission incurred a total expenditure of \$69,958,353 in 2014.

The committee was informed that year 2014 was the first year where the Force had the 'separation'. Head 49 also includes peacekeeping for Police. We have Programme 1 - RFMF and Programme 2 – Fiji Police Force.

22.3 Appropriation Statement

The Department of Peacekeeping Mission incurred expenditures totaling \$69,958,353 in 2014 against a revised budget of \$71,263,202 resulting in a savings of \$1,304,849 or 2%.

Committee Recommendation and Resolution:

The committee noted there had been no issues that had been identified by the Republic of the Fiji Military Forces by the Office of the Auditor-General.