STANDING COMMITTEE ON PUBLIC ACCOUNTS

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

PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRPERSON'S FOREWORD

I am pleased to present the Public Accounts Committee review report on the 2017 Audit Report for Infrastructure Sector. The audit specifically looks into the Ministry of Infrastructure and Transport ('Ministry') which has consolidated the Water Authority of Fiji ('WAF') and Fiji Roads Authority ('FRA') receipts and expenditure with the Ministry.

The Ministry of Infrastructure and Transport was issued with a modified audit opinion on its financial performance for the 2016 -2017 financial year.

It is important to note that Ministry that was scrutinized by the Committee was not invited for interview because of the COVID 19 restrictions that were in place at that time but was requested instead to provide written response on audit issues that were raised in the audit report.

According to the budget estimates, the Ministry of Infrastructure and Transport was responsible for the policy and legislative formulation, the administrative and regulatory functions of WAF and FRA. The Ministry provided the capital and operating grants under Head 41 and 43 to WAF and FRA respectively.

For information purposes, the detail audit on WAF and FRA's financial performance were done separately and included under the Auditor-General's Report on Statutory Authorities. The Auditor-General had highlighted a number of significant audit findings and the Public Accounts Committee wishes to stress the importance of taking serious consideration on all proposed recommendations given as it will address audit issues from being repeated.

At this juncture, I wish to extend my appreciation to the Honourable Members of the Committee who were part of the compilation of the bipartisan report namely Hon. Joseph Nand, Hon. Vijendra Prakash (former Member) Hon. Aseri Radrodro and Hon. Ro Teimumu Kepa. I also extend my gratitude to Hon. Mikaele Leawere who stood in as an alternate Member.

On behalf of the Committee, I also extend my appreciation to the Secretariat staff for their timely efforts and analysis in securing the necessary Committee evidences received from the various Ministries and Departments for the Committee's review and perusal.

With those few words, I now commend this report to Parliament

Hon. Alvick Avhikrit Maharaj
Chairperson

COMMITTEE MEMBERS

The substantive members of the Standing Committee on Public Accounts are as follows:

Hon. Alvick Avihkirit Maharaj
(Chairperson)

Hon. Joseph Nitya Nand
(Deputy Chairperson)

Hon. Aseri Masivou Radrodro
(Opposition Member)

Hon. Ro Teimumu Kepa
(Opposition Member)

Hon. Vijendra Prakash
(Former Government Member)

ACRONYMS

AMU	Assets Management Unit
COVID-19	Novel Coronavirus 2019
CSA	Commercial Statutory Authority
CTN	Contract Tender Number
DEWCE	Department of Energy, Works, Water & Sewerage, Building and Government Architects
DO	District Offices
F.I	Finance Instructions
FCCC	Fijian Competition and Consumer Commission
FMA	Financial Management Act
FEA	Fiji Electricity Authority
FRCA	Fiji Revenue & Customs Authority
FRA	Fiji Roads Authority
GSS	Government Shipping Services
GTB	Government Tender Board
HR	Human Resources
IRENA	International Renewable Energy Agency
JRS	Job Record Sheets
LTA	Land Transport Authority
MoE	Ministry of Economy
MoIT	Ministry of Infrastructure and Transport
MSAF	Maritime Safety Authority of Fiji
OAG	Office of the Auditor General
PAO	Principal Accounts Officer
TIN	Tax Identification Number
TMA	Trading and Manufacturing Account
P2P	Persons-to-Post
PFL	Post Fiji Limited
QPPR	Quarterly Performance Progress Report
REP	Rural Electrification Policy
RIE	Requisition to Incur Expenditure
RFA	Revolving Fund Account
SEG	Standard Expenditure Group
SG	Solicitor-General
SOE	State Owned Entity
VIP	VAT Inclusive Price
WAF	Water Authority of Fiji

INTRODUCTION

Background

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

This report looks at the Report of the Auditor General on Infrastructure Sector, particularly on the annual accounts of Ministries and Statutory Authorities for the period 2016-2017, Parliamentary Paper No. 10 of 2019.

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

Committee Members

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

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

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

2017 AUDIT REPORT ON INFRASTRUCTURE SECTOR (PP No. 10 of 2019)

No.	Head No.	Ministry/Department
1.	40	Ministry of Infrastructure and Transport
2.	41	Water Authority of Fiji
3.	43	Fiji Roads Authority

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

The Committee in its request to these Ministries and Departments seeks update on the progress of its implementations on the audit recommendations and how it has currently addressed the pertinent issues that were identified during the time of audit.

Types of Audit Opinions Issued

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

The OAG will 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 OAG, having obtained sufficient appropriate audit evidence, conclude that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

The OAG issues a **Disclaimer of Opinion** when the OAG is 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.

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

COMMITTEE FINDINGS ON INFRASTRUCTURE SECTOR

Head No. 40 - Ministry of Infrastructure and Transport

PART A: FINANCIAL STATEMENT

40.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Infrastructure and Transport ('Ministry') had resulted in the issuance of a qualified audit opinion. The reasons for the qualified audit opinion were as follows:–

1. An unreconciled variance of $1,405,134 existed between the consolidated TMA Balance Sheet Cash at Bank balance of $3,154,993 and consolidated bank reconciliation balance of $1,749,859. Consequently, the Auditor-General was not able to confirmed the accuracy and completeness of the Cash at Bank balance of $3,154,993 stated in the consolidated TMA Balance sheet as at 31 July 2017; and
2. The Ministry adjusted its VAT receivable balance by $322,428 to reconcile it with the Fiji Revenue Customs Services records by posting journal entries to the TMA Accumulated Surplus Account. The auditor was not provided with the appropriate reconciliations to support these journal entries. As such, the Auditor-General was not satisfied with the accuracy of these journal entries posted to the general ledger and its impact on the accounts affected.

Furthermore, ***attention**s were* drawn to the following:–

3. Internal controls over Plumber Shop Inventory and TMA sales for plumbing and joinery were generally found to be weak and if not addressed promptly could result in material misstatements and possible financial losses in the near future;
4. The Ministry had disclosed its 17 TMA's in Note 7 to the Financial Statements by consolidating them according to divisions. The change in the presentation format had resulted in the disclosure of limited information in terms of financial performance and cash flows for each type of TMA; and
5. The Energy Trust Account had a balance of $2,232,312 as at 31 July 2017. The closing balance comprises of refunds for FEA Grid and Housing wiring, bond payment for projects and revenue bills collected from Solar Home Systems. The Ministry had not maintained appropriate details of this Trust Fund Account.

40.2 Head 40, 41 and 43 - Statement of Receipts and Expenditure

The Ministry incurred expenditure totalling $92,445,187 for the year ended 31 July 2017. A total of $1,826,630 was collected as Revenue and this contribution was categorised as **miscellaneous revenue** (those rural government station bills collected by Post Fiji Ltd and remitted to the Ministry), **commission revenue** (includes collecting dues from public servants and payment to financial and public institutions on behalf of its employees) **and revenue from the reimbursement of Meteorological Services** (for the provision of weather updates and forecasts to Airports Fiji Ltd)

Water Authority of Fiji ('WAF') recorded total expenditure totalling $280,908,094 for the year ended 31 July 2017 and Fiji Roads Authority ('FRA') recorded total expenditure totalling $273,327,634 for the year ended 31 July 2017.

The financial year-end of 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 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 competitive balances for some account areas.

Miscellaneous revenue collected amounted to $674,469 as at 31 July 2017 for rural government station bills collected by Post Fiji Ltd and remitted to the Ministry.

Revenue from carriage of freight totalled $595,090 as at 31 July 2017 for services rendered by government to government departments, private companies and individuals for hire of vessel, sea freight/cartage of goods to inter-islands and boat fares from public servants and non-public servants.

Commission revenue amounted to $14,486 as at 31 July 23017 were collected from the public servants dues and payment to financial and public institutions on behalf of its employees.

Revenue from reimbursement of Meteorological Services totalled $540,886 as at 31 July 2017 for provision of weather updates and forecasts to Airports Fiji Limited.

Established Staff costs amounted to $11,067,138 as at 31 July 2017. Vacant posts were being filled and pay rise was granted to public officers at the discretion of Permanent Secretary as per the Constitution.

Government Wage Earners costs amounted to $7,960,735 as at 31 July 2017. Vacant posts were filled in 2016-17.

Travel and Communications costs totalling $1,214,607 as at 31 July 2017 were incurred by the Project Staffs to inspect capital projects in the Main Inland and Maritime zones and mobile and telephone cost for daily operations.

Maintenance and operations costs totalled $8,465,469 as at 31 July 2017. The costs comprised maintenance of Department's fleets, vessels, meteorological equipment's, energy development projects, desalination plants and procurement of building accessories, stationery and printing, fuel and oil, fire and sewerage services and payment of utilities.

Purchase of goods and services costs totalled $1,841,989 as at 31 July 2017. The costs comprised of training expenses for public officers, procurement of foods rations and uniforms for crew members travelling on government vessels, operational cost for upper air logistics, procurement of books, periodicals and stationaries, payment for plant hire charges, procurement of occupational and safety equipment's, advertising cost for public outreach programme on energy efficiency and conservation awareness and quality control enforcement expenses for effective operations.

Operating grants and transfers amounting to $25,689,201 as at 31st July 2017 comprised of operating grants paid to Land Transport Authority ('LTA'), Maritime Safety Authority of Fiji ('MSAF'), payment for shipping franchise scheme, payment of annual subscription for meteorology and the International Renewable Energy Agency ('IRENA')

Special expenditure amounting to $1,778,797 as at 31 July 2017 was incurred on the implementation of projects in 2017 for Establishment of Media Centre for Met Services, Bio Fuel Project Staff, Sustainable Energy Financing Project, Fiji Renewable Energy Power Project and Carbon Abatement for Solar Homes in rural areas.

Capital construction expenditure amounted to $9,518,437 as at 31 July 2017 and this included payments for upgrade of vessels belonging to Government Shipping Services of Government wharf, Government Shipping Services building, outer island stations, cyclone rehabilitation-Vanuabalavu Met Station, construction of new Labasa Weather Office, payment for repair and upgrade of public buildings, routine & special upgrade of public buildings, upgrade for water supply and sewerage line, electrification of rural government stations, REU Projects, ECI, ECA, bio diesel implementation, bio gas development in rural areas, grid extension projects and cyclone rehabilitation – telemetry stations.

Capital purchase expenditure amounted to $3,357,495 as at 31 July 2017. The expenditure related to Fiji National Transport database and Transport Planning Software, standby generators, purchase of multi-purpose vessels, upgrade of Nadi Radar Antenna, installation of water level and rainfall telemetry instruments, replacement of Automatic Weather Observation System at Nadi Airport and purchase of two specialised vehicles.

Capital Grants and Transfers totalled $19,318,931 as at 31 July 2017. Capital grants were paid to LTA, MSAF and payment for rural electrification projects.

VAT expenditure amounted to $2,232,388 as at 31 July 2017 compared to $2,273,635 as at 31 July 2016.

The Water Authority of Fiji recorded expenditure totalling $280,908,094 for the year ended 31 July 2017. Details of the Appropriation Statement for Head 40, 41 and 43 are provided below.

40.3 Head 40, 41 and 43 - Appropriation Statement

The Ministry (Head No. 40) incurred expenditure totalling $92.22 million in 2016–17 against the revised budget of $120.46 million resulting in savings of $28.24 million or 23 per cent.

- WAF (Head No. 41) incurred expenditure totalling $280,908,094 in 2017 against the revised budget of $308,632,635 resulting in savings of $27,724,541 or 9 per cent.
- FRA (Head No. 43) incurred expenditure totalling $273,327,634 in 2017 against the revised budget of $461,111,923 resulting in savings of $187,784,289 or 41 per cent.

Table 40.4 – Head 40 Appropriation Statements for 2017

SEG	Item	Budget Estimate ($)	Changes ($)	Revised Estimate ($)	Actual Expenditure ($)	Lapsed Appropriation ($)
1	Established Staff	15,817,356	(868,962)	14,948,394	11,067,138	3,881,256
2	Government Wage Earners	9,373,884	(461,441)	8,912,443	7,960,735	951,708
3	Travel & Communication	1,275,120	53,000	1,328,120	1,214,607	113,513
4	Maintenance & Operations	9,491,719	(279,244)	9,212,475	8,465,469	747,006
5	Purchase of goods and services	2,136,832	31,000	2,167,832	1,841,989	325,843
6	Operating grant and transfers	24,772,731	1,111,554	25,884,285	25,689,201	195,084

7	Special expenditures	1,320,322	1,447,647	2,767,969	1,778,797	989,172
	Total Operating Expenditure	**64,187,964**	**1,033,554**	**65,221,518**	**58,017,936**	**7,203,582**
8	Capital Construction	14,986,473	405,072	15,391,545	9,518,437	5,873,107
9	Capital Purchase	8,636,140	51,121	8,687,261	3,357,495	5,329,766
10	Capital Grants & Transfers	29,282,577	(1,530,804)	27,751,773	19,318,931	8,653,295
	Total Capital Expenditures	**52,905,190**	**(1,074,611)**	**51,830,579**	**32,194,863**	**19,856,168**
13	Value Added Tax	3,370,600	41,057	3,411,657	2,232,388	1,179,269
	Total Expenditure	**120,463,754**	**-**	**120,463,754**	**92,445,187**	**28,239,019**

Table 40.5 – Head 41 Appropriation Statements for 2017

SEG	Item	Budget Estimate ($)	Changes ($)	Revised Estimate ($)	Actual Expenditure ($)	Lapsed Appropriation ($)
6	Operating grant & transfer	79,279,517	6,200,000	85,479,517	85,479,517	
	Total Operating Expenditure	**79,279,517**	**6,200,000**	**85,479,517**	**85,479,517**	
10	Capital grants & transfers	229,353,118	(6,200,000)	223,153,118	195,428,577	27,724,541
	Total Capital Expenditure	**229,353,118**	**(6,200,000)**	**223,153,118**	**195,428,577**	**27,724,541**
	Total Expenditure	**308,632,635**	**-**	**308,632,635**	**280,908,094**	**27,724,541**

Table 40.6 – Head 43 Appropriation Statements for 2017

SEG	Item	Budget Estimate ($)	Changes ($)	Revised Estimate ($)	Actual Expenditure ($)	Lapsed Appropriation ($)
6	Operating grant & transfer	16,577,856	-	16,577,856	16,577,856	-
	Total Operating Expenditure	**16,577,856**	**-**	**16,577,856**	**16,577,856**	**-**
10	Capital grants & transfers	510,573,921	(66,039,854)	444,534,067	256,749,778	187,784,289
	Total Capital Expenditure	**510,573,921**	**(66,039,854)**	**444,534,067**	**256,749,778**	**187,784,289**
	Total Expenditure	**527,151,777**	**(66,039,854)**	**461,111,923**	**273,327,634**	**187,784,289**

The major savings were mainly due to the following:–

No.	Project	No.	Project
1.	ADB and World Bank Projects which included SARUP I & II	**10.**	Nakalawaca Road
2.	ADB reseals	**11.**	Wainivesi-Wainivilimi Road
3.	Unsealed road rehabilitation program	**12.**	Nakorosule-Nawaisomo Road, Stage 1
4.	Street lights renewals	**13.**	Sevaci-Korotasere Road, Stage 3 & crossing
5.	Ovalau bridge	**14.**	Kilaka Road Stage 3 & crossing
6.	Taveuni bridge	**15.**	Street lights (rural & urban)
7.	Matewale replacement crossing	**16.**	Traffic signals
8.	Solovi 1 & 2 Irish crossing	**17.**	SCATS Improvement
9.	Rabaraba Crossing		

Trading and Manufacturing Account (TMA)

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

Since government was a non-profit organisation, the immediate objective was to serve the requirements of Ministries and Departments and statutory bodies and at least at recouping costs. Profitability was secondary objective to the extent that it will justify or increasing or broadening government services to meet the demands of users.

The following TMA activities were managed by the Ministry:–

No.	Account	Purpose
1.	**Trading & Manufacturing Account ('TMA')**	The Ministry operated 17 Trading & Manufacturing Accounts as follows:– (a) **Joinery**: This section fabricated wall framings, roof trusses, fixtures, manufacturing of all types of furniture and dressed timber of required sizes as per details in the standard design. (b) **Plumber Shop**: This section fabricated water tanks, ridge gaps, barge flashings, roof trusses, fixtures, manufacturing of all types of flashing to buildings and required sizes as per the details in the standard design. (c) **Fuel and Oil**: The product consisted of diesel, petrol, brake, fluid, premix, SAE30, TELUS46 and many more is brought from the supplier at retail prices. The major customer was Plant Pool with other Ministries and Departments contributing to the overall sales. (d) **Lube Bay**: Consists of wide range of products which were bought at a lesser price and in return sold out to customers at a market place. Lube Bay was open to all government vehicles and at present, the major customer was plant pool and some other Ministries and Departments. (e) **Plant Hire**: Its core role was to provide a reliable and cost-effective means of transportation to customers ensuring that it meets customer expectations in terms of service delivery and in concurrence with the workers fulfilment of attaining a healthy income and fleet management system. The principle's earning source was derived from hiring of all of its resources ranging from light vehicles, heavy vehicles, heavy machineries and plants. (f) **Workshop Wages**: This consisted of machine/fitting shop, light & heavy garage, tractor shop, welding and fabrication (boiler shop) and refrigeration & air-conditioning services. The workshop provided mechanical services to plant pool, water & sewerage, buildings, hospitals and other client Ministries in delivery of capital and on-going projects. (g) **Blocks Shed**: This was set up was to support the needs of the Building & Roads section in terms of facilitating the supply of concrete products such as blocks, V-drains, roads kerbs, marker posts slabs and other non-structural concrete products needed for building and road construction. That was during the time when Roads Section was still part of Department of Works. These buildings were either residential quarter's accommodation for government officials, government office buildings and institutional buildings.

Trust Fund Account

This trust fund account was guided by the Rural Electrification Policy ('REP') 2016 approved by the Minister for Infrastructure and Transport.

In 2008, the Policy was amended whereby the community contribution for all rural electricity schemes was reduced from 10 to 5 per cent. The policy was silent with respect to changing supply between diesel and solar schemes or incorporating either system to one another to improve overall reliability of supply for energy in the cases of hybrid systems.

No.	Account	Details
2.	**Energy Trust Fund Account**	The revised REP 2016 constituted a number of important changes that harmonises with the Green Growth Development model pursued by the nation in line with the vision of the UN Framework of "Energy for All" that electricity was now a basic necessity for life and sustainable development. These vital changes includes:– (a) Waiver of community contribution to reciprocate community contributions in kind; (b) Removal of finite assistance for diesel schemes recipients making them eligible for electrification via renewable based technologies like solar home systems; (c) Increased in EFL's annual Rural Electrification Fund; (d) Increased in validity of EFL's Rural Electrification Scheme quotations; and (e) The handover of solar home systems and maintenance of community's and recipients. The trust fund was used to deposited the receipts from the Rural Electrification customers from the following operational activities:– 1. Solar Home Systems; 2. EFL House Wiring; 3. Performance Bond for house wiring, supply of materials for 3200 SHS; and 4. Bio Gas.

Table 40.11 Department of Energy Trust Fund Account

Description	31 July 2017 ($)	31 July 2016 ($)
Opening Balance as at 1 January	2,351,316	3,637,247
RECEIPTS		
FEA Grid & House Wiring	–	46,527
Solar Home Payments	75,959	94,962
Biogas	–	100
Biofuel	–	300
Bank Interest	2,316	2,059
Total Receipts	**78,275**	**143,948**
PAYMENTS		
Contractual House Wiring	–	10,568
Bond Payment	75,435	112,376
Connection Fee	–	4,603
Refunds	121,438	1,301,492
Bank Fees	406	839
Total Payments	**197,279**	**1,429,878**
Net Deficit	(119,004)	(1,285,930)
Closing Balance as at 31st July 2017	**2,232,312**	**2,351,317**

What was the status of the balance $2,232,312. Does the Ministry had the details of this and when does the Ministry plan to reimburse this balance?

The Committee was advised that the Department of Energy had assisted 11,626 households in the Rural Electrification Scheme throughout the country till 2018. The Ministry had spent $34,409,343.62 to accomplish these projects and continued with the scheme in the 2019–20 FY. Refer to appendix 3 of the written submission for the listing of all households assisted through this scheme.

Tabulated below was the summary of the Solar Home Systems.

Division	No. of Household	Year Installed	Total ($)
Central	318	2012-2018	811,965.61
Eastern	3226	2010-2018	10,578,324.17
Northern	6109	2009-2018	16,598,791.35
Western	1933	2012-2018	6,420,262.49
Total	**11,626**		**34,409,343.62**

Tabulated below was the total expenditure provided by Government for the Rural Electrification Program till 26th September 2019 and the actuals utilised for this scheme.

Financial Year	Budget Allocation ($)	Approved RIE ($)	Actuals/ Utilisation ($)
2016–17	14,896,760	14,873,961.25	14,116,236.89
2017–18	34,455,477.18	34,437,135.18	34,302,242.75
2018–19	50,827,349	45,264,997	32,319,573
2019–20 as at 26/09/2019	3,293,212	3,242,183	179,231.64

Ministry's savings of $3,881,256 for SEG 1

The Committee was informed that the Ministry had a significant number of vacant positions in 2017. In addition, there were a large number of temporary appointments due to the expiry of contracts and in prioritised the filling of expiry of contracts, the filling of vacant positions had accumulated and delayed. The Ministry had staff establishment with 77 per cent of the position filled and this was expected to be hitting close to 85 – 90 per cent by December 2019.

The Water Authority of Fiji incurred expenditure totalling $280,908,094 in 2017 against a revised budget of $308,632,635 resulting in savings of $27,724,541 or 9 per cent.

The Ministry believed that there was still room to keep around 10 – 15 per cent posts vacant as contingency noting other reform developments that may affected the Ministry's staff establishment.

Monitoring of FRA Projects

The Committee was informed that FRA provided updates and acquittals as and when required to the Ministry. For any new submission of Requisition to Incur Expenditure ('RIE') to Ministry of Economy, FRA always provides feedback such as Quarterly Performance Progress Report (QPPR) which the Ministry reviews before the submitting the RIE to the Ministry of Economy.

The major savings were due to delay in ADB and World Bank projects which included SARUP I & II, ADB Reseals, Unsealed Road Rehabilitation Program, Street Lights Renewals, Ovalau Bridge, Taveuni Bridges, Matewale Replacement Crossing, Solovi 1 and 2 Irish Crossing, Rabaraba Crossing, Nakalawaca Road, Wainivesi-Wainivilimi Rd, Nakorosule-Nawaisomo Rd Stage 1, Sevaci-Korotasere

Rd, Stage 3 and crossing, Kilaka Road Stage 3 and crossing, street lights (Rural & Urban) Traffic Signals and SCATS Improvement.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

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

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements and the Ministry's response to the Management comments and the signing of the Financial Statements. The Committee noted with concern the rating given to the Ministry by the OAG being ineffective in meeting the timelines of submission of its financial statements.

The Committee was informed that the Ministry had tightened up on the Internal Control by the filling of vacant posts to allow proper segregation of duties. Previously, staffs were doing table works which most times overlap due to limited staffs on hand however it was gradually being tighten up with all these appointments. SOPs were being formulated by the Department under the Ministry to ensure flow of work was covered in all areas and any loophole within the system was automatically carried and tightened up.

The Committee was informed that the submission was inadvertently delayed due to factors beyond the Ministry's control such as reconciling and attempting to substantiate the TMA Cash and Bank variances since this had been a recurring audit issue from the past years. Finally, the Ministry's accounts team was able to reconcile the TMA Cash at Bank accounts and thereafter the Ministry was able to formally write to the Office of the Solicitor General seeking legal opinion to write off the variance. It was noted that the Accounts team had spent a lot of time liaising with all stakeholders such as the AMU ('Ministry of Economy'), OAG ('Office of the Auditor General'), FRCA ('Fiji Revenue & Customs Authority'), FICAC ('Fiji Independent Commission Against Corruption') in the reconciliation hence the cause of the delay.

Currently, the Ministry was still awaiting the response from the Ministry of Economy regarding the TMA variance Write Off (Deemed irrecoverable by FICAC).

PART C: OTHER SIGNIFICANT MATTERS

40.4 Variance between TMA Building Cash Book with its Bank Reconciliation

According to Finance Instruction 2010 section 32 (6), all bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items, be signed and dated by the responsible officer.

TMA Building Account bank reconciliations re-performed during audit revealed a variance $27,221 between the TMA Building cash book reconciliation and bank reconciliation as tabulated below.

Account	Balance as per Cash Book Reconciliation ($)	Balance as per Bank Reconciliation ($)	Variance ($)

Account	Balance as per Cash Book Reconciliation ($)	Balance as per Bank Reconciliation ($)	Variance ($)
TMA Building	293,978	266,757	27,221

The Committee noted the comments that the current staff had inherited the anomalies in the bank reconciliations due to the previous fraud case and that the accounts had been reconciled after the last financial year and determined that the unsubstantiated figures were clearly identified in the reconciliation under variance. The Committee further noted after seeking legal opinion from the Office of the Solicitor General to seek approval for writing off these unsubstantiated variances in the TMA Account that was more than $50,000, the request for write-off must be referred to the Ministry for Economy under section 57 (c) (3) of the F.I 2010.

The Committee was informed that the Ministry of Economy Assets Management Unit ('AMU') via email requested the Ministry to seek an audience with the Fiji Independent Commission against Corruption ('FICAC') about the status of the case and eventually wrote to FICAC. The Commission had responded on 13th August 2018 by mentioning that the accused personnel had destroyed a large amount of documentary evidence and it was verify difficult to determine the actual amount misused. Refer to Appendix 1 for latest update of FICAC cases.

The Committee noted the efforts taken by the Ministry and recommends that the Ministry should strengthen the functions around the bank reconciliation in line with the OAG recommendation.

40.5 Anomalies in Joinery and Plumber Shop Sales (DEWCE)

The audit review of the TMA sales for Joinery and Plumber Sectors revealed the following:–

1. There was no proper accounting system in place for recording of TMA sales for Joinery and Plumbing which totalled $976,930 and $1,028,719 respectively as at 31 July 2017. Moreover, the audit could not ascertain whether all revenue earned were properly recorded in the GL as supporting documents relating to these revenue were not adequately maintained contrary to the Ministry's 2016 Finance Manual.
2. The audit further noted that although the Ministry had a Job Record Sheets ('JRS') and invoicing system was in place, the total amount as per these records did not reconcile with the total revenue. A variance of $185,909 between JRS and the GL as tabulated below.

Account	Sales as per Plumber Shop Records ($)	Sales as per General Ledger ($)	Variance ($)
Plumber Shop Sales	842,810	1,028,719	(185,909)

3. The audit noted that journal adjustments were passed in the GL for Joinery Sales were not properly supported. Evidence for these transactions was tabulated below.

Journal Period	JV Number	Particulars	Amount ($)	Details for Supporting Documents Attached
Aug-16	415185	Cash flow for the month of August	20,000	Email between the Joinery

Journal Period	JV Number	Particulars	Amount ($)	Details for Supporting Documents Attached
		2016 transferred from unearned income (4-40251-91011-850201)		Clerk and AAO for monthly cash flows
Sep-16	415204	Cash flow for the month of September 2016 transferred from Deferred Income	20,000	Email between the Joinery Clerk and AAO for monthly cash flows
Jul-17	415503	Carryover projects from 2017 to 2018 FY transferred from unearned and deferred	(126,798)	List of carry-over projects.

4. In addition to the above anomalies, there was absence of reconciliation of sales recorded in the Plumber shop against the GL.

The Committee noted the comments provided by the Ministry at the time when this audit was conducted that they had put in place processes and procedures but had not provided explanations on the actions taken in addressing the variance of $185,909. Further, the OAG had also advised the Committee that the Ministry had largely addressed the internal control issue in the Central Eastern Division. However, the 2019 audit had noted similar internal control issues in the Western Division.

Copies of the JRS for Joinery and Plumber Shop section was attached as appendix 5 of the Ministry's written submission for the Committee's noting.

The Committee was concerned about the laxity attitude in addressing this discrepancy as it puts the Ministry into the high risk of financial misstatements in the Plumber and Joinery Sales. Therefore, the Committee recommends that regular training, supervisions and monitoring of staffs and concurred with the OAG recommendations.

40.6 Deficiency in Inventory Controls

Audit review of inventory controls for Plumber shop revealed that there was no evidence that year-end stocktake was reconciled to accounting records. In addition, tally cards were not updated hence there was no basis for the Ministry to reconcile inventory on hand with the records maintained. In the absence of timely reconciliation, the Ministry would not be in a position to determine if there are any leakages in the inventory for their prompt action contrary to the Ministry 2017 Finance Manual.

The Committee was informed that the Division currently ensures that all sales records were properly maintained with all source documents.

1. JRS is issued for all funds received for works to be carried out which was supported by relevant source documents;
2. The Division currently ensures that relevant supporting documents were attached to the JVs;
3. Receipts posted to Sales in FMIS were reconciled with JRS; and
4. Previously posting was done at month end however, for the current FY, sales will be receipted on FMIS as and when JRS was issued. Monthly reconciliations had now been implemented with JRS and FMIS.

The Committee concurred with the Auditor-General's recommendation and noted the Ministry's comments and requests the OAG to provide further update on this anomaly in the next audit report.

40.7 Adjustment for VAT not supported

On 6th September 2017, the PS approved adjustment of VAT receivable amounting to $322,428. The audit advised that the adjustment was made since there was no documentation to substantiate the balance. The adjustment made through journal voucher number 415603 affected TMA Accumulated Surplus Account. In the absence of any supporting documentation to support the adjustments made to the various allocations as described above, the Auditor-General was not able to determine the correctness of the adjustments made during the audit contrary to Ministry's 2017-18 Finance Manual.

The Ministry explained that all relevant documents that were available in at the Ministry was provided to OAG. All previous accounting records were confiscated by FICAC during their investigation thus these supporting documents could not be provided to the auditors. Efforts were made to retrieve the details from FMIS however records prior to 2014 could not be retrieved from the FMIS. The Ministry's Senior Account Officers and Assistant Accounts Officer were advised by Ministry of Economy (AMU) on 10th July 2017 to liaise with Fiji Revenue & Customs Authority ('FRCA') on reconciling the VAT account. AMU had advised to reach an agreement with FRCA for any necessary adjustments. VAT reconciliation was done in conjunction with FRCA which resulted in necessary adjustments being made in agreement with FRCA.

The Office of the Auditor General advised the Committee that the Ministry had yet to resolve the issue on adjustment for VAT not supported.

The Committee was concerned with the absence of any supporting documents, the Ministry could not substantiate the amount of $322,428 therefore recommends that monthly reconciliations for VAT should be carried out and variances identified should be investigated. Stringent disciplinary actions should be instigated to the officers concerned.

40.8 Anomalies in Reporting of TMA's

The Ministry operates 7 TMAs and the audit noted that the Ministry had consolidated the 7 TMA in the Financial Statements by division hence not reflecting the actual performance of the individual TMAs. The Ministry indicated that the change in the format of the presentation was due to the fact that the Ministry had only 4 bank accounts for the seventeen TMAs.

The Committee was informed that the monthly Profit & Loss Statements and Financial Performance Analysis were submitted to Management and HQ for review and comments. Monthly TMA meetings were held internally wherein issues were discussed and strategies were developed as a way forward. There were meetings also in HQ to discuss the same. For monitoring of cash, the Divisional accounts maintains two 27 columns cashbooks (one for TMA Buildings and one for TMA Mechanical) for the 17 TMA entity's to keep record of the Cash at Bank for individual entities)

Cash flow was monitored and controlled daily by scrutinising the daily bank statement, bank balance, liabilities and payments.

The Committee noted the Ministry's explanation and concurred with the Auditor-Generals' recommendations that the Ministry should ensure adequate disclosures were made in the financial statements for the users to make informed decisions.

40.9 FEA Grid and House Wiring Refunds in the Energy Trust Account

The Minister for Finance Budget Address 2016 announced the waiver of the community contributions of 10 per cent for grid extensions. All costs from the year 2016 for grid extensions would be fully funded by the Government. The Energy Trust Account had a balance of $2,232,312 as at 31 July 2018. The closing balance comprises of refunds from the FEA Grid and Housing Wiring, bond payment for projects and revenue for bills collected from the Solar Home Systems.

However, the audit noted that the Ministry could not provide a detailed breakdown of the balance in the account for audit review. Hence, it was not possible to determine the funds kept in the account which related to FEA Grid and House wiring, bond payments and revenue from Solar Home System. The audit also noted refunds to customers for Grid and House wiring were slow which could not be attributed to lack of appropriate information.

The Ministry explained that at the time of the audit, the trust account comprises of consumer contribution for house and grid wiring, monthly solar bill payments and security deposits from contractors and that the current data maintained by the Ministry can be substantiated whilst those records maintained prior to 2010 cannot. Initially, revenue was collected by the Department of Energy Technical staff, Ministry of Rural & Maritime Development (DO's Office) and Post Offices for which records were maintained and monitored by technical officers. The Ministry further advised that the revenue collected by the DO's office were destroyed during flooding of their storage area at Rural Development HQ in Knolly Street hence revenue collected and payee details could not be established/substantiated. Further, the Department of Energy had over the years moved to several locations and in the process, the staff then lost tracks of documents/records. With the reasons mentioned, the Ministry was unable to substantiate the variance of $2,232,312 in closing balance.

The Office of the Auditor General advised the Committee that the audit issue was related to the detailed listing of people depositing the funds into the Energy Trust Account. The Ministry does perform General Ledger reconciliation on a monthly basis however the details listings in not maintained. OAG could confirmed that the listing in only maintained from 2010.

The Committee was deeply concerned with the explanations given by the Ministry that documents could not be made available due to frequent movements of staffs and Offices which was a reflection of poor planning and lack of good resource management. The Committee agreed with the Auditor-General's recommendation that necessary action should be taken to substantiate the closing balance held at the Trust Fund Account.

40.10 Lack of Monitoring of Capital Projects carried out by CSA's

The Ministry was responsible for the policy and legislative formulation, administrative and regulatory function of the Land Transport Authority ('LTA'), Water Authority of Fiji ('WAF') and the Fiji Roads Authority ('FRA'). Section 8.1 of the Grant Agreement between the Ministry and WAF/LTA and section 9.1 between the Ministry and FRA stated that "*the Ministry may conduct site visits on a quarterly basis* *during the term of the agreement to review and comment on the utilisation of the grant and the progress and services of the work programme*"

The audit revealed that the Ministry disbursed capital grants totalling $457,381,049 to the following State-Owned Entities ('SOEs') in the 2016–17 FY for various capital projects. Refer to the table below for details.

Corporate Statutory Authority	Capital Grant as per Grant Agreement ($)	Total Capital Grant Released ($)
LTA	6,500,000	5,202,694
WAF	229,353,118	195,428,577
FRA	411,072,661	256,749,778
Total	**646,925,779**	**457,381,049**

The audit noted that the Ministry did not carry out any site visits to independently review the progress of the work programme and monitor utilisation of grants paid. Instead of Ministry was monitoring the physical and financial progress of works from the acquittals submitted by the respective entities which was not deemed sufficient. Furthermore, the Auditor-General was informed by the Ministry that the reason for not carrying out the site visits was due to the lack of technical expertise and resources in the newly established Project Monitoring and Compliance Unit by the Ministry. As a result, the audit could not establish whether grant funds totalling $457,381,049 paid to CSAs stated in the above table were utilised for the intended purpose.

The Ministry advised that in terms of monitoring government's Commercial Statutory Authorities (CSA's) such as FRA and WAF, the Quarterly Performance Progressive Report ('QPPR') from each Department was filled, assessed and monitored for the performance of each project. The Ministry had also embarked in setting up a Unit (Performance & Monitoring Team) with resources available to seriously look at the performance of these CSA's.

The Committee noted the explanations given by the Ministry but agreed with the Auditor-General on the absence of physical monitoring and site visitation of capital projects. The Committee recommended that in the absence of physical projects visitations and over reliance on the QPPR and acquittals submitted, the Ministry should conduct quarterly site visits and verify acquittals submitted by the entities to the Ministry.

40.11 Non-compliance with Service Agreement by Post Fiji Limited

The Ministry engaged Post Fiji Limited ('PFL') to provide monthly statement printing, mail processing and billing works. **A service agreement between the Ministry and PFL was signed on 24/06/13 for the outsourcing of the solar home system monthly electricity statement (bill) printing and payments (revenue collection. The term of the agreement as for 5 years and expired on 23/06/18**.

Audit review of the bill services provided by the PFL revealed the following anomalies:–

1. According to clause 4.4 of the service agreement between the Ministry and Post Fiji – "*PFL was to invoice the customer for the services within the first four days of the following monthly of receipt of the Customer's PDF files/disc for the previous calendar month's services. The invoicing shall not be*

under any circumstances extend to or include delays that fall outside the previous calendar monthly services"

However, revenue collected by PFL from the customers was not promptly paid to the Ministry. PFL paid the revenue collected from customers to the Ministry after significant delays. It was also noted that the Ministry did not follow-up with PFL on the late payment of revenue collected.

Month	Amount ($)	Date Revenue Due to Ministry by PFL	Date Revenue Paid to the Ministry by PFL	No. of Days Revenue Payments Delayed
August	14,329.84	05/09/16	11/11/16	67
September	34,314.22	04/10/16	11/11/16	38
October	19,949.76	04/11/16	10/01/17	67
November	29,105.46	05/12/16	10/01/17	36
December	16,108.98	04/01/17	10/01/17	6
January	12,495.35	06/02/17	01/05/17	84
February	15,033.74	06/03/17	01/05/17	56
March	16,819.46	04/04/17	01/05/17	27
April	16,006.22	04/05/17	27/07/17	84
May	35,380.40	05/06/17	27/07/17	52
June	15,298.06	04/07/17	27/07/17	23
July	14,030.62	04/08/17	04/09/17	31

2. Clause 8.2 of the service agreement states that "*PFL shall meet with the Ministry at agreed intervals at every year end to formally review PFL's performance in providing the services*" The audit revealed that there was no evidence that indicate that the Ministry had meetings with PFL to review the company's performance since the service agreement was signed on 24/06/13. As at the date of audit on 30/08/17, PFL was yet to make the payments for the month of July 2017.
3. The Principal Accounts Officer ('PAO') through the Senior Accounts Officer/Accounts Officer/Assistant Accounts Officer and respective Clerks Officer – Revenue collectors/cashier shall prepare a quarterly Arrears of Revenue on the level of outstanding and overdue debts. The audit noted that the Ministry did not include the outstanding electricity bill for the month of July amounting to $14,030.62 in the arrears of revenue report as at 31 July 2017. As a result, the arrears of revenue report as at 31July 2017 was understated by $14,030.62.

The Ministry advised the Committee on the current status of the arrears of revenue to be received from PFL were as follows:–

Total amount collected for the payment of electricity bills

– *August 2017 - July 2018* : *$184,331.27*

– *August 2018 - July 2019* : *$222,713.04*

While the Arrears of Revenue from August 2018 to July 2019 stands at $2,334,208.76. Periodic reconciliations undertaken between PFL and the Department officials were done to update and provide accurate Electricity bills to consumers using the services from Lakeba, Vunisea, Nabouwalu and Rotuma. Appendix 7 of the Ministry's responses is provided to the Committee as evidence.

Furthermore, the Committee noted with appreciation the steps taken by the Ministry and requests the Office of the Auditor General to provide an update in its next audit report.

40.12 Lack of Implementation and Dissemination of Knowledge gained from Training

According to Section 9.3.2, 16 and 17 of the Ministry's Training Policy 2016, all officers who undertook an attachment, training, workshop or visits should make a report in duplicate within 14 days of their return to work. Head of Departments were required to coordinate staff presentations on lessons learnt or new knowledge and skills gained from the training course attended. 3 months after any training, supervisors and trainees were required to assess the effectiveness of the training undertaken on the actual job performance.

The Ministry allocated a total of $376,500 for staff training in the 2016–17 budget estimates out of which the Ministry spent $334,411 or 89 per cent as at 31 July 2017. Audit review of training documents revealed the following anomalies:–

1. Local training participants did not submit their training reports on lessons learnt, knowledge and skills acquired from the trainings and the recommendations to enhance professional development or operational efficiency;
2. Dissemination of knowledge acquired from training through official presentation was not done;
3. Supervisory controls to oversee that training recommendations are was lacking; and
4. Feedback on evaluation from supervisors on participants attending trainings was not provided to the Ministry.

This indicated lack of enforcement on compliance with the Ministry's Training Policy which could result in the public funds not being properly utilised when knowledge acquired from Trainings were not put into practice for improvements in the Ministry or shared to other Ministry staffs.

The Ministry advised that it had implemented internal controls to ensure knowledge gained from staffs who had attended training was appropriately disseminated within relevant departments and divisions in the Ministry. Apart from submission of Training Reports, staffs who had attended training were listed to make presentations to the Permanent Secretary and Heads of Divisions each quarter on training outcomes and recommendations on lessons learnt. The Training Unit had records on these presentations that were done so far. The knowledge gained was also shared amongst other staff to ensure effective knowledge dissemination within the relevant Department's/ Divisions.

The Committee noted with concern on the audit findings especially when $334,411 or 89 per cent of Training Funds were utilised with lack of evaluation conducted by the Ministry. The Committee agrees with the recommendations of the Auditor General that:–

1. timely course reports were prepared by all officers who undertook an attachment, training, workshop or site visit; and
2. 3 months after any training, Supervisors and Trainers to assess the effectiveness of the training undertaken on the actual job performance.

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

40.13 Anomalies in Project Management for construction of New Offices and Workshops for GSSs

The Government Tender Board ('GTB') awarded Contract No. WSC 20/2015 to the Contractor on 18/06/15 for total contract sum of $3,663,715 VIP for the construction of new offices and workshops for Government Shipping Services ('GSS')

Audit review of the project files and the contract documents revealed the following anomalies:–

1. Contract between the Ministry and the contractor was not vetted by the Solicitor-General's ('SGs') Office;
2. A clerk of works was not appointed by the Ministry to oversee the construction works at the site;
3. Proper work program and payment scheduled was not documented in the contract; and
4. Separate project files were not maintained by the Ministry to file all the relevant documents for respective projects together for transparency, accountability and easy accessibility for audit and other reviews.

Anomalies in Government Shipping Projects			
Project	**Allocation**	**Actual ($)**	**Audit noted the following anomalies:**
Upgrade of Government Shipping Building	1-40103-40301-080421	1,691,861	1. There was no evidence of contract being vetted by SGs Office and no clerk of work assigned as directed by the GTB; 2. Proper filing of project was not properly done as its project files were not properly maintained and updated; and 3. Payment schedule in the contract was not followed as progressive payment was done accordingly to work on site. This should had been initially agreed and commented in the contract.
Upgrade of Government Wharf	1-40103-40301-080429	1,178,497	1. There was no evidence of contract being vetted by SGs Office and no clerk of work assigned as directed by the GTB; 2. The original Work Program in the contract was not followed and as such a revised program was discussed. However, this was not documented and agreed. Nonetheless, work commenced without a revised program and payments were done; 3. Payment schedule in the contract was not followed as progressive payments were done. This should been initially agreed and documented in the contract; and 4. Under the contract the work was to be completed with 11 months. However, work took more than agreed from actual work began on 04/10/16 and still in progress but on hold as awaiting variation of work to be approved by GTB.
	Total	**2,870,358**	

Discussion with the Project Manager based at the Ministry revealed that the above anomalies were due to the lack of technical staff in the Ministry as most positions were vacant. In addition, proper handing over was not done when project officers resigned from the Ministry. Furthermore, the Project Officers were not provided with proper guidance, training and awareness on project implementation and monitoring.

The Committee was informed that follow-ups were made to ensure that Contractors do submit their regular progress reports. Regular follow ups to see that critical issues are addressed throughout the duration of the project to ensure that the project administration and execution was carried out appropriately by the Ministry.

The Ministry advised that the 2 projects under the GSS were overseen by DBGA's Office. In the duration of the project, new procedures were then realised of which now the DBGA's Office is working on to adhering to:–

1. Submission of contract document to SGs Office for verification;
2. Working with recommended contractor on drafting payment schedules that were practical and workable against their work programme;
3. Reference of Government Tender Board Letter in situations where there was contract variations or durations; and
4. Proper documentation of information on projects.

The DGBA's office concurred with the Auditor-General's recommendations and was looking at ways and means to improve its service delivery and documentation. The Committee noted the comments by the Ministry in agreed to the Auditor-General's recommendations and recommends that:–

(a) this section responsible for project management was properly resourced;
(b) contracts were vetted by the Solicitor General's Office
(c) agreed terms and conditions such as work program, payment schedules were adequately documented in the contract;
(d) terms and condition of the contract as approved by the GTB were complied with;
(e) Separate project files were maintained for individual projects that were carried out by the Ministry with all the necessary supporting documents filed; and
(f) Proper handing over was doe when officers resigned.

40.14 Person-to-Post (P2P) Listing not regularly updated and reconciled with General Ledger (GL)

The audit noted that the Ministry's established (SEG 1) and unestablished (SEG 2) P2P listing was not regularly updated. As of the date of the audit on 22/08/17, a variance of $6,017,336 existed between the FMIS GL and the P2P listing after excluding the vacant positions from the listing as tabulated below.

<table>
<tr><th>SEG</th><th>Total Salary as per FMIS GL ($)</th><th>Total Salary as per P2P ($)</th><th>Variance ($)</th><td rowspan="4">"P2P listings which were not updated would highly affected the financial and human resource management in the Ministry"</td></tr>
<tr><td>1</td><td>11,067,138</td><td>9,326,043</td><td>1,741,095</td></tr>
<tr><td>2</td><td>7,960,735</td><td>3,684,495</td><td>4,276,240</td></tr>
<tr><td></td><td>19,027,873</td><td>13,010,538</td><td>6,017,335</td></tr>
</table>

The Ministry advised that whilst it concurred with the Auditor-General's findings and recommendations and that these had been a re-occurring problem over the years. The Ministry would work to improve this area with a timely internal reconciliation report to the budget Division of the Ministry of Economy. On the variance amounting to $6,017,335, this had been reconciled with the Ministry's desk officer located at the Ministry of Economy and as advised, MoIT that reconciliations was updated to its staff establishment P2P with the GL in terms of post to salary/wages.

The Committee noted the assurance given by the Ministry that the reconciliation on P2P was updates and recommended that the Auditor-General provide an update in the next audit report.

40.15 Delays in Vacant Positions

According to section 7.2.4.10 of the Ministry's 2015 HR Manual clearly stated that "*once a decision had been made to fill a substantive vacancy, it should be advertised within 1 month from the date it became vacant and should be filled within 54 weeks from the ate of advertisement*"

The Ministry had approved staff establishment of 1,076 for the year ended 31 July 2017. However, a total of 353 or 32.8 per cent of the total positions in the Ministry were vacant as at 31 July 2017. The vacant positions comprised of 202 established and 151 government wage earners positions. Furthermore, there was an increase in the number of vacant positions from 263 for the seven months for the year ended 31 July 2016 to 353 for the year ended 31 July 2017. Refer to the table below for details.

Payroll	Approved Establishment	Actual Establishment	Vacant Positions as at 31/07/17	Vacant Positions as at 31/07/16
Established Staff	638	434	202	158
Government Wage Earner	438	280	151	105
Total	**1,076**	**714**	**353**	**263**

The delay in filling those vacant positions could impact the Ministry's service delivery and as such as the Ministry could not be able to achieve the desired output as its Annual Corporate Plan. In addition, public funds committed in the budget estimates were not fully utilised for the purpose it was appropriated by Parliament.

The Ministry advised that it had agreed with the findings of the Auditor-General and confirmed that the Ministry had managed the situation to maintain the operations but with extreme pressure on the existing staff being loaded to carry out added responsibilities. This problem had been eliminated as the number of vacant posts that had been processed in the last one year had significantly reduced and the status of less than 50 per cent staff establishment filled in 2017 and the status on overall posts as filed stands at around 76 per cent of the staff establishment.

<u>Status of the Vacant Positions</u>

The Committee was informed that the Ministry aimed to hit towards 85 – 90 per cent mark on positions filled within 2 – 3 months and to work with a contingency of around 10 – 15 per cent vacant posts noting some planned reform activities with the Ministry of Economy for the Department of Works.

The Office of the Auditor General advised the Committee as at 31 July 2019, 171 positions were vacant.

The Committee noted the explanations by the Ministry and still concurred with the recommendation of the OAG that the Ministry should identify positions which needed to be filled and prioritised in filling these positions.

40.16 Anomalies in Revenue Collection for Cartage of Freight Allocation

According to Section 4.3 of the Fiji Commerce Commission, Inter-Island Shipping Fares and Freight Charges stated that "*For any routes which are not included in this authorisation or new routes that may evolve in future, the shipping companies are to make submission to the Fijian Competition and Consumer Commission ('Commission') for the authorisation of the passenger fares and freight rates before implementation of any rates of fares*" Section 4.6 further stipulates that "*the authorised rates must be charged by the service providers and will remain the same and no new charges should be introduced unless authorised by the Commission*".

The audit noted the following anomalies in the collection of revenue from shipping services and cartage of freight:–

1. The Ministry introduced new franchise routes to North East and Vanua Levu. The passenger fares and freight rates were estimates and implemented by the Ministry without the authorisation of the Commission; and
2. Receipts issued by the Ministry did not include details such as the number of passengers travelling, the fare and the rates charged on cargo freight.

The above findings indicated that the Ministry did not comply with the requirements of the Commission and as a result, it was not possible to ascertain the accuracy of the revenue collected from shipping services and cartage of freight.

The Ministry advised that as at 20/3/18 the new rates were yet to be approved by FCCC despite making their submission. However, due to Government's commitment towards the service, GSS need to charge travelling public while waiting for the approval from the relevant authorities. Revenue receipts would had the bill of lading number inserted for cross referencing and ease of audit checks.

At the time of compiling this report, the Ministry further advised that to date (29/10/2019), the approval of fare was still to be approved by the Commission, however GSS continues charging travellers as the Shipping Services still needs to consistently continue.

40.17 Internal Control Deficiency in Inventory Management – GSSs

According to Ministry's Finance Manual 2016/2017 Section 8, when inventory items are purchased, the store man or the officer in charge of inventory should record them in the inventory register. The audit revealed the following inventory internal control weaknesses at Government Shipping Services ('GSS'):–

1. A storeman was not appointed by the Ministry to maintain stores records. The position had been vacant since 2015 and at the time of the audit in October 2017, an Engineer (*Management's comments revealed Marine Office II,*) was assigned to maintain the stock records;
2. Separation of duties was not practiced as the Engineer was responsible for maintaining stock records for the store room and was not responsible for maintaining stock records on each vessel when items were received at the vessels from the store room;

3. Tally cards for stocks were not maintained up-to-date; and
4. Tally cards were updated from the purchase orders instead of delivery dockets.

The audit highlighted that the above anomalies was revealed in the 2015 audit report however, necessary actions was yet to be taken.

The Ministry advised that the Post of Assistant Store man would be advertised in October 2017 and filled shortly thereafter. While the post was advertised a Marine Officer II was assigned to carry out the duties of a storeman.

Furthermore, the Ministry advised that the periodical checks were done by the Compliance Team to ensure that assets acquired were accounted and properly used. Officers do signed Tally Cards of items issued under their custody for official usage and returned upon resignation and retirement as part of its internal control for inventory management.

The Committee noted the comments and was concerned that the anomalies highlighted the absence of separation of duties which increased the risk of errors and omissions and fraud would not be easily detected on a timely basis. The Committee concurred with the OAG recommendation that the Ministry should appoint an experienced Storeman who should be given responsibility of maintaining and updating inventory and related records.

40.18 Performance Bond Requirement not strictly adhered to by the Ministry

Section 5 *(i)* of the Finance Circular 13/2013 stated that "*Performance Bond, terms and conditions for the supply and purchase of goods and services for the whole of government shall be reflected in the contract document. All bidders whether local or overseas, shall be required to pay a performance bond if the contract is valued more than FJD$50,000 during the period of the contract*"

The audit noted the performance bonds of the contractors revealed the following anomalies:–

1. Performance Bond was not provided by some of the contractors despite the contract agreement clearly stated the amount and the performance bond to be paid;
2. The Ministry did not request the contractors to renew their performance bond when it expired before the projects were completed; and
3. For one contract, the contract amount and the performance bond amount were the same indicating that the contact document was not properly vetted by the Ministry. Refer to the table below for details.

Agreement Details	Contractor	Contract Sum ($)	Performance Bond Sum ($)	Audit Comments
CTN 217/2015 – Supply, Transportation, Installation and Commissioning of 500 Solar Home Systems	Contractor	1,771,814.50	177,181.44	Performance bond expired on 31/3/17 before the expiry of the contract in July.
CTN 228/2015 –	Contractor (Awarded 3	177,103.20	17,710.32	Performance bond not

Agreement Details	Contractor	Contract Sum ($)	Performance Bond Sum ($)	Audit Comments
FEA House wiring projects	Projects)	25,259.66 50,845.23	2,525.97 5,084.52	provided indicating no performance bond obtained
	Contractor (Awarded 4 Projects)	41,223.80 41,158.40 39,779.98 25,907.67	4,122.38 4,115.84 3,978.00 2,590.77	
	Contractor (Awarded 4 Projects)	34,027.84 24,373.30 57,652.73 66,777.52	3,402.78 2,437.33 5,765.27 6,677.75	
	Contractor (Awarded 4 Projects)	***18,062.32*** 38,696.01 65,437.02 34,400.02	***18,062.32*** 3,869.60 6,543.70 3,440.00	
CTN 205-2015 – FEA Minor House wiring projects	Contractor (Awarded 5 Projects)	231,106.12	23,110.61	Performance bond not provided indicating no performance bond obtained.
	Contractor (Awarded 4 Projects)	131,968.50	13,196.85	

In the absence of valid and appropriate amount of performance bonds, the Ministry may not be able to recover the required sun from the contractors in case of non-performance. The Ministry explained that they are now ensuring that contractors provide their performance bond first before they can be allowed to sign for their contracts. The committee noted the Ministry's comments and concurs with the OAG recommendation that the performance bonds and other matters relating to contract management are properly carried out to ensure the interest of government are adequately protected.

40.19 Projects on hold due to Land Consent

The Ministry prior to undertaking the house wiring projects required the customers willing to be connected to the FEA Grid to provide supporting documents such as land consent, TIN Letter and Birth Certificate. The audit noted that the project for the FEA house wiring for 60 houses at Bilo Road, Waiqanake, Lami was on hold due to land consent issues from the landowners. This audit query indicates that proper due diligence prior to awarding of this contract was not carried out by the Ministry. As a result, the house wiring project for the 60 households could not be carried out.

The Ministry advised that in Bilo Waiqanake's case the Turaga ni Mataqali has given his consent to commence work. That consent was used for the initial arrangement of the project; later on the Mataqali Trustees wrote a letter saying that they do not agree to the extension of the FEA grid as they wanted to evict the tenants on their land who happen to be the members of the project. Negotiation is still on-going with the landowners, the Bio project is one off case for Rural Electrification.

The Committee was informed that the issue has been sorted out now between the Turaga-Ni-Koro's, Contracted Companies and Department of Energy official's before the initial stage of any project. Consultation and dialogue between all parties from the planning stage right up to the commission of any project is now being carried out by the Ministry to ensure consistent project completion.

Furthermore, the Committee notes the concerns of the Ministry at the time of the audit and recommends that the Ministry to provide an update on this issue.

40.20 Non-compliance with directives from Government Tender Board ('GTB')

The GTB in its meeting No. 3/2016 held on 21/03/16 approved to award the tender for CTN 205/2015 for FEA minor house wiring for 12 projects to various companies at the total cost of $431,263.08 VIP. One of the projects for house wiring of 7 houses in Labasa was awarded to a company at a cost of $9,893.

However, the audit review of the projects under CTN 205/2015 on 04/10/17 noted that the works for the house wiring of seven houses was already carried out by another company. The Ministry was unable to provide documentation on the approval of work to be carried out by this company. The Auditor-General was informed that the Acting Assistant Director through an email correspondence on 04/10/17 that miscommunication within the Ministry resulted in the work being awarded twice. The Auditor-General was further informed that the Ministry is working with the contractor to find a replacement project for the original contractor. As a result, the Ministry maybe exposed to litigation claims in future by the original contractor.

The Committee noted with concerned the explanation provided by the Ministry and recommends that OAG provides an update on this anomaly in its next audit report.

40.21 Bills for Solar Home Systems collected and not remitted by Post Fiji

The Ministry engaged PFL to provide monthly Postmaster collection of the Solar Home Systems Billing payment facility to customers of solar home systems. The participants of the Solar Home System program are required to pay a monthly fee of $14 for Type 1 photovoltaic systems and $18 for Type 2 photovoltaic systems.

The audit made the following observations from the review of the revenue:–

1. There was no agreement between the Ministry and PFL for the collection of the monthly bills for the solar home systems.
2. As of date of audit on 31/10/17, PFL did not remit the collections of the bills to the Ministry totalling $114,907.18 since year 2015. Refer to the table below for details.

Month	2014	2015 ($)	2016 ($)	2017 ($)
January	Paid	5,232.00	2,910.90	626.05
February		9,298.86	5,750.50	602.00
March		9,767.69	4,790.36	286.00
April		5,761.16	1,619.00	500.10
May		3,946.35	2,653.06	322.00
June		692.00	6,625.00	154.00
July		2,313.00	2,168.00	348.00
August		5,864.66	1,862.14	198.00
September		8,027.29	1,784.00	290.00
October		5,018.00	438.00	
November		15,814.82	1,847.00	

Month	2014	2015 ($)	2016 ($)	2017 ($)
December		6,162.24	1,235.00	
Total		**77,898.07**	**33,682.96**	**3,326.15**
Grand Total				**114,907.18**

Discussions with the Senior Accountant revealed that the Ministry was liaising with PFL on the payment of arrears however PFL did not provide the reconciliations of the rural electrification deposits. As a result, the total receipts in the Energy Trust Fund Statement of Receipts and Payments for the Solar Home Payments is understated by $114,907.18.

The Committee noted with concerned the explanation given by the Ministry that PFL had cleared the outstanding payments amounting to $86,927.19 on 08/02/18 and recommended that the Ministry expedite its review of the current contract agreement with Post Fiji Ltd in order to improve the frequency of the repayments of the Rural Electrification Deposits to the Ministry as per agreement. The Committee further recommended that the OAG to provide an update on this anomaly in its next audit report.

40.22 Main Trust Fund Receipts not used for maintenance of Solar Home Systems

Section 9.6.1 (b) of the Fiji Rural Electrification Policy 2016 states that "*the village/settlement or individual householders must make monthly rental payments of $18 to enable the Rural Electrification Unit to maintain the systems*"

The Ministry had a balance of $2,232,312 in the Energy Trust Account as at 31 July 2017 which includes refundable deposits for consumer contribution for house and grid wiring and deposits from contractors. The Auditor-General noted that the funds have not been fully utilised for maintenance of the system since inception of the arrangement in 2002. The audit further noted that the maintenance cost of the Solar Home Systems is currently provided in the budgetary allocations of the Ministry which includes the cost of maintenance parts, accommodation and accountable advance for staffs visiting the communities. The Ministry will continue to accumulate funds in the Energy Trust Account if budgetary allocation is provided for the maintenance of the systems.

The Committee noted the comments from the Ministry that the Trust Fund monies were not used because Government provided budgetary allocations for maintenance of Solar Home Systems annually.

The Committee recommends that OAG provides an update on this anomaly in its next audit report.

40.22 Main Trust Fund Reconciliation not performed monthly

The Ministry's Finance Manual states that within 5 days after the end of each month, the Clerical Officer (Trust) shall prepare a trust reconciliation to reconcile the account balances to the ledger total and the trust bank account.

The audit noted that monthly trust fund reconciliations were not performed on a timely basis by the Ministry for the 2016–17 FY as tabulated below.

Date Reconciliation Prepared	Reconciliation Month	Reconciliation Balance ($)
14/02/17	August 2016 – February 2017	2,195,472.13
13/06/17	March 2017	2,141,608.33
31/08/18	April 2017 – July 2017	2,232,311.49

The Ministry has not complied with the requirements relating to monthly reconciliations. In the absence of reconciliations, there is high risk of errors and omissions or fraudulent activities not being detected and rectified on a timely basis. The findings also indicate that the officer responsible for preparation of monthly reconciliations and the supervising officer did not diligently perform their duties.

The Committee acknowledges the Ministry in ensuring that it now prepares monthly reconciliations for the Trust Bank Accounts and that the receipts and payments are reconciled with the Bank Statements and with the FMIS GL and any variances arising are properly rectified.

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

CONCLUSION

The Committee noted that the Ministry was rated as generally effective for its compliance to the instructions issued by the Ministry of Economy on the Closing of Accounts Circular. However, the Committee looks forward for improvements in other areas such as timeline of submission of draft financial statements for audit, submission of signed financial statements for issue of audit opinions and submission of responses for draft management letter and other pertinent issues that were also highlighted in the audited financial statements.

We, the undersigned Members of the Standing Committee on Public Accounts agree with the contents of this report:

……………………………
Hon. Alvick Maharaj
(Chairperson)

………………………..
Hon. Joseph Nand
(Deputy Chairperson)

…………………………………
Hon. Ro Teimumu Kepa
(Member)

……………………………
Hon. Aseri Radrodro
(Member)

APPENDICES

PUBLISHED WRITTEN EVIDENCE

Copies of the written evidences and supplementary responses from the Ministry of Infrastructure and Transport is accessible on the Parliament Website on the following link provided: http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/

REPORT OF THE AUDITOR GENERAL

The Report of the Auditor General of the Republic of Fiji – 2017 Audit Report on Infrastructure Sector (Parliamentary Paper No. 10 of 2019) can be retrieved from the Fiji Parliament website: http://www.parliament.gov.fj/wp-content/uploads/2019/02/11-Report-of-the-Auditor-General-of-the-Republic-of-Fiji-2017-Audit-Report-on-Infrastructure-Sector.pdf