



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

# REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

2017 Audit Report on Economic Services Sector



PARLIAMENT OF FIJI  
PARLIAMENTARY PAPER NO. 09 OF 2019



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

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# OFFICE OF THE AUDITOR GENERAL

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File: 102

5 February 2019

The Honorable Speaker of the Parliament of the Republic of Fiji  
Government Buildings  
Constitution Avenue  
**SUVA**

Dear Sir/Madam

## **2017 AUDIT REPORT ON ECONOMIC SERVICES SECTOR**

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the Economic Services Sector for 2017.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand', with a horizontal line underneath.

Ajay Nand  
**AUDITOR-GENERAL**



Encl.

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

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

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

This report satisfies these requirements.

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

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

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## 1.0 Summary – Economic Services Sector

All ministries and departments prepare annual agency financial statements. Permanent Secretaries and management of these agencies are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards-Cash Basis and requirements of Finance Management Act 2004 and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Economic Services Sector includes:

Section 30	Ministry of Agriculture
Section 32	Ministry of Fisheries and Forestry
Section 33	Ministry of Lands and Mineral Resources
Section 34	Ministry of Industry, Trade and Tourism
Section 35	Ministry of Sugar Industry
Section 36	Ministry of Public Enterprise and Government Printing
Section 37	Ministry of Local Government, Town Country Planning and Environment

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

## Results of our audits

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

### Quality and timelines of financial statements

The financial statements of all ministries and departments were on time except for one Ministry. However, the quality of agency financial statements of some ministries and departments were not of good quality. We issued unmodified opinions on four agency financial statements for 2016-2017.

In accordance with International Standards on Auditing, we express an unmodified opinion (unqualified) when the financial statements are prepared in accordance with the Financial Management Act, Finance Instruction 2010, Finance (Amendment) Instructions 2016 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit, which would affect the financial statements of an entity.

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

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

	Unmodified Opinion	Modified Opinion
Number of audits	3	4
Percentage of total	43%	57%

Source: Office of the Auditor-General

Except for one ministry, all the ministries and departments in the Economic Services Sector submitted the draft financial statements for 2017 before the deadline of 16 October 2017 set by Ministry of Economy.

The draft financial statements for 2016-2017 of three or 43% of ministries and departments in the Economic Services Sector were not adjusted during our audit. The remaining financial statements were adjusted through audit adjustments.

## 2.0 Types of audit opinions issued

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

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

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

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

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

## Introduction

Each year, we audit the financial statements of agencies to provide assurance of their reliability.

Ministry of Economy advised all agencies to provide the draft 2017 agency financial statements to the Auditor-General by 16 October 2017. If agencies comply with the monthly and quarterly reporting requirements set by *Finance Instructions 2010* throughout the year, the agencies should be able to prepare a high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by seven agencies in the *Economic Services Sector* for financial year ended 31 July 2017 by considering:

- year-end closing process – whether accounts were closed-off on the agreed date
- timeliness – whether complete draft 2017 financial statements were submitted for our audit by an agreed date
- quality – the extent of accounting adjustments made during our audit

Our assessment criteria and the result of our assessment for each ministry/department is included in Appendix A.

## Conclusion

While majority of the agencies did very well in terms of providing good quality agency financial statements in a timely manner, there are still some agencies which need to adhere to the instructions issued by Ministry of Economy. Basically, these agencies financial reports were received late for audit hence audit reports were signed late. Accordingly, the Head of the Accounting should ensure that adequate attention is given in relation to this matter for the 2017 – 2018 Financial Statements.

It was also noted that when we issue Draft Management Letter for management comments and Financial Statements for signing, the submission of management comments from some ministries and departments were late. This impacted on the issue of my audit report. Therefore, Ministries and Department Heads are urged to improve on this area as well.



Ajay Nand

**AUDITOR-GENERAL**

Date: 05/02/2019

### 3.0 Audit Opinion results

Table A summarises the audit opinions we issued on the 2016-2017 financial statements for State-agencies.

**Table A**  
**Audit opinions issued by OAG for 2016-2017 financial year**

Sector	Unmodified opinions	Modified opinions	Disclaimer of opinion
Economic Services	3	4	0

#### Modified opinions

We issued modified opinions on four of the 2017 financial statements completed for various ministries and departments in this sector.

The reasons for the modified audit opinions were as follows:

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

#### Unmodified opinions

We issued unmodified opinions on three or 43% of the 2017 financial statements various ministries and departments. This means that material misstatements were not noted in these agency's financial statements.

## Quality of draft agency financial statements

The extent of audit adjustments made to draft financial statements indicates the effectiveness of the agency's internal review processes to identify and correct errors before these are provided for audit.

Four ministries and departments prepared good quality complete draft financial statements that did not require any adjustments.

Adjustments passed on draft financial statements for three ministries and departments were not material whereas one ministry had material audit adjustments.

## Timeliness of financial reporting

To be useful to users, financial statements should be completed and made available as soon as possible after the end of financial year. Information in financial statements becomes less relevant to users as the time passes from close of financial year. The deadline set by Ministry of Economy for submission of draft financial statements was 16 October 2017.

**Table B**  
**Agencies which met or did not meet the agreed timeline for submission of draft financial statements**

Sector	Timeline Met	Timeline not Met
Economic Services Sector	Ministry of Fisheries and Forestry Ministry of Lands and Mineral Resources Ministry of Trade and Tourism Ministry of Public Enterprises Ministry of Sugar Ministry of Agriculture	Ministry of Local Government, and Environment

## Year-end closing process

On 1 June 2017, the Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and timelines were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017

- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

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

Two Ministries achieved all the key focus areas for closing of accounts process set by Ministry of Economy while three of the Ministries and Departments in this sector achieved at least five of the key focus areas. Two Ministries could not achieve any of the key focus areas.

## Appendix A: Assessment of financial governance

This section evaluates the effectiveness of the internal controls maintained by 7 ministries and departments.

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

Permanent Secretaries, Heads of Departments and other personnel of ministries and departments are responsible for the preparation of the financial statements in accordance with the Financial Management Act 2004, Financial Management (Amendment) Act 2016 and Finance Instructions 2010, and for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

### Internal control framework

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

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

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

### Internal controls

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal controls, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analyzing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.
- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.
- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of the achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.
- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

The following table outlines the rating we have used to assess internal controls:

Rating	Internal control assessment
🟢 Effective	No deficiencies identified in internal controls
🟡 Generally effective	Deficiencies identified in internal controls
🔴 Ineffective	Significant deficiencies identified in internal controls

### Preparation of draft 2016-2017 agency financial statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and timelines were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

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

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

### Quality of draft financial statements by entities

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

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

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

### Timeliness of draft financial statements for entities

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

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received before or on 1 October 2017
● Generally effective	Acceptable draft financial statements received on or before 16 October 2017
● Ineffective	Acceptable draft financial statements received after 16 October 2017

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

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

Accordingly, we have assessed timeliness for *Economic Services Sector* as:

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

Rating	Timeliness of Signed Financial Statements Received
● Ineffective	After 15 days from issue of Financial Statements for signing

### Result summary

The following table summarizes our assessment of controls, the 2016-2017 financial statement preparing processes and responses to the Office of the Auditor-General across the ministries and departments in the *Economic Services Sector* which were subject to our audit.

Ministry or Department	Internal controls					Financial Statement Preparation			Responses to OAG	
	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
<b><i>Economic Services Sector</i></b>										
1. Ministry of Fisheries and Forestry	●	●	●	●	●	●	●	●	●	●
2. Ministry of Lands and Mineral Resources	●	●	●	●	●	●	●	●	●	●
3. Ministry of Sugar	●	●	●	●	●	●	●	●	●	●
4. Ministry of Trade and Tourism	●	●	●	●	●	●	●	●	●	●
5. Ministry of Agriculture	●	●	●	●	●	●	●	●	●	●
6. Ministry of Local Government, Housing and Environment	●	●	●	●	●	●	●	●	●	●
7. Ministry of Public Enterprise	●	●	●	●	●	●	●	●	●	●

CE=Control Environment

RA=Risk Assessment

Q=Quality of draft financial statements

IC=Information and Communication Control

CA=Control Activities

YE= Year-end close processes

T=Timeliness of draft financial statements

MA=Monitoring Activities

MC+ Management Comments provided

SFS Signed Audited financial statements returned

## Appendix B: Audit Opinion Results

The following table presents the results of our audit of 2016-2017 financial statements for ministries and departments in the *Economic & Infrastructure Sector*.

Ministry/Department	Date audit report signed	Audit opinion type
1. Ministry of Fisheries and Forestry	18/09/18	Modified
2. Ministry of Lands and Mineral Resources	08/03/18	Modified
3. Ministry of Trade and Tourism	12/02/18	Unmodified
4. Ministry of Sugar	14/05/18	Unmodified
5. Ministry of Agriculture	02/07/18	Modified
6. Ministry of Public Enterprises	18/01/18	Unmodified
7. Ministry of Local Government and Environment	30/07/18	Modified

## Section 30 Ministry of Agriculture

### Roles and Responsibilities

The Ministry is responsible for guiding Government’s agricultural policy, which is focused on helping Fijians provide for themselves and their families by strengthening the Fijian agricultural sector, with special attention paid to competitive exports.

The agricultural policy is also directed at responsibly managing competing demands for land and boosting Fiji’s food security. The Ministry is working to restore the agriculture sector’s economic contribution to 15 per cent of GDP; to increase the value of non-sugar agricultural exports to \$100 million over a period of three years; and to reduce the annual imports of fruits and vegetables to \$80 million over three years.

The Ministry has gradually moved from a Government led approach to a demand driven approach, listening and responding to the needs of farmers and the opportunities in the market. The “Green Growth Framework for Fiji” furthermore highlights the need to address food security through improved farm efficiency and the establishment of a coordinated mechanism to manage competing demands for land. The Ministry is now also promoting farming as a business as opposed to farming as just a way of life.

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

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

The qualification was due to the following:

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

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

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

**30.2 Statement of Receipts and Expenditure**

The Ministry collected revenue totalling \$638,213 and incurred a total expenditure of \$56,141,296 for the year ended 31 July 2017. Details are provided in Table 30.1.

**Table 30.1: Statement of Receipts and Expenditure for 2017**

Description	31 July 2017 (\$)	31 July 2016 (\$)
Agricultural Produce & Inspection Fees	339	203
License	41,075	30,662
Meat Inspection	19,280	14,336
Veterinary and Animal Quarantine	12,327	8,518
Sale of Sheep and Wool	30,126	4,660
Rest House	9,234	2,651
Rental for Quarters	61,084	35,344
Registration	6,943	2,154
Commission	24,227	14,221
Sale of Farm Produce	32,227	21,935
Clearance of previous years trust	41,476	---
Miscellaneous Revenue	280,751	117,693
Overpayment Recoveries	77,745	20,767
Water Charges	661	199
Rural electrification	718	344
<b>Total Revenue</b>	<b>638,213</b>	<b>273,783</b>

Description	31 July 2017 (\$)	31 July 2016 (\$)
Established Staff	12,431,521	7,469,249
Government Wage Earners	5,444,014	3,438,174
Travel & Communications	774,032	449,730
Maintenance & Operations	2,113,395	1,387,954
Purchase of Goods & Services	624,846	388,589
Operating Grants & Transfers	3,169,595	2,716,499
Special Expenditure	2,289,910	1,036,921
<b>Total Operating Expenditure</b>	<b>26,847,313</b>	<b>16,887,116</b>
Capital Construction	17,474,568	7,860,937
Capital Purchases	1,078,114	5,219
Capital grants and transfers	8,596,684	4,654,588
<b>Total Capital Expenditure</b>	<b>27,149,366</b>	<b>12,520,744</b>
Value Added Tax	2,144,617	1,000,364
<b>Total Expenditure</b>	<b>56,141,296</b>	<b>30,408,224</b>

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

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

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

### 30.3 Appropriation Statement

The Ministry incurred expenditure totalling \$56.1 million in 2017 against a revised budget of \$74.4 million in accordance with Section 19 of the Financial Management Act 2004, resulting in savings of \$18.2 million or 25%.

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

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

Details of expenditure against the revised budget are provided in Table 30.2.

**Table 30.2: Appropriation Statement for 2017**

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

The Ministry collected revenue totalling \$638,213 in 2017, an increase of 133% from the previous year.

### 30.4 Trading and Manufacturing Account

Table 30.3: Consolidated Trading Account – Commercial Undertaking

Description	31 July 2017 (\$)	31 July 2016 (Restated) (\$)
Sales	1,605,040	1,226,661
	<b>1,605,040</b>	<b>1,226,661</b>
Opening Stock	1,465,662	709,078
Add: Purchases	1,184,767	988,972
Add: Direct Labor	7,207	10,293
<b>Goods Available for Sale</b>	<b>2,657,636</b>	<b>1,708,343</b>
Less: Closing Stock	909,844	1,465,662
<b>Cost of Goods Sold</b>	<b>1,747,792</b>	<b>242,681</b>
<b>Gross (Loss)/Profit</b>	<b>(142,752)</b>	<b>983,980</b>

Table 30.4: Consolidated Profit and Loss Account – Commercial Undertaking

Description	31 July 2017 (\$)	31 July 2016 (Restated) (\$)
<b>Income</b>		
Gross (Loss)/ Profit Transferred from Trading Account	(142,752)	983,980
<b>Total Income</b>	<b>(142,752)</b>	<b>983,980</b>
<b>Expenses</b>		
Travelling & Communication Expenses	14,895	17,437
Maintenance and Operation	220,435	107,277
Other Expenses	20,589	7,957
<b>Total Expenses</b>	<b>255,919</b>	<b>132,671</b>
<b>Net (Loss)/ Profit</b>	<b>(398,671)</b>	<b>851,309</b>

Table 30.5: Consolidated Balance Sheet – Commercial Undertaking

Description	31 July 2017 (\$)	31 July 2016 (Restated) (\$)
<b>Equity</b>		
<b>TMA Surplus</b>		
Opening balance	(484,768)	(23,727)
Remittance	(359,372)	(461,041)
Adjustment	457,469	---
<b>Closing Balance</b>	<b>(386,671)</b>	<b>(484,768)</b>
<b>TMA Accumulated Surplus</b>		
Opening balance	2,037,684	1,186,375
Net (Loss)/ Profit	(398,671)	851,309
<b>Closing Balance</b>	<b>1,639,133</b>	<b>2,037,684</b>
<b>Total Equity</b>	<b>1,252,462</b>	<b>1,552,916</b>
<b>Assets</b>		
Cash at Bank	319,766	64,876
Accounts Receivable	739	265
Inventory	909,844	1,465,662

Description	31 July 2017 (\$)	31 July 2016 (Restated) (\$)
<b>Total Assets</b>	<b>1,230,349</b>	<b>1,530,803</b>
<b>Liabilities</b>		
Deposits & Retention	(22,113)	(22,113)
<b>Total Liabilities</b>	<b>(22,113)</b>	<b>(22,113)</b>
<b>Net Assets</b>	<b>1,252,462</b>	<b>1,552,916</b>

### 30.5 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use.<sup>1</sup>

#### 30.5.1 Land Water Resource Management and Land Resettlement Planning and Development Trust Fund Account

This trust fund account is used to maintain retention funds for Land and Water Resources Management (LWRM) projects as per the conditions on the agreement. The funds will be paid out to contractors when certificate of completion is submitted and all conditions of the contract are met.

Table 30.6: Trust Account Statement of Receipts and Payments - Land Water Resource Management and Land Resettlement Planning and Development

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Receipts</b>		
Retention Money	870,709	154,676
<b>Total Receipts</b>	<b>870,709</b>	<b>154,676</b>
<b>Payments</b>		
Retention Money	737,513	439,095
<b>Total Payments</b>	<b>737,513</b>	<b>439,095</b>
<b>Net Surplus/ (Deficit)</b>	<b>133,196</b>	<b>(284,419)</b>
Opening Balance as at 1 August	684,162	968,581
<b>Closing Balance as at 31 July</b>	<b>817,358</b>	<b>684,162</b>

<sup>1</sup> Financial Management Act 2004 – Section 25

## **PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**

### **30.6 Internal Controls**

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

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

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

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity’s objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to*

authorization, performance reviews, information processing, physical controls, and segregation of duties.

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and functioning. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.

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

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

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

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

### 30.7 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Ministry’s, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-Ministerial clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017

- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments by 31 July 2017 and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

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

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

Rating	Year-end close process assessment
☀ Generally effective	Five of 10 key processes completed within two weeks of due date

### 30.8 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
☀ Generally effective	Adjustments on operating results/net assets were less than one percent

### 30.9 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
☀ Generally effective	Acceptable draft financial statements received on or before 16 October 2017

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

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

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
• Ineffective	After 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
• Ineffective	After 15 days from issue of Financial Statements for signing

## **PART C: OTHER SIGNIFICANT MATTERS**

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

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

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

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

### **30.11 Non-Preparation of Wages Reconciliation**

The AAO Reconciliation (Salaries & Wages) will be responsible for the compilation of the Ministry's Wages Reconciliation which will be forwarded to AO Strategic and certified by the Principal Accountant with a copy to Ministry of Economy on a weekly basis.<sup>2</sup>

It was noted that the Ministry did not prepare the wages reconciliation for all the pays during the 2016-2017 financial year. The last reconciliation was prepared for pay number 10/2016. As at date<sup>3</sup> of audit, the Ministry was still in the process of updating the reconciliations backlog.

Absence of payroll reconciliations may result in errors and omissions not being detected and rectified on a timely basis.

#### **Recommendations**

**The Ministry should ensure that salaries and wages reconciliations are prepared on a timely basis**

#### **Ministry's Comments**

*The audit recommendation is noted. The Ministry is putting in all concerted effort to update current period reconciliation.*

### **30.12 Anomalies in Salary Reconciliation Balances**

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date.<sup>4</sup>

The audit review of the certified salary reconciliations prepared by the Ministry noted the following anomalies;

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<sup>2</sup> Ministry of Agriculture Finance Manual 2017 – Section 4.20.5

<sup>3</sup> 11/12/2017

<sup>4</sup> Ministry of Agriculture Finance Manual 2017 – Section 4.5.4

- The salary reconciliation for 3 pays were not provided to audit despite numerous requests, hence the audit could not review the reconciliations for accuracy. This includes the fortnightly salary reconciliation for pay numbers 16/2016, 26/2016 and 13/2017.
- Variances were noted between the opening balance of the current pay reconciliation and ending balance from the previous pay reconciliation for pay numbers 18/2016 to 22/2016 and pay 24/2016. No explanation was provided by the Ministry to explain the variances. Refer to Table 30.7 below for details.

**Table 30.7: Variance in Opening and Closing Monthly Salary Reconciliation**

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

The above finding indicates that salary reconciliations prepared were not properly checked by supervising officers for accuracy.

The failure to carry out proper salary reconciliation is a serious control failure and increases risk of errors and fraudulent salary payments being made without being detected by the Ministry on a timely basis.

### **Recommendations**

**The Ministry should ensure that;**

- salary reconciliations are prepared on a timely basis, properly checked and verified by supervising officer to ensure that all differences between current and previous pay are reconciled; and
- salary reconciliations are prepared on a regular basis and is verified to the amounts in the FMIS general ledger.

### **Ministry's Comments**

*The audit recommendation is noted. The Ministry is now using Salary Pay Summary Report instead of the Reconciliation Report to do salary and wages reconciliation. Established Payroll has been reconciled up to Pay 03/18.*

### **30.13 Government Wage Earners paid from Established Staff Votes**

Wages are vouched weekly by the Vouchering Clerk to post appropriate expenditure allocations into the FMIS system.<sup>5</sup>

The Permanent Secretaries of agencies may authorise the transfer of budgeted funds out from Standard Expenditure Group 1 or 2 (Established Staff and Government Wage Earners) but shall not transfer funds into Standard Expenditure Group 1 or 2.<sup>6</sup>

Our review of the Government Wage Earners weekly Job Analysis pay reports for the year 2016/2017 noted that several government wage earners of the Ministry were being paid from the Established Staff (SEG 1) votes during the year.

It was noted that total wages amounting to \$41,337 was charged to the various Established Staff allocations during the financial year without following the proper process of transfer of funds through the virement process.

The charging of wages expenses to the Established Staffs vote has resulted in the overstatement of the established staff and understatement of government wage earners expenditures.

#### **Recommendation**

**The Ministry should ensure that the proper procedure for virement of funds is adhered to and all payroll charges for government wage earners are appropriately charged to the correct allocations.**

#### **Ministry's Comments**

*The Ministry will ensure that strict punching of timesheets with correct allocation is adhered to. As for those government wage earners that are charged to SEG One allocation, the Ministry through an email has informed all officers preparing and punching the time sheet to stop using SEG one allocation and disciplinary action will be taken against those who do not follow this instruction. An internal memo will be also sent out to all officers in this regard.*

### **30.14 Governance Issues – Trading and Manufacturing Account Operations**

All agencies that operate a trading and manufacturing activity must prepare a business plan for the activity each year. The business plan must be signed by the officer responsible for managing the activity and be agreed with the Permanent Secretary of the agency.<sup>7</sup>

Before the end of May each year, the Director AH&P and Director Extension through PAO (Animal Production), PAO-Extension HQ and Agriculture Officer (CUT) shall prepare and submit to Ministry of Economy a draft business plan documenting the planned performance and profit target of each TMA activity for the planned year and for the following 3 years.<sup>8</sup> Upon endorsement of the business plan, the PS shall submit a copy of the business plan to the Ministry of Economy by 30 June.<sup>9</sup>

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<sup>5</sup> Ministry of Agriculture Finance Manual 2017 – Section 4.17.1

<sup>6</sup> Finance Instructions 2010 – Section 10.1 – Part (a)

<sup>7</sup> Finance Instruction 2010 – Section 29

<sup>8</sup> Ministry of Agriculture Finance Manual 2017 – Section 6.1.1

<sup>9</sup> Ministry of Agriculture Finance Manual 2017 – Section 6.1.4

The Ministry of Agriculture has two Trading and Manufacturing Activity (TMA) account.

1. Commercial Undertaking Livestock (CUT) operates under the Animal Health & Production Division (AH&P) and is located at the AH&P Divisional Head office in Vatuwaqa with other established market outlets throughout the country. It is responsible for provision of quality goods and services to farmers/general public at affordable rates include quality fencing materials, effective drugs, attend to veterinary cases, livestock breeding animal for multiplication by farmers, hire of trucks for transportation of goods and services.
2. Crop Extension Machinery Operation Hire (CEMOH) operates under the Crop Extension Division. Its provision of quality services to farmers/general public at affordable rates includes hire of tractors and other agriculture machinery. Fuel & Oil operates under the Crop Extension Divisions which supplies fuel & oil for tractors and machines used in machinery operations hire.

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

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

In the absence of an approved business plan and a proper framework in place, there is a high risk that the Ministry will not be able to assess the operations of the TMAs, profit targets, strategies for achieving them, operational risks and any social obligations required by Government.

### **Recommendation**

**The Ministry should ensure that:**

- **the business plan is approved by the Permanent Secretary and a copy is submitted to Ministry of Economy by 30 June every year;**
- **specific policies and procedures are developed to guide key financial processes and controls for the management of its TMA sales, expenditure, personnel expenditure, inventory and its liabilities; and**
- **monitoring activities of the TMA operations and financial performance is strengthened.**

### **Ministry's Comments**

*The Ministry will ensure to make needed improvement in its Business Plan submission for the next financial year.*

### 30.15 Inventory Obsolescence and Mortality of Livestock

Inventory must be purchased in the most economical manner having regard for the expected level of usage.<sup>10</sup>

Our audit noted that the Ministry suffered loss through expiration of drugs and livestock mortality amounting \$63,405 during the year. Refer to Table 30.8 below for details.

**Table 30.8: Details of Expired Stock and Livestock Mortality**

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

We also noted that instead of the cost of the drugs/animals being expensed, it was directly adjusted to the closing inventory balance thus overstating the cost of the goods sold.

The significant amount of expired of drugs and mortality rate of livestock by the Ministry indicates poor procurement planning and inexperienced or inadequately trained livestock handlers.

#### **Recommendation**

**The Ministry should take corrective measures such as proper procurement planning, frequent stock monitoring, improve public awareness and provide adequate trainings to livestock supervisors and farm hands.**

#### **Ministry's Comments**

##### DRUGS

1. *Equivac (valued at \$44,021.25) were ordered through TMA for immediate use as there was an increase in cases of tetanus in livestock. However, when the shipment arrived in stock, cases of tetanus had subsided and the farmers were reluctant to buy the vaccines.*
2. *Utozyme was ordered for immediate use and only 80 units were issued to clinics and the balance that was in stock had expired. The Officer responsible for ordering this item was a Principal Agricultural Officer who is no longer with the Ministry.*
3. *Expiry date of Recombitek was December, 2017 & the whole batch was issued by 12/09/17 whereas there is no expiry date for Savlon which is 15 units in stock.*
4. *Tylan, Amprolium, Xylazil, Dimmitrol – these expired drugs were old stock.*

<sup>10</sup> Finance Instructions 2010 - Section 36

The Ministry will ensure that a detailed procurement procedure of veterinary drugs is put in place and implemented.

#### LIVESTOCK MORTALITY [CATTLE & PIGS]

1. The number of the stock that die on the stations vary due to the nature of problem (genetics and environmental) which can be extreme climatic conditions, stress, feed quality, management (postnatal and pre-weaning deaths)

The Ministry will ensure that proper procedures are in place to help reduce the livestock mortality rate in all stations.

### **30.16 Variances in Inventory quantity during annual stock take**

A stock take must be undertaken each year to verify the existence and condition of inventories on hand.<sup>11</sup>

We observed the annual stock take of inventory carried out for the Commercial Undertaking TMA held at the Animal Health and Production headquarters on 4 August 2017.

The physical count of inventory noted significant variances between the inventory quantity as per the stock cards and the actual quantity of inventory physically held in stock. Refer to Table 30.9 for details.

**Table 30.9: Details of inventory items with variance**

Item	Quantity in stock	Quantity as per stock cards	Variance	Unit cost (\$)	Value (\$)
18kg barbed wire	0	25	(25)	110.00	2,750.00
25kg barbed wire	109	119	(10)	120.00	1,200.00
3 ft goat fence	0	90	(90)	110.00	9,900.00
4 ft goat fence	50	0	50	130.00	6,500.00
Pine Post - 1.8m x 75mm	311	245	66	12.50	825.00
Pine Post - 1.8m x 100mm	522	417	105	14.50	1,522.50
Pine Post - 1.8m x 125mm	132	300	(168)	22.50	3,780.00
Pine Post - 1.8m x 150mm	119	352	(233)	30.50	7,106.50
Pine Post - 3m x 100mm	30	99	(69)	30.50	2,104.50
Pine Post - 3m x 125mm	5	56	(51)	37.00	1,887.00
Pine Post - 3m x 150mm	213	255	(42)	55.50	2,331.00
<b>Total</b>					<b>39,906.50</b>

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

The audit findings reflect very poorly on the capabilities of responsible officers at Animal Health & Production Division to maintain proper inventory records. Hence, we could not place reliance on the inventory balances as per the stock certificates presented.

In the absence of proper inventory records, there is a risk of pilferage of inventory items without being detected on a timely basis.

<sup>11</sup> Finance Instructions 2010 - Section 38

**Recommendations**

- The Ministry should ensure that proper inventory records are maintained and stock cards are updated on a regular basis; and
- The Ministry should consider conducting monthly stock take to detect and investigate stock variances.

**Ministry's Comments**

The anomalies between the physical and the inventory records were due to poor and inadequate record keeping. This is due to the following;

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

Going forward, the Ministry will address the above issues by;

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

**30.17 Anomalies in TMA closing inventory for drugs**

The stocktake officers shall prepare their stocktake report noting any surplus, damaged, obsolete or unaccounted stock and their recommendations.<sup>12</sup>

Inventories must be valued at the lower of cost and net realizable value. Costs must be assigned to inventory items on a consistent basis year-to-year.<sup>13</sup>

The closing inventory balance for the TMAs as at 31 July 2017 is summarised below;

**Table 30.10: Details of Closing Inventory**

Items	Value (\$)
Cattle	236,812.50
Pig	42,040.00
Fencing Material	65,592.00
Drugs	551,645.41
Fuel and oil	13,754.00
<b>Total</b>	<b>909,843.91</b>

<sup>12</sup> Ministry of Agriculture - Finance Manual 2017 Section 8.3.3

<sup>13</sup> Finance Instructions 2010 Section 39

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

- (i) Drugs were being valued at the selling price contrary to Section 39 of the Finance Instructions 2011. As a consequence, the valuation of drugs was overstated by \$32,000. Refer to Table 30.11 below for details;

**Table 30.11: Details of inventory items with variance**

Division		Value as per Stock take report (Selling Price) (\$)	Stock Value at Cost (\$)	Difference (\$)
Vatuwaqa Stores	VET	404,329.20	384,112.74	20,216.46
Vatuwaqa Clinic		34,439.59	32,672.01	1,767.58
Nausori Clinic		4,306.18	4,090.87	215.31
Korovou Clinic		7,321.76	6,955.67	366.09
Navua Clinic		9,769.25	9,280.79	488.46
Vunidawa Clinic		1,760.50	1,672.47	88.03
Lomaivuna Clinic		2,819.48	2,678.50	140.98
Lautoka Clinic		8,023.77	7,622.58	401.19
Ba Clinic		9,834.47	9,239.96	594.51
Nadi Clinic		10,907.00	10,350.25	556.75
Lawaqa Clinic		9,257.78	8,794.89	462.89
Tavua Clinic		9,997.75	9,797.26	200.49
Rakiraki Clinic		9,089.86	4,316.36	4,773.50
Nothern Stores		15,485.40	14,711.13	774.27
Labasa Clinic		4,248.87	4,036.43	212.44
Savusavu Clinic		3,426.28	3,072.75	353.53
Nabouwalu Clinic		1,509.35	1,433.88	75.47
Taveuni Clinic		3,574.79	3,328.89	245.90
Lekutu Clinic		1,221.12	1,170.67	50.45
Dreketi Clinic		323.01	306.86	16.15
<b>Total</b>		<b>551,645.41</b>	<b>519,644.96</b>	<b>32,000.45</b>

- (ii) The closing stock balance for drugs included expired stock of \$17,835.16 which were kept at the Vatuwaqa VET Stores. However, the amount does not include the expired stock kept in other clinics in Fiji as the clinics did not state the expired date of items in their TMA annual stocktake report. Refer to Table 30.12 for details.

**Table 30.12: Expired Drugs at Vatuwaqa Vet Stores as at 31/07/17**

Item	Expiry Date	Quantity	Total Value (\$)
Amoxicillin AFS Powder	Aug-15	17	5,663.80
Cepravin (Ampiclox) Lactating Cow 3g	Dec-16	720	6,840.00
Ketamine Injection	Jan-16	6	399.00
Atropine [Atrosite]	Mar-06	8	71.44
ACP Injection 2mg [Promex 2]	Feb-06	5	26.60
Estrumate	Nov-01	44	1,751.42
Beautamav Tabs 100mg [butalone tabs]	Jan-10	5	107.59
Dextrose Parnell	Apr-08	7	100.75
Multibex Injection	Feb-14	2	71.82

Item	Expiry Date	Quantity	Total Value (\$)
Heartguard +Green [12-22 kg] 6's medium	Apr-17	19	1,299.60
Chromic Catgut Met 5[1] [Cassette]	Jul-15	3	302.10
Chromic Catgut Met 6[2] [Cassette]	Aug-15	1	119.27
Supramid Met 5 USP 2	May-15	1	95.00
Supramid Met 4 USP 1	May-15	1	92.63
Paranet Dressing	Feb-99	14	143.64
Flystrike Powder	Oct-13	6	313.50
Otomax Ointment	Oct-11	10	437.00
<b>Total</b>			<b>17,835.16</b>

- (iii) Different unit prices were used to value the closing inventory balances for livestock (cattle) for each of the different stations namely the Koronivia Research Station and Sigatoka Research Station. The weight of the cattle was not considered when valuing the cattle held at the Koronivia Research Station. Refer to Table 30.13 for details for comparison of unit price used;

**Table 30.13: Difference in unit prices**

Livestock	Unit Price @ KRS (\$)	Unit Price @ SRS (\$)	Difference (\$)
Cows	1,000.00	468.00	532.00
Heifers	1,000.00	260.00	740.00
Heifer Calf	250.00	58.50	191.50
Bull Calf	250.00	58.50	191.50
Bull	1,000.00	494.00	506.00

The above anomalies denote that the stock take was not properly carried out and TMA inventory has not been properly valued. As a result, we could not place reliance on the valuation of inventory totalling \$909,843.91.

### **Recommendations**

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

- value inventories at the lower of cost and net realizable value;
- review the reorder levels for all drugs to avoid losses due to expired drugs;
- implement proper inventory management system to reduce the cost of expired drugs; and
- ensure all divisions submit monthly returns of expired drugs to the Headquarters.

### **Ministry's Comments**

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

#### **Difference in prices for cattle at Koronivia and Sigatoka**

1. *The cattle at Koronivia are of the dairy breeds of cattle imported from New Zealand in 2011. They're pure Friesian dairy breeds' pregnant cows and growing heifers and bulls. They were brought in to rehabilitate the farms where the animals were condemned due to brucellosis. The cattle are primary grown for milk production. The price was set at a standard of \$1000.00 per head for adult mature cattle and \$250.00 per head for younger animals less than 6 months of age. A committee was set up by the Ministry of Agriculture, which had operated on the approved mentioned price. At point of sale the weight is not considered due to the fact that it was government initiative to support the dairy industry in Fiji.*
2. *The price for the New Zealand cattle was approved by the Ministry. A proposal will be prepared to consider a price restructure to match the dilution of the genetics in the stock and also the status. No sale will be conducted due to the positive TB status of the Koronivia farm*
3. *The cattle at Sigatoka are all beef breed type and they're primarily raised to produce meat. The breeds are crosses of Limousine, Santa Gertrudis, Hereford, Brahman breeds. The stocks are weighed at point of sale to determine the cost per head with the class/age of the animal*
4. *The cattle at Sigatoka is sold at the approved government rates*

### **30.18 Anomalies noted in Main Trust Fund (LWRM)**

Subject to the Constitution and this Act, expenditure of money appropriated by an Appropriation Act from the consolidated fund or any other fund may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in relation to the head of appropriation.<sup>14</sup>

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.<sup>15</sup>

Land Water Resource Management (LWRM) Trust Fund Account records retention monies from contractors which are returned upon satisfactory completion of projects and expiration of defects liability period according to the contracts.

Our audit noted that the main trust fund account had a balance of \$817,357.60 as at 31 July 2017 out of which a sum of \$329,147.89 relates to retention monies which were carried forward from prior years and were not paid out of the account when the defects liability period for the projects had expired. Refer to Table 30.14 below for details.

**Table 30.14: Details of Retention Monies carried forward from prior years**

<b>Name of Company</b>	<b>Contract/RR Number</b>	<b>Amount (\$)</b>
Company A	RR # 321709	11,463.78
Company B	Not Provided	18,000
Company C	RR # 663020	2,490.33
Company D	(CTN # WSC 01/2009)	558.29
Company E	(CTN # WSC 14/2010)	1,261.63
Company F	(CTN # WSC 16/2010)	722.53

<sup>14</sup> Financial Management Act 2004 – Section 14 (1)

<sup>15</sup> Finance Instructions 2010 – Section 58 (2& 3)

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

The above denotes poor record keeping, vetting process and supervisory checks in place at the accounts section.

In absence allows unbudgeted expenditure from the Operating Fund Account and due to poor record keeping and non-regularization of the Main Trust Fund Account balance could allow possibility of double payments or fraudulent payment through staff collusion.

### **Recommendations**

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

- **strengthen its supervisory checks in place at the accounts section to ensure payments are made out from correct allocation;**
- **make available for audit verification all source documents relating to the above project payments made out from Operating Fund Account;**
- **after verification process make necessary adjustment in the Main Trust Fund account to reflect the correct outstanding balance.**

### **Ministry's Comments**

*The audit comment is noted. The trust fund account is no longer handled by the Ministry of Agriculture but now handled by the Ministry of Waterways. Necessary adjustments were processed and unidentified balances are currently being verified before transfer is made to Revenue. This will be finalised within the current financial year.*

### **30.19 Unsubstantiated TMA VAT charges**

The Divisional Accounting Officers and clerks are responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>16</sup>

<sup>16</sup> Ministry of Agriculture Finance Manual 2017, Part 16

Our audit noted that although Ministry of Agriculture’s TMA is exempted from VAT, the general ledger showed a VAT payable balance of \$22,113.13. It was noted that this amount has been carried forward from prior years without any action taken by the Ministry to rectify the balance.

As a result, the VAT payable amount is incorrectly stated in TMA balance sheet.

### **Recommendation**

**The Ministry should investigate the VAT payable balance and take appropriate action to rectify the anomalies noted.**

### **Ministry’s Comments**

*The audit comments are noted. The Ministry will ensure that the issue is addressed with the Ministry of Economy and OAG in the current financial year.*

### **30.20 Long Outstanding Underline Accounts**

The ledger reconciliation statement shall be forwarded to the PA. The PA Officer must ensure that:

- (i) all balances are accurate and adequately supported;
- (ii) any misallocations or outstanding balances from the previous month have been dealt with.<sup>17</sup>

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

- “VAT from provision of goods and services” component of Operating Trust Fund Account has accumulated from previous years to \$184,970.53 and comprised of 50% of the closing balance \$367,233.77 as at 31 July 2017.
- “Withholding tax payable” component of SLG 84 Account has accumulated from previous years to \$160,170.95 of which \$159,799.59 is yet to be cleared by the Ministry. Refer to Table 30.15 below for details.

**Table 30.15: Long Outstanding Underline Accounts**

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

The increasing liability balances indicate that VAT and withholding taxes are not remitted to the Fiji Revenue and Customs Service (FRCS) on a timely manner.

Delays in payments to FRCS may result in the Ministry incurring penalties for late payment.

<sup>17</sup> Ministry of Agriculture Finance Manual 2017 – Section 16.3.6

### **Recommendation**

**The Ministry should ensure that proper supervisory checks are in place to ensure that all balances are accurate and adequately supported and errors from previous months were rectified**

### **Ministry's Comments**

*The audit comments are noted. The Ministry of Agriculture has been consistent in its VAT payments to FRCS.*

*The brought forward balance of withholding tax which amounts to \$159,799.59 is the accumulated balance from previous years (2013). This consists of mispostings and provisional tax deducted from contractors engaged by the Ministry. The Ministry is currently liaising with the Ministry of Economy on ways to appropriately adjust this outstanding amount.*

### **30.21 Unauthorized losses recorded in the Statement of Losses**

Writing off losses shall be considered after all practical and cost-effective recovery measures have been undertaken.<sup>18</sup>

Any write above these limits but less than \$50,000 must be submitted through the PS, to the PS, Ministry of Economy for approval. Write offs losses in excess of \$50,000 must be referred to the Minister for Economy.<sup>19</sup>

As at the date of audit<sup>20</sup> the losses amounting to \$39,420 disclosed in the Statement of Losses was not endorsed by the Permanent Secretary and forwarded to the Permanent Secretary of the Ministry of Economy for approval. The losses include Loss of Assets (Office Equipment) of \$9,996 and Loss of Assets (Livestock) of \$29,424.

Ineffective controls on the management of fixed assets (property, plant & equipment) increases the risks of loss fixed assets belonging to the Ministry through theft and misuse.

### **Recommendation**

**The Ministry should strictly adhere to its Finance Manual to only disclose approved write-offs in the Statement of Losses.**

### **Ministry's Comments**

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

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<sup>18</sup> Ministry of Agriculture Finance Manual 2017 - Part 14.2.10

<sup>19</sup> Ministry of Agriculture Finance Manual 2017 - Part 14.2.12

<sup>20</sup> 26/01/18

**Section 32****Ministry of Fisheries and Forests****Roles and Responsibilities**

The Fisheries and Forestry Sectors are vital contributors to Fiji's social and economic development. The Ministry of Fisheries and Forests is responsible for policy development to ensure the long term sustainability of Fiji's Fisheries and Forest resources, stimulate economic growth within the two sectors and improve livelihoods for communities that rely on these resources.

The Ministry achieves this by ensuring a balance between resource utilisation and resource conservation, and the development and alignment of its policies, strategies and structures in order to better address emerging issues, capture emerging opportunities, ensure effective and efficient service delivery to all our stakeholders.

The Ministry of Fisheries and Forests has a new mission to guide Ministries activities: to drive economic growth and improve livelihoods through SMART fisheries and forest policies that is based on research and development.

The organisation structure of the Ministry is being realigned towards the new mission of the Ministry. New polices will be introduced to facilitate economic growth in both the fisheries and forests sectors for the short to mid-term, and strategies for the mid to longer tem to capture emerging opportunities such as aquaculture in the fisheries sector, and wood energy in the forest sector.

The Ministry will establish a legal framework that is transparent, conducive to the current social and economic environment, enforced sustainability, generates trust and confidence, creates a more level playing field for investors, supports livelihoods, alleviates poverty and builds wealth for resource owners and rural communities.

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## **PART A: FINANCIAL STATEMENTS**

### **32.1 Audit Opinion**

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

#### **Operating Fund Account**

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

#### **Trading and Manufacturing Account**

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

#### **Trust Fund Account**

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

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

1. The Ministry did not carry out a board of survey to verify the existence and condition of the assets under its authority contrary to Section 49 of the Finance Instruction 2010.
2. The TMA account continues to operate at a loss for eight consecutive years from 2010.

3. There was an overall excess of liabilities over assets of \$111,344 in the TMA balance sheet as at 31 July 2017.

### 32.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,718,654 and incurred a total expenditure of \$23,012,137 for the year ended 31 July 2017. Details are provided in Table 32.1.

**Table 32.1: Statement of Receipts and Expenditure for 2017**

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

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act 2004. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue mainly comprised of Native Timber Measurement, Sale of Fish & Ice, Offshore Fisheries Management fees, Access Fees, Application Fees, Activity Fees, Permitting Fees and Miscellaneous Revenue.

### 32.3 Appropriation Statement

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

Details of expenditure against the revised budget are provided in Table 32.2.

Table 32.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	7,468,758	(98,086)	7,370,672	7,368,289	2,383
2	Government wage earners	1,901,012	694,009	2,595,021	2,589,736	5,285
3	Travel & communication	684,578	(28,918)	655,660	652,581	3,079
4	Maintenance & operations	2,404,240	(125,292)	2,278,948	2,251,312	27,636
5	Purchase of goods & services	1,073,830	(47,818)	1,026,012	1,009,182	16,830
6	Operating grant & transfers	804,524	(37,407)	767,117	767,116	1
7	Special expenditure	3,288,729	(127,099)	3,161,630	1,639,374	1,522,256
	<b>Total Operating Expenditure</b>	<b>17,625,671</b>	<b>229,389</b>	<b>17,855,060</b>	<b>16,277,590</b>	<b>1,577,470</b>
8	Capital construction	7,825,040	(249,615)	7,575,425	5,335,191	2,240,234
9	Capital purchases	400,000	23,108	423,108	420,869	2,239
	<b>Total Capital Expenditure</b>	<b>8,225,040</b>	<b>(226,507)</b>	<b>7,998,533</b>	<b>5,756,060</b>	<b>2,242,473</b>
13	Value added tax	1,210,200	(2,882)	1,207,318	978,487	228,831
	<b>Total Expenditure</b>	<b>27,060,911</b>	<b>---</b>	<b>27,060,911</b>	<b>23,012,137</b>	<b>4,048,774</b>

Significant savings were noted in the following areas:

#### SEG 7

Reducing Emissions from Deforestation and Forest Degradation (World Bank) - \$1,509,284

#### SEG 8

- Cyclone Rehabilitation – Construction of Fisheries Institutional Buildings – \$984,111
- Upgrade of Office and Quarters for Fisheries - \$396,544
- Upgrade of Office and Quarters for Forestry- \$200,000
- Construction of Multi Species Hatchery in Ra - \$395,812

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

### 32.4 Trading and Manufacturing Account – Timber Utilization Division

The Ministry of Forests operates a Trading and Manufacturing Account (TMA) that provides assistance in the processing and selling of pine products.

The Ministry of Forests TMA Unit is currently under investigation by Fiji Independent Commission against Corruption (FICAC). Payment vouchers and other correspondences relating to the TMA have been uplifted by FICAC officers for investigation.

Table 32.3: TMA – Manufacturing Account – Timber Utilization Division

Description	31 July 2017 (\$)	31 July 2016 (\$)
Opening raw materials	16,791	7,322
Add : purchases	---	---
Less : closing raw materials	178,541	16,791
Raw materials used	(161,750)	(9,469)

Description	31 July 2017 (\$)	31 July 2016 (\$)
Add : direct labour	202,131	52,087
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>40,381</b>	<b>42,618</b>

Table 32.4: TMA – Trading Account – Timber Utilization Division

Description	31 July 2017 (\$)	31 July 2016 (\$)
Sales	1,161,623	54,141
Opening finished goods	1,229	2,599
Add : cost of manufactured goods	40,381	42,618
Less : closing finished goods	21,770	1,229
Cost of goods sold	19,840	43,988
<b>Gross Profit transferred to Profit &amp; Loss Statement</b>	<b>1,141,783</b>	<b>10,153</b>

Table 32.5: TMA – Profit and Loss Statement – Timber Utilization Division

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Income</b>		
Gross profit transferred from Trading Account	1,141,783	10,153
<b>Expenses</b>		
Maintenance & operations	1,288,462	3,990
Other expenses	---	39,273
Special expenses	112	---
<b>Total Expenses</b>	<b>1,288,574</b>	<b>43,263</b>
<b>Net Loss</b>	<b>(146,791)</b>	<b>(33,110)</b>

Table 32.6: TMA – Balance Sheet – Timber Utilization Division

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Assets</b>		
Cash at bank	1,896,419	2,548,201
Raw materials	178,541	16,792
Accounts receivable	---	5,745
Finished goods	21,770	1,229
<b>Total Assets</b>	<b>2,096,730</b>	<b>2,571,967</b>
<b>Liabilities</b>		
Deferred income	2,198,548	2,500,000
Deposits & deductions	9,526	36,520
<b>Total Liabilities</b>	<b>2,208,074</b>	<b>2,536,520</b>
<b>Net Assets</b>	<b>(111,344)</b>	<b>35,447</b>
<b>Equity</b>		
TMA accumulated loss	(194,399)	(161,289)

Description	31 July 2017 (\$)	31 July 2016 (\$)
Net loss for the period	(146,791)	(33,110)
Transfers to consolidated fund	229,846	229,846
<b>Total Equity</b>	<b>(111,344)</b>	<b>35,447</b>

### 32.5 Trust Fund Account – Fisheries One-third Subsidy Scheme

The Trust Fund Account was opened for the 1/3 Subsidy Scheme by the government for the purchase of boat and engine for fishermen.

The Scheme which was operated in the Fisheries Department was closed in 2009. Currently the Trust Fund Account is used for deposit of retention money.

Table 32.7: Statement of Receipts and Payment – Fisheries 1/3 Subsidy Scheme

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Opening balance as at 01/08/16</b>	<b>191,922</b>	<b>193,634</b>
<b>Receipts</b>		
One – third Subsidy Contribution	47,677	112
<b>Total Receipts</b>	<b>47,677</b>	<b>112</b>
<b>Payments</b>		
Retention money	49,478	1,824
Bank fees charges	26	---
<b>Total Payments</b>	<b>49,504</b>	<b>1,824</b>
<b>Closing balance as at 31/7/17</b>	<b>190,095</b>	<b>191,922</b>

## **PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**

### **32.6 Internal Controls**

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

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

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

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.*

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

*Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls*

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and functioning. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

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

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

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

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

### 32.7 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017- 13/10
- Submission of arrears of revenue returns by 31 August 2017

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

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

Rating	Year-end close process assessment
☠ Ineffective	Less than five of 10 key processes completed within two weeks of due date

### 32.8 Quality of Draft Financial Statements by Entities

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

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

Rating	Quality of draft financial statements assessment
☀ Generally effective	Value of audit adjustments/operating results were less than one percent

### 32.9 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
☀ Generally Effective	Acceptable draft financial statements received before or on 16 October 2017

### 32.10 Timeliness of Management Comments

To assess the timeliness of management comments, we have compared the date agency financial statement draft management letter (DML) was issued and the date management comments was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☠ Ineffective	Management comments received after 21 days from the date agency financial statement draft management letter (DML) was issued

### 32.11 Timeliness of Signed Financial Statements Received

To assess the timeliness of signed accounts received, we have compared the date financial statements was sent to Ministry for signing and the date signed financial statements was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☠ Ineffective	Signed financial statements received after 15 days

## PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

### 32.12 Revenue Anomalies

Reconciliation is an internal control mechanism established to ensure accuracy of financial reports being produced not only at ministry/department level but mostly importantly at whole of government level.<sup>1</sup>

The Timber Revenue System (TRS) is used to calculate the total cubic volume of logs. Once the volume is calculated, an invoice is generated for the amount payable.

Our audit noted the following anomalies from review of revenue records:

- (i) The Timber Revenue System (TRS) is not integrated with the FMIS general ledger;
- (ii) A variance of \$59,263 was noted between the audit calculation and the FMIS general ledger for Timber Measurement Fees revenue. Refer to Table 32.8 for details; and

**Table 32.8: Details of variance for Timber Measurement Fees**

Description	Total Volume logged (A) (m <sup>3</sup> )	Rate (VEP) (B) (\$)	Total for the Period (A x B) (\$)	FMIS Balance As at 31/7/17 (\$)	Variance (\$)
Timber Measurement Fees	54,730	5	273,650	332,913	59,263

- (iii) Variances were noted between Off-shore Revenue Summary Report and FMIS general ledger balances for Management, Access and Observer Fees. Refer to Table 32.9 for details.

<sup>1</sup> Department of Fisheries Finance Manual 2013 – Section 14.4

**Table 32.9: Details of variances for Management, Access and Observer Fees**

Description	Total for License Issued <sup>2</sup>	FMIS Balance As at 31/7/18	Variance (B-A)
	(A) (\$)	(B) (\$)	(\$)
Off-Shore Management Fees	544,406	701,848	157,442
Off-Shore Access Fees	527,324	465,921	(61,403)
Off-Shore Observer Fees	181,469	156,881	(24,588)

Lack of monitoring and proper reconciliation of Off-Shore Fisheries Division revenue and for timber measurement fees has resulted in the above variances. There is risk of revenue balances recorded in the financial statement being misstated.

### Recommendation

Reconciliation should be performed between revenue amounts in FMIS general ledger and TRS records for Ministry of Forests and FMIS general ledger and Off-Shore Division revenue report for Ministry of Fisheries.

### Ministry's Comments

Agree, still in the process of trying to reconcile to tie the inputs on the TRS and the FMIS.

## 32.13 Unsubstantiated Accounts Receivable (AR) Balances

Each agency must maintain a Debtors Register within FMIS or an accounts receivable ledger for licenses, debts, court fees and other state or agency revenues receivable.<sup>3</sup> Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the finance manual.<sup>4</sup> Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Economy.<sup>5</sup>

Our audit noted that the Ministry had substantial Accounts Receivable balances totalling \$677,339 as at 31 July 2017 which have been carried forward from prior years. Refer Table 32.10 for details.

**Table 32.10: Account Receivable balances over the Four-Year Period**

Allocation	Description	Amount (\$)			
		31/12/14	31/12/15	31/7/16	31/7/17
1-32201-77101-560102	AR Companies	623,442	809,920	641,909	641,909
1-32301-78999-560102	AR Companies	17,437	33,536	33,536	33,536
1-32201-77101-560202	AR Companies	8,516	1,893	1,894	1,894
<b>Total</b>		<b>649,395</b>	<b>845,349</b>	<b>677,339</b>	<b>677,339</b>

In addition, we noted the following anomalies:

<sup>2</sup> Revenue Report provided by the Off-Shore Fisheries Division

<sup>3</sup> Finance Instruction 2010 Division 3-Accounts Receivable Clause 40-Recording

<sup>4</sup> Finance Instruction 2010 Division 3-Accounts Receivable Clause 41-Recovery

<sup>5</sup> Finance Instruction 2010 Division 3-Accounts Receivable Clause 43-Reporting

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

There is a high risk that monies due to government will become irrecoverable and may have to be written-off resulting in loss of government revenue.

### **Recommendation**

**The Ministry should reconcile the accounts receivable balance and identify the individual debtors who owing monies to government and take necessary follow-up action to recover the debts.**

### **Ministry's Comments**

*We have maintained a Debtors register to record all arrears there was none for 2016 – 2017.*

## **32.14 Non-Clearance of Balances in Revolving Fund Account (RFA)**

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Accounts Officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>6</sup> Upon clearance of the advance, the Accounts Officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.<sup>7</sup>

As at 31 July 2017, the Ministry's Revolving Fund Account (RFA) had an outstanding balance of \$378,271. Audit review of the RFA revealed a number of anomalies as detailed in Table 32.11.

**Table 32.11: Revolving Fund Account Anomalies**

<b>Account Allocation</b>	<b>Balance as at 31/7/17 (\$)</b>	<b>Audit Comments</b>
1-32101-32999-570101 <sup>8</sup>	8,704	<ul style="list-style-type: none"> <li>Detailed breakdown of the balance was not provided for audit review.</li> <li>Thus our audit was not able to substantiate the correctness of the balance of \$8,704</li> </ul>
1-32101-32999-570301 <sup>9</sup>	366,874	<ul style="list-style-type: none"> <li>Expenditures totalling \$85,034 were fully expended and acquitted for the financial year 2016/2017. However, the appropriate expenditure allocation was not debited.</li> <li>Supporting documents for accountable advance totalling \$250,543 were not provided. As such, our audit could not substantiate whether the advances were retired and whether the advances were used for the purpose it was given.</li> </ul>
		<u>Prior Year</u>

<sup>6</sup> Department of Fisheries Finance Manual 2013 Section 13.4.1

<sup>7</sup> Department of Fisheries Finance Manual 2013 Section 7.1.16

<sup>8</sup> AR Prepaid Expenses

<sup>9</sup> Advances

Account Allocation	Balance as at 31/7/17 (\$)	Audit Comments
		<ul style="list-style-type: none"> <li>Expenditures totalling \$31,297 were fully expended and acquitted for the financial year ending 31/7/16. However, the appropriate expenditure allocation was not debited. Thus prior year expenditure was understated by \$31,297.</li> </ul>
1-32102-32999-570301 <sup>10</sup>	2,693	<ul style="list-style-type: none"> <li>Balances carried forward from prior years.</li> </ul>
<b>Total</b>	<b>378,271</b>	

The above findings indicate ineffective controls and supervisory checks in the administration of the RFA by the Ministry.

As a result, the expenditure in the Statement of receipts and Expenditures is understated by \$85,034.

### **Recommendations**

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

- ensure that the advance account balance is reconciled and recovery procedures instigated against officers who failed to retire advances;
- provide adequate training, supervision and monitoring to staff in the Accounts section; and
- improve its reconciliation process to include detailed listing of closing balance on monthly basis.

### **Ministry's Comments**

*We have deactivate the 3 allocations and all the balances carried to the existing RFA allocation.*

### **32.15 Anomalies in the Drawings Account**

Details of unrepresented cheques agree with departmental records and any discrepancies should be adjusted before 31 July 2017. Accounting Officers must certify that unrepresented cheques list is correct and agrees with the balance in the Drawings Account. All stale cheques must also be cleared by 4 August 2017. Ministries and Departments are required to plan their expenditures well in order to avoid the accumulation of unrepresented cheques at year-end. Continuous follow up action by the Accounting Heads must be taken to encourage clients to present their cheques to the banks before 31 July 2017. Direct cheque deposits or Electronic Fund Transfers into the bank account of suppliers are encouraged.<sup>11</sup>

Audit review of Drawings Account revealed the following anomalies:

- (i) The Ministry's unrepresented cheque list included stale cheques/EFT amounting to \$66,267. Refer to Appendix 32.1 for details;
- (ii) There were differences between the total unrepresented cheque listing and the FMIS general ledger. Refer to Table 32.12 for details.

<sup>10</sup> Advances

<sup>11</sup> Ministry of Economy Circular Number 04/2017 section 5.1.1 to 5.1.3 page 3

Table 32.12: Variance in Drawings Account

Allocation	Unpresented Cheque Balance Listing (\$)	General Ledger Balance (\$)	Variance (\$)
1-32201-77101-530301	969,798	45,532	(924,266)

The above anomalies could have been avoided if proper reconciliations were carried out and errors and omissions were identified and adjusted.

### Recommendations

The Ministry should ensure that:

- adequate training, supervision and monitoring is provided by Senior Accounting Officers to their subordinates; and
- the Drawings Account is reconciled monthly and errors or omissions noted are investigated and adjusted accordingly.

### Ministry's Comments

Agree to the issue raised and moving forward we have the Drawings reconciliations are now up to date as the UP listing ties with GL balance. Improvements been made

### 32.16 Overspending of funding received from Head 50

At the end of each project, agencies are required to ensure proper clearing of the SLG 84 account; and any outstanding balance in the SLG 84 account are to be accounted for.<sup>12</sup> All funds released from agencies and recorded on SLG 84, shall be reconciled on a monthly basis and a report sent to the paying agency.<sup>13</sup> The Principal Accounts Officer must ensure that any misallocations or outstanding balances from previous month have been dealt with.<sup>14</sup>

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

- (i) The account had a debit balance totalling \$191,147 which is contrary to the nature of the account. Refer Table 32.13 for details;

Table 32.13: Details of Debit Balances

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

<sup>12</sup> SLG 84 Reporting Guide – Section 9.5

<sup>13</sup> SLG 84 Reporting Guide – Section 5.1

<sup>14</sup> Department of Fisheries Finance Manual 2013 Section 13.4.5

- (ii) The Ministry could not provide evidence that acquittals were prepared and submitted to Ministry of Economy; and
- (iii) Prior year balances carried forward since 2016 totalling \$7,506 are yet to be cleared. Refer Table 32.14 for details.

**Table 32.14: Prior Year balances carried forward**

Account Allocation	Description	Balance as at 31/7/16 (\$)	Debit (\$)	Credit (\$)	Balance as at 31/7/17 (\$)
1-32101-32999-840602	Withholding Tax Payable	(5,767)	---	---	(5,767)
1-32301-78999-850202	Observer Levy Fee	(1,739)	---	---	(1,739)
	<b>Total</b>				<b>(7,506)</b>

The debit balance in Accounts Payables indicates that the Ministry had overspent the amount provided from Head 50 for the three projects. As a result expenditures amounting to \$191,147 have not been included in the accounts of the Ministry as at 31 July 2017.

### Recommendations

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

- ensure expenditures are incurred within available funding;
- regularise the over-spending before the accounts are closed; and
- investigate and rectify carry forward balances from prior years.

### Ministry's Comments

*Agrees to the findings of the OAG. As at to date we have improved on the ITTO SLG account which has a Credit balance*

### **32.17 Unsubstantiated Operating Trust Account balances**

The Principal Accounts Officer must ensure that any misallocations or outstanding balances from previous month have been dealt with.<sup>15</sup>

The Operating Trust Account<sup>16</sup> for the Ministry had a credit balance of \$1,829,259 as at 31 July 2017.

Our audit noted that contrary to the nature of the account, the Operating Trust Fund Account had debit balances amounting to \$42,756. Refer to Appendix 32.2 for details.

Our audit was also not able to substantiate Operating Trust Account balances totalling \$1,792,396. Refer to Appendix 32.3 for details.

Moreover, the Operating Trust Account closing balances have been increasing for the past four years due to VAT returns not being filed. Refer to Table 32.15 for details.

<sup>15</sup> Department Fisheries Finance Manual 2013 Section 13.4.5

<sup>16</sup> 1-32000-00000-860000

**Table 32.15: Trust Fund Account Balances at Year-End**

Years	Amount (\$)	Increase Amount (\$)
31/07/17	1,829,259	292,736
31/07/16	1,536,523	374,208
31/12/15	1,162,315	259,159
31/12/14	903,156	---

Failure to settle liabilities and rectify variances on time will result in the overstatement of government liabilities which can also result in write-off of unsubstantiated balances in future.

### **Recommendations**

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

- investigate and rectify debit balances in the Operating Trust Fund Account;
- investigate and rectify carry forward balances from prior years; and
- improve its reconciliation process to include detailed listing of closing balance on a monthly basis.

### **Ministry's Comments**

*Agrees to the findings made. Moving forward we have done monthly reconciliation and rectify debits that has been wrongly posted.*

### **32.18 Expenditure Charged to Incorrect Allocation**

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes –

- the correct tax code;
- the ledger account it is charged to.<sup>17</sup>

Review of a sample of payment vouchers revealed that the Ministry charged expenditures to wrong allocations. Refer to Table 32.16 for details.

**Table 32.16: Details of Expenditures Charged to Wrong Allocations**

Date	Payment ID	Amount (\$)	Posted to	Description	Correct Expenditure Group	Description
01/11/16	14418	12,724	SEG 09	Capital Purchase	SEG 03	Travel and Communications
23/11/16	76506	200	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
17/03/17	77277	4,890	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
28/03/17	77358	2,456	SEG 08	Capital Construction	SEG 04	Maintenance and Operations

<sup>17</sup> Financial Instruction 2010 section 14 (1) part (e) and (g) page 8

Date	Payment ID	Amount (\$)	Posted to	Description	Correct Expenditure Group	Description
29/03/17	77377	2,634	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
24/05/17	77814	2,160	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
31/05/17	77873	3,786	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
20/06/17	18398	16,497	SEG 08	Capital Construction	SEG 03	Travel and Communications
29/06/17	18438	31,044	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
<b>Total</b>		<b>76,391</b>				

The above findings indicate that Ministry did not regularise the mispostings during the closing of accounts which have resulted in misstatement of expenditures at SEG Level for the year ended 31 July 2017.

### **Recommendations**

**The Ministry should ensure:**

- that all transactions are posted to the correct allocations in the FMIS general ledger; and
- identify mispostings and correct them on a timely manner.

### **Ministry's Comments**

*Agrees to the issues raised by the OAG. The Ministry of Forests will ensure that transactions are charged to the correct allocation in the FMIS. Virement will be instigated when regularizing over-expenditures. A Virement was processed and approved by the Ministry of Economy to regularize the over-expenditures for the 2017-2018 financial year.*

## **32.19 Committing Current Year Budgetary Allocation for Prior Years Expenditure**

Subject to the Constitution of the Republic of Fiji and this Act, expenditure of money appropriated by an Appropriation Act from the Consolidated Fund or any other fund may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in related to the head of appropriation.<sup>18</sup>

Agencies must ensure that the accounts are paid and charged correctly to allocations within the current financial year. All payments for expenditure incurred in 2017 should be made by 4.00pm on 31 July 2017.<sup>19</sup>

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

<sup>18</sup> Financial Management Act – Section 14 (1) – Appropriated Money

<sup>19</sup> Ministry of Economy Circular No 04/2017 – 2016/2017 Closing of Accounts Procedures Section 7.2.1

Refer to Table 32.17 for details:

**Table 32.17: Details of prior year Expenditures recorded in the 2016/2017 financial year**

Date	Payment ID	Amount (\$)	Details of Payments
22/11/16	14838	29,924	Being payment for outstanding account, Invoice # 15927 dated 30/05/16, 15953 dated 21/06/16, 15954 dated 21/06/16 and 15997 dated 28/07/16.
12/01/16	74864	1,200	Photo frames for Hon Minister's Room
28/01/16	74956	7,894	Opening of the Office at the Multi Species Hatchery in Caboni, Ra Province
10/02/16	9288	4,226	Monitoring of Community based and trailed lines within Cakaudrove
16/02/16	9420	22,793	Consultation after TC Winston
17/02/16	9425	2,984	Regularisation of Good Will payment to customary fishing rights owners
01/06/16	11478	10,368	Subsistence claim for rehabilitation –Pearl (Spat Collection)
01/06/16	11479	5,427	Extension of Seaweed cluster farms within the Macuata province
<b>Total</b>		<b>84,816</b>	

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

### **Recommendations**

#### **The Ministry must ensure:**

- compliance with Section 7.2.1 of the Closing of Accounts Finance Circular No. 04/2017; and
- payments are made in the year that the expenditure relates to.

### **Ministry's Comments**

*Agrees to the findings and the way forward is to ensure that all outstanding are cleared within current financial year.*

### **32.20 Anomalies in the Fisheries Main Trust Fund Account**

The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.<sup>20</sup>

The Fisheries Department becomes responsible for managing trust money, an application shall be made to the Chief Accountant, Ministry of Economy seeking approval to open a separate trust bank account and detailing the nature of the trust and of any beneficiaries.<sup>21</sup>

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

- (i) The Trust Fund account was established to account for monies obtained from the one-third contributions from fishermen. However, approval for use of the account to deposit retention monies was not provided for audit review;

<sup>20</sup> Finance Instructions 2011 Section 58 (3)

<sup>21</sup> Department of Fisheries Finance Manual 2013 Section 12.1.1

- (ii) Standard Operating Procedures for operating the Main Trust Fund Account for the revised purpose was not provided for audit; and
- (iii) Detailed listing for the closing balance of \$190,095 as at 31 July 2017 was also not maintained by the Ministry.

The use of the Trust Fund Account for purposes other than it was approved for is improper. In addition, without a detailed listing of beneficiaries to whom the money is owed to, the liabilities of the Ministry may be misstated.

### **Recommendations**

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

- **obtain approval from Head of Treasury to open a Trust Fund account to deposit retention monies;**
- **provide relevant documents for audit review at the time of the audit;**
- **develop Standard Operating Procedures for the operation of the Trust Fund Account for its revised purpose; and**
- **improve its reconciliation process to include detailed listing of closing balances on monthly basis.**

### **Ministry's Comments**

*Agrees to the findings and will develop SOP'S for the Special Retention Trust Account. Transfer of this Trust Account yet to be made as FMIS and Ministry of Fisheries has been notified on the transfer.*

### **32.21 Surcharge for Late Payment of FNPF Employer's Contribution**

Where any contributions which an employer is liable to pay under the provisions of subsection (1) of section 13, or any amounts which such employer is required to pay under the provisions of subsection (1) of section 23, are not paid in the month during which they are due to be paid to the Fund by him at the rate of 2 per cent in respect of each month or part of a month after the expiration of the earliest month during which any contribution was due to be paid:<sup>22</sup>

Provided that –

- (a) if the amount of surcharge so calculated is less than \$2, the surcharge payable shall be \$2; and
- (b) if the amount of surcharge exceeds \$2, the surcharge payable shall be calculated to the next highest multiple of \$2; and
- (c) the Board may, in any case in which it thinks fit, remit in whole or in part the payment of any surcharge due under the provisions of this section.

Our audit noted that the Ministry paid amounts totalling \$26,400 as surcharge for late payment of the ten percent employer's contribution to the Fiji National Provident Fund. This related to wages for the month of January 2017 that was paid in March 2017 instead of February 2017. Refer to Table 32.18 for details.

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<sup>22</sup> Fiji National Provident Fund Act [Cap 219] Part IV, Section 14

**Table 32.18: Payment for Surcharge by Ministry to FNPF**

Date	Payment ID	Payee	Particulars	Surcharge amount (\$)
31/05/17	90637	Fiji National Provident Fund	Being payment for surcharge – late payment	26,400

**Recommendations**

- The Ministry should ensure that FNPF contribution are paid on a timely basis to avoid such penalties; and
- The amount paid as surcharge should be recovered from staffs responsible for the late payment of FNPF contributions.

**Ministry's Comments**

The way forward is to ensure that there is no late payment of FNPF.

**32.22 Variance between Bank Reconciliation and FMIS General Ledger**

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. Un-reconciled items must be investigated and resolved promptly.<sup>23</sup>

Audit review of the bank reconciliation for the Trading and Manufacturing Account revealed a variance of \$104,596 between closing bank reconciliation balance and FMIS general ledger balance. Refer to Table 32.19 for details.

**Table 32.19: Variance between Bank Reconciliation and FMIS General Ledger**

Bank Reconciliation – Audit Calculation	Amount (\$)
<b>Closing balance as per bank statement – 31/07/17</b>	<b>2,022,431</b>
Add: Lodgements not credited	---
Less: Un-presented cheques (audited balance) <sup>24</sup>	(21,416)
	<b>2,001,015</b>
Closing GL Balance 9-32251-77999-540301	1,896,419
<b>Variance</b>	<b>104,596</b>

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

Moreover, our audit noted variance of \$969 between the amount for cheque number 5096 recorded in the un-presented cheque listing of \$309 and the amount presented in the bank statement of \$1,278.

<sup>23</sup> Finance Instructions 2010 Section 32 (6)

<sup>24</sup> [\$21,416 = \$126,013 - \$98,828 - \$5,769]

It was further noted that there was shortfall of \$197,533 in the bank statement for the deferred Income of \$2,198,548 recognised in TMA balance sheet. Refer to Table 32.20 for details.

**Table 32.20: Variance between Bank Statement and Deferred Income in FMIS**

Particulars	Amount (\$)
Balance as per bank statement – 31/07/17	2,022,431
Less: Un-presented cheque	21,416
	<b>2,001,015</b>
Accrued Expenses and Deferred Income: 4-32251-77999-850101	2,198,548
<b>Variance</b>	<b>197,533</b>

A contributing factor to the variance noted above was the lack of proper reconciliation of the TMA.

### **Recommendations**

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

- investigate the variances noted and take appropriate action; and
- ensure correct un-presented cheque listing is used to reconcile the bank balance on monthly basis.

### **Ministry's Comments**

*Audit comments are acknowledged. We are putting in concerted effort to rectify issues of this nature through proper reconciliation procedures. As such we have used the correct matching formula for July 2018 Bank Reconciliation.*

### **32.23 Journal Adjustments Passed without adequate Supporting Documents**

Journal Vouchers must be numbered in sequential order. Supporting documents shall be attached to the voucher.<sup>25</sup> Once the relevant ledgers have been updated, the journal vouchers together with the supporting documents shall be forwarded to the Accounts Officer for filing.<sup>26</sup>

Inter-fund transactions or posting on the FMIS between Fund 1 and Fund 4 is prohibited.<sup>27</sup>

Our audit noted that the Ministry posted journal vouchers into the FMIS general ledger without supporting documents. Refer to Table 32.21 below for details.

**Table 32.21: Journal Vouchers/Batch Numbers without supporting documents**

TMA Account	FMIS GL Balance (\$0)	Value of Records not provided (\$)	Percentage of GL balance (%)	Details
<b>Fund 4</b>				
Maintenance & operation – Office upkeep & Supplies	1,288,462	515,515	40	Batch No. 321078, 321079

<sup>25</sup> Department of Fisheries Finance Manual 2013, Section 13.1.3

<sup>26</sup> Department of Fisheries Finance Manual 2013, Section 13.1.7

<sup>27</sup> TMA Policy June 2015 – Section 7.2

TMA Account	FMIS GL Balance (\$)	Value of Records not provided (\$)	Percentage of GL balance (%)	Details
Special Expenditure	112	112	100	Batch No. 321080
Sales	1,161,623	306,623	26	Batch No. 321064, 321077, 321078 & 321080
TMA Dominion Cash CNB Suva	1,896,419	42,615	2.2	Batch No. 321064, 321070, 321080
Raw Materials (Closing balance)	178,541	44,494	25	Batch No. 321079
Accounts Receivable	NIL	15,019	----	Batch No. 321077
<b>Total</b>		<b>924,378</b>		

Moreover, our audit noted that the original journal vouchers were misplaced and the Ministry prepared journals in response to audit query. Journal Voucher No. 321070 was also not made available for audit purpose.

In addition, the Ministry processed batch number 321064 to transfer charges between Operating Funds Account (Fund 1) and the TMA (Fund 4). Refer to Table 32.22 for details.

**Table 32.22: Batch 321064 to make adjustment between Fund 1 and Fund 4**

JV Batch Number	Account Allocation	Account Description	Debit (\$)	Credit (\$)
321064	1-32201-77101-530301	Drawings – Forestry/Fisheries	125,125	---
	1-32201-77101-560202	AR Companies	---	184
	1-32201-77101-861901	201 PD Tax Arrears/PAYE	264	---
	1-32201-77101-861920	501 P D Employees FNPF	65	---
	1-32201-77101-863201	VAT from Provision of goods & services	24	---
	1-32202-91011-080699	REDD PLUS	321	---
	1-32205-91071-130101	Value Added Tax input tax	---	922
	1-32303-91011-020101	Wages	3,971	---
	4-32251-77999-240201	Sales Cash	---	321
	4-32251-77999-260201	Personal Emoluments	---	4,235
	4-32251-77999-540301	TMA Dominion Cash CNB Suva	---	124,965
	4-32251-77999-861920	501 PD Employees FNPF	---	65
	4-32251-77999-863201	VAT from provision of goods & services	922	---
	<b>Total</b>		<b>130,692</b>	<b>130,692</b>

The non-availability of journal vouchers and related supporting documents increases the risk of fraud and misappropriation of funds in the Ministry.

### Recommendations

#### The Ministry should:

- ensure that relevant journal vouchers and supporting documents are properly filed and maintained for audit and other reviews;
- take appropriate action against staffs responsible for maintenance of accounting records; and
- avoid posting of inter-fund transactions between Fund 1 and Fund 4 in the FMIS general ledger.

**Ministry's Comments**

Agrees to findings and way forward is to ensure that all necessary documents are attached to the payment voucher and journal and retained for audit purposes. Journal Vouchers have been carried out to rectify the inter funding done on Fund 1 and Fund 4 for the 2017 – 2018 Financial year.

**32.24 Failure to Lodge VAT Returns**

“Persons” include a company, an association or body persons, corporate or unincorporated, a local authority, and a public authority.<sup>28</sup> Every registered person shall, on or before the last day of the month following the last day of every taxable period, without notice or demand furnish to the Commissioner a tax return, in such prescribed form as may be approved by the Commissioner.<sup>29</sup>

Our audit noted that the Ministry did not lodge VAT returns for its Operating Fund and Trading and Manufacturing Accounts for the year ended 31 July 2017.

The last VAT return lodged for Trading and Manufacturing account was lodged in July 2013. VAT returns for the Operating Fund account were not lodged for the months of August-December 2016, January, February, April, May and July 2017.

Failure to lodge VAT returns could result in late lodgement penalties from the Fiji Revenue and Customs Service (FRCS).

The above is a non-compliance issue with the VAT regulations.

**Recommendations**

**The Ministry should ensure:**

- VAT returns are lodged on a timely basis to avoid unnecessary fines and penalties from FRCS; and
- adequate supervision of staffs is done to ensure that VAT lodgements and payments are carried out in timely manner.

**Ministry's Comments**

Agrees to the findings as Operating Fund VAT had already lodged except for the TMA VAT return as we currently working on it.

**32.25 Officer Authorising Payments above Approved Limit**

The following officers are delegated authority to procure goods, services and works up to the following limits specified:<sup>30</sup>

- |                              |           |
|------------------------------|-----------|
| • Principal Accounts Officer | \$ 10,000 |
| • Senior Accounts Officer    | \$ 5,000  |
| • Accounts Officer           | \$ 3,000  |

<sup>28</sup> Value Added Tax Decree 1991, Section 2, pp.8

<sup>29</sup> Value Added Tax Decree 1991 – Section 33

<sup>30</sup> Department of Fisheries Finance Manual 2013, Section 2.3.1

Any officer who authorises expenditure exceeding his/her procurement limits, including by splitting purchase orders, shall be liable for surcharge to repay the unauthorised amount.<sup>31</sup>

Our audit noted that the Principal Accounts Officer, Senior Accounts Officer and the Accounts Officer were approving payments above their approval limits. Refer to Table 32.23 for details.

**Table 32.23: Approval limit exceeded**

Date	Payment ID	Amount (\$)
<b>Principal Accounts Officer: Limit - \$10,000</b>		
07/10/16	6800	17,437
05/12/16	6834	20,759
07/12/16	15199	10,024
17/01/17	76872	10,183
17/02/17	16385	13,355
01/03/17	6895	11,954
03/03/17	16701	10,899
04/03/17	77411	13,358
28/04/17	6976	15,596
06/07/17	5091	17,926
07/07/17	5092	15,000
<b>Senior Accounts Officer: Limit - \$5,000</b>		
11/10/16	6804	13,798
18/10/16	6815	9,610
14/11/16	6827	12,821
01/11/16	14418	12,724
28/03/17	6933	6,035
05/05/17	6991	5,760
<b>Accounts Officer: Limit \$3,000</b>		
17/10/16	14009	3,950
10/03/17	6913	6,206
29/03/17	6940	6,782
12/04/17	6949	6,973
03/05/17	17467	4,254
16/05/17	17681	3,622
30/05/17	17961	5,343
07/06/17	18108	8,900
06/07/17	18594	11,909

Failure to comply with the Finance Manual on the approval limits could result in misappropriation of funds.

### **Recommendations**

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

- ensure that payments are approved according to the limits specified in the Finance Manual; and
- take appropriate action against officers approving payments above their limit.

<sup>31</sup> Department of Fisheries Finance Manual 2013, Section 2.3.3

**Ministry's Comments**

Agrees to the findings as moving forward procurement delegations have been changed to take all procurements over \$1,000.00 into office of the PS until the Ministry staffs are trained and procurement practices improved.

**32.26 Procurement Anomalies**

A local purchase order shall be issued when procuring any goods, services or works from a business within Fiji, unless a contract or agreement has been entered into.<sup>32</sup>

The payment clerk preparing a payment voucher must ensure that all information required under Finance Instruction 14-(1) has been included on the payment voucher or attached to it, before passing it to the Assistant Accounts Officer for certification.<sup>33</sup>

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes<sup>34</sup> –

- a) the correct voucher amount (VIP);
- b) the invoice date;
- c) the correct vendor identification of the supplier or payee;
- d) the invoice identification, the local purchase order number it relates to, and, where applicable, payment terms;
- e) the correct tax code;
- f) the correct Bank code if agencies have more than one bank account; and
- g) the ledger account it is charged to.

Competitive quotes, instead of public tenders, must be obtained for procurements below \$50,000 unless the PSFF has approved an exemption.<sup>35</sup>

Immediately after payment has been effected, the Cashier must stamp “paid” on all vouchers and supporting documentation to avoid any double payments.<sup>36</sup>

Our audit noted the following anomalies in the review of procurement of goods and services. Refer to Table 32.24 for details.

**Table 32.24: Procurement anomalies in purchase goods & services**

Date	Payment ID.	Amount (\$)	Particulars
<b>No Local Purchase Order issued</b>			
09/06/17	5049	11,443	Being payment for breakdown – electrical works
12/04/17	6949	6,973	Being payment for repair of sawmill motor bearing and varnishing motor & repair of control panel switch board
<b>Competitive quotes not obtained</b>			
09/06/17	5049	11,443	Being payment for breakdown – electrical works
12/04/17	6949	6,973	Being payment for repair of sawmill motor bearing and varnishing motor & repair of control panel switch board
<b>No Invoice</b>			

<sup>32</sup> Department of Fisheries Finance Manual 2013 Section 2.6.1

<sup>33</sup> Department of Fisheries Finance Manual 2013 Section 2.9.3

<sup>34</sup> Finance Instructions 2010, section 14 (1)

<sup>35</sup> Department of Fisheries Finance Manual 2013 Section 2.4.2

<sup>36</sup> Department of Fisheries Finance Manual 2013 Section 2.9.10

Date	Payment ID.	Amount (\$)	Particulars
28/04/17	6973	13,426	Being payment of royalty charges for the extraction of logs in Nakavu for the TMA Nasinu operation
<b>Payment Voucher and Supporting Documents not stamped "PAID"</b>			
01/03/17	6895	11,954	Being payment of account for the log extraction and cartage from Nakavu to TUD/Nasinu at a total volume of 73.699m3 at \$170.00 per cubic meter.
05/05/17	6991	5,760	Being payment for Nakavu round logs with a total volume of 35.509m3 at a rate of \$170/m3
03/04/17	77411	13,358	Being payment of 1 <sup>st</sup> upfront payment for quotation dated 21/03/17, last payment for the construction of workshop in Lakeba Pine Scheme.
05/05/17	17527	8,015	Being payment for construction works carried out by the above vendor in Lakeba - invoice # Lakeba 002
<b>Competitive Quotes sought from same vendors</b>			
03/04/17	77411	13,358	Being payment of 1st upfront payment for quotation dated 21/03/17 for the construction of Lakeba pine scheme workshop
05/05/17	17527	8,015	Being payment for construction works carried out by the above vendor in Lakeba - invoice # Lakeba 002
30/05/17	17961	5,343	Being payment of INV #Lakeba 003 as dated on the 25/05/2017, last payment for the construction of workshop in Lakeba Pine Scheme
28/06/17	78072	9,125	Being payment of balance for PO91011016660, inv# Cicia 002, Cicia 003, as dated
26/07/17	18999	8,669	on the 13/07/17 for the construction of Cicia shed and invoice #1
<b>Missing Payment Voucher and Supporting documents</b>			
23/12/16	6853	28,441	PV and supporting documents could not be located

The above findings indicate that proper procurement procedures were not complied with by the Ministry.

Failure to implement internal control increases the risk of double payment and, unauthorised and fraudulent payments which allows for corrupt practices. In addition, transactions are unsubstantiated in the absence of records.

### **Recommendations**

- **The Ministry should strengthen internal control for payments and ensure procurement process is strictly followed to avoid the above anomalies; and**
- **The Ministry should also instigate necessary action against officers responsible for non-compliance.**

### **Ministry's Comments**

*The ministry has strengthen its internal control and accounts staff are trained to be more vigilant in preparing payment and journal vouchers, ensuring all supporting documents are attached before processing payments. Supporting documentation now includes a checklist that requires three quotes.*

### **32.27 Purchases Made Without Tender Board Approval**

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement Regulation 30-(1).<sup>37</sup>

<sup>37</sup> Department of Fisheries Finance Manual 2013 section 2.4.1

This Agreement shall commence on the 4<sup>th</sup> day of August 2016 and shall terminate on 31 December 2016 unless extended or varied by agreement in writing between the parties or terminated in accordance with this Agreement.<sup>38</sup>

Our audit noted that the Ministry was making payments exceeding \$50,000 to two logging contractors (Company A and Company B) without approval of the tender board. Refer to the Table 32.27 for details:

**Table 32.27: Payments made without Tender**

Date	Payment ID	Amount (\$)
<b>Company A</b>		
07/10/16	6800	17,437
07/10/16	6800	8,694
11/10/16	6804	13,798
18/10/16	6815	9,610
14/11/16	6827	12,821
05/12/16	6834	20,759
23/12/16	6853	28,441
01/03/17	6895	11,954
28/03/17	6933	6,035
05/05/17	6991	5,760
07/07/17	5092	15,000
<b>Company B</b>		
25/07/17	5116	11,301
19/07/17	5105	12,944
06/07/17	5091	17,925
01/06/17	5033	13,000
06/06/17	5043	9,001
29/06/17	5080	11,304
23/06/17	5071	7,146
26/06/17	5072	6,802
24/05/17	5018	9,547
06/04/17	6945	10,100
29/03/17	6940	6,782

It was also noted that payments continued to be made to Company A after the agreement<sup>39</sup> ceased on 31 December, 2016.

In addition, we were not provided with documentary evidence to determine the selection process for Company A and Company B. Moreover, Company A was not registered with the Registrar of Companies.

The risk of unauthorised purchases and collusion with suppliers is high when proper procurement procedure are not complied with.

<sup>38</sup> Agreement for Logging in the Nakavu Forest Management Pilot Project Area between Ministry of Fisheries and Forests and Company A, section 2.1

<sup>39</sup> Agreement for Logging in the Nakavu Forest Management Pilot Project Area

## **Recommendations**

**The Ministry should:**

- **investigate the selection process for the Company A and Company B and take appropriate action; and**
- **ensure that Tender Board approval is sought for the procurement of goods and services exceeding \$50,000.**

## **Ministry's Comments**

*Agrees to the findings prior procurement practices in the TMA have been investigated at the initiation of the PS and the report was passed on to the FICAC. Delegations have been changed and a secondee brought in from the Ministry of Economy to oversee the TMA*

### **32.28 Absence of Risk Management Policy**

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors; and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency. <sup>40</sup>

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

Audit review of the Ministry's Corporate Governance process revealed that there is no risk management framework in place. As a result, the Ministry does not have written policies, procedures and guidelines to manage the risks associated with the following:

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

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

The above also indicate that currently the Ministry does not have an established governance and accountability function to drive the risks management framework.

## **Recommendation**

**The Ministry should work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations.**

## **Ministry's Comments**

*Agrees to the findings the Ministry is reviewing the risk management policy from the Ministry of Civil Service to see how it can be adapted.*

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<sup>40</sup> Finance Instruction 2010 – Section 59

### 32.29 Finalisation of Financial Statements

Each agency must prepare an annual report for submission to its Minister by 31st December in the following year.<sup>41</sup> Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.<sup>42</sup>

The audit of the financial statements of the Ministry of Fisheries and Forestry for the year ended 31 July 2017 was finalised after the above deadline. The delay in the finalisation of the audit was due to the delayed submission of documents for audit purposes and the delays due to the amendments made to the financial statements.<sup>43</sup>

There was also an audit adjustment of \$47,677 passed on 02 February 2018 in the FMIS general ledger for Main Trust Fund Account.

Delay in finalising the Ministry's financial statement will contribute to the late completion of Whole of Government financial statements.

#### Recommendation

**The Ministry should ensure that documents are provided on a timely manner for audit review and accurate financial statements are submitted by the due date.**

#### Ministry's Comments

*Agrees to the findings the Ministry has improved document retention and is in a better position to finalise its Financial Statement in a timely manner*

### 32.30 Non-Compliance with Finance Manual

The Principal Accounts Officer shall appoint two compliance officers to conduct monthly reviews of the existing internal controls associated with accounting functions.<sup>44</sup> A journal voucher register must be maintained by the Accounts Officer to record all journal vouchers raised during the year.<sup>45</sup>

Audit review of the internal controls noted that the Ministry did not carry out internal control assessment or maintain journal voucher register.

The above anomalies increase the risk of fraud and misappropriation of funds.

#### Recommendations

**The Ministry should:**

- **conduct monthly reviews of the existing internal controls; and**
- **maintain a journal voucher register.**

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<sup>41</sup> Finance Instruction 2016 – Section 69

<sup>42</sup> Finance Instruction 2016 – Section 70 (2)

<sup>43</sup> 3<sup>rd</sup> Draft AFS Received from Ministry was on 22/02/18

<sup>44</sup> Department of Fisheries Finance Manual – Section 15.1.8

<sup>45</sup> Department of Fisheries Finance Manual – Section 13.1.6

### **Ministry's Comments**

*Agrees to the findings, training will be conducted on quarterly basis to combat risk areas. First quarter training on procurement practices, issuance of accountable advance and revenue collection already conducted in all divisions.*

#### **32.31 Finance Manual not Signed by Permanent Secretary for Ministry of Forests**

The responsible authority for a budget sector agency is responsible for the issue of a finance manual for the agency.<sup>46</sup>

The Ministry of Forests does not have an approved Finance Manual since 2013.

Based on our findings, the absence of an approved Finance Manual contributed to non-compliance with internal controls and accounting process by Ministry staffs during FY 2016-2017.

### **Recommendation**

**The Ministry should ensure that the Finance Manual is approved by the Permanent Secretary so that a documented guide is available for the staff at the Ministry.**

### **Ministry's Comments**

*The Ministry agrees to the audit findings, the new draft Finance Manual being amended after the first review by the PS Office. It will be finalised shortly once the processes and delegations have been updated as requested.*

#### **32.32 Board of Survey (BoS) Report Not Submitted**

All Permanent Secretaries shall appoint a Board of Survey annually to determine whether government plant, equipment and inventories under his or her control are in working condition or serviceable; unserviceable or obsolete; or surplus to the requirements of that agency.<sup>47</sup>

Annual Boards of Survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>48</sup>

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

In the absence of the BoS, there is high risk of theft and misuse of fixed assets without detection on a timely basis. As a result, we were not able to determine the working condition of plant, equipment and inventory under the control of the Ministry.

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<sup>46</sup> Financial Management Act – Section 28 (1) (j)

<sup>47</sup> Procurement Regulations 2010 – Clause 24 (1)

<sup>48</sup> Finance Instruction 2010 – Section 49(2)

**Recommendation**

The Ministry should ensure that the Board of Survey for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction and Section 24 of the Procurement Regulations 2010.

**Ministry's Comments**

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

**32.33 Payroll Variance between FMIS and Payroll Summary Report**

Salaries and wages constitute a major portion of the Department of Fisheries budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.<sup>49</sup>

The wages reconciliation must reconcile the difference between the previous week payroll report and the current report, and must be prepared prior to each pay date.<sup>50</sup>

A variance of \$1,301,404 was noted between the Wages balances for Unestablished Staff in FMIS against the Payroll Summary Report. Refer to Table 32.28 for details.

**Table 32.28: Variance between FMIS and Payroll Summary Report for Unestablished Staff**

<b>Payroll Summary Analysis</b>	<b>Amount (\$)</b>
FMIS Wages as at 31/07/17	2,066,790
Add Relievers	20,445
Add Allowances	235,876
<b>Total</b>	<b>2,323,111</b>
Less Payroll Summary Report as at 31/07/17	3,624,515
<b>Variance</b>	<b>1,301,404</b>

Variances between records indicate high risk of errors, omissions and fraud.

**Recommendations**

The Ministry should ensure that:

- wages reconciliation are thoroughly checked before a copy is sent to Ministry of Economy;
- proper monthly reconciliations between FMIS general ledger and Payroll Report are accurately carried out; and
- variance noted should be investigated and adjusted accordingly.

<sup>49</sup> Department of Fisheries Finance Manual 2013 Part 3

<sup>50</sup> Department of Fisheries Department Finance Manual 2013 Section 3.14.4

**Ministry's Comments**

The Ministry agrees to the findings as way forward is to strengthen its wages and salary reconciliation inputs and edits.

A way forward to combat this anomalies the salaries and wages section of the Ministry has provided an updated status report on weekly basis to the Human Resources Department for verification

A checklist been develop for checking of edits against inputs.

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

**32.34 Viability of Trading & Manufacturing Account (TMA)**

As a result of changes in the business environment, TMAs have been encouraged to explore other available business opportunities to further establish their existence, in order to achieve their primary objective of delivering the required level of service to the public.<sup>51</sup>

Audit review of the Ministry's TMA - Profit & Loss Statement revealed that the trading account operation has been operating at a loss for the last eight years. Refer to Table 32.29 for details.

**Table 32.29: Losses in the last 8 years**

Account	31/07/17 (\$)	31/07/16 (\$)	31/12/15 (\$)	31/12/14 (\$)	31/12/13 (\$)	31/12/12 (\$)	31/12/11 (\$)	31/12/10 (\$)
Income	1,141,781	10,153	15,578	40,927	31,517	(43,061)	(27,043)	10,784
Expenses	1,288,573	43,263	59,026	107,240	40,125	63,492	119,152	64,475
<b>Net Loss</b>	<b>(146,792)</b>	<b>(33,110)</b>	<b>(43,448)</b>	<b>(66,313)</b>	<b>(8,608)</b>	<b>(106,553)</b>	<b>(146,195)</b>	<b>(53,691)</b>

According to the Principal Accounts Officer, the Ministry is currently working on ways to improve the performance of the Trading & Manufacturing Account.

**Recommendations****The Ministry should;**

- critically analyse the operations of the TMA; and
- consider other viable options of providing the services currently provided by the TMA.

**Ministry's Comments**

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

**32.35 Trading and Manufacturing Activity Support Initiatives**

In 2016, with the approval of the Ministry of Economy, the Ministry of Forests paid \$2.5 million from its operating budget to the Trading and Manufacturing Activity (TMA) account for the purpose of

<sup>51</sup> TMA Policy June 2015

salvaging pine logs after TC Winston.<sup>52</sup> The Concept Paper prepared for the approval of this payment stated the following:

“The concept proposal also serves the best economic interest of Government in ensuring the achievement of the overall objectives of the Fiji Pine Scheme in alleviating poverty. This is also the best opportunity to provide financial assistance to the community through the buying of the sawn timber, and in the process provides cost effective housing timber for housing reconstruction, and giving the opportunity for the rural communities to participate in Fiji’s economic activities. Fiji’s private sector will stand to generate significant economic benefits through the provision of timber housing construction. The concept is for the Forestry Department to buy logs from Dawasamu and convert them into sawn timber and treat them in its Nasinu mill, and the sell it for the reconstruction of houses.”<sup>53</sup>

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

Furthermore, as at the date of audit<sup>54</sup>, the Ministry did not maintain a work plan, status report and detailed plan for the utilisation of the balance of funds.

In addition, the TMA cash balance as at 31 July 2017 of \$1,896,419 was not sufficient to support the remainder of these funds which is recorded as Deferred Income in the TMA Balance Sheet.

There is a high risk of the funds being misappropriated due to the weaknesses in the internal controls of the Trading and Manufacturing Activity account.

### **Recommendations**

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

- **work plans are prepared to ensure proper utilisation of funds;**
- **that a detailed acquittal report is maintained on the utilisation of the \$2.5 million;**
- **internal controls within the TMA account are strengthened prior to the implementation of such project;**
- **an evaluation is carried out on the purpose of the funds now after two years have lapsed since TC Winston; and**
- **consider returning the remaining funds to the Consolidated Fund Account.**

### **Ministry’s Comments**

*Draft Management Letter was issued on 22 March 2018. Ministry’s comments were received on 29 October 2018. No comments were received from the Ministry.*

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<sup>52</sup> Ministry of Finance Memorandum 16 May 2016 (Approval of Payment to TMA)

<sup>53</sup> Memorandum on the Concept for Supply of Sawn Timber from Community Pine Schemes managed under Government Funded Fiji Pine Trust under Government TMA

<sup>54</sup> 13<sup>th</sup> April, 2018

## APPENDIX 32.1: DETAILS OF STALE CHEQUES IN THE UNPRESENTED CHEQUE LISTING

Payment ID	Date	Amount (\$)
76743	30/12/16	75
75715	07/01/16	1,000
12217	07/01/16	2,435
12218	07/01/16	510
12219	07/01/16	6,800
12220	07/01/16	1,123
12221	07/01/16	57
12222	07/01/16	216
12223	07/01/16	54
12224	07/01/16	228
12225	07/01/16	108
12226	07/01/16	1,000
12227	07/01/16	135
12228	07/01/16	72
12229	07/01/16	206
12230	07/01/16	57
12231	07/01/16	72
12232	07/01/16	5,206
75063	18/02/16	540
9674	01/03/16	2,655
9675	01/03/16	960
9676	01/03/16	1,022
9677	01/03/16	1,048
9678	01/03/16	270
9679	01/03/16	418
9680	01/03/16	78
9681	01/03/16	50
9682	01/03/16	114
9683	01/03/16	5,186
9684	01/03/16	100
9685	01/03/16	76
9686	01/03/16	18
9687	01/03/16	192
9688	01/03/16	350
9689	01/03/16	75
9690	01/03/16	243
9691	01/03/16	306
9692	01/03/16	193
9693	01/03/16	629
9694	01/03/16	18
9695	01/03/16	850
75109	02/03/16	840
75111	02/03/16	840
75165	14/03/16	140
75333	20/04/16	1,313
75393	28/04/16	50

Payment ID	Date	Amount (\$)
75397	28/04/16	240
75486	13/05/16	540
11240	24/05/16	5
75698	27/06/16	187
75710	30/06/16	156
75712	30/06/16	2,127
75711	30/06/16	3,145
12207	30/06/16	255
12208	30/06/16	800
12209	30/06/16	4,201
12210	30/06/16	800
12211	30/06/16	1,617
12212	30/06/16	54
12213	30/06/16	800
12214	30/06/16	117
12215	30/06/16	85
12216	30/06/16	135
75788	14/07/16	270
75794	15/07/16	398
75828	21/07/16	180
76139	16/09/16	873
76138	16/09/16	873
749318	16/09/16	153
749319	16/09/16	261
76179	26/09/16	610
76378	28/10/16	720
76422	06/11/16	40
76423	06/11/16	230
749638	14/11/16	230
76493	21/11/16	115
76534	25/11/16	251
76538	28/11/16	20
76539	28/11/16	115
76578	02/12/16	1,997
76604	08/12/16	60
76605	08/12/16	230
15174	08/12/16	1,800
76646	16/12/16	120
76638	16/12/16	212
749824	16/12/16	1,215
76742	30/12/16	181
76739	30/12/16	99
76738	30/12/16	800
76795	09/01/17	60
76796	09/01/17	230
76859	17/01/17	380
15830	30/01/17	352
<b>Total</b>		<b>66,267</b>

**APPENDIX 32.2: DEBIT BALANCES IN THE OPERATING TRUST ACCOUNT**

Account Allocation	Description	Balance as at 31/7/17 (\$)
1-32201-77101-861900	501 P D EMPLOYEES FNPF	10,635
1-32201-77101-861500	CARPENTERS FINANCE FIJI LTD	8,205
1-32201-77101-861900	PAYROL DED KONTIKI FINANCE LTD	5,658
1-32201-77101-861900	400 PD FINES & TREASURY	2,691
1-32201-77101-861800	440 PD FIXED RENT	2,130
1-32201-77101-861300	266 PD FDB HOUSING	2,102
1-32203-77101-861500	CARPENTERS FINANCE FIJI LTD	2,084
1-32201-77101-861500	HANDY FINANCE LIMITED	1,464
1-32201-77101-861500	301 PD FPS CREDIT UNION	1,434
1-32201-77101-861500	316 PD SERVICE WORKER CU	1,378
1-32201-77101-861500	DOMINION FINANCE LIMITED	1,083
1-32201-77101-861300	264 PD HOME FINANCE CO	869
1-32201-77101-861900	NUPW CREDIT UNION	727
1-32202-77101-861100	207 PD HOSTEL FEES	482
1-32201-77101-861600	341 PD MAINT-SUVA	455
1-32201-77101-861500	320 WESRAM FINANCE	417
1-32201-77101-861600	342 PD MAINT-NAUSORI	265
1-32201-77101-861500	312 PD SACRED HEART CU	223
1-32201-77101-861900	NUPW WELFARE	186
1-32201-77101-861700	XXX PD RATES-NASINU	168
1-32201-77101-861900	PAYROL DED-UNIT TRUST OF FIJI	100
	<b>Total</b>	<b>42,756</b>

**APPENDIX 32.3: UNSUBSTANTIATED BALANCES CARRIED FORWARD FROM PRIOR YEARS**

Account	Description	Balance as at 31/7/17 (A) (\$)	Date Paid	Subsequent Payment (B) (\$)	Payment ID.	Unsubstantiated Balance (A+B) (\$)
13220177101861101	202 PD OPR CURRENT YEAR	(373)	15/08/17	150	19164	(223)
13220177101861102	384 PD OPR PREVIOUS YEAR	(3,887)	15/08/17	189	19165	(3,698)
13220177101861103	207 PD HOSTEL FEES	(3,712)	30/08/17	466	19512	(3,246)
13220277101861103	207 PD HOSTEL FEES	482	---	---	---	482
13220177101861104	208 PD RENT H/A UNEST	(323)	---	---	---	(323)
13220177101861105	267 PD RENT PUBLIC RENTAL BRD	(247)	15/08/17	203	19174	(44)
13220177101861106	390 PD GOV WATER RATES CHRGS	(993)	---	---	---	(993)
13220177101861202	241 PD CMLA	(5,869)	15/08/17	1,286	19161	(4,583)
13220177101861204	244 PD-LICI	(2,982)	15/08/17	1,069	19163	(1,913)
13220177101861206	246 PD MARSH & MCLENNAN	(180)	---	---	---	(180)
13220177101861209	249 PD MARSH & MCLENNAN (HTH/P	(233)	18/09/17	8	19497	(225)
13220177101861307	264 PD HOME FINANCE CO	869	15/08/17	40	19173	909
13220177101861308	266 PD FDB HOUSING	2,102	15/08/17	76	19177	2,178
13220177101861309	388 PD PSC SCHOLARSHIP LOAN	(9,240)	---	---	---	(9,240)
13220177101861402	203 PD RENT ARREARS	(1,621)	---	---	---	(1,621)
13220177101861501	286 PD FIJI PUBLIC SERVICE ASS	(323)	---	---	---	(323)
13220177101861511	301 PD FPS CREDIT UNION	1,434	15/08/17	293	19170	1,727
13220177101861521	312 PD SACRED HEART CU	223	---	---	---	223
13220177101861525	316 PD SERVICE WORKER CU	1,378	15/08/17	308	19171	1,686
13220177101861533	320 WESRAM FINANCE	417	---	---	---	417
13220277101861533	320 WESRAM FINANCE	(188)	---	---	---	(188)
13220177101861536	HANDY FINANCE LIMITED	1,083	---	---	---	1,083
13220277101861536	HANDY FINANCE LIMITED	1,464	15/08/17	79	19159	1,543
13220377101861537	CARPENTERS FINANCE FIJI LTD	8,205	18/09/17	1,393	19508	9,598
13220577101861537	CARPENTERS FINANCE FIJI LTD	2,084	---	---	---	2,084
13220177999861599	XXX PD OTHERS0	(939)	---	---	---	(939)
13220577101861601	341 PD MAINT-SUVA	455	15/08/17	85	19181	540
13220177101861602	342 PD MAINT-NAUSORI	265	18/09/17	90	19513	355
13220177101861701	357 PD RATES-SUVA	---	15/08/17	25	19176	25
13220177101861716	XXX PD RATES-NASINU	168	---	---	---	168
13220177101861899	440 PD FIXED RENT	2,130	15/08/17	216	19168	2,346

Account	Description	Balance as at 31/7/17 (A) (\$)	Date Paid	Subsequent Payment (B) (\$)	Payment ID.	Unsubstantiated Balance (A+B) (\$)
13220177101861901	201 PD TAX ARREARS / PAYE	(84,697)	---	---	---	(84,697)
13220277101861901	201 PD TAX ARREARS / PAYE	(161)	---	---	---	(161)
13220777101861901	201 PD TAX ARREARS / PAYE	(916)	---	---	---	(916)
13220177101861902	204 PD DEPST A/C RECOVERABLE	(2,752)	---	---	---	(2,752)
13220177101861910	383 PD SUNDRIES	(207)	---	---	---	(207)
13220177101861911	385 PD SPORTS & SOCIAL	(2)	---	---	---	(2)
13220177101861915	400 PD FINES & TREASURY	2,691	16/08/17	60	78446	2,751
13220177101861920	501 P D EMPLOYEES FNPF	10,634	29/09/17	30,620	79093	41,254
13220177101861923	PAYROLL DEDUCTION AGRICULTURE	(8,417)	---	---	---	(8,417)
13220177101861924	PD-CENTRAL FINANCE	(52)	---	---	---	(52)
13220177101861926	PD-VINOD PATEL	(113)	15/08/17	77	19183	(36)
13220177101861927	PD-FIJIAN HOLDING UNIT TRUST	(5,107)	15/08/17	130	19178	(4,977)
13220177101861929	PAYROL DED-PSC BOND-QUARTERS	(465)	---	---	---	(465)
13220177101861930	PAYROL DED-UNIT TRUST OF FIJI	100	---	---	---	100
13220177101861931	PAYROL DED-SUBRAILS FURNITURE	(850)	---	---	---	(850)
13220177101861932	PAYROL DED KONTIKI FINANCE LTD	5,658	---	---	---	5,658
13220177101861933	NUPW CREDIT UNION	727	---	---	---	727
13220377101861933	NUPW CREDIT UNION	(48)	---	---	---	(48)
13220177101861934	NUPW WELFARE	186	---	---	---	186
13220177101861999	YYY PAYROLL DEDUCTION MISCEL	(206)	---	---	---	(206)
13220177101863201	VAT FROM PROVSN OF GDS & SERV	(1,100,957)	---	---	---	(1,100,957)
13230178999863201	VAT FROM PROVSN OF GDS & SERV	(635,954)	---	---	---	(635,954)
<b>Total</b>		<b>(1,829,259)</b>		<b>36,863</b>		<b>(1,792,396)</b>

**Section 33****Ministry of Lands and Mineral Resources****Roles and Responsibilities**

The Ministry of Lands and Mineral Resources plays a pivotal role in national development and in supporting its economic growth.

The Ministry is focused on developing, reviewing and adopting flexible and market-driven policies to address the challenges faced by land developers, tenants, investors and indigenous landowning units in terms of accessing and utilising land.

The state owns four per cent of land in Fiji. The State's land is located within major urban centres around the country; its effective management is crucial to the national development.

The Ministry of Lands and Mineral Resources is made up of two Departments: the Department of Lands and the Mineral Resources Department.

The Department of Lands is responsible for the effective and efficient administration, development and management of all state land in Fiji. The new Land Use Division, which was established in 2010, helps indigenous landowners put viable land that is currently idle and unutilised to productive use, under terms and conditions which are attractive to both the landowners and tenants.

The Mineral Resources Department oversees and facilitates the development of the country's mineral sector and groundwater resources. It undertakes studies in relation to geological hazards and mineral and groundwater development. It also manages the development of the mining and quarrying sector.

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

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

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

**33.2 Statement of Receipts and Expenditure**

The Ministry collected revenue totalling \$15,781,820 and incurred a total expenditure of \$23,994,403 for the year ended 31 July 2017. Details are provided in Table 33.1.

**Table 33.1: Statement of Receipts and Expenditure for 2017**

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	14,853,717	8,081,875
Agency revenue	928,103	910,791
<b>Total Revenue</b>	<b>15,781,820</b>	<b>8,992,666</b>
Established staff	8,525,583	4,938,536
Government wage earners	792,564	601,682
Travel and communications	863,762	373,944
Maintenance and operations	5,711,341	4,199,700
Purchase of goods and services	779,418	428,920
Operating grants and transfers	31,422	21,069
Special expenditures	792,412	194,931
<b>Total Operating Expenditure</b>	<b>17,496,502</b>	<b>10,758,782</b>
Capital construction	4,347,581	2,683,696
Capital purchases	580,754	811,072
Capital grants and transfers	498,401	127,111
<b>Total Capital Expenditure</b>	<b>5,426,736</b>	<b>3,621,879</b>
Value added tax	1,071,165	1,025,328
<b>Total Expenditure</b>	<b>23,994,403</b>	<b>15,405,989</b>

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was

for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue mainly comprised of Land and Property Rent, Fees charges, Fines and Penalties, Revenue from Surveys & Sale of Navigations, Mining Fees and Miscellaneous.

### 33.3 Appropriation Statement

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

Significant savings were in the following areas:

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

The savings were due to the following:

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

Details of expenditure against the revised budget are provided in Table 33.2.

**Table 33.2: Appropriation Statement for 2017**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	8,883,506	(127,259)	8,756,247	8,525,583	230,664
2	Government Wage Earner	859,517	(15,000)	844,517	792,564	51,953
3	Travel & Communication	707,200	210,092	917,292	863,762	53,530
4	Maintenance & Operations	6,870,550	(139,933)	6,730,617	5,711,341	1,019,276
5	Purchase of Goods & Services	825,000	22,000	847,000	779,418	67,582
6	Operating Grant & Transfers	32,100	---	32,100	31,422	678
7	Special Expenditure	820,165	---	820,165	792,412	27,753
	<b>Total Operating Expenditure</b>	<b>18,998,038</b>	<b>(50,100)</b>	<b>18,947,938</b>	<b>17,496,502</b>	<b>1,451,436</b>

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital construction	7,147,000	50,100	7,197,100	4,347,581	2,849,519
9	Capital purchases	630,000	---	630,000	580,754	49,246
10	Capital Grants & transfer	2,740,000	---	2,740,000	498,401	2,241,599
	<b>Total Capital Expenditure</b>	<b>10,517,000</b>	<b>50,100</b>	<b>10,567,100</b>	<b>5,426,736</b>	<b>5,140,364</b>
13	Value Added Tax	1,530,000	---	1,530,000	1,071,165	458,835
	<b>Total Expenditure</b>	<b>31,045,038</b>	<b>---</b>	<b>31,045,038</b>	<b>23,994,403</b>	<b>7,050,635</b>

### 33.4 Trust Fund Account – Department of Lands

The Land Trust Fund Account was opened for the new Land Use Unit and as such the Department is now also responsible for the collection of the same revenue for the Native Land Owners who have deposited their land to the Land Bank administrated by the Department. Funds collected also includes security such as deposits, payments in advance and bank guarantees as stipulated in provision 12 of the Land Use Act 2010. Funds received and paid out from the Land Trust Fund include the Land Acquisition Compensation Funds, Land Bank Fees, Leases & Securities collected on behalf of Land Owning Units, Sand & Gravel Extraction Royalties, QoliQoli compensation, Government Survey & Plan Ad-Hoc-Work, Government Construction Work Compensation and Funds received for Re-Evaluation of city and town boundaries for municipal councils.

Table 33.3: Statement of Receipts and Payment – Lands Trust Fund Account

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Opening Balance as at 01/08/16</b>	<b>4,230,897</b>	<b>5,565,571</b>
<b>Receipts</b>		
Compensation	62,669	254,791
Other revenue	102,399	154,489
Fisheries impact	1,516,454	921,678
Lease offer	100,289	196,545
Priority plan	374,928	157,485
Royalty	15,883	403,015
Sand gravel	3,169,243	8,619
<b>Total Receipts</b>	<b>5,341,865</b>	<b>2,096,622</b>
<b>Payments</b>		
Bank fees	---	157
Meal/ mileage claim	39,413	8,980
Priority plan & general	150,278	30,596
Royalty	158,424	96,135
Fisheries impact	29,789	47,392
Compensation	2,965,364	2,905,159
Airstrip payments	---	342,877
<b>Total Payments</b>	<b>3,343,268</b>	<b>3,431,296</b>
<b>Closing Balance as at 31/7/17</b>	<b>6,229,494</b>	<b>4,230,897</b>

### 33.5 Trust Fund Account – Department of Mineral Resources

Mining Trust Fund Account includes license paid in advance. This is to ensure that any environmental damage caused by the company will be recovered from the money held.

The money held in Non-Mining Trust Fund Account is from the private or public entities who request the Mineral Resources Department to conduct works or project for them. Non-Mining includes groundwater project or mineral investigation.

**Table 33.4: Statement of Receipts and Payment – Mineral Resources Trust Fund Account**

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Opening Balance as at 01/08/16</b>	<b>4,482,035</b>	<b>4,119,688</b>
<b>Receipts</b>		
<b>Mining</b>		
Mining bond	181,475	336,040
SPL renewal fees	142,395	344,897
EIA screening	124	1,958
Royalty	167,554	1,010
<b>Non-Mining</b>		
Geotechnical survey	58,816	13,982
Borehole construction	165,558	18,680
Aggregate survey	8,249	---
<b>Total Receipts</b>	<b>724,171</b>	<b>716,567</b>
<b>Payments</b>		
<b>Mining</b>		
Transfer of renewal fees	---	314,421
Bond refund	628,610	25,554
<b>Non-Mining</b>		
Borehole construction	---	8,705
Geotechnical survey	191,288	5,540
<b>Total Payments</b>	<b>819,898</b>	<b>354,220</b>
<b>Closing Balance as at 31/7/17</b>	<b>4,386,308</b>	<b>4,482,035</b>

## **PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**

### **33.6 Internal Controls**

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

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

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

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.*

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

*Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls.*

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and functioning. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

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

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

### 33.7 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017 31/7
- Completion of reconciliations by 29 September 2017- 13/10
- Submission of arrears of revenue returns by 31 August 2017

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

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

Rating	Year-end close process assessment
☀ Generally effective	Five of 10 key processes completed within two weeks of due date

### 33.8 Quality of Draft Financial Statements by entities

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

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

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

### 33.9 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
☹ Ineffective	Acceptable draft financial statements received after 16 October 2017

### 33.10 Timeliness of Management Comments

To assess the timeliness of management comments, we have compared the date agency financial statement draft management letter (DML) was issued and the date management comments was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☹ Ineffective	Management comments received after 21 days from the date agency financial statement draft management letter (DML) was issued

### 33.11 Timeliness of Signed Financial Statements Received

To assess the timeliness of signed accounts received, we have compared the date financial statements was sent to Ministry for signing and the date signed financial statements was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☹ Ineffective	Signed financial statements received after 15 days

## PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

### 33.12 Variance between Crown Land Lease System & FMIS General Ledger

The Accounting Head is responsible for the effective design and operation of internal control of the agency.<sup>1</sup> The Crown Land Lease System (CLLS) is used to record details of all crown land leases whether active or non-active.

Total state revenue collected by the Ministry for the year ended 31 July 2017 was \$14,853,717. Out of this, \$13,419,582 or 90% was for Land and Property Rent.

Our audit noted a variance of \$673,811 between the Land and Property Rent Revenue collected in Crown Land Lease System and the FMIS general ledger balance as at 31 July 2017. Refer to Table 33.5 for details.

**Table 33.5: Details of Variance**

Revenue Type	CLLS Balance (\$)	FMIS GL Balance (\$)	Variance (\$)
Land and Property Rent	12,745,771	13,419,582	673,811

The variance was due to expired leases in CLLS for which posting of revenue could not be done. In addition, land rentals collected by Fiji Sugar Corporation on behalf of the Ministry were not submitted to the Ministry with detailed listings of the lessees. Consequently, CLLS was not updated.

As a result, our audit could not ascertain the accuracy of Land and Property Rent amount of \$13,419,582 recorded for the year ended 31 July 2017.

### **Recommendations**

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

- **reconcile revenue figures in CLLS and FMIS General Ledger in a timely manner;**
- **investigate and rectify the variance of \$673,811;**

<sup>1</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 Section 17.1.1

- activate expired lease accounts in CLLS for the purpose of receipting and deactivate them at the end of the process;
- ensure timely renewal of expired leases; and
- ensure that detail listing is received with revenue collected from Fiji Sugar Corporation in order to identify the accounts for which rental income has been received.

### **Ministry's Comments**

The recommendations of the Auditors is acknowledged and noted. Management duly acknowledges the recommendation made, the Ministry still trying to address this issue by liaising with FSC. The variance was due to the expired lease not updated to the CLLS. Payment was received in bulk from FSC but upon updating this payment to the individual account (Oracle System) it shows that their lease has been expired. Renewal process takes time for the Ministry to process hence this recurring issue.

### **33.13 Clearing of Prior Year's Revolving Fund Account Balance to Expenditure Account**

The travel advance shall be charged to the advances account until cleared through submission of the acquittals.<sup>2</sup>

Journal vouchers must be numbered in sequential order. Supporting documents shall be attached to the voucher.<sup>3</sup> The Senior Accounts Officer or Accounts Officer must check that all relevant details are included on the voucher and balances are adequately supported;<sup>4</sup>

Revolving Fund Account<sup>5</sup> for the Ministry had a debit balance of \$1,945 as at 31 July 2017, a decrease of \$126,537 when compared to the closing balance of \$128,482 as at 31 July 2016.

Audit review of the Revolving Fund Account revealed that the Ministry had raised Journal Voucher (JV) 231051 totalling \$105,870 to clear the outstanding balances in the Revolving Fund Account which were brought forward from 2012. Refer to Table 33.6 for details.

**Table 33.6: Impact of the JV 231051**

<b>Debit Entries</b>	<b>Debit (\$)</b>	<b>Credit (\$)</b>
Travel & Communication	8,000	
Maintenance & Operation	62,000	
Special Expenditure	30,000	
Capital Construction	5,870	
Revolving Fund Account		105,870
<b>Total</b>	<b>105,870</b>	<b>105,870</b>

It was noted that the above journal voucher was not supported with relevant supporting documents to substantiate the adjustment.

The clearance of prior year's balance to current year expenditure allocation has resulted in the total expenditure being overstated by \$105,870 for the financial year ending 31 July 2017.

<sup>2</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 s 10.1.10

<sup>3</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 s 16.1.3

<sup>4</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 s 16.1.4

<sup>5</sup> 1-33301-79101-570301

**Recommendations**

The Ministry should ensure that:

- all Accountable Advance issued are retired within the stipulated timeframe and appropriate expenditure allocation is debited in the relevant financial year; and
- journal vouchers raised are properly supported with relevant documents before it is posted to the FMIS general ledger

**Ministry's Comments**

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

**33.14 Committing Current Year Budgetary Allocation for Subsequent Years Expenditure**

Agencies must ensure that the accounts are paid and charged correctly to allocations within the current financial year. All payments for expenditure incurred in 2017 should be made by 4.00pm on 31 July 2017.<sup>6</sup>

The PSLMR, Directors, Manager Finance, Senior Accounts Officer or Accounts Officers must not certify a payment as correct unless they are satisfied that there is documentation that the goods, services or works have been received.<sup>7</sup>

The Department of Mineral Resources had prepared cheques totalling \$51,304 for which the goods, service or work had not been received/provided as at 31 July 2017. The audit noted that this was done to commit current year budgetary allocations. Refer to Table 33.7 for details.

**Table 33.7: Cheques prepared but not paid at the end of the financial year**

Date Cheque Prepared	Cheque Number	Amount VIP (\$)	Work Completed/Good Received
18/7/17	32420	9,384	The goods were received in the subsequent financial year on 24/10/17
18/7/17	32424	10,160	The goods were received in the subsequent financial year on 14/9/17
31/7/17	32447	31,760	The work was not completed as at date of audit – 31/10/17
<b>Total</b>		<b>51,304</b>	

The commitment of funds for subsequent year's expenditure has resulted in the total expenditure being overstated by \$51,304 for the financial year ending 31 July 2017.

**Recommendations**

The Department must ensure that:

- funds are not committed unnecessarily and comply with Closing of Accounts Circular No. 04/2017; and
- there is adequate documentation that the goods, services or works have been received prior to approving any payments.

<sup>6</sup> Ministry of Economy Circular No 04/2017 – 2016/2017 Closing of Accounts Procedures Section 7.2.1

<sup>7</sup> Ministry of Lands & Mineral Resources Finance Manual 2013 s 2.8.4 part (ii)

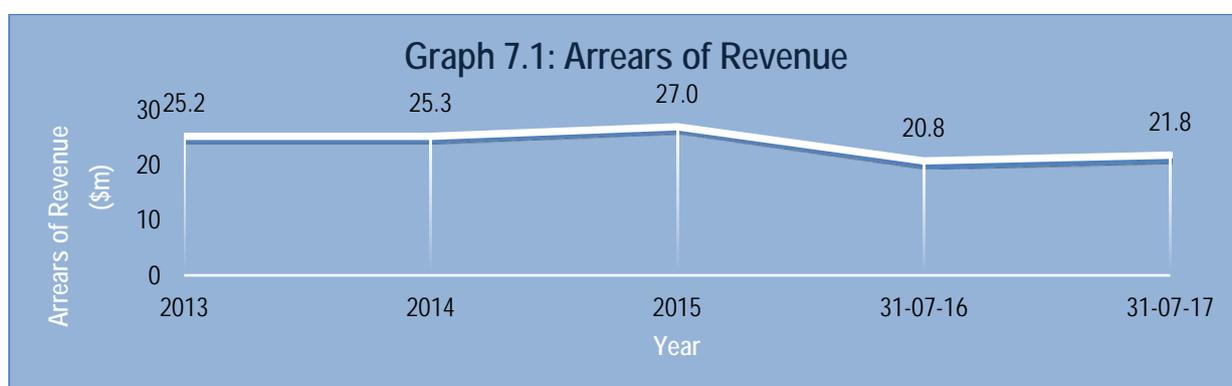
**Ministry’s Comments**

Management duly agrees with the recommendation made.

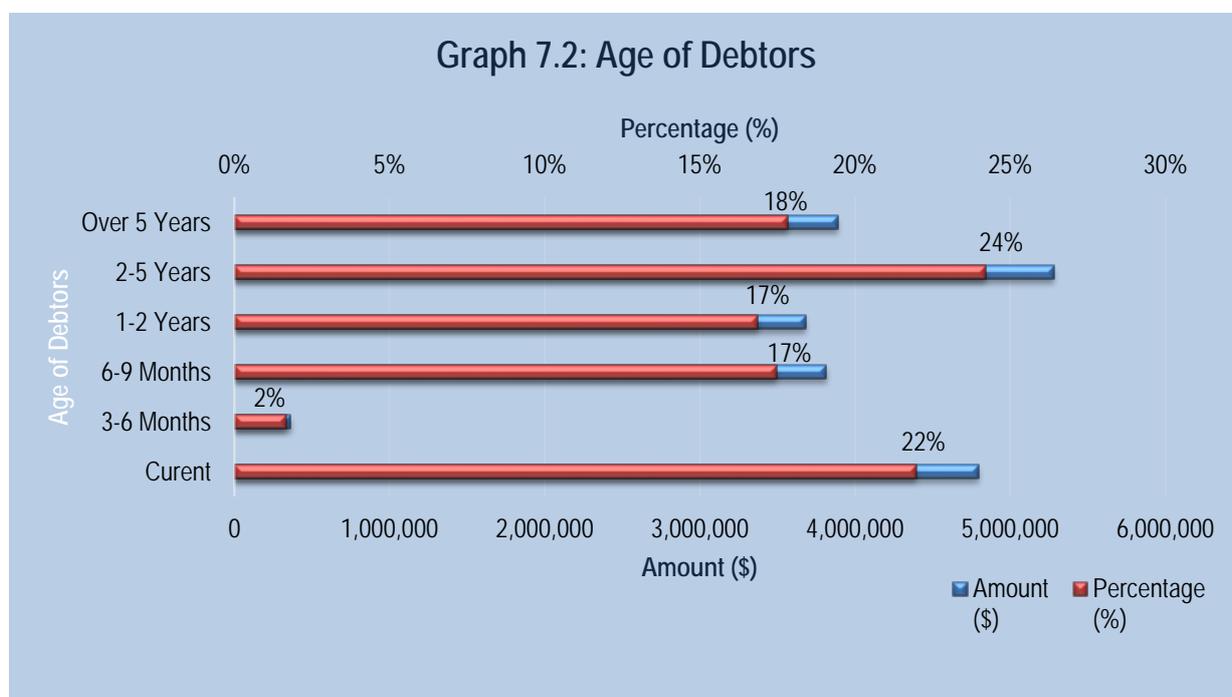
**33.15 Significant Arrears of Revenue**

Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Economy.<sup>8</sup> Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.<sup>9</sup>

The audit noted that the Ministry had substantial arrears of revenue amounting to \$21.8 million as at 31 July 2017. Over the past five years, arrears of revenue has remained above \$20 million. Refer to Graph 7.1 for details of arrears of revenue over the last five years.



It was noted that 18% of the debtors totalling \$3.9 million were more than 5 years old. Refer to Graph 7.2 for details.



<sup>8</sup> Finance Instruction 2010 Section 43 (1)

<sup>9</sup> Finance Instruction 2010 Section 41

In addition, the review of the arrears of revenue report prepared by the Ministry revealed that the Ministry did not include arrears of revenue for expired leases totalling \$13.5 million. As such, the arrears of revenue report is understated by \$13.5 million as at 31 July 2017.

There is high risk of these revenue becoming irrecoverable and written off resulting in loss of government revenue.

Furthermore, the exclusion of arrears of revenue on expired leases in the arrears of revenue report will understate the Arrears of revenue disclosed in the Whole of Government financial statements.

### **Recommendations**

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

- **take appropriate steps to reduce the Arrears of Revenue; and**
- **include Arrears of Revenue on expired Leases in the Arrears of Revenue report.**

### **Ministry's Comments**

The Ministry notes your comment and submitted hereunder is the Ministry's response:

- The Ministry has tasked a team to work on the collection of arrears of revenue.
- The oracle system is systemised in ways that calculate arrears on monthly basis.

Under the lease condition payment done after 31<sup>st</sup> January and 31<sup>st</sup> July is considered arrears.

### **33.16 Rent of \$0.10 charged on Active Leases**

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

Review of the CLLS revealed that the Ministry is charging rent on active leases for as low as 10 cents. The audit noted that this was due to the absence of reassessment clause in the lease agreement and reassessment not carried out as required in the Crown Land Act. Refer to the Tables 33.8 and 33.9 below for details.

**Table 33.8: Leases without Re-Assessment Clause in the Agreement**

Account No.	Lease No.	File Reference	Lease Start Date	Rent Amount (\$)	Last Valuation Date	Lapse in Reassessment	Response from Chief Value
10618	000020	4/16/3917	27/3/20	0.10	27/3/70	47 years	No reassessment clause in the lease agreement
10625	001924	4/16/2614	01/1/49	0.10	01/1/74	43 years	
12507	039149	4/16/2033	01/1/47	0.10	01/1/72	45 years	
12541	AN12541	4/16/3882	01/1/56	0.10	01/1/81	36 years	
24873	003163	4/7/983	07/1/57	0.10	01/7/82	35 years	
25635	003469	4/10/1027	04/1/61	0.10	01/7/79	38 years	
25644	018150	4/11/1431	01/1/75	0.10	01/1/85	32 years	
26190	090173	4/01/2260	01/1/62	0.10	01/1/62	55 years	
20214	120413	4/10/1886	01/1/69	1.00	01/1/69	48 years	

<sup>10</sup> Crown Land Act 1978 Part II Leases Clause 10 Re-assessment of Rent

**Table 33.9: Details of Rental Re-assessment not carried out in a timely manner**

Lease No.	Lease Start Date	Rent Amount (\$)	Last Valuation Date	Lapse in Reassessment	Response from Chief Valuer
AN12543	10/1/62	0.10	01/10/62	55 years	Reassessment was missed in 2012, next reassessment in 2037.
002143	07/1/50	0.10	01/7/74	43 years	Reassessment was missed in 1975 & 2000, next reassessment in 2025.
XXX32281	15/1/46	0.10	15/11/71	46 years	The subject property is issued with a Special Lease for Religious and Education purposes. Re-assessment of rent as stipulated in the lease condition fell in 1971 and 1996 somehow the system was unable to capture and rental fixed and payable since 1946 of ten cents is still on going.
2737	01/1/51	0.10	01/1/51	66 years	25 years reassessment. 1976 & 2001 reassessment was missed, next reassessment in 2026.
000921	18/8/39	0.50	07/2/71	46 years	Lease is for 99 years from 07/02/1938 with 33 year reassessment review. Rental review was missed in 1971 and 2004. No further reassessment till lease expire in 2037.
XXX32310	05/1/70	1.00	01/5/70	47 years	A 99 year approval notice for Religious purpose was issued to the Trustees wef 1 <sup>st</sup> May 1970 Re-assessment of rent as stipulated in the lease condition is to be assessed every 25 years somehow the system was unable to capture and rental fixed and payable since 1970 of Ten cents is still on going.

Failure to comply with Clause 10 of the Crown Land Act 1978 Part II Leases, has resulted in loss of government revenue.

### **Recommendations**

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

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

### **Ministry's Comments**

The recommendation of the Auditors is acknowledged and noted. The Ministry is assigning the Valuation team to work on the renewal of these leases that charged minimal rent per year.

### 33.17 Trust Fund Account Anomalies

When trust money is received, the *Clerical Officer* shall issue an official trust receipt to the payer. Details of receipts shall be entered into the trust cashbook.<sup>11</sup> The *Clerical Officer* shall keep a trust ledger to record movement of trust money. The ledger shall record the following information:

- i. name of trust account;
- ii. date and amount of receipts and payee;
- iii. date, amount paid and payer including reference number;
- iv. balance to date.<sup>12</sup>

Within 5 days after the end of each month, the *Clerical Officer* shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.<sup>13</sup> Details of balances must be attached to the reconciliation statement.<sup>14</sup> The *Accounts Officer* shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.<sup>15</sup> The Trust reconciliation shall be prepared in accordance with the format provided in Schedule 9.<sup>16</sup>

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

- the Ministry does not maintain a TFA cashbook and an updated TFA ledger for Lands Department as required by the Ministry's Finance Manual 2013 section 15.2.1;
- breakdown of payments recorded in the Land Trust Fund account statement were not provided as at date of audit;<sup>17</sup>
- the Ministry did not maintain a detailed listing of the beneficiaries of the TFA; and
- from the samples tested, audit noted that the Department of Lands has not paid out Value Added Tax (VAT) collected from L\lessees. The VAT portion were kept in the Trust Fund Account. Refer to Table 33.10 for details.

**Table 33.10: VAT Portions kept in the Trust Account**

Receipt			Payment			VAT portion Still in Trust
Date Received	Receipt No	Amount VIP (\$)	Date	Chq. No.	Paid VEP (\$)	
19/7/16	263815	54,500	20/10/16	1549	50,000	4,500
03/4/17	263821	54,500	12/4/17	1747	50,000	4,500
18/5/17	263827	447,172	26/5/17	1797	410,250	36,923
15/5/17	264625	310,460	18/7/17	1846	268,000	42,460
14/7/17	263840	54,500	18/7/17	1839	50,000	4,500
<b>Total</b>						<b>92,883</b>

- Variance of \$7,069 was noted between the Mineral Resources Department Cashbook Reconciliation balance of \$4,379,239 and the FMIS general ledger balance of \$4,386,308.

<sup>11</sup> Ministry of Lands and Mineral Resources Finance Manual 2013 – 15.2.1

<sup>12</sup> Ministry of Lands and Mineral Resources Finance Manual 2013 – 15.3.2

<sup>13</sup> Ministry of Lands and Mineral Resources Finance Manual 2013 – 15.4.1

<sup>14</sup> Ministry of Lands and Mineral Resources Finance Manual 2013 – 15.4.2

<sup>15</sup> Ministry of Lands and Mineral Resources Finance Manual 2013 – 15.4.3

<sup>16</sup> Ministry of Lands and Mineral Resources Finance Manual 2013 – 15.4.4

<sup>17</sup> 09/11/2017

- Stale cheques were appearing the Mineral Resources Department’s unrepresented cheque listing as at 31 July 2017. Refer to Table 33.11 for details of stale and voided cheques.

**Table 33.11: Details of Stale and Voided Cheques**

Date	Cheque No.	Amount (\$)
24/11/11	1009	26
01/12/11	1023	441
01/12/11	1024	143
02/12/11	1026	244
07/12/11	1034	79
07/12/11	1035	673
09/12/11	1048	513
09/12/11	1051	131
19/12/11	1066	275
29/12/12	1271	1,080
25/7/14	1580	99
23/12/14	1719	40,000
23/6/16	1843	2,524
<b>Total</b>		<b>46,228</b>

The above anomalies could have been avoided if proper reconciliation were carried in accordance with the Ministry’s Finance Manual.

### **Recommendations**

**The Ministry should ensure that:**

- the TFA cash book and TFA ledger records are properly maintained and updated;
- postings and adjustments are made for stale cheques;
- a Standard Operating Procedure for respective TFA is established; and
- VAT portion collected from lease payment are paid to FRCS.

### **Ministry’s Comments**

*Auditor’s comments noted and improvement shown in the update of Trust Fund Account for current financial year. The Ministry is currently practicing as recommended. We also working of the list of stale cheques before the end of every six month.*

### **33.18 Anomalies in Operating Trust Fund Account**

Where charges are for payments to organisations through salary deductions, the relevant creditor account shall be credited. When actual payment is made to the organisation, the creditor account shall be debited.<sup>18</sup>

The audit noted dormant accounts totalling \$17,425 were still reflected in the Department of Lands Operating Trust Fund Account since 2013 and were yet to be cleared as at 31 July 2017. Refer to Table 33.12 below:

<sup>18</sup> Ministry of Lands & Mineral Finance Manual 2013 s.4.6.3

**Table 33.12: Dormant accounts**

Allocation	Description	2013	2014	2015	31/7/16	31/7/17	Audit Remarks
1-33101-33101-861106	390 PD GOV WATER RATES CHRGS	(1)	(1)	(1)	(1)	(1)	Dormant since 2013
1-33101-33101-861309	388 PD PSC SCHOLARSHIP LOAN	---	(2,769)	(2,769)	(2,769)	(2,769)	Dormant since 2014
1-33101-33101-861501	286 PD FIJI PUBLIC SERVICE ASS	---	---	(620)	(620)	(620)	Dormant since 2015
1-33101-33101-861604	344 PD MAINT-TAVUA	---	---	(25)	(25)	(25)	Dormant since 2015
1-33101-33101-861913	387 PD RFA IDC SALARIES	---	---	(10,593)	(10,593)	(10,593)	Dormant since 2015
1-33101-33101-861923	PAYROLL DEDUCTION -UNIFORM	---	---	(3,417)	3,417	(3,417)	Dormant since 2015
<b>Total</b>						<b>(17,425)</b>	

Failure to settle liabilities and rectify variances on time will result in the overstatement of government liabilities at Whole of Government level and can also result in write offs in the future.

### **Recommendations**

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

- investigate and rectify carry forward balances from prior years; and
- improve its reconciliation process to include detailed listing of closing balance on a monthly basis.

### **Ministry's Comments**

Management duly acknowledge to the recommendations made. Ministry is currently proposing a way forward in terms of monitoring monthly.

### **33.19 Anomalies in the Drawings Account**

Details of unrepresented cheques agree with departmental records and any discrepancies should be adjusted before 31 July 2017. Accounting Officers must certify that unrepresented cheques list is correct and agrees with the balance in the Drawings Account. All stale cheques must also be cleared by 4 August 2017. Ministries and Departments are required to plan their expenditures well in order to avoid the accumulation of unrepresented cheques at year-end. Continuous follow up action by the Accounting Heads must be taken to encourage clients to present their cheques to the banks before 31 July 2017. Direct cheque deposits or Electronic Fund Transfers into the bank account of suppliers are encouraged.<sup>19</sup>

Audit review of Drawings Account revealed the following anomalies:

- The Department of Lands unrepresented cheque list included stale Cheques/EFT's amounting to \$451,782. Refer to Appendix 33.1 for details.

<sup>19</sup> Ministry of Economy Circular no.04/2017 section 5.1.1 to 5.1.3 page 3

- There were differences between the unrepresented cheque listing when compared to the FMIS general ledger and the board of survey report for the Department of Lands. Refer to Table 33.13 for details.

**Table 33.13: Details of Anomalies noted for Drawings Account**

Department	Drawing Account Reconciliation Balance (\$)	FMIS General Ledger Balance as at 31/7/17 (\$)	Variance (\$)
Minerals Resources	154,047	144,650	9,397
Lands	786,315	494,734	291,581

- The Department of Mineral Resources did not carry out a board of survey for the unrepresented cheques as at 31 July 2017.

The above anomalies could have been avoided if proper reconciliations were carried out and errors and omissions adjusted accordingly.

The above variances will result in the overstatement of cash at Whole of Government level.

### **Recommendations**

**The Ministry should ensure that:**

- **adequate training, supervision and monitoring is provided by Senior Officers to their subordinates; and**
- **the Drawings Account is reconciled monthly and errors or misallocations noted investigated and adjusted accordingly;**

### **Ministry's Comments**

*Management duly acknowledge to the recommendations made.*

### **33.20 VAT Returns not lodged**

“Persons” include a company, an association or body of persons, corporate or unincorporated, a local authority, and a public authority.<sup>20</sup> Every registered person shall, on or before the last day of the month following the last day of every taxable period, without notice or demand furnish to the Commissioner a tax return, in such prescribed form as may be approved by the Commissioner.<sup>21</sup>

From the review of the Ministry’s Statement of VAT Account, audit noted that the Ministry did not lodge VAT returns for the 2016/2017 financial year.

The last VAT return prepared was for the month of June 2016 and lodged to Fiji Revenue and Custom Services (FRCS) on 8 September 2016.

Failure to lodge the VAT returns can result in FRCS imposing penalties on the Ministry.

<sup>20</sup> Value Added Tax Decree 1991, Section 2, pp 8.

<sup>21</sup> Value Added Tax Decree – Section 33

**Recommendations**

The Ministry should ensure:

- that VAT returns are lodged on a timely basis to avoid unnecessary fines and penalties from FRCS; and
- adequate supervision should be carried out to ensure that VAT lodgements and payments are carried out in a timely manner.

**Ministry's Comments**

The Auditor's recommendation is duly noted. The non-payment of vat return was due to a verbal instruction from MOE not to pay. Ministry is currently liaising with relevant stakeholders and Ministries to clarify this issue.

**33.21 Expenditures Charged to Wrong Allocation**

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes –

- (a) the correct tax code;
- (b) the ledger account it is charged to.<sup>22</sup>

Review of the payments vouchers noted that the Ministry charged expenditures to the wrong allocations during the year. Refer to Table 33.14 below:

**Table 33.14: Details of Expenditures Charged to wrong allocations**

Date	EFT No.	Vendor	Amount (\$)	Posted to	Correct Allocation
18/1/17	12079	Company A	10,960	1-33301-79101-040421 Power Supplies	1-33301-79101-030401 Telecommunication
18/1/17	12077	Company B	14,456	1-33301-79101-050314 Landowners Compensation	1-33301-79101-030401 Telecommunication
<b>TOTAL</b>			<b>25,416</b>		

The above findings indicate that the Ministry did not regularise the mispostings during the closing of accounts process which has resulted in Travel and Communication expenditure being understated by \$25,416 for the year ended 31 July 2017.

**Recommendation**

The Ministry should ensure that all transactions are posted to the correct allocations in the FMIS ledger.

**Ministry's Comments**

The Ministry noted the comments of the audit team. We will ensure that future payment to be source from its correct allocation

<sup>22</sup> Financial instruction 2010 s14(1) part (e) and (g) p8

### **33.22 Absence of Risk Management Policy**

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors; and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.<sup>23</sup>

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

Audit review of the Ministry's Corporate Governance revealed that there is no risk management framework in place. As a result, the Ministry does not have written policies, procedures and guidelines to manage the risks associated with the following:

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

In the absence of risk management policy, the Ministry may find difficulty in managing risks affecting the Ministry.

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

#### **Recommendation**

**The Ministry should work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations.**

#### **Ministry's Comments**

*The comment is duly noted. The Ministry will adhere to the recommendation above and ensure that this risk Management Policy will be provided before 31/12/2018.*

### **33.23 Finalisation of Financial Statements**

Each agency must prepare an annual report for submission to its Minister by 31st December in the following year.<sup>24</sup> Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.<sup>25</sup>

All agencies are required to prepare their respective agency accounts and submit to the Office of the Auditor General two months after closing of accounts.<sup>26</sup> Permanent Secretaries of Ministries and Departments are requested to ensure that financial accounts for the financial year ending 31 July

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<sup>23</sup> Finance Instruction 2010 – Section 59

<sup>24</sup> Finance ([Amendment](#)) Instruction 2016 – Section 69

<sup>25</sup> Finance Instruction 2016 – Section 70 (2)

<sup>26</sup> [Ministry of Economy Circular 04/2017 - 2016-2017 Closing of Accounts Procedures – Section 18.1](#)

2017 are properly closed off and be ready in time for audit by the Office of the Auditor General by 31 August 2017.<sup>27</sup>

The audit of the financial statements of the Ministry of Lands and Mineral Resources for the year ended 31 July 2017 was finalised after the above deadline. Details of the submission of the financial statements is shown in Table 33.15 below.

**Table 33.15: Submission of Financial Statements**

<b>Submission of Financial Statement (FS)</b>		
<b>1<sup>st</sup> Draft Submission Date</b>	<b>2<sup>nd</sup> Draft Submission Date</b>	<b>Reason for Amendments</b>
20 October 2017	16 November 2017	<ul style="list-style-type: none"> <li>• The Statement of Losses did not include statements on Loss of Revenue and Loss of Assets as required by Schedule 1 of FI 2010</li> <li>• Main Trust Fund Account did not include comparative audited figures for 2016 financial year</li> </ul>
<b>Draft Management Letter (DML)</b>		
<b>Date DML sent for Management Comments</b>	<b>Date Management Comments Received</b>	
06 December 2018	15 January 2018	
<b>Audit Report</b>		
<b>Date FS sent for signing</b>	<b>Date Signed FS received from the Ministry</b>	
31 January 2018	01 March 2018	

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

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

### **Recommendation**

**The Ministry should ensure that timely responses are provided for the draft management letter and amendments to the financial statements minimised.**

### **Ministry's Comments**

*The recommendation is acknowledged. The Ministry will ensure that this will not repeat in future.*

<sup>27</sup> Ministry of Economy Circular 04/2017 - 2016-2017 Closing of Accounts Procedures – Section 18.2

**APPENDIX 33.1 STALE UNPRESENTED CHEQUE'S/EFT'S**

Date	Cheques EFT no.	Amount (\$)
08/04/16	8665	189,739
08/04/16	8667	204,087
31/05/16	9088	597
31/05/16	9089	598
31/05/16	9090	4,381
31/05/16	9092	5,478
31/05/16	9093	305
31/05/16	9094	1,068
31/05/16	9095	4,050
31/05/16	9096	575
31/05/16	9097	358
31/05/16	9098	270
31/05/16	9099	7,293
31/05/16	9100	1,248
31/05/16	9101	1,248
31/05/16	9102	1,248
31/05/16	9103	1,515
31/05/16	9104	45
31/05/16	9105	1,515
31/05/16	9106	126
31/05/16	9107	72
31/05/16	9108	1,515
31/05/16	9109	4,484
06/10/16	9245	90
06/10/16	9247	527
06/10/16	9248	153
06/10/16	9249	189
06/10/16	9250	72
06/10/16	9251	72
06/10/16	9252	144
06/10/16	9253	72
06/10/16	9254	117
06/10/16	9255	189
06/10/16	9256	162
06/10/16	9257	81

Date	Cheques EFT no.	Amount (\$)
22/07/16	9970	189
14/12/16	10627	8,550
14/12/16	10628	399
14/12/16	10629	399
14/12/16	10630	312
14/12/16	10631	399
14/12/16	10632	312
14/12/16	10633	2,400
14/12/16	10634	627
15/06/17	10805	1,376
19/10/16	10889	247
19/10/16	10890	107
19/10/16	10892	110
19/10/16	10893	65
24/11/16	11359	27
24/11/16	11360	306
24/11/16	11361	163
24/11/16	11362	81
24/11/16	11363	36
24/11/16	11364	358
24/11/16	11365	132
25/11/16	11374	63
25/11/16	11375	126
25/11/16	11376	45
25/11/16	11377	99
25/11/16	11378	36
25/11/16	11379	144
25/11/16	11380	144
25/11/16	11381	123
25/11/16	11382	144
25/11/16	11383	126
25/11/16	11384	108
25/11/16	11385	126
30/11/16	11531	110
30/11/16	11532	110
<b>Total</b>		<b>451,782</b>

## Section 34 Ministry of Industry, Trade and Tourism

### Role and Responsibilities

Creating an internationally competitive economy and stimulating economic growth is one of the major priorities of the Fijian Government. To achieve this, Government has placed measures and strategies that encourage domestic and foreign direct investment, support private sector growth and boost intentional trade.

The Ministry of Industry, Trade and Tourism is responsible for transforming Fiji into a vibrant, diversified, internationally competitive, export-led growth oriented economy. This is done by creating a competitive environment that enhances the performance of both the manufacturing and services sectors, as well as, focusing on other growth areas in the other priority sectors.

Furthermore, policies and strategies are being developed through the Fijian Trade Policy Framework to ensure that Fiji is competitive in every aspect of operations: moving goods and people across borders, internal logistics, world class transportation and communication links and lowering the cost of doing business. The Ministry also develops broad-based export markets for Fijian made products and services.

Additionally, the Ministry is focusing on the development of the micro, small and medium enterprises sector as the backbone of the Fijian economy. As this sector has the ability to stimulate growth from within to create a robust and resilient economy.

The inclusion of the IHRDP (Integrated Human Resource Development Programme) and Northern Development Program in the Ministry's 2016 – 2017 Budget is in line with the Government's objective of streamlining services needed by SMEs around Fiji.

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**PART A: FINANCIAL STATEMENTS****34.1 Audit Opinion**

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

**34.2 Statement of Receipts and Expenditure**

The Ministry of Industry, Trade and Tourism collected state revenue totalling \$592,824 and incurred a total expenditure \$71,572,115 for the year ended 31 July 2017. Details are provided in Table 34.1

**Table 34.1: Statement of Receipts and Expenditure for 2017**

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

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

State revenue mainly comprises of inspection and registration fees received from various industries for inspecting the weight and measuring equipment used for their operation. The revenue decreased by \$134,655 in 2017 due to non-receipt of grant-in-aid from Indian High Commission towards the Micro and Small Business Grant Facility in 2017 compared to a sum of \$470,000 received in 2016.

Operating grants and transfers increased by \$12,416,451 in 2017 compared to 2016 due to the release of grants for twelve months compared to the six months period for 2016.

Special expenditures increased by \$7,497,926 in 2017 compared to 2016 due to the inclusion of the Integrated Human Resource Development Program and the Indian High Commission Micro and Small Business Grant Facility funds in the 2017.

The Ministry incurred a total expenditure of \$30,710 for the maintenance of Lami Co-operative office in 2017 compared to 2016 for which funds were not allocated to the Ministry for capital construction.

The Ministry utilised a total of \$1.4 million for the purchase of Laboratory equipment in 2017 compared to 2016.

Capital Grants and Transfers expenditure increased by \$13,584,427 in 2017 compared to 2016 due to the inclusion of the Northern Development Program in 2017.

### 34.3 Appropriation Statement

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

Details of expenditure against the budget estimate are provided in Table 34.2 below.

**Table 34.2: Appropriation Statement for 2017**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	3,748,592	(88,410)	3,660,182	2,991,913	668,269
2	Government Wage Earners	365,575	88,410	453,985	378,719	75,266
3	Travel & Communications	451,300	3,159	454,459	343,636	110,823
4	Maintenance & Operations	1,000,300	195,239	1,195,539	899,072	296,467
5	Purchase of Goods & Services	342,500	(11,980)	330,520	261,026	69,494
6	Operating Grants & Transfers	17,670,176	1,335,542	19,005,718	18,985,482	20,236
7	Special Expenditures	13,943,729	(1,552,670)	12,391,059	10,800,463	1,590,596
	<b>Total Operating Expenditure</b>	<b>37,522,172</b>	<b>(30,710)</b>	<b>37,491,462</b>	<b>34,660,311</b>	<b>2,831,151</b>
8	Capital Construction	---	30,710	30,710	30,710	---
9	Capital Purchases	2,700,000	---	2,700,000	1,445,565	1,254,435
10	Capital Grants & Transfers	35,545,088	---	35,545,088	35,006,707	538,381
	<b>Total Capital Expenditure</b>	<b>38,245,088</b>	<b>30,710</b>	<b>38,275,798</b>	<b>36,482,982</b>	<b>1,792,816</b>
13	Value Added Tax	1,236,500	---	1,236,500	428,822	807,678
	<b>TOTAL</b>	<b>77,003,760</b>	<b>---</b>	<b>77,003,760</b>	<b>71,572,115</b>	<b>5,431,645</b>

Vacant positions resulted in savings for funds allocated for established staff and government wage earners.

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

### 34.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Office of the Prime Minister operates and maintains four main trust fund bank accounts which includes the following;

#### 34.4.1 Co-operative Trust Fund Account - Statement of Receipts and Payments

The Co-operative Trust Fund Account was established to administer the training services delivered to co-operative members. The receipts consist of fees charged to trainees and payment relates to the operation of the training institutes.

The Co-operative Trust Fund Account recorded a balance of \$93,377 for the financial period ending 31 July 2017. The Ministry recorded receipts totalling \$2,747 and expenses totalling \$8,609 resulting in surplus of \$18,821 for the financial period ending 31 July 2017.

Details of receipts against the payments are provided in Table 34.3.

**Table 34.3: Co-operative Trust Fund Account - Statement of Receipts and Payments**

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Receipts</b>		
Co-operative Training Fees	2,700	4,900
Interest Received from Bank	47	466
Sales of Stationery	758	706
<b>Total Receipts</b>	<b>2,747</b>	<b>6,072</b>
<b>Payments</b>		
Training fees	5,710	---
Bank Chargers	184	154
Interest Paid to Ministry of Economy	719	312
Stationery	16	1,329
FRCS	1,980	478
Refund	---	10
<b>Total Payments</b>	<b>8,609</b>	<b>2,283</b>
Net Surplus	18,821	3,789
Opening Balance as at 1 August	74,556	70,767
<b>Closing Balance as at 31 July</b>	<b>93,377</b>	<b>74,556</b>

#### 34.4.2 IHRDP Trust Fund Account - Statement of Receipts and Payments

The Ministry also maintains Integrated Human Resource Development Programme Trust Fund Account.

The Integrated Human Resource Development Programme was endorsed by Government in 2000 to establish income generating projects and to create decent employment. These small and

medium economic activities are intended to generate and revitalise the local rural economies and thus enhancing the livelihood of rural communities, settlements and villages.

The administration of the accounts was transferred from the Ministry of Economy (MOE) to Ministry of Industry, Trade and Tourism in 2017.

The Integrated Human Resource Development Programme Trust Fund Account recorded a balance of \$146,687 for the financial period ending 31 July 2017. Receipts totalling \$61,927 were recorded compared to expenses totalling \$39 resulting in the surplus of \$84,799. Details of receipts and payments are provided in Table 34.4.

**Table 34.4: IHRDP Trust Fund Account - Statement of Receipts and Payments**

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Receipts</b>		
Community Contribution	61,927	94,799
<b>Total Receipts</b>	<b>61,927</b>	<b>94,799</b>
<b>PAYMENTS</b>		
Fertiliser – Waimalua Ginger Project	---	86,673
Adjustment of Bank Chargers	39	---
<b>Total Payments</b>	<b>39</b>	<b>86,673</b>
Net Surplus	61,888	8,126
Opening Balance as at 1 August	84,799	76,673
<b>Closing Balance as at 31 July</b>	<b>146,687</b>	<b>84,799</b>

## **PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**

### **34.5 Internal Controls**

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

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

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

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.*

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

*Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls.*

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

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

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

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

Ratings	Internal control assessment
* Effective	No deficiencies identified in internal controls

### 34.6 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of un-presented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017

- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

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

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

Ratings	Internal control assessment
 Effective	All 10 key processes completed by due date

### 34.7 Quality of Draft Financial Statements by Entities

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

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

Ratings	Internal control assessment
 Effective	No adjustments were required

### 34.8 Timeliness of Draft Financial Statements

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

Ratings	Internal control assessment
 Ineffective	Acceptable draft financial statements received after 16 October 2017

### 34.9 Timeliness of Management Comments and signed Financial Statements

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

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Signed accounts was received within 5 days

**Section 35****Ministry of Sugar Industry****Roles and Responsibilities**

The Ministry of Sugar Industry is responsible for the coordination of the activities and functions of the various institutions that make up the sugar industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved. On-going partnership with the relevant industry stakeholders will enable more land available for productive and social purposes which encourages cane cultivation, adequate labour and committed sugar workforce.

The establishment of a dedicated Ministry of Sugar provides the enabling environment for direct efficient delivery of services to the stakeholders and cane districts and sectors throughout Fiji. The adoption of the 'professional' service delivery by the ministry will promote maximum cane and sugar production annually through increased investments in cane and mill efficiency operation which lead to higher prices in sugar exports to existing and potential global markets.

With clear guidelines in place to achieve specific targets, the Ministry is committed to adopting a 'professional' service status that promotes:

- (a) Investment in cane management systems thus ensuring increased cane production.
- (b) Investments in mill technology thus contributing to improved mill efficiency and sugar extraction.
- (c) Exploring opportunities to value adding of milling by products as a source of additional revenue for the industry.

It is also responsible for the monitoring, evaluation and reporting of the implementation of the implementation of the Sugar Industry Strategic Action Plan 2013 – 2017.

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**PART A: FINANCIAL STATEMENT****35.1 Audit Opinion**

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

**35.2 Statement of Receipts and Expenditure**

The Ministry of Sugar Industry collected revenue totalling \$16,123 and incurred a total expenditure of \$27,290,454 for the year ended 31 July 2017. Refer Table 35.1 for details.

**Table 35.1: Statement of Receipts and Expenditure for 2017**

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>RECEIPTS</b>		
Agency Revenue	16,123	---
Miscellaneous	---	---
<b>TOTAL RECEIPTS</b>	<b>16,123</b>	<b>---</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	344,614	166,318
Government Wage Earners	57,838	22,857
Travel & Communications	116,745	37,701
Maintenance & Operations	107,499	51,085
Purchase of Goods & Services	33,880	13,131
Operating Grants & Transfers	2,014,947	2,009,347
Special Expenditures	146,625	221,305
<b>Total Operating Expenditure</b>	<b>2,822,148</b>	<b>2,521,744</b>
<b>Capital Expenditure</b>		
Capital Construction	269,419	2,745,866
Capital Grants & Transfers	24,131,525	14,322,100
<b>Total Capital Expenditure</b>	<b>24,400,944</b>	<b>17,067,966</b>
Value Added Tax	67,362	252,194
<b>TOTAL EXPENDITURE</b>	<b>27,290,454</b>	<b>19,841,904</b>

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

Revenue collected by the Ministry comprised of Board Member fees.

**35.3 Appropriation Statement**

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

Details of expenditures against the budget estimates are provided in Table 35.2.

Table 35.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	502,567	(60,665)	441,902	344,614	97,288
2	Government Wage Earners	68,731	9,468	78,199	57,838	20,361
3	Travel & Communications	88,000	44,124	132,124	116,745	15,379
4	Maintenance & Operations	99,000	30,584	129,584	107,499	22,085
5	Purchase of Goods & Services	23,000	16,001	39,001	33,880	5,121
6	Operating Grants & Transfers	2,014,947	---	2,014,947	2,014,947	---
7	Special Expenditures	645,000	(490,512)	154,488	146,625	7,863
	<b>Total Operating Costs</b>	<b>3,441,245</b>	<b>(451,000)</b>	<b>2,990,245</b>	<b>2,822,148</b>	<b>168,097</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	3,000,000	(2,723,325)	276,675	269,419	7,256
9	Capital Purchases	---	---	---	---	---
10	Grants & Transfers	20,722,100	3,419,424	24,141,524	24,131,525	9,999
	<b>Total Capital Expenditure</b>	<b>23,722,100</b>	<b>696,099</b>	<b>24,418,199</b>	<b>24,400,944</b>	<b>17,255</b>
13	Value Added Tax	347,000	(245,099)	101,901	67,362	34,539
	<b>TOTAL EXPENDITURE</b>	<b>27,510,345</b>	<b>---</b>	<b>27,510,345</b>	<b>27,290,454</b>	<b>219,891</b>

## **PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**

### **35.4 Internal Controls**

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

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

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

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity’s objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.*

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

*Examples of issues which would fall under this category are reported the management of the entities on matters relating to internal controls.*

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

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

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

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

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

### 35.5 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unpresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

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

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

Rating	Year-end close process assessment
Effective	All 10 key processes completed by due date

### 35.6 Quality of draft financial statements by entities

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

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

Rating	Quality of draft financial statements assessment
Generally effective	Adjustments on operating results/net assets were less than one percent

### 35.7 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
Effective	Acceptable draft financial statements received before or on 1 October 2017

### 35.8 Timeliness of Management Comments

To assess the timeliness of management comments, we have compared the date agency financial statement draft management letter (DML) was issued and the date management comments was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
Effective	Management comments received within 14 days from the date agency financial statement draft management letter (DML) was issued

### 35.9 Timeliness of Signed Accounts Received

To assess the timeliness of signed accounts received, we have compared the date financial statements were sent to ministries/departments for signing and the date signed financial statements was received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☀ Generally effective	Signed financial statements received within 15 days

## **PART C: OTHER SIGNIFICANT MATTERS**

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

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

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

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

### **35.10 Breaches of Internal Controls for Payment of Goods**

The Accounts Officer must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an LPO, indent, contract, invoice, statement or other authorisation;
- ii. there is documentation that the goods, services or works have been received;
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid;
- v. the expenditure account it is charged to is correct.<sup>1</sup>

The Ministry paid a sum of \$3,711.90 on cheque number 2693 dated 06/09/16 in the name of an employee of the Ministry for the purchase of basic utilities from a supplier for use by inmates engaged in cane cutting program at the Rakiraki Sector.

Even though a receipt of the same amount with details of the items were obtained by the Ministry from the supplier, the above is a breach of the internal control processes in that there was no Local Purchase Order raised, no invoice received and the cheque should have been made out to the supplier and not the staff of the Ministry.

The breach of internal control increase the risks of losses to government through theft and fraud.

#### **Recommendation**

**The Ministry should ensure that all cheques are paid out to the suppliers for goods and services and not to Ministry's officials.**

#### **Ministry's Comment**

*All payments are made under the suppliers of goods and services. The employee referred to is no longer employed with the Ministry. Her case has been referred to FICAC for investigation.*

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<sup>1</sup> Ministry of Sugar Finance Manual Part 2

### 35.11 Absence of Risk Management Policy

Each agency must have in place a cost-effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors; and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.<sup>2</sup>

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

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

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

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

The above also indicate that currently the Ministry does not have an established governance and accountability function to drive the risks management framework.

#### Recommendations

**The Ministry should work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations.**

**Following the establishment of the governance and accountability function, a risk management framework should be developed and continuously used.**

#### Management Comments

*The Ministry will create an internal controls policy which will ensure that the Ministry's interests are safeguarded and Ministry's operations are efficient and effective. Once the policy is in place, training will also be provided to staffs across the ministry to ensure they are aware of the policy and are able to identify and report on any suspicious activity. This is expected to be completed by May 2018.*

*Also note that an internal audit was carried out by Ministry of Economy in January 2018 and the Ministry of Sugar Industry will encourage the Ministry of Economy have this audit done in regular intervals for greater accountability and transparency.*

*In the Accounting Heads meeting held on 31st January, it was discussed that PFTAC (Pacific Technical Assistance Centre) had agreed to provide assistance on risk framework and Ministry Accounting Heads will be invited once training is confirmed. The Ministry will also send the Accounts Officer (Accounting head) and AAO (Assistant Accounts Officer) to a training organized by USP that will be held on 13th June 2018 on Risk management. The Ministry intends to have the framework in place by July 2018.*

<sup>2</sup> Finance Instruction 2010 – Section 59

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## Section 36 Ministry of Public Enterprise and Government Printing

### Roles and Responsibilities

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

The Government Printing and Stationery Department is responsible for printing Government documents and the Laws of Fiji. The Department is managed by the Government Printer who currently reports to the Permanent Secretary for Public Enterprise

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**PART A: FINANCIAL STATEMENTS****36.1 Audit Opinion**

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

**36.2 Statement of Receipts and Expenditure**

The Ministry collected agency revenue totalling \$83,909 and incurred a total expenditure of \$3.4 million for the year ended 31 July 2017. Details are provided in Table 36.1.

**Table 36.1: Statement of Receipts and Expenditure for 2017**

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

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

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

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

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

### 36.3 Appropriation Statement

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

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

Details of expenditure against the revised budget are provided in Table 36.2.

**Table 36.2: Appropriation Statement for 2017**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,085,745	(76,000)	3,009,745	1,981,073	1,028,672
2	Unestablished Staff	404,249	---	404,249	348,579	55,670
3	Travel & Communication	100,300	---	100,300	61,003	39,297
4	Maintenance & Operations	606,000	30,000	636,000	420,154	215,846
5	Purchase of Goods & Services	84,500	---	84,500	32,786	51,714
6	Operating Grants & Transfers	6,055,046	---	6,055,046	---	6,055,046
7	Special Expenditure	475,000	46,000	521,000	475,844	45,156
	<b>Total Operating Expenditure</b>	<b>10,810,840</b>	<b>---</b>	<b>10,810,840</b>	<b>3,319,439</b>	<b>7,491,401</b>
9	Capital purchase	46,700	---	46,700	46,700	---
10	Capital Grants and Transfers	3,000,000	---	3,000,000	---	3,000,000
	<b>Total Capital Expenditure</b>	<b>3,046,700</b>	<b>---</b>	<b>3,046,700</b>	<b>46,700</b>	<b>3,000,000</b>
13	Value Added Tax	118,200	---	118,200	83,837	34,363
	<b>TOTAL EXPENDITURE</b>	<b>13,975,740</b>	<b>---</b>	<b>13,975,740</b>	<b>3,449,976</b>	<b>10,525,764</b>

The Ministry collected revenue totalling \$83,909 in 2017, an increase of 56% from the previous year.

### 36.4 Trading and Manufacturing Account

The Trading and Manufacturing Account (TMA) relates to the Government Printing Department. The significant variances in the balances recorded in the various accounts detailed on Tables 36.3 to 36.6 were mainly due to the differences in the financial period reported. The Government Printing Department has been identified for divestment which also contributed to the significant variances in balances in 2017.

#### 36.3 Manufacturing Account – Trading and Manufacturing Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Raw Materials (01/08/16)	482,827	626,880
Add: Purchases	622,817	237,753
	<b>1,105,644</b>	<b>864,633</b>
Less: Raw Materials (31/07/17)	480,738	482,827
Raw Materials Used	624,906	381,806
Add: Work in Progress(01/08/16)	13,854	246,041
	638,760	627,847
Add: Direct Labour	82,706	4,671
Less: Work in Progress (31/07/17)	64,430	13,854
<b>Cost of Manufactured Goods Transferred to Trading Account</b>	<b>657,036</b>	<b>618,664</b>

#### 36.4 Trading Account – Trading and Manufacturing Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Sales</b>	<b>1,416,584</b>	<b>702,352</b>
Stock of Finished Goods (01/08/16)	670,049	664,111
Add: Cost of Manufactured Goods	657,036	618,664
Goods available for sale	1,327,085	1,282,775
Less: Stock of Finished Goods (31/07/17)	800,755	670,049
<b>Cost of Finished Goods Sold</b>	<b>526,330</b>	<b>612,726</b>
<b>Gross Profit Transferred to Profit and Loss Statement</b>	<b>890,254</b>	<b>89,626</b>

#### 36.5 Profit and Loss Statement – Trading and Manufacturing Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>Income</b>		
Gross Profit transferred from Trading Account	890,254	89,626
<b>Expenses</b>		
Maintenance & Operations	190,542	55,242
<b>Total Expenses</b>	<b>190,542</b>	<b>55,242</b>
<b>Net Profit</b>	<b>699,712</b>	<b>34,384</b>

## 36.6 Balance Sheet – Trading and Manufacturing Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Accounts Payable	15,598	15,598
Deposits & Deductions	120,853	56,913
Total Equity	2,957,744	2,705,570
<b>Total Liabilities and Equity</b>	<b>3,094,195</b>	<b>2,778,081</b>
Cash at Bank	825,405	974,284
Account Receivable	922,867	637,067
IC Raw Materials	480,738	482,827
Work In progress	64,430	13,854
Finished Goods for sale	800,755	670,049
<b>Total Assets</b>	<b>3,094,195</b>	<b>2,778,081</b>

## **PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**

### **36.5 Internal Controls**

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

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

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

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity’s objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to*

authorization, performance reviews, information processing, physical controls, and segregation of duties.

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls.

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and functioning. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.

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

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

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

Rating	Internal control assessment
* Effective	No deficiencies identified in internal controls

### 36.6 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, the Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of un-presented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017

- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

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

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

Rating	Year-end close process assessment
☀ Generally effective	Five of 10 key processes completed within two weeks of due date

### 36.7 Quality of Draft Financial Statements by Entities

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

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

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

### 36.8 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
☀ Generally effective	Acceptable draft financial statements received on or before 16 October 2017

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

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

Rating	Timeliness of Management Comments Received
• Ineffective	After 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
• Ineffective	After 15 days from issue of Financial Statements for signing

**PART C: OTHER SIGNIFICANT MATTERS**

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

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

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

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

**36.10 Significant Arrears of Revenue – TMA Accounts Receivable**

As at 31/07/2017, accounts receivable under the Government Printing Department's TMA (aging debtors) was \$922,866.

Our audit noted a variance of \$680,598 between the Arrears of Revenue Return prepared by the Government Printing Department and the general ledger records. Refer to Table 36.7 for details:

**Table 36.7: Variance between the Department Records versus General Ledger Records**

Arrears of Revenue	Amount (\$)
Arrears of Revenue Return	242,268
General Ledger (GL) (4-36500-00000-560000)	922,866
<b>Variance</b>	<b>680,598</b>

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

Moreover, the Government Printing Department underwent numerous changes in its Head Number. (ORG No.) Since 2014. Due to these changes, the Department could not access the old Head Number in the GL, thus the difficulty in obtaining the report to provide evidence to the variances.

The Department normally consults with Ministry of Economy on issues that are beyond their jurisdiction.

**Recommendation**

**The Government Printing Department should consult with the Ministry of Economy (MoE) for FMIS accessibility and work with the Ministry to reconcile the variances between the Departmental records and the general ledger records. A thorough review of the Receivable accounts should be performed to determine the details of the balances reflected in the TMA including any variances with the listings.**

**Ministry's Comments**

*The recommendation is noted.*

*GPSD has been liaising with the FMIS Section of Ministry of Economy to identify variances between the Aging report and the General Ledger. We have provided FMIS with relevant transactions details and documents to resolve this issue.*

## Section 37 **Ministry of Local Government, Town Country Planning and Environment**

### Role and Responsibilities

The Ministry of Local Government, Town Country Planning and Environment is responsible for formulating and implementing local government and urban planning policies, developing Government policy for the protection of the environment and its sustainable use and policing the use of the environment to ensure compliance with Government policy.

The Ministry also partners with other authorities such as National Fire Services, Municipal Councils nationwide, as well as with international donor agencies that conduct environment and climate change programs. The Ministry has three main Departments under its portfolio: the Department of Town and Country Planning, the Department of Local Government and the Department of Environment.

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**PART A: FINANCIAL STATEMENT****37.1 Audit Opinion**

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

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

Attention is also drawn to the state of internal controls of the Ministry where necessary controls such as timely reconciliations were not performed for Drawings Account, Accounts Payable, Operating Trust Fund, Environment Trust Fund Account, Advances, Salaries and Wages Account during the year. These are critical areas of the Ministry's operation and if not addressed promptly may result in financial losses or financial irregularities in the near future.

**37.2 Statement of Receipts and Expenditure**

The Ministry of Local Government, Town Country Planning and Environment collected revenue totalling \$444,780 and incurred a total expenditure of \$18,231,575 for the year ended 31 July 2017. Details are provided in Table 37.1.

**Table 37.1: Statement of Receipts and Expenditure for 2017**

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Town and Country Planning Fees	256,537	174,574
Commission	3,430	4,639

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

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

The decrease in expenditure for 2017 was due to the decrease in capital grants and transfers. This was due to nil expenditure for re-development of Albert Park and Churchill Park as no re-development works were conducted in 2017 on these sites.

### 37.3 Appropriation Statement

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

Details of expenditure against the revised budget are provided in Table 37.2.

Table 37.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
<b>Operating Expenditure</b>						
1	Established Staff	3,231,836	87,552	3,319,388	3,308,090	11,298
2	Government Wage Earners	165,016	134,594	299,610	292,857	6,753
3	Travel & Communications	211,200	61,287	272,487	218,889	53,598
4	Maintenance & Operations	326,200	49,000	375,200	277,215	97,985
5	Purchase of Goods & Services	206,560	(9,858)	196,702	147,854	48,848
6	Operating Grants & Transfers	1,807,620	---	1,807,620	910,715	896,905
7	Special Expenditures	3,325,626	(395,211)	2,930,415	1,702,929	1,227,486
	<b>Total Operating Expenditure</b>	<b>9,274,058</b>	<b>(72,636)</b>	<b>9,201,422</b>	<b>6,858,549</b>	<b>2,342,873</b>
<b>Capital Expenditure</b>						
8	Capital Construction	4,247,875	---	4,247,875	721,796	3,526,079
9	Capital Purchase	900,000	72,636	912,636	810,867	101,769
10	Capital Grants & Transfers	9,994,100	-	9,994,100	9,700,886	293,214
	<b>Total Capital Expenditure</b>	<b>15,081,975</b>	<b>72,636</b>	<b>15,154,611</b>	<b>11,233,549</b>	<b>3,921,062</b>
13	Value Added Tax	737,100	---	737,100	139,477	597,623
	<b>TOTAL EXPENDITURE</b>	<b>25,093,133</b>	<b>---</b>	<b>25,093,133</b>	<b>18,231,575</b>	<b>6,861,558</b>

The Ministry Local Government, Town Country Planning and Environment collected revenue totalling \$444,780 in 2017, an increase of 29% from the previous year.

### 37.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry of Local Government, Town Country Planning and Environment operate and maintains the Environment Trust Fund Account as per detail below.

#### 37.4.1 Environment Trust Fund Account

The Environment Management Act 2005 establishes the Environment Trust Fund Account into which shall be paid, money appropriated by Parliament, any environmental bond, any contribution or donation, fines of fixed penalties or any other money required under the Act or any other written law to be paid into the fund.

The Department of Environment administers the trust fund for various purpose including payment for debts for nature swaps, payment for necessary expenses incurred in the negotiation, monitoring, investigation or analysis of any matter or the undertaking of any environmental monitoring or audit programme, payment for environmental rehabilitation work, research programmes, refund of environmental bonds and security of costs and rewards under the Act.

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

Details of receipts against the payments are provided in Table 37.3

**Table 37.3: Trust Account Statement of Receipts & Payments for 2017**

Description	31 July 2017 (\$)	31 July 2016 (\$)
<b>RECEIPTS</b>		
Ozone Depletion Substance (ODS) Fines	217,917	233,080
Waste and Environment Impact Assessment	3,525,874	1,201,105
Environment Trust	319,539	88,467
Convention on International Trade in Endangered Species	44,368	7,007
<b>Total Receipts</b>	<b>4,107,698</b>	<b>1,529,659</b>
<b>PAYMENTS</b>		
Ozone Depletion Substance (ODS) Fines	200	22
Waste and Environment Impact Assessment	2,358,548	1,256,149
Environment Trust	---	245,750
Convention on International Trade in Endangered Species	---	140,355
<b>Total Payments</b>	<b>2,358,748</b>	<b>1,642,276</b>
Net Surplus/(Deficit)	1,748,950	(112,617)
Balance as at 1 January	2,781,989	2,894,606
<b>Closing Balance as at 31 July</b>	<b>4,530,939</b>	<b>2,781,989</b>

## **PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**

### **37.5 Internal Controls**

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

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

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

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

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity’s objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.*

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

*Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls.*

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

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

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

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

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

### 37.6 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017

- Submission of arrears of revenue returns by 31 August 2017

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

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

Ratings	Internal control assessment
☠ Ineffective	Less than five of 10 key processes completed within two weeks of due date

### 37.7 Quality of draft financial statements by entities

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

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

Ratings	Internal control assessment
☠ Ineffective	Audit adjustments identified were more than 1% of the operating results. The adjustments were not passed since the adjustment period were closed by the Ministry of Economy

### 37.8 Timeliness of Draft Financial Statements

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

Ratings	Internal control assessment
☠ Ineffective	Acceptable draft financial statements received after 16 October 2017

### 37.9 Timeliness of Provision of Management Responses and Signing of Financial Statements

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

Rating	Timeliness of Management Comments Received
☠ Ineffective	Management response received after 21 days

Rating	Timeliness of Signed Financial Statements Received
☘ Effective	Signed accounts was received within 5 days

## PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

### 37.10 Late Submission of Draft Agency Financial Statement

All agencies are required to prepare their respective agency accounts and submit to the Office of the Auditor General two months after closing of accounts. The Agency financial statement will form an integral part of the Agency annual report which is for this financial period have to be tabled in Cabinet by your respective Ministers three months after the closing of accounts.<sup>1</sup>

Permanent Secretaries of Ministries and Departments are requested to ensure that Accounting Heads comply with the above requirements to ensure that the agency financial accounts for the financial year ending 31<sup>st</sup> July 2017 are properly closed off and be ready in time for audit by the Office of the Auditor General by 31<sup>st</sup> August 2017.<sup>2</sup>

- The Ministry submitted its first draft financial statement for audit on 19<sup>th</sup> January 2018 which is five months after the due date of submission.
- The Ministry re-submitted its draft financial statements on 27<sup>th</sup> February 2018 after correcting errors were found in the initial draft.

We were informed by the Ministry that the delay in the submission of the draft financial statements for audit was due to unavailability of appropriate staff to carry out the necessary accounting work including preparation of the financial statements.

Delay in the submission of the financial statements resulted in delay in the completion of audit of the Ministry and contributed to the delay in the finalization of the audit report on Whole of Government accounts.

### Recommendations

- **The Ministry should comply with the Ministry of Economy closing of accounts circular and ensure that the draft financial statements are submitted to the Auditor General's Office in a timely manner; and**

<sup>1</sup> Ministry of Economy Circular Number .04/2017- 2016-2017 Closing of Accounts Procedures- Paragraph 18.1

<sup>2</sup> Ministry of Economy Circular Number .04/2017- 2016-2017 Closing of Accounts Procedures- Paragraph 18.2

- **The Ministry should also ensure that there is adequate staffing in Accounts section at all times to carry out the accounting functions.**

### **Ministry's Comments**

We have noted your comments; the Ministry has submitted the 2016-2017 Draft Agency Financial Statement (AFS) in late due to staff constraints and backlog of works for the said year. The AFS was prepared and submitted to Office of the Auditor General for auditing. The Ministry will ensure to strictly adhere to set out dates as per Closing of Accounts Circular issued by Ministry of Economy before the end of each accounting period.

### **37.11 Records not provided for audit review – Operating Fund Account**

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 Senior Accountant is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>3</sup> The journal vouchers together with the supporting documents shall be forwarded to the Senior Accountant or Assistant Accountant for filing.<sup>4</sup>

The following records were not provided for audit review:

- Payment vouchers totalling \$874,931. Refer to **Appendix 1** for details.
- Journal vouchers totalling \$444,780 to support recording of revenue in the general ledger. Refer to Table 37.4 below for details of revenue recorded in the general ledger.

**Table 37.4: Details of Revenue Recorded in the General Ledger System**

General Ledger Account	General Ledger Description	Trust Fund Liability (\$)	Remarks
1-37000-00000-SDTR00	TOTAL REVENUE	444,780	The Ministry could not locate the journal vouchers as the accounts section reveal that they cannot locate the records as the previous accounts staff did not maintain the records properly for safekeeping
<b>TOTAL</b>		<b>444,780</b>	

We were informed by the Ministry that the above mentioned records could not be located in the premises of the Ministry.

The above finding indicates that the Ministry did not follow proper procedures for safe keeping of critical documents and accounting records. This is a very serious matter as it increases the risk of irregularities or fraudulent activities which cannot be substantiated due to missing records.

As a result of relevant records not being provided for audit review, we were unable to verify the completeness and accuracy of the revenue and expenditure reported in the Statement of Revenue and Expenditure.

<sup>3</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 19.2.1

<sup>4</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.7

## Recommendations

### The Ministry should:

- hold staffs accountable and take appropriate disciplinary actions against staffs who had the responsibility to oversee the Finance section and maintenance of accounting records; and
- implement stringent procedures in handling and storage of accounting records which may also include restriction to unauthorized personnel in the records section.

### Ministry's Comments

We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that safe custody of accounting records are maintained, recorded and made available for auditing whenever required.

Measures taken to avoid the issue raised again;

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

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

## 37.12 Misstatement of Capital Expenditures

Expenditure of money appropriated by an Appropriation Act may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in relation to the head of appropriation.<sup>5</sup>

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.<sup>6</sup>

Our audit noted that Naboro Landfill subsidy expenditure<sup>7</sup> was recorded as Naboro Landfill Construction expenditure<sup>8</sup> in the general ledger. Refer to Table 37.5 for details.

**Table 37.5: Expenditure Recorded Contrary to Budget Appropriation**

Date	Cheque Number	Amount (\$)	Monthly claim for Naboro Landfill Subsidy <sup>9</sup>	Anomalies
20/02/17	43547	78,585	December	• All expenditures were recorded as Naboro Landfill Stage 2 construction (SEG 8)
09/03/17	43628	78,058	January	
11/05/17	43942	69,627	February	

<sup>5</sup> Financial Management Act 2004 – Section 14 (1)

<sup>6</sup> Finance Instructions 2010 – Section 7

<sup>7</sup> The expenditure are recorded as Standard Expenditure Group Six (SEG 6) in the general ledger system.

<sup>8</sup> The expenditure are recorded as Standard Expenditure Group Eight (SEG 8) in the general ledger system.

<sup>9</sup> As per General Ledger and corresponds to Naboro Landfill- Subsidy as per records of claim tabulated and maintained by Department of Environment

Date	Cheque Number	Amount (\$)	Monthly claim for Naboro Landfill Subsidy <sup>9</sup>	Anomalies
				instead of Naboro Landfill Subsidy (SEG 6). <ul style="list-style-type: none"> <li>• Approvals and payment vouchers not provided for audit</li> </ul>
24/05/17	43995	76,463	March	<ul style="list-style-type: none"> <li>• The expenditure were recorded as Naboro Landfill Stage 2 construction (SEG 8) rather than Naboro Landfill Subsidy (SEG 6).</li> <li>• Supporting documents not stamped "Paid" and payment voucher not provided.</li> </ul>
<b>Total</b>		<b>302,733</b>		

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

As a result, expenditure recorded in the general ledger for Standard Expenditure Groups (SEGS) six and eight do not accurately reflect the expenditure incurred for Naboro Landfill subsidy and Naboro Landfill Construction-Stage 2.

### **Recommendations**

- **The Ministry should ensure that expenditures are charged to the correct allocations; and**
- **Monthly review of the general ledger posting is carried out by Senior Accounts officer to ensure accuracy of posting in FMIS.**

### **Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that all payments are prepared from the accurate allocations which is relevant for its intended purposes.*

### **Measures taken to avoid the issue raised again**

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

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

**37.13 Unreconciled Main Trust Fund Account Balance- Department of Environment**

Within 5 days after the end of each month, the assistant accounts officer shall prepare trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account<sup>10</sup>

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. Unreconciled items must be investigated and resolved promptly.<sup>11</sup>

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and must be signed and dated by the responsible officer.<sup>12</sup>

Our audit noted a variance of \$1,033,868 between the trust fund cash balance of \$5,564,807 recorded in the general ledger and the trust fund liability account balance of \$4,530,939 as at 31 July 2017. Refer to Table 37.6 below for details.

**Table 37.6: Details of Trust Fund Account Variance Recorded in the General Ledger System**

General Ledger Account	Trust Fund Cash (\$)	Trust Fund Liability (\$)	Variance Amount (\$)
9-37000-00000-520000	5,564,807		
9-37000-00000-890000		4,530,939	
<b>Variance</b>			<b>1,033,868</b>

It was further noted that the trust fund cash at bank account maintained at Westpac Banking Corporation (WBC) did not reconcile to the cash recorded in the general ledger balance as at 31 July 2017; a variance of \$70,195 existed between the trust fund cash recorded in the general ledger and the bank balance at Westpac Banking Corporation (WBC). Refer to Table 37.7 for details.

**Table 37.7: Variance in Trust Fund Cash at Bank Balances**

Description	Amount (\$)
Cash recorded in the general ledger system	5,564,807
Cash at bank balance as per bank confirmation	5,635,002
<b>Variance</b>	<b>70,195</b>

In addition to the above, our audit established that the general ledger balance of the Trust Fund cash account did not reconcile to the bank reconciliation statement. A variance of \$2,500,755 was noted, details of which are shown in Table 37.8 below.

<sup>10</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 15.4.1

<sup>11</sup> Finance Instructions 2010, Section 58 (2-3)

<sup>12</sup> Finance Instructions 2010, Section 32 (6)

**Table 37.8: Variance in Trust Fund Cash at Bank Balances**

Description	Amount (\$)
Bank Reconciliation balance	8,065,562
Cash recorded in the general ledger system	5,564,807
<b>Variance</b>	<b>2,500,755</b>

It was also noted that the reconciliation was performed in February 2018, six months after the transactions had occurred.

The above variances are largely attributed to absence of timely reconciliations.

Due to the variances, the accuracy of trust fund account balances reported in the Environment Trust Fund Account Statement of Receipts and Payments could not be substantiated.

### **Recommendations**

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

- ensure that monthly reconciliations are properly carried out and reconciled to the general ledger and any variances are investigated and rectified on a timely basis; and
- monthly reconciliations are reviewed and signed-off by a responsible officer taking responsibility of any irregularities in the reconciliation process.

### **Ministry's Comments**

*We have noted your comments in relation to the qualification pertaining to the Department of Environment Main Trust Fund account. With the assistance from FMIS, the Ministry will reconcile the Main Trust reconciliation from 2012 to July 2017. With regards to the variance of \$1,033,867.93 between Trust Revenue Account and Bank Account, the Ministry will submit the submission to Ministry of Economy to rectify the variance from inception which had resulted from prior year's mispostings and adjustments by end of July 2018.*

#### **Measures taken to avoid the issue raised again**

1. Provision of FMIS training for Accounts Personnel
2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations.
3. All reconciliations prepared are verified and signed copy of the reconciliation is submitted to Ministry of Economy
4. All underline reconciliations are to be prepared on a monthly basis
5. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times.

*The Ministry is closely working with Ministry of Economy to adjust this variance with 2017-2018 period.*

### **37.14 Stale cheques Not Journalised for Main Trust Account**

Specimen signatures of cheque and encashment signatories, and details of any conditions of appointment, must be submitted to the Chief Accountant.<sup>13</sup> The Accounting Head must make all

<sup>13</sup> Finance Instruction Section 33, subsection 1

attempts to issue stop notices for all cheques that have remained un-presented for more than 6 months.<sup>14</sup>

Stale cheques (those which are at least six months old) must be reviewed each month to determine the need for a replacement cheque. Where a replacement cheque is not required, action should be taken to clear it.<sup>15</sup>

Audit review of the Ministry's un-presented cheque listing revealed that cheques totalling \$392,131 were more than six months old hence deemed to be stale as at 31/07/2017. Refer to Table 37.9 below for details:

**Table 37.9: Details of Main Trust Fund Account Stale Cheques**

Date	Cheque Number	Amount (\$)
22/03/2012	194	2,941
04/04/2012	197	13,800
30/05/2016	327	16,719
01/06/2012	191	18,395
17/07/2013	244	19,950
04/04/2012	196	24,625
30/03/2012	195	40,073
05/11/2012	199	79,041
16/03/2012	192	176,587
<b>TOTAL</b>		<b>392,131</b>

As shown in the table above, most of the cheques relate to the 2012 and 2013 financial year which should have been written-back long ago.

The above finding indicates that appropriate accounting procedures were not followed by staffs responsible.

### **Recommendations**

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

- ensure that accounting officers have adequate competency in all areas of government accounting;
- ensure that review function in the area of bank reconciliation is strengthened; and
- ensure that stale cheques are adjusted in a timely manner.

### **Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that all underline accounts reconciliation are prepared accurately and any variance encountered are resolved immediately.*

<sup>14</sup> Finance Instruction Section 33, subsection 2

<sup>15</sup> Finance Instruction Section 33, subsection 2

**Measures taken to avoid the issue raised again**

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

In relation to the anomalies raised for stale cheques from the Main Trust Fund reconciliations is concerned, the Ministry has taken active role in getting the variance rectified and cleared with the assistance from FMIS in 2017-2018 accounting period.

The Ministry will be submit the submission to Ministry of Economy to rectify the variance which had resulted from prior year's mispostings and adjustments within 2017-2018 accounting period.

The Ministry is closely working with Ministry of Economy to adjust this variance.

As a way forward, the Ministry will ensures that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.

**37.15 Records not provided for audit verification – Main Trust Fund Account**

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. The Senior Accountant is responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>16</sup> The journal vouchers together with the supporting documents shall be forwarded to the Senior Accountant or Assistant Accountant for filing.<sup>17</sup>

- Payment vouchers totalling \$1,171,987 to support the expenditure recorded in the main trust general ledger expenditure account were not provided for audit review as the Ministry could not locate the records. Refer below to Table 37.10 for details.

**Table 37.10: Details of Missing Payment Voucher Records for Main Trust Fund Account**

Date	Cheque Number	Amount (\$)	Description
29/8/2016	333	220,771	TF HUD LITTER DECREE
29/08/2016	335	63,937	
9/12/2016	338	233,313	
11/03/2016	340	158,228	
Period 08/2017	AP6707	161,987	
period 11/2017	AP0477	156,022	
period 11/2017	AP0881	161,156	
Period 11/2017	AP9693	16,573	
<b>Total</b>		<b>1,171,987</b>	

<sup>16</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 19.2.1

<sup>17</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.7

- In addition to the above, journal vouchers totalling \$317,894 for adjustments made in the main trust general ledger receipt account were also not provided for audit review as the Ministry could not locate the records. Refer below to Table 37.11 for details.

**Table 37.11: Details of Missing Journal Voucher Records for Main Trust Fund Account**

Date	Journal Voucher Number	Amount (\$)	Description
<b>Main Trust Account</b>			
Aug-16	N/A	6,123	R22 Import Fees - ODS Fines Environment Trust
Aug-16	N/A	26,532	
Apr-17	JV 51/02	86,900	ODS Fines Environment Trust
Nov-16	JV 19/03	185,070	TF HUD Litter Decree
Nov-16	JV 26/11	1,659	Environment Trust
Apr-17	JV 53/02	11,610	Environment Trust
<b>Total</b>		<b>317,894</b>	

Unavailability of relevant accounting records provided a limitation to the scope of our audit.

As such, we were unable to verify the completeness and accuracy of the trust fund account balance reported in the Environment Trust Account Statement of Receipts and Payments.

### **Recommendation**

**The Ministry should ensure that critical records are properly maintained and provided for audit and other reviews.**

### **Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that safe custody of accounting records are maintained, recorded and made available for auditing whenever required.*

*Measures taken to avoid the issue raised again;*

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

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

### 37.16 Variances in payroll records

Expenditure of money appropriated by an Appropriation Act may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in relation to the head of appropriation.<sup>18</sup>

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.<sup>19</sup>

Our audit established a variance of \$268,110 between the Ministry's payroll report and the general ledger account. While we were able to identify mispostings totalling \$134,989 which were for wages and travelling expenditure recorded as salary for established staffs, satisfactory explanations were not provided for the variance of \$133,121. Refer to table 37.12 and table 37.13 for details.

**Table 37.12: Expenditure Recorded as Established Expenditure Contrary to Budget Appropriation**

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

**Table 37.13: Expenditure Recorded as Established Expenditure Contrary to Budget Appropriation**

Date	Journal Voucher Number	Amount (\$)	Budget Appropriation	Expenditure Details	Anomalies
Various	Various Cheque Number	68,835	SEG Unestablished Wages	2- Payment of wages from the SEG 1 allocation	The amount were posted into SEG 1 of Head 37 contrary to the Budget Appropriation.
Various	Various Cheque Number	66,154	SEG 3- Subsistence	Payment of per diem allowance from SEG 1 allocation	The amount were posted into SEG 1 of Head 37 contrary to the Budget Appropriation.
<b>Total</b>		<b>134,989</b>			

The Ministry indicated that the above postings were done by a Temporary Relieving Clerical Officer (TRCO) without proper review by the Deputy Secretary who was in charge of the Accounts section.

The anomalies highlighted above are mainly attributable to the non-performance of monthly salary reconciliations.

#### **Recommendations**

- **Monthly salary reconciliation and review of the general ledger postings should be carried out by Senior Accounts officer to ensure accuracy of posting in FMIS; and**

<sup>18</sup> Financial Management Act 2004 – Section 14 (1)

<sup>19</sup> Finance Instructions 2010 – Section 7

- The Ministry should also ensure that mispostings are adjusted in a timely manner so that expenditures are not misstated in the general ledger.

### **Ministry's Comments**

We have noted your comments; with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that underline accounts reconciliation (Salaries and Wages) are prepared accurately and any variance to be cleared via journal voucher with relevant accounting records are endorsed by the Accounting Head before journals are processed in FMIS.

In relation to the anomalies raised for unidentified variance in the Salary reconciliation is due to staffs salary is not correctly tagged under department they belong as per the payroll while compared with Person to Post.

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

### **Measures taken to avoid the issue raised again;**

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

### **37.17 Provisional Tax Not Retained**

A business making a commission payment or payment under a formal contract for services is required to withhold 5% withholding tax (also known a provisional tax). The payer (person withholding the tax) is required to pay the tax collected.<sup>20</sup>

The Ministry engaged the contractor the Naboro Landfill Stage 2 project.

Our audit noted that the Ministry did not withhold a sum of \$45,573 being 5% provisional tax on payments made to the contractor Refer to Table 37.14 for details.

**Table 37.14: Details of Provisional Tax not collected**

Date	Cheque Number	Amount (\$)	Provisional Tax Not Deducted (\$)
02/02/17	43442	70,167.89	3,219
18/01/17	43355	138,393.19	6,348
26/07/17	44283	70,831.58	3,249
18/01/17	43354	348,316.53	15,978
20/02/17	43547	78,584.99	3,605
09/03/17	43628	78,058.26	3,581
11/05/17	43942	69,627.49	3,194
24/05/17	43995	76,463.00	3,507
19/06/17	44109	63,055.46	2,892
<b>Total</b>			<b>45,573</b>

<sup>20</sup> <https://www.fracs.org.fj/?s=provisional> (Fiji Revenue and Custom Authority – Fiji Tax and Customs Summary – 2016 – No. 19)

The above finding indicates that the officer responsible for payments did not comply with the relevant legislation.

The Ministry states that the amount has been deducted from the 2017-2018 claim and settled with FRCS but Audit was not provided with supporting documents to substantiate this.

Not withholding the provisional tax and remitting the same to FRCS resulted in non-compliance to statutory requirement. The Ministry is exposed to penalties or fines from FRCS.

### **Recommendations**

- **The Ministry should ensure that compliance is made with the tax legislation; and**
- **The Ministry should liaise with the contractor in view of recovering the provisional tax not deducted at source and regularize the payment to FRCS.**

### **Ministry's Comments**

*We have noted your comments. The Ministry is in consultation with the contractor on the non-payment of \$45,573 of provisional tax from the contractor's claims for 2016-2017 period. The said sum shall be deducted and remitted from the contractors claim to Fiji Revenue & Customs Authority before 30/9/2018.*

*The said sum of \$45,573 was not deducted from the contractual payments for 2016-2017 period however, the sum to be recovered from 2017-2018 last claim for Naboro Landfill Stage 2, Cell 2 which is due in the first quarter of 2018-2019 period upon release of Requisition to Incur Expenditure (RIE).*

### **Measures taken to avoid the issue raised again**

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

*The Ministry will ensure that all payments are made in consideration with valid applicable tax regulations.*

## **37.18 Trust Fund Expenditure Paid From Operating Drawings Account**

All business transaction must be captured by the respective appropriation code and cost centres, if applicable that are responsible for their approval and budgetary controls and management reporting.<sup>21</sup>

Trust money is to be accounted for separately from public money and other money within the meaning of this Act.<sup>22</sup> Trust money is to be kept in a separate bank account pending its withdrawal

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<sup>21</sup> Chart of Accounts (Part 2) – Reporting Structure Flowchart for Fiji Government 2005

<sup>22</sup> Financial Management Act 2004 – Section 25 (1)

(including withdrawal for use or investment)<sup>23</sup>. The money standing to the credit of the Environmental Trust Fund may be paid out in accordance with the prescribed rules consistent with the requirements of the Financial Management Act 2004.<sup>24</sup>

Our audit noted that the Ministry recorded cash withdrawal totalling \$348,317 through cheque 43354 of 18/01/17 from the operating drawing general ledger account to pay for main trust fund expenditures. Refer to Table 37.15 for details.

**Table 37.15: Details of Trust Expenditure Funded from Operating Drawings Account**

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

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

Cash balances recorded in the general ledger and reported in the financial statement may not be fairly stated if the correct bank account is not used to make payments.

### **Recommendations**

- **The Principal Accounts Officer must ensure that the above anomaly is rectified and internal control such as supervisory checks and monthly reconciliations are strengthened to avoid such anomaly from recurring; and**
- **The Ministry should ensure that there is adequate staffing in the Accounts section to carry out the control functions required.**

### **Ministry's Comments**

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

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

*The Ministry will ensure that all payments are prepared from the accurate allocations which is relevant for its intended purposes.*

<sup>23</sup> Financial Management Act 2004 – Section 25 (2)

<sup>24</sup> Environment Management Act 2005- Section 55 (3)

**Measures taken to avoid the issue raised again**

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

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

### **37.19 Absence of Fixed Assets Register**

The Assistant Accountant shall be responsible for maintaining the fixed assets register. The fixed assets register shall provide details such as date of acquisition (including if asset was acquired by transfer, gift or second-hand) and cost, description, serial number and model, location, other relevant information (e.g. if asset is sold or written off).<sup>25</sup>

The Assistant Accountant must ensure that the fixed assets register is kept updated.<sup>26</sup>

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

In absence of a fixed assets register, the Ministry will have not have proper record of the assets it owns which also increases the risk of loss of assets without being detected.

#### **Recommendations**

- **The Ministry should ensure that a fixed assets register is maintained and updated after physical verification; and**
- **Necessary action should be taken to ensure that the register is maintained up-to-date.**

#### **Ministry's Comments**

We have noted your comments. The Ministry has now put in place the Fixed Asset Register to record all non-expendable items into the register. The recording of the fixed assets will capture all the details of the asset and its value.

The Ministry will ensure that safe custody of Fixed Assets Register are maintained, recorded and made available for auditing whenever is required.

#### **Measures taken to avoid the issue raised again;**

1. Provision of training on Maintenance of Records & Registers for Accounts Personnel

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<sup>25</sup> Ministry of Local Government Proforma Finance Manual 2013-Section 11.2.1

<sup>26</sup>Ministry of Local Government Proforma Finance Manual 2013- Section 11.2.2

2. *In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*
3. *Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times.*

*In relation to the anomalies in the maintenance of Fixed Asset Register is concerned, the Ministry has taken active role in getting the accounting records updated and Fixed Asset Register is updated accordingly.*

### **37.20 Expenditure Not Recorded in the General Ledger**

Upon clearance of the advance funds, the Assistant Accountant shall update the debtors register, offset the advance account and debit the appropriate expenditure account.<sup>27</sup>

Review of the Revolving Fund Account (RFA) revealed that the Ministry incurred expenditure of \$54,775 for Global Environment Facility which were not retired and recorded as expenditure for the period. Refer to Table 37.16 for details.

**Table 37.16: Details of Global Environment Facility Payments Not Retired to Expenditure**

<b>Date</b>	<b>Cheque Number</b>	<b>Description/ categories</b>	<b>Total (\$)</b>
29/09/16	42790	Payment for catering and set in regards to Global Environment Facility workshop up for reception dinner	32,550
30/09/16	42805	Payment of meal to 14 Department of Environment staff in regards to Global Environment Facility workshop	225
04/11/16	42988	Payment of ABS Project awareness materials which is to be paid by GEF UNDP ABS Project. This payment is in regards to Global Environment Facility (GEF) workshop	9,000
29/09/16	42794	Payment for T-Shirts for the GEF meeting	13,000
<b>Total</b>			<b>54,775</b>

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

Non-retirement of the RFA on time will result in the accumulation of the accounts receivable which will result in unrecorded expenditure for the period. Hence the Ministry's expenditure will be understated at year-end.

#### **Recommendation**

**Funds due from the donor should be followed up on a timely basis and RFA from which expenditures are incurred promptly cleared upon receipt of funds.**

#### **Ministry's Comments**

*We have noted your comments. The Ministry had received the funding from United Nations Office in relation to cater for the expenditures incurred for Global Environment Facility activities in 2016-2017 accounting period which was journalized from the Revolving Fund Account.*

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

<sup>27</sup> Ministry of Local Government Proforma Finance Manual 2013- Section 10.1.16

**Measures taken to avoid the issue raised again;**

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

**37.21 Main Trust Journals Not Approved**

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.<sup>28</sup> Only the Senior Accountant or Assistant Accountant shall approve journal adjustments.<sup>29</sup> Once the journal voucher has been approved, it shall be posted into the appropriate ledger and the general ledger system.<sup>30</sup>

Review of the main trust fund journal entries recorded in the general ledger system revealed that journal vouchers prepared to post these entries were not approved by Senior Accountant or the Assistant Accountant. Refer to Appendix 2 for details.

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

In the absence of proper approval, unauthorised transactions could be recorded in the general ledger which allows room for fraudulent transactions.

**Recommendations**

**The Ministry should:**

- Strengthen compliance with internal controls over journal adjustments and take appropriate action for any breaches; and
- Ensure that there is adequate staffing in the Accounts section to carry out the control functions required.

**Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that all journal vouchers for underline accounts reconciliation are prepared accurately with relevant accounting records and are endorsed by the Accounting Head before journals are processed.*

**Measures taken to avoid the issue raised again;**

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

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<sup>28</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.1

<sup>29</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.2

<sup>30</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.5

### 37.22 Anomalies in the Operating Trust Fund Account

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at Ministry/Department level and/but most importantly at whole of Government level. The Assistant Accountant must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.<sup>31</sup> The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Finance.<sup>32</sup>

Trust Fund Accounts comprise 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 for separately from public money and other money,<sup>33</sup> and by convention should always have credit balances. Thus, the trust fund accounts should not at any time be overdrawn.<sup>34</sup>

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

- As at 31 July 2017, the Ministry's Operating Trust Fund Account had overdrawn balances totalling \$41,199. Refer to Table 37.17 below for details.

**Table 37.17: Details of Overdrawn Trust Accounts**

General Ledger Account	General Ledger Description	Amount (\$)
1-37101-37999-861101	202 PD OPR Current Year	30.00
1-37101-37999-861102	384 PD OPR Previous Year	245.00
1-37101-37999-861105	267 PD Rent Public Rental Brd	1,309.00
1-37101-37999-861202	241 PD CMLA	1,475.00
1-37101-37999-861204	244 PD LICl	2,389.00
1-37101-37999-861306	263 PD Housing Authority	1,800.00
1-37101-37999-861501	286 PD Fiji Public Service Association	29.00
1-37101-37999-861533	320 Wesram Finance	294.00
1-37101-37999-861536	Handy Finance Limited	233.00
1-37101-37999-861537	Carpenters Finance Fiji Ltd	785.00
1-37101-37999-861901	201 PD Tax Arrears / PAYE	28,746.00
1-37201-37999-861201	240 PD Fiji Care Insurance Group	3,864.00
<b>Total</b>		<b>41,199.00</b>

- Journal vouchers totalling \$4,900 were not provided for audit verification as these could not be located.

**Table 37.18: Details of Journal Vouchers Not Produced For Audit Verification as Records Are Missing**

Date	Journal Voucher Number	Amount (\$)	Description
<b>Operating Trust Receipts</b>			
23/03/2017	JV 02/03/2017	1,332.00	

<sup>31</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.4

<sup>32</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

<sup>33</sup> Financial Management Act 2004 – Section 25 (1)

<sup>34</sup> Finance Circular No. 4/98 of 30/03/98

Date	Journal Voucher Number	Amount (\$)	Description
23/03/2017	JV 03/03/2017	2,423.00	VAT on Revenue Account 1-37201-
20/05/2017	JV 01/05/2017	585.00	37999-863201
26/05/2017	JV 02/05/2017	560.00	
<b>Total</b>		<b>4,900.00</b>	

- The Ministry did not carry out monthly reconciliations as required by the Finance Manual. Instead it carried out an annual reconciliation for the whole year.

The Ministry has attributed the above anomalies to the inadequate staffing in the Account Section.

As result, it was not possible to substantiate the accuracy of adjustments passed in the general ledger.

There is a high of risk of errors or omissions not being detected on a timely basis when reconciliations are not performed on a monthly basis.

### **Recommendation**

**The Ministry should investigate and rectify the above overdrawn (debit) balance and ensure that internal control procedures are strengthened to avoid such anomaly.**

### **Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that all journal vouchers for underline accounts reconciliation (Operating Trust Fund) are prepared accurately with relevant accounting records are endorsed by the Accounting Head before journals are processed.*

*In relation to the Overdrawn Trust Fund Account, the Ministry will ensure to reconcile the postings and will take appropriate adjustments accordingly in consultation with Ministry of Economy.*

### **Measures taken to avoid the issue raised again;**

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

## **37.23 Anomalies in Drawings Account**

The Assistant Accountant must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.<sup>35</sup> The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Finance.<sup>36</sup>

<sup>35</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.4

<sup>36</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

The Permanent Secretary shall appoint three officers to be part of a Board of Survey to conduct a physical stocktake of all money on hand and other stock held in safes.<sup>37</sup>

If cheques remain in the un-presented cheque list for more than 3 months, the Senior Accountant must attempt to locate the payees and have their cheques presented before they become stale.<sup>38</sup> The Senior Accountant shall review the un-presented cheque list and determine whether a replacement cheque should be issued for cheques that are stale.<sup>39</sup>

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

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

Bank reconciliations not carried out on a monthly basis increase the risk of errors, omissions and financial irregularities not being detected on time. In addition, stale cheques at financial year-end can place undue stress on cash flows for the new financial year.

### **Recommendations**

- **The Ministry should strengthen compliance with internal controls at Accounts section to ensure that stale cheques are cleared in a timely manner and monthly reconciliations are prepared with a Board of Survey conducted at year-end; and**
- **The Ministry should ensure that there is adequate staffing in Accounts section to carry out the control functions required.**

### **Ministry's Comments**

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

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

### **Measures taken to avoid the issue raised again;**

1. *Provision of training on Maintenance of Records & Registers and journals for Accounts Personnel*
2. *In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*

<sup>37</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 7.2.1

<sup>38</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 7.5.1

<sup>39</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 7.5.2

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

### 37.24 Untimely Preparation of Reconciliations

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at Ministry/Department level and/but most importantly at whole of Government level. The Assistant Accountant must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.<sup>40</sup> The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Finance.<sup>41</sup>

Audit review of the general account balances revealed the following anomalies;

- The Ministry did not prepare and submit monthly reconciliations for various general ledger accounts for the period of August 2016 – July 2017 contrary to the monthly reconciliation requirements in section 17.2.4 of the Finance Manual;
- Ministry performed year-end reconciliations as opposed to monthly reconciliations. The reconciliation was prepared in February 2018 which is six months after the end of the financial period. Refer to Table 37.19 below for details.

**Table 37.19: Details of Anomalies for General Ledger Accounts Reconciliations**

General Ledger Description and Account	Amount (\$)	Reconciliation Date	Audit remarks
Drawings Account (1-37101-37999-530301)	2,387,948	22/02/18	Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year.
SLG 84 (1-37000-00000-840000)	13,817	20/02/18	
Operating Trust Fund (1-37000-00000-860000)	17,296	22/02/18	Reconciliations prepared for the month of June and July on 22/02/2018.
Main Trust Expenditure (9-37000-00000-890000)	4,530,939	21/03/18	Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year in February 2018 which was six months after the period end.
Main Trust Cash (9-37000-00000-520000)	5,564,807	22/02/18	
Advances (1-37000-00000-570000)	134,886	29/09/17	Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year in September 2017 which was one month respectively after the period end.
Salaries Reconciliation	3,308,090	February 2018	All reconciliations were prepared in February 2018 which was prepared six months after the period end.
Wages Reconciliation	292,857	N/A	Reconciliations were not prepared

Non-preparation of monthly reconciliations indicates non-compliance with the Finance Manual is viewed very seriously.

Untimely reconciliations increase risk of errors, omissions and financial irregularities which may not be detected in a timely manner.

<sup>40</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.4

<sup>41</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

**Recommendation**

**The Ministry should ensure that the monthly reconciliations for the various general ledger accounts are prepared as per Finance Manual 17.2.4.**

**Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that underline accounts reconciliation are prepared accurately on a monthly basis and any variance to be cleared via journal voucher with relevant accounting records and are endorsed by the Accounting Head before journals are processed in FMIS.*

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

**Measures taken to avoid the issue raised again;**

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

**37.25 Anomalies Noted in Accounts Payable Account**

Where required under Finance Instruction 16-(8), the recipient shall prepare an acquittal report. The acquittal report shall provide the details of grant money expended and unexpended, grant objectives and targets achieved, and the financial statement (audited if practicable) for grants of \$20,000 or more.<sup>42</sup>

Our audit noted the following anomalies for expenditure recorded in the general ledger account for accounts payable.

- The Ministry could not substantiate expenditures recorded in accounts payable trade general ledger account. Refer to Table 37.20 below for details:

**Table 37.20: General Ledger Anomalies in SLG 84 account**

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

<sup>42</sup>Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 3.3.1

General Ledger Account and Description	Amount (\$)	Audit Remarks
		account (SEG 3), \$80,000 to Maintenance and Communication general ledger account (SEG 4) and \$11,583 to Special expenditure general ledger account (SEG 7).  The Ministry could not provide the reason for the transfers of funds between the general ledger accounts.

- The Ministry could not provide reasons for the overdrawn account noted below for accounts payable general ledger account. Refer to Table 37.21 for details.

**Table 37.21: General Ledger Anomalies in SLG 84 account**

General Ledger Account and Description	Amount (\$)	Audit Remarks
1-37101-37999-840602 (Withholding Tax Payable)	68,246	The audit noted that the accounts were overdrawn. The Ministry could not provide the reason for the overdrawn account.

- Our audit further noted the following anomalies for expenditures recorded as Institutional Strengthening in the general ledger account<sup>43</sup>. Refer to Table 37.22 below for details:

**Table 37.22: Anomalies noted for Institutional Strengthening account in SLG 84 account**

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

- Journal vouchers for adjustments totalling \$60,472 for accounts payable were not provided for audit verification as the Accounts section could not locate the records. Refer to Table 37.23 details.

**Table 37.23: Details of Journal Vouchers Not Produced For Audit Verification as Records Are Missing**

Date	JV Number	Amount (\$)	Description
<b>SLG 84 Account</b>			
08/2017	JV 01/03/17	3,114	MLHO4 Fund 4 NBSAP Project- UNDP
04/2017	JV 52/11	53,779	Institutional Strengthening Project - Clearance of R2R/GEF Project
04/2017	JV 55/11	3,579	Institutional Strengthening Project - Lodgement 29/11/2016.
<b>Total</b>		<b>60,472</b>	

<sup>43</sup> The funds relates to Institutional Strengthening Project general account 1-37301-37999-840102-001.

- It was also noted that the Ministry performed only one reconciliation for the year contrary to the monthly reconciliation requirement in the Finance Manual. The reconciliation was prepared in February 2018 which is six months after the end of the financial period.

The Ministry also stated that the reconciliation for SLG84 was prepared. However, this could not be substantiated as this was not provided to audit for verification.

In the absence of timely reconciliations and proper project details, there is lack of transparency and accountability on how funds are utilized by the Ministry.

Furthermore, the overdrawn account for withholding tax payable indicates that more funds are being paid out as compared to the amount which is being deducted at source which increases the risk of overpayments.

### **Recommendation**

**The Ministry should ensure that acquittals and monthly reconciliations for the accounts payable are prepared and records filed for audit and other reviews.**

### **Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that underline accounts reconciliation are prepared accurately on a monthly basis and any variance to be cleared via journal voucher with relevant accounting records and are endorsed by the Accounting Head before journals are processed in FMIS.*

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

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

*The expenditure in regards to GEF UNDP PMU Annual Project Retreat, the Ministry will investigate and take appropriate action in 2017-2018 period.*

*The justification to table 37.22 are as follows;*

<b>Date</b>	<b>Cheque</b>	<b>Description/ Categories</b>	<b>Amount</b>	<b>Justifications</b>
25/11/16	3568	Accommodation Package at the resort	\$23,770	<p>Only one competitive quote was obtained because there was a special conference package offered to the Ministry &amp; UNDP staff (30 Officers).</p> <p>The special package included:</p> <ul style="list-style-type: none"> <li>- Accommodation</li> <li>- Conference Package for 2 days to conduct Special Board Meetings for the CB2, ABS &amp; R2R Projects</li> <li>- Group dinner on 26<sup>th</sup>/11/16</li> <li>- Lunch during 2 day meeting</li> </ul>

Date	Cheque	Description/ Categories	Amount	Justifications
20/01/17	43378	Being payment for the purchase of printer to be used by the Fiji R2R Project	\$1,559	Documents not stamped.  Payments were sourced from the Project Fund Allocation. Please refer to Acquittal Report attachment.

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

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

**Measures taken to avoid the issue raised again;**

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

### 37.26 Inappropriate use of Advance Account

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.<sup>44</sup>

Officers travelling to outer stations or overseas for official purposes (travelling officers) may apply for a travel advance.<sup>45</sup> A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents.<sup>46</sup>

As at 31 July 2017, the Ministry's Advance Accounts had a debit balance of \$134,885. Refer to Table 37.24 for details.

**Table 37.24: Details of Advance Account Balance**

General Ledger Account	Account Description	Amount (\$)
1-37101-37999-570301	Advances	134,885

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

- (i) Ministry staffs were taking advances for personal purposes other than official duties or travel; and
- (ii) Salary deductions were not made recovery of advance given to the staffs of the Ministry. Refer to Table 37.25 below for details.

<sup>44</sup>Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 10

<sup>45</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 10.1.1

<sup>46</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 10.1.11

Table 37.25: Details of Abuse of Advance Accounts

Date	Cheque/ EFT No.	Amount (\$)	Payee		Purpose of Request	Outstanding Balance (\$)	Remarks
			EDP No.	Position			
9/06/16	3214	500	46742	Senior Accounts Officer	The funds provided will be used for personal commitments due to financial constraints.	500	<ul style="list-style-type: none"> <li>• Advance given not for official purpose</li> <li>• No salary deduction</li> </ul>
30/9/16	3340	300	92787	Clerical Officer	Officer requested funds for personal use and stated that funds will be paid back from pay 22/2016.	300	
10/03/16	3342	600	46742	Senior Accounts Officer	Description in the payment voucher unclear.	600	<ul style="list-style-type: none"> <li>• Advance given not for official purpose</li> </ul>
14/10/16	3404	300	46742	Senior Accounts Officer	Officer requested for funds for personal commitments due to financial constraints.	300	<ul style="list-style-type: none"> <li>• No salary deduction</li> </ul>
25/10/16	3429	1,000	94012	Assistant Accounts Officer		1,000	
26/10/16	3436	300	46742	Senior Accounts Officer	Description in the payment voucher unclear.  There was no supporting documents indicating purpose and approval.	300	<ul style="list-style-type: none"> <li>• No evidence of approval.</li> <li>• Payment voucher not certified.</li> <li>• No deduction input was made in the subsequent pays 23-26 of 2016</li> </ul>
11/10/16	3483	300	46742	Senior Accounts Officer	Officer requested for funds for personal commitments.	300	<ul style="list-style-type: none"> <li>• Advance given not for official purpose.</li> </ul>
30/09/16	42802	300	64929	IT Officer	Officer requested funds to assist officer financially as officer's contract remain pending with the Minister.	300	<ul style="list-style-type: none"> <li>• No salary deduction</li> </ul>
21/10/16	42937	1,500	90909	N/A	Officer requested funds for personal commitments.	1,500	

The use of government funds for personal use is a clear misuse of tax payers' monies.

### **Recommendation**

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

- ensure that advance accounts are used only for official purposes;
- ensure that immediate action is taken to recover advances due from officers; and

- **take appropriate disciplinary action against officers who did not carry their duties diligently.**

### **Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that underline accounts reconciliation are prepared accurately on a monthly basis and any variance to be cleared via journal voucher with relevant accounting records and are endorsed by the Accounting Head before journals are processed in FMIS.*

*In relation to the Abuse of Advance accounts, the Ministry will investigate the advance amount paid to the relevant officers paid as per table 37.25 and proceed with recovery avenues in due course.*

### **Measures taken to avoid the issue raised again;**

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

### **37.27 Anomalies in Payments**

The Senior Accountant 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 authorisation; 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 and the expenditure account it is charged to is correct.<sup>47</sup>

Audit review of the payments records revealed the following anomalies:

- (i) Payment vouchers were not authorised;
- (ii) Supporting documents were not attached to payment vouchers;
- (iii) Supporting documents attached to payment vouchers were not stamp "PAID";
- (iv) Expenditure were not recorded in the correct general ledger account in the general ledger system.  
Refer to Appendix 4 for details.

The above anomalies indicate that necessary internal controls were not applied consistently in processing of payments for goods and services which increases the risk of financial irregularities.

### **Recommendations**

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

- **strengthen internal controls for processing of payments; and**
- **take appropriate action against officers who have not carried out their duties diligently.**

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<sup>47</sup> Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 2.8.4

### **Ministry's Comments**

*We have noted your comments. With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that all payment are certified by the Accounting Head with all relevant accounting records attached prior to the payments made. Also, safe custody of accounting records shall be maintained, recorded and made available for auditing whenever required. Also, the Ministry now has safe lockers in all divisions for safe custody of government monies.*

#### **Measures taken to avoid the issue raised again;**

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

**APPENDIX 1: DETAILS OF MISSING PAYMENT RECORDS**

Date	Cheque Number	Amount (\$)	Description
<b>Missing Payment Voucher – SLG 84 Account</b>			
13-03-17	43504	1,383	HCFC project
18-03-17	3752	1,684	HCFC project
14-10-16	42874	367	Withholding Tax Payable
19-07-17	44110	11,482	Withholding Tax Payable
25-08-17	44284	12,012	Withholding Tax Payable
12-06-16	43205	4960	Institutional Strengthening Project
20-01-17	3703	2,599	Institutional Strengthening Project
20-01-17	3702	2,800	Institutional Strengthening Project
16-02-17	43529	4,986	Institutional Strengthening Project
30-03-17	43763	8,176	Institutional Strengthening Project
<b>Sub-Total</b>		<b>50,449</b>	
<b>Missing Payment Voucher – Operating Trust Account</b>			
30-05-17	44033	46,556	
28-04-17	43860	96,645	
<b>Sub-Total</b>		<b>143,201</b>	
<b>Missing Payment Voucher – Drawings Account</b>			
31-07-17	44331	13,617	
26-07-17	44284	12,012	
31-07-17	4217	6,817	
26-07-17	44305	2,968	
31-07-17	44345	2,031	
27-07-17	44307	1,366	
<b>Sub-Total</b>		<b>38,811</b>	
<b>Missing Payment Voucher – SEG 6</b>			
02-02-17	43442	70,168	
26-07-17	44283	70,832	
<b>Sub-Total</b>		<b>141,000</b>	
<b>Missing Payment Voucher – SEG 7</b>			
25-11-16	43108	21,250	
16-05-17	43967	1,350	
06-12-16	43197	2,406	
17-05-17	3982	1,350	
04-05-17	43888	10,000	
07-06-17	4037	7,400	
05-08-16	3094	9,730	
31-01-17	3721	24,884	
09-06-17	4050	10,351	
07-06-17	4046	13,000	

30-07-17	4204	19,000
08-11-16	43010	5,000
03-11-16	42985	5,000
24-07-17	44265	1,050
26-04-17	3905	7,870
11-05-17	3956	13,902
29-06-17	4116	5,670
30-12-16	43293	40,600
09-12-16	43228	10,000
14-10-16	42874	7,633
04-05-17	3938	11,583
03-03-17	43605	25,900
<b>Sub-Total</b>		<b>254,929</b>
<b>SEG 8 – Capital Construction – Missing Payment Voucher</b>		
19-06-17	44109	63,055
<b>Sub-Total</b>		<b>63,055</b>
<b>Missing Payment Voucher – SEG 9</b>		
14-06-17	4066	183,486
<b>Sub-Total</b>		<b>183,486</b>
<b>TOTAL</b>		<b>874,931</b>

**APPENDIX 2: DETAILS OF JOURNAL VOUCHER NOT APPROVED**

Date	JV	Receipt Number	Journal Description	Amount (\$)	Type of Trust Fund Account	Audit Remarks
Nov-16	JV 49/08	519630	Environment	6,674	ODS Fines	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
		519631	Trust Fund	28,920	Environment	
		519635		44		
		519636		97		
		519637		97		
Nov-16	JV 21/11	519965	JV 21/11-Environment	6,886	ODS Fines Environment	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
Nov-16	JV 47/08	519651	JV 47/08-DOE trust	350,000	TF HUD Litter Decree	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
Nov-16	JV 14/11	519873	Environment lodgement	280,000	TF HUD Litter Decree	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
Nov-16	JV 22/11	519970	Environment lodgement	250,000	TF HUD Litter Decree	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
Apr-16	JV 52/02	520164	Naboro Land fill	410,000	TF HUD Litter Decree	• JV was not approved.
Jul-17	JV 1/4	520736	Naboro Land fill	260,707	TF HUD Litter Decree	• JV was not approved.
Jul-17	JV 15/05	520915	Central 30/5/17	1,080,000	TF HUD Litter Decree	• JV was not approved.
Nov-16	JV 189	519922	Environment lodgement	971	Environment Trust	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
		519923		972		
		919924		121		
Nov-16	JV 20/11	519937	Environment lodgement	971	Environment Trust	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
		519942		20,402		
		519943		1,457		
Nov-16	JV 23/11	519973	Environment lodgement	121	Environment Trust	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
		519976		1,000		
		972		972		
Nov-16	JV 35/11	519736	Environment lodgement	121	Environment Trust	• Supporting documents were photocopied. Audit was not able to obtain the originals. JV was not approved.
		519741		972		

Date	JV	Receipt Number	Journal Description	Amount (\$)	Type of Trust Fund Account	Audit Remarks
Mar-17	JV 48/02	520154	Environment lodgement	972	Environment Trust	• JV was not approved.
		520155		5,000		
		520156		97		
Jun-17	JV 11/1/17	520364	Lodgement 25/1/2017	971	Environment Trust	• JV was not approved.
		520365		1,457		
		520369		121		
Jun-17	JV 12/1/2017	520372	Lodgement 26/1/2017	729	Environment Trust	• JV was not approved.
		520373		2,429		
Jun-17	JV 15/1/17	520388	Lodgement 31/1/17	2,915	Environment Trust	• JV was not approved
		520390		1,457		
Jul-17	JV 03/03	520496	Lodgement central 3/3/17	3,400	Environment Trust	• JV was not approved
		520497		4,000		
		520498		972		
Jul-17	JV 8/03	520527	Lodgement 13/3/17	5,000	Environment Trust	• JV was not approved
		520528		1,457		
Jul-17	JV 12/03	520547	Lodgement 17/3/17	121	Environment Trust	• JV was not approved
		520548		2,915		
Jul-17	JV 15/03	520708	Lodgement 23/3/17	1,150	Environment Trust	• JV was not approved
		520710		2,915		
Jul-17	JV 17/03	520716	Lodgement 28/3/17	121	Environment Trust	• JV was not approved
		520717		5,000		
Jul-17	JV 11/05	520879	Lodgement 22/5/17	121	Environment Trust	• JV was not approved
		520880		3,000		
Jul-17	JV 13/05	520896	Lodgement 24/5/17	11,000	Environment Trust	• JV was not approved
		520897		97		
		520898		97		
		520900		364		
Jul-17	JV 14/05	520901	Lodgement 25-26/5/17	3,000	Environment Trust	• JV was not approved
		520902		121		
		520905		1,000		
Jul-17	JV 16/05	520916	Lodgement 31/5/17	4,858	Environment Trust	• JV was not approved
		520917		1,457		
		520918		122		
		520919		122		
		520921		122		
		520922		122		
Jul-17	JV 4/6	520946	Lodgement 9/6/17	3,886	Environment Trust	• JV was not approved
		520947		5,000		

Date	JV	Receipt Number	Journal Description	Amount (\$)	Type of Trust Fund Account	Audit Remarks
Jul-17	JV 5/6	520964	Lodgement 19/6/17	5,829	Environment Trust	• JV was not approved
		520966		122		
Jul-17	JV 6/6	520967	Lodgement 20/6/17	121	Environment Trust	• JV was not approved
		520972		122		
		520976		2,915		
		520977		97		
<b>Total</b>				<b>\$2,788,520</b>		

**APPENDIX 3: DETAILS OF DRAWING ACCOUNT'S STALE CHEQUES**

Date	Amount (\$)	Cheque Number
10/01/2017	36	43309
19/01/2017	100	43361
18/01/2017	170	43356
29/12/2016	235	43285
23/01/2017	240	43386
29/09/2016	324	42787
30/01/2017	433	43422
14/01/2017	500	43434
20/09/2016	762	42731
1/11/2017	849	43318
02/11/216	1,290	42979
27/01/2017	1,316	43417
29/12/2016	1,479	43289
10/05/2016	1,660	42835
29/09/2016	1,700	42785
27/01/217	2,500	43414
29/09/2016	3,750	42786
20/09/2016	4,665	42730
29/09/2016	32,550	42790
18/01/2017	138,393	43355
18/01/2017	348,317	43354
21/10/2014	107	38182
24/12/2014	315	38562
2/07/2015	145	39963
30/12/2015	2	40033
7/08/2015	800	40255
14/08/2015	214	40302
2/09/2015	72	40435
1/10/2015	63	40650
17/11/2015	180	40981
20/11/2015	247	40994
8/12/2015	900	41073
24/12/2015	5,000	41206
24/12/2015	5,000	41207
24/12/2015	5,000	41208
24/12/2015	5,000	41209
24/12/2015	5,000	41210
24/12/2015	5,000	41211
31/12/2015	307	41358
2/05/2016	81	41426
2/12/2016	3	41474

Date	Amount (\$)	Cheque Number
4/04/2016	144	41709
4/12/2016	150	41761
5/10/2016	735	41846
5/11/2016	6,903	41850
5/11/2016	528	41851
5/11/2016	11,495	41882
20/05/2016	20,000	41945
27/05/2016	85	42019
6/01/2016	300	42042
1/07/2016	1,102	42268
7/01/2016	4,750	42278
7/08/2016	135	42304
13/07/2016	12,719	42314
13/07/2016	113	42333
14/07/2016	654	42340
19/07/2016	15	42359
19/07/2016	369	42361
19/07/2016	759	42375
21/07/2016	167	42380
22/07/2016	190	42391
31/07/2016	695	Details not available
31/07/2016	1,258	Details not available
31/07/2016	4,174	Details not available
31/07/2016	4,884	Details not available
31/07/2016	9,973	Details not available
31/07/2016	17,875	Details not available
31/07/2016	43,551	Details not available
31/07/2016	45,327	Details not available
31/07/2016	46,394	Details not available
19/12/2016	25	43255
11/08/2016	45	43004
23/08/2016	73	42572
19/12/2016	95	43229
18/11/2016	109	43074
12/06/2016	110	43174
14/01/2017	114	43342
10/12/2016	129	42858
11/11/2016	139	43040
19/01/2017	269	43370
12/02/2016	322	43162
1/04/2017	322	43303
21/10/2016	328	42936
9/08/2016	410	42621

Date	Amount (\$)	Cheque Number
12/06/2016	1,686	43177
14/12/2016	2,118	43238
12/06/2016	2,649	43195
1/07/2017	3,598	43310
11/08/2016	5,000	43010
29/01/2016	81	Details not available
29/01/2016	54	Details not available
29/01/2016	81	Details not available
29/01/2016	36	Details not available
2/08/2016	72	Details not available
2/08/2016	2,222	Details not available
2/10/2016	54	Details not available
2/12/2016	36	Details not available
6/05/2016	55	Details not available
6/05/2016	54	Details not available
6/05/2016	156	Details not available
15/07/2016	162	Details not available
15/07/2016	144	Details not available
15/07/2016	45	Details not available
15/07/2016	36	Details not available
26/01/2016	340	Details not available
28/01/2016	79	Details not available
2/09/2016	150	Details not available
2/09/2016	250	Details not available
2/09/2016	162	Details not available
2/09/2016	316	Details not available
2/09/2016	45	Details not available
2/09/2016	162	Details not available
22/04/2016	90	Details not available
22/04/2016	51	Details not available
22/04/2016	360	Details not available
18/05/2016	525	Details not available
18/05/2016	1,575	Details not available
18/05/2016	90	Details not available
18/05/2016	294	Details not available
18/05/2016	150	Details not available
18/05/2016	259	Details not available
18/05/2016	1,462	Details not available
18/05/2016	757	Details not available
18/05/2016	109	Details not available
18/05/2016	45	Details not available
18/05/2016	495	Details not available
6/10/2016	36	Details not available

Date	Amount (\$)	Cheque Number
26/08/216	300	3189
26/08/216	90	3190
26/08/216	63	3191
26/08/216	119	3193
10/12/2016	170	3194
10/12/2016	90	3376
12/09/2016	175	3377
12/09/2016	162	3610
12/09/2016	450	3611
12/09/2016	104	3612
12/09/2016	2,506	3613
12/09/2016	99	3614
12/09/2016	18	3615
12/09/2016	339	3616
12/09/2016	175	3617
12/09/2016	45	3619
12/09/2016	198	3620
12/09/2016	18	3621
12/09/2016	81	3622
12/09/2016	30,000	3623
12/09/2016	26	3662
12/09/2016	318	3663
30/12/2016	320	3667
16/01/2017	81	3692
20/01/2017	650	3701
20/01/2017	2,800	3702
20/01/2017	2,599	3703
23/01/2017	240	3705
31/01/2017	2,583	3717
	<b>\$883,599</b>	

**APPENDIX 4: DETAILS OF PAYMENT ANOMALIES**

Date	Cheque/ EFT No.	Particulars	Amount (\$)	Comments
31/07/2017	44337	Wage payment for week ending 26/07/2017	12,379	Misallocation: Unestablished staff wages paid from SEG 1
31/07/2017	44346	Being payment for 40 foot storage container to store old records.	9,917	- VAT amount not charged to SEG 13 - Invoice not attached - Upon physical verification, audit did not find the purchased container to be at the designated location i.e. at the car park behind FFA House.
31/07/2017	44334	Wage payment for week ending 26/07/2017	2,869	Misallocation: Unestablished staff wages paid from SEG 1
24/07/2017	44262	Being payment of telecom bill for the month of June 2017	1,952	Misallocation: Telephone bill charged to SEG 7 instead of SEG 3
24/07/2017	44259	fuel charges for the month of May & June 2017	1,554	Misallocation: Fuel charges charged to SEG 7 instead of SEG 4.
31/07/2017	44340	Purchase of toners for Corporate Services Division.	1,199	- Invoice not attached.
10/07/2017	4140	Being payment to the Councils for the purchase of street vacuum cleaner trucks	204,212	-PV not authorised. - VAT amount not charged to SEG 13.
10/07/2017	4141		204,212	-acquittal report not provided. - VAT amount not charged to SEG 13.
10/07/2017	4142		204,212	- PV not authorised. - VAT amount not charged to SEG 13. - PV not authorised.
25/07/2017	4177	Government grant for the capital project, 2016/2017	3,000,000	- PV not authorised.
15/05/2017	3976	Cost of upgrading of Prince Charles Park	150,000	- PV not authorised.
25/08/2016	42583	Payment for air ticket to travel Honolulu, Hawaii from 30/8/ and return Sept 12/9/16	8,860	- VAT amount not charged to SEG 13.
05/05/2017	3941	Being payment to USP-IAS for the component 1 of the project	108,083	- VAT amount not charged to SEG 13. -PV was not stamp paid
13/06/2017	4062	Being payment to USP IAS for the disbursement of funds to conduct field research in Nacula Village	47,052	- PV not authorised. - VAT amount not charged to SEG 13.
26/05/2017	4004	Reimbursement of all payments paid by USP on behalf	77,676	- PV not authorised. - VAT amount not charged to SEG 13.

Date	Cheque/ EFT No.	Particulars	Amount (\$)	Comments
		of the ABS project access to genetic resources and benefit sharing project		
26/05/2017	43997	Desludging of Naboro Landfill Progress claim 1	50,685	- VAT amount not charged to SEG 13. -provisional tax not deducted
21/09/2016	3293	Accommodation of the team for phase 2: land use verification of the greater West Urban Growth Management Plan.	7,278	- VAT amount not charged to SEG 13.
06/10/2016	42849	GPS for Northern Division	23,315	-invoice not attached -Tax clearance issued by FRCS not available.
05/05/2017	43919	A/Minister full per diem calculation for AMLGHE trip to Vietnam & Singapore	11,512	- VAT amount not charged to SEG 13. -supporting documents including nomination and invitation letters not attached
13/07/2017	44207	Being payment to CWLG for Local Govt forum membership	5,413	-VAT amount not charged to SEG 13.
<b>TOTAL</b>			<b>4,132,380</b>	





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