STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Audit Report on Social Services 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 Committee review report on the 2017 Audit Report on Social Services Sector. The report covers the audit results of the five (5) Government Ministries and Departments under the Social Services Sector and these included the Ministry of Education, Heritage and Arts/Higher Education Institutions, Ministry of Health and Medical Services, Department of Housing, Ministry of Women, Children and Poverty Alleviation and the Ministry of Youth and Sports.

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

The audit highlighted that four (4) out of the five (5) ministries in the Social Services Sector were issued with an unqualified audit opinion and one (1) was issued with a qualified audit opinion.

Out of these, four (4) ministries were provided with an unqualified audit opinion with attention drawn in some instances. The qualified audit report emanated from issues ranging from unsubstantiated and unreconciled general ledger account variances, accounting irregularities in account balances, non-disclosure of account balances, board of surveys either not carried out or carried out but the losses were not approved or not recorded as losses to government and stock take were not carried out.

Furthermore, the Committee's review of the Audit Report highlighted that capacity was an inherent issue with accounting officers lacking the basic fundamentals required for reconciling and maintaining accounts, lacking of basic financials report trainings, lack of monitoring and supervision by Manger Finance and Senior Management.

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

- Ministry of Economy should increase staffing and resources in their Internal Audit Division in order to be able to conduct (quarterly and bi annual) internal audit inspections to all Ministries and Departments;

- Ministry of Economy should conduct regular and timely training for all Ministries Accounts Officers on FMIS and ensure that the system is compatible with the actual operations of the Ministries and Departments;

- Ministries and Departments should ensure that daily reconciliations are conducted and also strengthen their internal controls in terms of separation of duties and conducting supervisory checks;

- Ministries and Departments should ensure that procurement of technical equipment, such as, generators, pharmaceuticals, vessels, mechanical equipment, non-sugar access roads for example, are carried out by competent personnel, particularly where procurements are made from abroad; and

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

At this juncture, I wish to thank my fellow committee members, namely: Hon. Joseph Nitya Nand (Deputy Chairperson), former MP Hon. Vijendra Prakash, Hon. Aseri Radrodro, and Hon. Ro Teimumu Kepa for their efforts and contribution in the scrutiny process of the Audit Report and the final compilation of this report. I also extend my gratitude to Hon. Mikaele Leawere who stood in as an alternate Member.

With those few words, I commend this report to the 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

BOS	Board of Survey
CIU	Construction Implementation Unit
FS	Financial Statements
FY	Financial Year
FMIS	Financial Management Information System
JEE	Job Evaluation Exercise
LPO	Local Purchasing Order
MOA	Memorandum of Agreement
OAG	Office of the Auditor General
TMA	Trading and Manufacturing Account
VQR	Vehicle Quarterly Report

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 Social Services Sector, particularly on the annual accounts of Ministries and Departments for the period 2016 - 2017, Parliamentary Paper No. 8 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 SOCIAL SERVICES SECTOR (PP No. 8 of 2019)

No.	Head No.	Ministry/Department
1.	21	Ministry of Education, Heritage and Arts
2.	26	Higher Education Institutions
3.	22	Ministry of Health & Medical Services
4.	23	Department of Housing
5.	24	Ministry of Women, Children & Poverty Alleviation
6.	25	Ministry of Youth & Sports

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 SOCIAL SERVICES SECTOR

Head No. 21 – Ministry of Education, Heritage & Arts

PART A: FINANCIAL STATEMENT

21.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Education, Heritage and Arts ('Ministry') resulted in the issued of an unqualified audit opinion.

21.2 Statement of Receipts and Expenditure

The Ministry incurred expenditure totalling to $434,744,540 for the year ended 31 July 2017. A total of $5,863,218 was collected as Revenue and this was mainly attributed to fees collected from Technical colleges and Government Boarding Schools, registrations, commission, examination fees, proceeds of sale of items from Technical College and miscellaneous revenue.

21.3 Appropriation Statement

The Ministry incurred expenditure totalling $434,744,540 in 2017 against a revised budget of $448,528,549 resulting in savings of $13,784,009 or 3 per cent which were mostly from capital expenditures.

Savings from capital expenditure was due to the following:–

1. *Assistance from overseas government on rehabilitation of schools*
2. *Construction of boarding schools was also being performed by the Construction Implementation Unit (CIU) and the Minister's initiative, thus budgeted funds were not utilised;*
3. *Delay from suppliers on supply of furniture for damaged schools;*
4. *The project was not carried out as the contractor was reassigned to another job and the contract expired;*
5. *Delay in the tender process;*
6. *Scoping of works and documentation could not be completed on time since the Ministry of Infrastructure and Transport was engaged in other projects; and*
7. *Delay in vetting of the Memorandum of Agreement (MoA) and contractor has no building permit to commence work.*

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.

Submission of Financial Year 2016-2017 Draft Agency Financial Statements

However, the audit revealed that there was a delay in submitting the Management's comments to the Office of the Auditor General from the date the agency financial statement draft management letter was issued hence causing the delay in the signing of the Ministry's Financial Statements.

Section 69 of the Finance Instructions 2010 stipulated that each agency must prepare an annual report for submission to its Minister by 31 December in the following year. Each annual report must include the financial statements which are prepared and signed in accordance with these instructions, audited by the Auditor-General and accompanied by the audit opinion of the Auditor-General.

The audit of the financial statements (FS) by the Ministry 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 amendments made to the financial statements. Tabulated below are the dates for the re-submission of the FS:

Date of submission of FS	Versions
27/10/17	1st draft
01/12/17	2nd draft
15/03/18	3rd draft

The audit noted that there was also various Virements made totalling $2,546,644 which was approved by the Minister of Economy on 2 February 2018. These Virements were subsequently posted in the FMIS General Ledger on 8 February 2018 to regularise the over expenditure in payroll resulting from the Job Evaluation Exercise (JEE). The delay in finalising the Ministry's FS will result in the delayed submission of the Ministry's Annual Report to Parliament.

PART C: OTHER SIGNIFICANT MATTERS

21.4 Under-utilisation of Capital Expenditure Budget

A large proportion of the Ministry's expenditure will be on rehabilitation works for the 495 schools affected by TC Winston especially in the Western Division, which were the worst affected. A total of $142.6 million (includes $132 million under Miscellaneous Services) is allocated for the reconstruction and upgrading of existing schools, provision of school furniture and equipment, educational resources and other supporting services, including counselling.

According to the 2016-2017 Economic and Fiscal Supplement:–

1. A sum of $1.0 million is budgeted in the 2016-17 FY to maintain and upgrade school buildings and institutional quarters;
2. $0.8 million is allocated for the Digital Literacy Programme (DLP) previously known as one learning devise per child programme;
3. $0.6 million for the upgrading of the World Heritage Site; and
4. $0.2 million is allocated for the Rehabilitation of Thurston Garden.

The audit noted that the Ministry only utilised $6,315,702 or 32 per cent of the total revised budget of $19,492,754 resulting in savings of $13,177,052 or 68 per cent.

Examples of Projects for which funds remained unutilised as at 31 July 2017

Description	SEG Description	Revised Budget ($)	Actuals ($)	Amount Unutilised ($)	Percentage Unutilised (%)
Maintenance & Upgrading	Capital Construction	1,000,000	481,698	518,302	52
IT Infrastructure	Capital Construction	277,750	50,437	227,313	82
Boarding facilities for Primary Schools	**Capital Construction**	**1,915,202**	**–**	**1,915,202**	**100**
Cyclone Rehab – Furniture for Damaged Schools	Capital Purchase	1,551,040	314,050	1,236,990	80
Digital Literacy Program	**Capital Purchase**	**800,000**	**–**	**800,000**	**100**
Building Grants for Nailou Infant School	**Capital Grants**	**215,345**	**–**	**215,345**	**100**
Building Grants – Early Childhood	Capital Grants	3,462,680	25,000	3,437,680	99
Building Grants – Non Government Primary Schools	Capital Grants	3,004,463	821,293	2,183,170	73
Boarding Facilities for Secondary Schools	**Capital Grants**	**250,630**	**–**	**250,630**	**100**
Building Grant Resilience School Program	**Capital Grants**	**416,382**	**–**	**416,382**	**100**
Levuka World Heritage Structures	**Capital Grants**	**636,641**	**–**	**636,641**	**100**
Rehabilitation of Thurston Garden	Capital Grants	150,000	75,000	75,000	50

The intended benefits from the capital projects could not be realised due to under-utilisation of capital budget. The under-utilisation of the budget was mainly due to the following reasons:–

1. Assistance from overseas government on rehabilitation of schools;
2. Boarding schools construction was under CIU and the Minister's initiative and budgeted funds were not utilised;
3. Delay from suppliers on supply of furniture for damaged schools;
4. The projects were not carried out as the contractor was reassigned to another job and the contract expired;
5. Delay in the tender process;
6. Scoping of works and documentation could not be completed on time since the Ministry of Infrastructure and Transport was engaged in other projects; and
7. Delay in vetting of Memorandum of Agreement and contractor had no building permit to commence works.

The Committee notes the Ministry's comments provided to the audit with regards to the under-utlisation of capital expenditure whereby the Ministry had only incurred $6 against the revised budget of $19,492,754. The reasons for this was attributed towards TC Winston rehabilitation, delays in the tender process, school structures were built long ago and most of the schools was built by the Committees and Communities. .

Tabulated below is the status of the cyclone rehabilitation of schools as at 6th September 2019

Agency	Total	Completed	In Progress
Ministry of Economy (CIU)	206	156	50
Ministry of Education (AMU)	150	147	3

The Committee was informed that those schools were rebuilt through Government funding. They do not include those schools re-built by foreign donors.

Capacity to complete all planned Capital Projects

The Committee was informed that the Ministry works with the Ministry of Infrastructure and Transport (MIT) and the Construction Implementation Unit on TC Winston rehab projects. Large projects are contracted out, often through CIU and their tender process, to registered contractors while the Ministry engages other small contractors and school management for projects usually under $50,000. Monitoring remains an issue due to the large scale (over 400 buildings constructed since TC Winston) and the work being carried out around the country. The remaining projects are scheduled to be completed by the end of December 2019. Part of the perceived delays is also linked to budget allocations being spread over a number of financial years.

Finalising the Ministry's Memorandum of Agreement (MoA)

The Committee was advised that the turnaround time varies depending on the complexity of the MOA and the workload of the SG's office. The SG's office aims for 3 to 5 days but in some instances, it can be 2weeks or up to 4 weeks or longer as the MOA has to go to the Ministry of Economy (budget office and CIU) before they are returned.

The Office of the Auditor General advised the Committee that the average turnaround time for the vetting of Ministry's Memorandum of Agreement by SG's Office was that for the projects verified in the 2019 audit, OAG noted that the turnaround time was consistent with the explanation provided by the Ministry that it was within two (2) weeks. Please refer to the table below for details.

Project	Turnaround Time
1.	1 day
2.	1 day
3.	2 days
4.	4 days
5.	14 days

The building plans the Ministry used for schools damaged during TC Winston should be those designed by the Ministry of Infrastructure and Transport in compliance with Fiji National Building Code and other relevant standards.

Monitoring of Planned Capital Projects

The Committee was informed that there were differing approaches:

- In the case of CIU, plans were approved by relevant specialists
- Some contracts were based on the design developed and built by the same contractor.
- Some were designed by consultants but built by other construction companies.
- Some schools used Ministry's plans and other schools used MIT plans.

The CIU and MIT monitored their own projects with some donor partners making their own arrangements with the Ministry for its monitoring.

The OAG advised that the projects were certified by the Acting Director Building and Government Architects (MoIT) before payment was processed for each phase. The school projects practical completion certificates were also signed off by the Acting Director Building and Government Architects on behalf of the Ministry of Education. These were verified in the supporting documents for the payment vouchers.

21.5 Unbudgeted Expenditure

Section 6 (5) of the Financial Instructions stipulates that all capital expenditure submissions must be done through Public Sector Investment Programme (PSIP) process.

The Ministry recorded a total expenditure of $2,763,596 in the FMIS General Ledger allocation number 1-21101-91012-070299 namely “Other Setup and Implementation” for which funds were not allocated in the 2016-2017 budget estimates.

The funds totalling to $2,763,679 were vired from various allocations in SEG 5 and 6 and these Virements were approved by the PS for Education, Heritage & Arts. The audit noted that the expenditures incurred in this allocation included:–

- Building grant totalling to $2,553,251 awarded under the former Minister’s Initiative Award to non-institutional and non-cyclone damaged schools. The former Minister’s initiative has been on-going since 2015. Contrary to section 6 (5) of the Finance Instructions 2010, these building grants were not submitted through the PSIP process. This resulted in payment being made from the Special Expenditure SEG and not from the Capital budget allocation.
- Accountable Advances were $79,065 and miscellaneous expenditures totalled $131,280. Utilisation of operating funds for capital projects is a breach of section 6 (5) of the Finance Instructions 2010.

The Committee notes the comments provided by the Ministry to the audit whereby this allocation was created in 2015 and should have been renamed as Infrastructure Assistance for schools coupled with some schools that were built years ago and proper renovation and maintenance were not done to the building over the years which led to urgent need for upgrading.

The Committee was informed that capital projects were always an expensive item. The Ministry submitted a list of projects in priority order but due to limitations in funding, fewer projects were approved and that was the list the Ministry implemented. There were unforeseen circumstances which sometimes led to virements for example fire at a school. The Ministry was advised by the Ministry of Economy to source funding from within its current budget through such virements to prevent unbudgeted expenditure.

The Ministry was working on an infrastructure audit to be able to provide an evidence based list of schools requiring assistance. In cooperation with the urban planning project being led by the Ministry of Local Government, the Ministry of Education has in place a plan to guide its future infrastructure investment. This should assist in more accurate budgeting.

The OAG informed the Committee that the data collated from the Infrastructure audit was provided to the OAG team. These included data on; controlling authority, lease type, land tenure, stand by generator, access, fencing, fencing condition, building type, building structure type, building plan, local authority approval, cyclone certificate, foundation type, foundation condition, etc. A final report on the audit is yet to be provided to the OAG team.

21.6 Building Grant

The Ministry's Policy on Capital Grants for Non-Government Schools 2004 stipulates the following:–

(i) Section 2 states "all applications for capital grants for the purpose of a new building, maintenance or for purchasing farming office equipment, furniture or for purchasing materials for the provision of water or electricity should be made on the relevant Ministry of Education forms and lodged to the District Education Officer not later than 31st of August each year to qualify for assistance the following year".

(ii) Section 8.1 states that "the School Management must fill in the appropriate section in the application form. With the application, the school must attach a building plan certified by the District Local Health Authority, three quotations are to be attached with the application also, the school building grant account must have at least 20 per cent of the approved funding before the initial 80 per cent is deposited into the building grant account, the school management should have secured a contract agreement if the project is constructed by someone outside the school and the school should have a valid lease contract.

(iii) Section 4.8 clarifies that "the school shall submit all relevant details such as Signed Deed Forms, Quotations of all materials, Contract Agreement and the schools Building Grant Bank Account before 31 February of the year of implementation". Section 5.1 further states that "after the relevant information and documentations are received by the Research and Development section, funds shall be deposited into the School's Capital Grant Bank Account where the District Senior Education Officer is the compulsory signatory".

In view of the above, the audit revealed that the Ministry paid building grants to recipients in one instalment prior to receiving application forms and supporting documentation required for capital funding.

School Registration No.	Date	Cheque No.	Amount Paid ($)	Project	Anomalies
2041	29/06/17	131760	35,000	Construction of 1 teachers quarters	▪ No application by the school ▪ No quotations ▪ No certified building plan
2519	29/06/17	131616	35,000	Construction of 2 teachers quarters	▪ No application by the school ▪ No quotations ▪ No certified building plan
2591	28/06/17	131377	60,000	Construction of 4 New Classrooms	▪ No application by the school ▪ No Tender called ▪ No certified plan building attached ▪ Project incomplete due to insufficient funding
2590	28/06/17	131266	50,000	Construction of 1 × 2Classrooms	▪ No application by the school ▪ No Tender Called
9257	21/06/17	131430	60,000	Construction of 1 × 2 Classrooms	▪ No application by the school ▪ No Tender called ▪ No certified building plan

School Registration No.	Date	Cheque No.	Amount Paid ($)	Project	Anomalies
					attached
1886	21/06/17	131418	60,000	Construction of 3 bedroom teachers quarters	▪ No Tender Called

The above findings indicated that the Ministry did not follow the Capital Grants for Non-Government Schools Policy when awarding the grants for school improvement works hence increasing the risk of poor scoping and incomplete capital projects due to insufficient funds.

The Committee was informed that Ministry has implemented the audit recommendation moving forward that is *"the Ministry should only release building grants to schools which fully complied with the Capital Grants for Non-Government Schools Policy*" and continues to monitor this process.

The update that was provided by the OAG to the Public Accounts Committee has been tabulated below:–

OAG recommendations in the 2016–17 General Report	OAG Update
The Ministry should: Ensure that the Asset Monitoring Unit and District Education Officers verify and inspect the construction of school buildings which have been completed	Asset Monitoring Unit (AMU) was inspecting and monitoring and preparing reports on the construction of school buildings. AMU inspection reports that were requested were also provided to the Auditors.
Required documents are submitted with the building grant applications	Tender approvals and contract agreements were sighted for projects audited in 2018/2019.
Obtain progress report and audited financial statements from the recipients of grants to ensure that all grant moneys are properly accounted for	Progress reports were prepared by the Ministry and at the same time the financial statements from recipients were being submitted.

Head No. 26 – Higher Education Commission

26.1 Statement of Receipts and Expenditure

The expenditure relating to Higher Education Institutions i.e. the University of the South Pacific (USP), Fiji National University (FNU), Centre for Appropriate Technology & Development (CATD), Corpus Christi, Fulton College, Montfort Boys Town, Sangam Institute of Technology and Vivekanand Technical College) totalled $80,091,713 for the year ended 31 July 2017.

26.2 Appropriation Statement

The Higher Education Commission incurred expenditure totalling $80,091,713 in 2017 against a revised budget of $93,356,306 resulting in savings of $13,264,593 or 14 per cent which were mostly from capital expenditures.

The savings in capital expenditures or capital grants and transfers was the result of the underutilisation of FNU's budget on capital projects. The delay in completion of project in FNU Labasa Campus complex was due to the re-tender of project works and absence of a MoA between FNU and the Ministry.

Head No. 22 - Ministry of Health and Medical Services

PART A: FINANCIAL STATEMENT

22.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Health & Medical Services ('Ministry') resulted in the issuance of a qualified audit opinion.

The opinion was the result of the following:–

- An unreconciled variance of $114,950 existed between the Bank Reconciliation and the Cash at Bank General Ledger balances for the Sahyadri Trust Fund Account. As a result, the Auditor-General was not able to substantiate the accuracy and completeness of the closing balance of $338,925 reflected in the Trust Fund Account Statement of Receipts and Payments;
- The Ministry did not prepare the Board of Survey Report on the existence and condition of assets under its authority contrary to section 49 of the Finance Instructions 2010; and
- Internal controls over account reconciliations were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial loss in future.

The Committee noted with concerns the reasons on the audit opinion despite the Ministry reassurance of the following steps/initiative taken as highlighted below:

Unreconciled Variance

- Previous months and years reconciliations have not been properly prepared thus variances/differences were carried forward on opening balances;
- Current months receipts and payments were not properly entered in FMIS (the proper accounting treatment of the two accounts) thus there were additional variances/differences identified in a month; and
- Trust reconciliations were not prepared timely on a monthly basis.

The agreement with Sahyadri had expired thus, there was no transaction for the Sahyadri Trust (for the 2017–18 FY) except for bank charges. The Ministry had sought approval from the Ministry of Economy to close the Sahyadri Trust Fund Account and transfer the remaining bank balance to the Consolidated Fund Account. However, approval has not been granted till to date.

Board of Survey

The Ministry had already started refresher training at the Divisional Offices/Cost Centres with the Permanent Secretary and had taken a lead role in ensuring that the Board of Survey was carried out when required.

Timely Reconciliation

The Committee was informed that a Senior Accounts staff (Accountant) was appointed to conduct the bank reconciliations for the three drawings account (HQ, North and West). Furthermore, a new monthly reconciliation process had been established in the identification of the EFT on unpresented cheques listing and verification, the follow-up of unpresented cheques and stale cheques, recording of all bank reversals, to ensure that the payment processes were completed.

22.2 Statement of Receipts and Expenditure

The Ministry incurred expenditure totalling $218,123,558 for the year ended 31 July 2017. Total revenue collected by the Ministry was $7,017,690. The state miscellaneous revenue is attributed to overpayment recovery, rental income from quarters and commission for various deductions from payroll to be paid to financial intermediaries. Agency miscellaneous revenue increased by $535,858 compared to 2016 due to the increase in adjustments for bank lodgement clearance and stale cheques from drawing account.

22.3 Appropriation Statement

The Ministry incurred expenditure totalling $218.12 million in 2016–17 against a revised budget of $244.02 million resulting in savings of $25.9 million or 10.6 per cent. The significant from SEG 7 and 8 as detailed below. The review of the FMIS General Ledger revealed that significant amount of savings were in the following areas:

- SEG 7 – Government Contribution - Global Fund (TB) $1,490,000
- SEG 8 – New Naulu Health Centre $2,179,423
- SEG 8 – Extension of CWM Hospital Maternity Unit $2,484,640
- SEG 8 – Construction of new Ba Hospital $3,629,853
- SEG 8 – Upgrade of Keiyasi Health Centre $3,901,075
- SEG 8 – Cyclone Rehabilitation Health Facilities $3,514,505

In addition, the following Trust Accounts were managed by the Ministry:–

No.	Trust Account Name	Purpose of the Fund
1.	**Trading and Manufacturing Account (TMA)**	The Bulk Purchase Scheme ('BPS') is the commercial arm of the Fiji Pharmaceutical & Biomedical Services ('FPBS'). The BPS started operations in 1981 and it was set up by Government to ensure customers are able to procure directly from FPBS Bulk Purchase Scheme and also enable greater access to a variety of medicines by the public at an affordable price. BPS today remains the commercial arm of FPBS with a revolving fund of $500,000 which it uses to buy and sell pharmaceutical products to more than 500 customers such as private practitioners, individual patients, retail chemists, government departments, tertiary institutes. Having the Ministry's prescribed medicine and private pharmacies through FBPS, TMA assists patients in obtaining medication at affordable prices. BPS also allows patient care at home with diabetic kits and small dressings. The private doctors having injectable also assist patients at odd hours of the day. **The net assets as at 31 July 2017 is $579,830 compared to $620,822 for the year ended 31 July 2016.**
2.	**CWM Hospital Staff Amenities**	This fund was set up for the emergency purchase of medicines, consumables and other medical items that staff members urgently require activities for patient care. **The closing balance as at 31 July 2017 was $33,893 compared to $25,316**

No.	Trust Account Name	Purpose of the Fund
		for the year ending 31 July 2016.
3.	**Cardiac Taskforce**	This trust account was set up to assist in the catering of annual visit by SDA Open Heart Cardiac Surgery. Cash donations from sponsors and supporting companies are deposited into this account. The fund is used for registration fees for doctors and nurses and farewell functions for the team at the end of the visit. **The closing balance as at 31 July 2017 was $928 compared to $1,024 for the year ended 31 July 2016.**
4.	**Fiji Children's Overseas Treatment Fund**	The Fund was initially established in the 1990's to assist in sending Children overseas for operations and treatments not available in Fiji before the Ministry had established its overseas treatment funding and guidelines. The source of funds for this account has been donations from local and overseas donors, sponsors and supporting companies. Over the years, with the Ministry providing more overseas treatment plus other CSO/NGO assisting, the fund has been used to procure medicines, consumable, assist families with passports/visa preparation. Funds are used to purchase treatments, medications and consumables related to treatment of children not available through government funding. **The closing balance as at 31 July 2017 was $262,732 compared to $228,434 for the year ended 31 July 2016.**
5.	**Cardiology Services Fund**	This trust fund was set up for the purposes of expensive cardiology investigation consumables. These consumables are used for diagnostic and therapeutic angiography. The source of funds for this account is the fees charged for cardiology investigations offered. **The closing balance as at 31 July 2017 was $816,058 compared to $888,768 for the year ending 31 July 2016.**
6.	**Sahyadri Trust Fund**	This fund was established following the joint venture agreement between the Republic of Fiji through the Ministry and Sahyadri Speciality Pacific Hospital Ltd ('SSPHL') in July 2012 to provide various services in cardiology, neurology and joint replacements as well as providing expert doctors, trained paramedical staff, technicians and other health related speciality services to the general public of Fiji. Receipts reflect contributions from patients and government assistance to approved patients. The payments are for services provided by SSPHL. The joint agreement dated 12 July 2012 between the Government of Fiji and SSPHL expired on 16 September 2017. The Ministry has called for tenders for the service which is yet to be awarded. The closing balance of the SSPHL Trust Fund as at 31 July 2017 was $338,925 compared to $66,147 in the 2016 FY.

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 was 'generally effective' however there were deficiencies that had been identified in its internal controls.

Submission of FY 2016-2017 Draft Agency Financial Statements

The audit revealed that the timeline for submitting then draft AFS to OAG was after the due date for the auditors to audit and there was a delay in the submission of the management's comments to OAG from the date the AFS Draft Management Letter was issued.

Section 70 (3) of the Finance (Amendment) Instructions 2016 stipulates that the draft financial statements must be submitted to the Auditor-General by 31 October in the following year, or within such other time as agreed by the Permanent Secretary and the Auditor-General.

The 2016–17 Closing of Accounts Procedures states that:–

18.1 *All agencies are required to prepare their respective agency accounts and submit to the Office of the Auditor General ('OAG') two months after closing of accounts*; and

18.2 *Permanent Secretaries of Ministries and Departments are requested to ensure that agency financial accounts for the financial year ending 31 July 2017 are properly closed off and be ready in time for audit by the OAG by 31 August 2017*.

Due Date	Process to be Completed
16 October	Agency Financial Statement to be sent to the Auditor General
31 October	Agency Annual Report to be submitted to the Minister

The audit revealed that the draft financial statements of the Ministry for the year ended 31 July 2017 were received on 18 January 2018 for audit purposes indicated a delay of more than 2 months. The Committee noted that the late submission also contributed to the delay in the processing of virement on 17 April 2018 and re-submission of the draft financial statements for audit on 25 April 2018 as tabulated below.

Virement Number	From	Amount ($)	To	Amount ($)
V220003	SEG 1	6,264,072	SEG 1	8,693,485
	SEG 2	638,333	SEG 2	6,835,654
	SEG 3	195,120		
	SEG 4	451,732		
	SEG 5	2,614,729		
	SEG 9	1,960,748		
	SEG 13	3,404,405		
Total		**15,529,139**		**15,529,139**

In addition, the delay in the finalisation of the audit was due to the late submission of documents required for audit purposes.

The Committee was informed that there were certain factors which contributed to this delay in the submission. This included the inaccuracies noted in the three drawings accounts as a result of mass cancellation of vouchers, the inter drawings account numbers and the late clearance of open payables.

PART C: OTHER SIGNIFICANT MATTERS

22.4 Absence of Risk Management Policy

Section 59 of the Finance Instructions 2010 states that 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.

The review of the Ministry's corporate governance revealed that there was no risk management framework in place. As a result, the Ministry formulated 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 policies, the Ministry may find difficulty in managing risks particularly risk of fraud and misappropriation of fund.

The Committee was informed that the Ministry now has its "Risk Management Policing" At the time of the audit, the Ministry did not have a risk management policy and is in the process of establishing one. Whilst the Committee deliberated on this report, the Committee was informed that the Policy is now in place and a copy was provided to the PAC.

"Since a copy of the policy was provided, the Committee is of the view that the Auditor-General's recommendation is no longer valid.

22.5 Internal Control Assessment was not Carried Out

In Sections 17.1 (10) and (11) of the Ministry's Finance Manual 2014 states that:–

Within 1 week of the end of each month, the Principal Accounts Officer shall submit to the PS the internal control report. The report shall provide the following information:

(i) whether all reconciliations are up to date;
(ii) whether financial information required by the Ministry of Economy has been submitted on time;
(iii) whether stock takes of physical assets, inventory and money have been carried out as and when required;
(iv) the status of unresolved audit issues;
(v) improvement of internal control, such as rotation of duties between staff, that have been implemented or are proposed.

The audit noted that the Ministry did not carry out the internal control assessment for the financial year ended 31 July 2017. The Committee was informed that the Ministry had commenced its Internal Control Assessment and a report for April 2019 was provided to the Committee as evidence.

22.6 Arrears of Revenue

Section 41 of the Finance Instructions 2010 states that "**accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the finance manual**".

The audit noted that the Ministry recorded arrears of revenue amounting to $404,452 as at 31 July 2017. The arrears of revenue which were in respect to quarantine fees owed by airlines and shipping companies and hospital fees from insurance companies continue to increase over the years and have almost doubled in 2017 compared to 2014. 40 per cent of the debtors totalling $162,407 were more than 2 years old.

The Committee was advised that the Ministry had to continuously follow-up (through verbal and email conversation) on collection of the arrears. The Ministry had formulated a Standard Operating Procedure (SOP) for Revenue Management which also incorporated invoicing and follow-up procedures on arrears of revenue. (e.g. 1st Reminder, 2nd Reminder and Final Reminder/Notice). Once the processes were established, it would be consistently used by all Health Facilities. A draft copy of the Ministry's SOP on Revenue Management was provided to the Committee as evidence.

22.7 Board of Survey Report was not Completed

In Section 24 (1) of the Procurement Regulations 2010 stipulated that "*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 serviceable, unserviceable or obsolete, or surplus to the requirements of that agency*".

In Section 49 (2) of the Procurement Regulations 2010 stated that "*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*".

The audit noted that the Ministry's BOS report was not completed for the year ended 31 July 2017. Instead, the Ministry submitted asset disposal forms only.

The Ministry advised that it had encountered challenges to complete all Board of Survey within a year in all its health facilities. The following challenges were noted at various health facilities/divisions:–

- the recording of assets were not consistently done, thus BOS could not be completed;
- staff at divisional level who were usually assigned to do BOS were holding duties for other posts (e.g. a clerk in a sub-divisional hospital would be in charge of human resources, finance, fleet management and assets);
- there were misunderstanding and different interpretations of the BOS. Most of the BOS conducted were only for the unserviceable items; and
- there was lack of monitoring from the Assets Management Unit (AMU) at HQ to implement certain processes to ensure that all the BOS were completed by a specified timeline within a year.

In going forward, the Ministry confirmed that it would complete the annual Board of Survey for the 2019–20 financial year.

22.8 Conflict of Interest

In Section 49 (2) of the Finance Instructions stated that "*an employee must disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with employment in the public service*"

The audit revealed there were conflicts of interest in the awarding of contracts by the Ministry to certain companies. Review of the FMIS GL revealed that payments totalled to $234,660 were made to Company X from 22 December 2017 to 31 July 2017. The audit further noted that the Managing Director of Company X was the father of the Executive Officer (EDP No. 90785) who was employed by the Ministry.

Company X was awarded the tender to conduct the following projects:–

- Maintenance of Nukulau Nursing Station – contract sum of $20,800
- Maintenance of Balevuto Health Centre – contract sum of $43,920
- Maintenance at Tuvu Nursing Stations – contract sum of $29,200

The audit revealed that the officer was suspended on 21 February 2018 and the matter had been referred to the Fiji Independent Commission Against Corruption ('FICAC').

The Committee was informed that there was no investigation carried out by the Ministry. The case was referred to FICAC and the officer implicated was suspended on 21st February 2018. However, the Ministry had established and implemented the 2 new SOPs on Procurement on Minor Works. The SOP for minor works also included the declaration of request for quote (RFQ) which was similar to the tender processes whereby interest in any particular bidder had to be declared. The new SOP for Minor Works was provided as evidence for the Committee's perusal and action.

22.9 Non-Clearance of Balances in Revolving Fund Account (RFA)

As at 31 July 2017, the Ministry's RFA had an outstanding balance of $60,255.

Year	Amount ($)	Audit Comments
2013	5,054	Balances carried forward from prior years
2014	1,904	
2015	4,110	
2016	33,154	
2017	16,033	Current year balance
Total	**60,255**	

The above indicated that the Ministry clearly did not abide with Section 16.3.3 and 10.1.15 of the Ministry's Finance Manual. Furthermore, the audit noted that FMIS GL showed balance of $9 (1-22101-22999-570101) and $3,722 (1-22-22999-570302) as prepaid expenses and dishonoured cheque which was not cleared at the end of the year. The audit was not provided with the RFA reconciliation for prepaid expenses account which had the closing balances of $9 at the year end.

As a result, expenditures in the Statement of Receipt and Expenditures as at 31 July 2017 was understated by $16,033 as payments made through the Revolving Fund Account were yet to be recorded as expenditures in the financial statements.

The Committee was informed that the outstanding balance had reduced significantly. As at June 2019, the RFA reconciliation balance was $9,142.50 and a copy of the reconciliation statement was provided as evidence.

22.10 Payroll Variance between FMIS and Person to Post (P2P) Listing

Section 59 of the Finance Instructions 2010 stipulated the need to improve records management in all agencies which was vital for promoting Good Governance, Transparency and Accountability in the Public Sector. The PS should keep and maintain a current list of all MOHMS employees (P2P, HRIS) reflecting the date of each employee's first appointment to the Ministry and date of appointment to the current substantive grade.

The audit revealed that a variance existed between the FMIS and the P2P listing for Established Staff and Government Wage Earners (GWEs).

P2P Analysis	**Established Staff ($)**	**Government Wage Earners ($)**
FMIS Personal Emoluments as at 31/07/17	74,544,396	15,001,823
Add: Relieving Staff	1,237,061	24,016
FMIS Total	**75,781,457**	**15,025,839**
Less P2P as at 31/07/17	72,965,825	10,098,218
Variance between FMIS and P2P	**2,815,632**	**4,927,621**

It was further established that the P2P listing submitted to audit was not updated as at 31 July 2017 which was attributed to the variance totalling $1,900,767 between the Ministry's payroll report balance and the FMIS GL as tabulated below.

Variance in FMIS and Payroll Summary Report

Payroll Summary Analysis	**Amount ($)**
FMIS Salaries PE as at 31/07/17	74,544,396
Add Overtime	3,858,595
Add Allowances	2,378,965
Add Relieving Staff	1,237,062
Total	**82,019,018**
Less Payroll Summary Report as at 318/07/17	80,118,251
Variance	**1,900,767**

The audit highlighted that relying on incomplete P2P could result in the Ministry not being able to accurately ascertain the variances which exist, contributing to vacant positions not being filled in a timely manner.

The Ministry advised that the audit findings and recommendation was acknowledged. However, due to the significant number of transactions that was processed by the Ministry, there was a high risk that record keeping anomalies would arise. However, it did not indicate that internal control processes were not followed. The Ministry confirmed that it would try to improve its internal control such as the payment and monitoring processes.

22.11 Procurement Anomalies

The Audit Office conducted a sample verification of the procurement of goods and services from vendors and highlighted the following:–

Date	Payment ID	Amount ($)	Particulars
No payment voucher raised			
18/08/16	1594	10,728	Purchase of fuel for West Wing
09/09/16	2135	12,661	Repair of vinyl tiles
14/02/17	7524	8,899	Payment of diamond tip stainless steel sewer line rod
18/05/17	3448	5,914	Purchase of TV antenna with cables, booster, distribution AMP-CWM
15/02/17	4772	3,183	Purchase of Fire extinguisher & Fire Hose Reel – CWM
16/06/17	10	671,350	Payment of surgery were done to the list of patients at CWM Hospital for the month of June (Main Trust Fund Account)
Supporting Documents Not Stamped Paid			
22/05/17	12672	22,565	Payment of aluminium stainless steel sink
24/03/17	5	189,200	Payment of surgery were done to the list of patients at CWM Hospital (Main Trust Fund Account)
16/06/17	10	671,350	Payment of surgery were done to the list of patients at CWM Hospital for the month of June (Main Trust Fund Account)

The findings by the Auditors indicated that proper procedures were not complied with by the Ministry. The Committee was informed that the Ministry had established and implemented the SOP for Procurement and these included controls in obtaining quotations, evaluations of quotations, receiving goods, checklist for procurements and payments, and payments of goods and services. Furthermore, the Ministry had reviewed its Finance Manual in 2019 and one of the new processes that were specified therein was the section on Payment (section 2.8.12 – 2.8.21). A copy of the Ministry's SOP on Procurement and section 2.8.12 – 2.8.21 of the Ministry's Finance Manual was annexed with the responses provided to the Committee.

22.12 Expenditure Charged to Wrong Allocation

The audit review on payment vouchers noted that the Ministry charged expenditures to wrong allocations which was a direct violation of Section 14 (1) part (e) and (g) of the Finance Instructions 2010 as tabulated below.

Expenditures charged to Wrong Allocations

Date	Payment ID	VEP Amount ($)	Posted To	Correct Allocation
05/07/17	14815	62,983	SEG 3	SEG 7
19/07/17	15494	74,757	SEG 5	SEG 7

Date	Payment ID	VEP Amount ($)	Posted To	Correct Allocation
05/05/17	11757	85,445	SEG 4	SEG 5
13/04/17	11106	111,016	SEG 4	SEG 5
13/04/17	11106	58,052	SEG 4	SEG 5
13/04/17	11106	45,550	SEG 4	SEG 5
18/02/17	04A055	36,201	SEG 5	SEG 9
Total		**474,004**		

The audit further noted that the Ministry incorrectly posted expenditures totalling $3.1 million which was related to vaccines, alliances drugs, consumables, expansions in drugs and medical suppliers, laboratories and dental prosthetics materials to the Free Medicine Scheme allocation. See Appendix 22.1 of the audit report for details.

In addition, the Ministry had incurred a negative expenditure of $10,385 for the Primary Eye Care vote for the year ended 31 July 2017. The Committee was informed that the Ministry had improved its monitoring and one of the areas in the new procurement SOP was the checklist for the GL account number to be correct before being posted. All the mis-posting noted were regularised accordingly. The mispostings were done when there was no sufficient cash flow for the accurate allocation. However, due to the significant transactions processed daily, these mispostings were not regularised.

22.14 Variance in Pharmaceutical Stock

The audit review of Fiji Pharmaceutical & Biomedical Services (FPBO) stocktake report as at 31 July 2017 revealed variances in the stock from the amount recorded in the EPICOR system and in the stocktake report following physical count.

Variance in stock figures

Pharmaceutical Items	Total Value of the System Quantity ($)	Total Value of Physical Quantity ($)	(Deficit)/ Surplus ($)
Family Planning	293,350	163,044	(130,306)
Vaccines	2,570,954	2,550,993	(19,961)
X-Ray	470,630	367,323	(103,307)
Beddings	111,711	109,454	(2,257)
Appliance	161,199	116,656	(44,543)
Dressing	658,863	677,163	18,300
Lab	2,548,739	3,047,072	498,333
Dental	786,418	800,879	14,461
Consumables	4,450,942	4,701,750	250,808
Drugs	6,351,211	6,809,640	458,428
Total			**939,956**

Failing to update the value of stock in a timely manner could result in the above variance. The Committee was informed that the stocktake was usually conducted annually to correct the system of any variances, however, a routine activity was the stock adjustment undertaken by each respective department. An investigation on how the variances occurred was established before corrective measure was implemented.

The contributing factors to the variances are indicated below with identified solutions in place:–

<table>
<tr><th>Variances Issues</th><th>Resolutions</th></tr>
<tr><td>Posting errors by the pickers at the Warehouse</td><td rowspan="5">✓ Monitoring Unit set up to strengthen SOPs for all respective department
✓ Enforcing responsibilities or ownership to the department supervisors
✓ Refreshment training & workshops on Inventory Management & Warehousing
✓ Employee rewarding system – employee of the month identified</td></tr>
<tr><td>Take on charge errors by the receipts department</td></tr>
<tr><td>Transferring items from one bin location to another</td></tr>
<tr><td>Closing errors by the Dispatch Team</td></tr>
<tr><td>Item picked manually but not placed into the system</td></tr>
</table>

The Ministry further advised that this was an on-going process with the continuous improvement on the existing structure. The Ministry had also initiated an independent comprehensive end-to-end supply chain review which would be completed soon.

22.13 Vehicle Quarterly Reports was not Prepared

The Ministry was assigned a total of 287 vehicles of which 174 were leased and 113 were Government owned. Repairs and maintenance costs paid for the period totalled $823,354. The audit revealed that the Ministry did not prepare the Vehicle Quarterly Report ('VQR') for the 2016–17 FY.

In the absence of the VQR, the management of the Ministry would not be able to monitor the location and age of the vehicles, mileage at the beginning and end of the quarter, accident dates and cost of repairs, fuel and general maintenance and recommend improvements for cost effectiveness.

The Committee was informed that the weekly institutional fleet report was compiled by the Fleet Manager and submitted to the Ministry of Economy. The VQR for 2018, however, were all received from all Health facilities, compiled by the AMU and submitted to the Ministry of Economy.

22.16 Purchases made without Tender Approval

The audit review of the Ministry's cashbook revealed that payments exceeding $50,000 was made to Company A without tender board approval for the financial year ended 31 July 2017. Review of the payment records noted that payment was to refill oxygen. Refer to Appendix 22.2 for details of payment made in the audit report.

In Section 2.3.1 of the Ministry's Finance Manual stated that public tenders must be called for any procurement of goods, services or works valued at $50,001 or more, unless a Tender Board had approved an exemption in accordance with Procurement Regulation 30 (1). In addition, section 48 (1) of the Procurement Regulations 2010 stipulated that the Board may approve that the tender procedures be waived where there was only one supplier capable of supplying the goods, services or works.

The audit highlighted that the Ministry did not follow the proper procurement procedures for procuring goods from the company hence there was a high risk of unauthorised purchases being made without tender approval.

The Committee was informed that the Ministry had established and implemented the new SOP for Procurement and there was an Evaluation Form where justification was provided if it was a sole supplier. The provision of justification for sole supplier was provided in the Ministry's Finance Manual. However, the Ministry would liaise with the Ministry of Economy Procurement Office to explore ways on how best the Ministry could tender for some of the items that were included such as the supply and refilling of oxygen.

22.14 Fixed Asset Register ('FAR') not Updated

The audit revealed that the Ministry's FAR was not updated as at 31 July 2017. Section 46 (2) of the Finance Instructions 2010 stated that "*all agencies must maintain a FAR until the asset module of the financial management information system is implemented. Details to be recorded in the asset register should include, at a minimum – description, cost or fair value, date of acquisition (where known); make, model and identification number, where applicable and location*"

Review of payment records revealed that a number of fixed assets purchased during the year was not included in the FAR as tabulated below.

Date	Payment ID	Item	Cost Price ($)
09/05/17	11839	Generator	7,706
18/05/17	3448	TV Antenna with cables and booster	5,914
14/03/17	110070	Ceiling suspended AC	6,899
29/07/17	16118	Medical Equipment – phase 3	1,509,603
03/05/17	11689	Medical Equipment – phase 2	1,017,938
		Total	**2,548,060**

The above findings indicated inadequate control over recording of fixed assets could result in the Ministry not being able to identify items, which were unserviceable or missing. Moreover, it would be difficult to identify officers responsible for discrepancies in the fixed assets records. The Committee was advised that the FAR was established for all cost centres/facilities of the Ministry in 2018. Furthermore, it was noted that the Ministry had less knowledge on the implementation of the National Asset Management Framework (for whole of government) and currently the Ministry of Economy had developed a strategy to implement the Framework. The Framework would provide a foundation upon which asset management, in its holistic sense could be assessed and improved. A copy of the presentation on the National Asset Management Framework was annexed in the response provided by the Ministry.

22.15 Lack of Monitoring in the Administration of Grant

The audit revealed that the grant recipients did not always submit the audited accounts to the Ministry for the year ended 31 July 2017 as tabulated below.

Grant Recipients	Grant Amount ($)
St John Ambulance	100,000
Chanel Home of Compassion	18,000
Total	**118,000**

The audit had highlighted that in the absence of the audited financial statements, the Ministry could not substantiate whether grants were used for their intended purpose. The Ministry advised that it had received the audited accounts from the grants recipients and the audited accounts were provided in the written submission provided for the Committee's perusal.

22.16 Anomalies in Sahyadri Trust Fund Account

The audit review of the Sahyadri Trust Fund Account revealed the following anomalies:

- A variance of $114,950 was noted between the closing bank statement balance and the FMIS GL Balance;

Allocation	FMIS GL Amount as at 31/07/17 ($)	Bank Statement Balance as at 31/07/17 ($)	Variance ($)
9-22101-22003-520401	338,925	453,875	114,950

- Receipts amounting to $297,032 received in the 2016 FY (prior year) were posted in the FMIS GL on 30th November 2016. This had resulted in the current year receipts being overstated by $297,032 (refer to Appendix 22.3 in the audit report for details);
- The Ministry did not maintain a list of the patients who were treated by the Sahyadri Speciality Pacific Hospital Limited (SSPHL) team. As a result, the Auditor-General was not able to determine the total amount of Government revenue to be received from the Sahyadri Trust Fund Account; and
- The cashbook was not maintained for the period January to July 2017.

The Committee concurred with the Auditor-General's recommendation and the Ministry should:

- ***Reconcile and investigate the variance between the closing bank statement balance and FMIS GL***
- ***Ensure that trust receipts are posted in the correct financial period;***
- ***Maintain a listing of patients under the Sahyadri Trust Fund Account; and***
- ***Maintain a cashbook to record receipts and payments for each main trust fund account.***

Head No. 23 – Department of Housing

PART A: FINANCIAL STATEMENT

23.1 Audit Opinion

The audit of the 2017 accounts of the Department of Housing ('Department') had resulted in the issuance of an unqualified audit opinion.

23.2 Statement of Receipts and Expenditure

The Ministry had incurred an expenditure totalled to $15,543,028 for the year ended 31 July, 2017.

23.3 Appropriation Statement

The Ministry had incurred an expenditure totalled to $15,543,028 in 2017 against a revised budget of $25,372,629 which resulted in the savings of $9,829,601 or 39 per cent.

The result of the significant savings for the department after the review of the FMIS GL was on:–

- SEG 7 – Special Expenditures totalling $182,275; and
- SEG 10 – Capita Grants and Transfers totalling $8,355,155

Specifically, savings were made in the following areas:–

1. SEG 7: Government contribution – National Housing Implementation Plan $182,275;
2. SEG 10: HART $212,500;
3. SEG 10: HA Social Housing Policy $500,000;
4. SEG 10: Sustainable Income Generating Projects $133,387;
5. SEG 10: First Home Buyers $3,406,198;
6. SEG 10: Housing Assistance for Fire Victims $255,000;
7. SEG 10: City Wide $3,474,399; and
8. SEG 10: PRB Simla Development Project $1,299,109

The Committee noted that savings were due to some of the funds allocated under **'R'** that were not released through RIE application. Contractual payments were released based on terms and conditions of the contracts. The huge savings from the National Housing Implementation Plan as a result of a reversal journal made into SEG 7 expenditures resulted in negative expenditures of $8,275.

23.4 Statement of Losses

The audit highlighted that there were no losses of fixed assets recorded in the 2016–17 FY. However, items worth $1,960 were written off by the Permanent Secretary for Economy following the Ministry's Board of Survey conducted for the period ending 31 July 2017.

The Committee was advised that as part of the Departments approved budget for 2016-2017 period, all the expenditure items under the Operating Grants (SEG 6), Capital Construction (SEG8) and Capital Grants and Transfers (SEG 10) were held as restricted funds **"R"** under Ministry of Economy. The

Department requested the funding via Requisition to Incur Expenditure (RIE) for the following expenditure SEGs:

Operating Grants (SEG 6)

The Department derequisitioned sum of $1,000,000 via RIE application under Public Rental Board subsidy vote and released to subsidy component of the government to Public Rental Board as per signed operating grant agreement.

Capital Construction (SEG 8)

The Department derequisitioned sum of $5,498,725.92 via RIE applications were submitted based on percentage of work completed under the following projects namely;

1. squatter upgrade and resettlement ($2,122,851.73);
2. City Wide Squatter upgrade project ($390,735.09); and
3. Lagilagi Housing Development Programme - phase 2 (2,985,139.10).

Capital Grants and Transfers (SEG 10)

Financial Year 2016 to 2017 utilisation for SEG 10 under Capital Grants & Transfers reflected the following:–

- Budget Estimate - $20,889,550
- Appropriation Changes - ($3,253,802)
- Revised Estimate - $17,635,748
- Actual Expenditure - $8,355,155
- Lapsed Appropriation - $9,280,593

The details of the different Capital Grants were as follows:–

#	Capital Grant	Budget	Revised Budget ($)	Actual Expenditure ($)	Variance ($)	Remarks
1.	HART	500,000	500,000	287,500	212,500	The Programme involved construction and renovation of HART Homes. The delay was due to the unfavourable weather conditions (TC Winston) where there was a shortage of building materials.
2.	HA Social Policy	500,000	500,000	0	500,000.00	Housing Authority was in the processes of reviewing the Social Housing Policy to reduce the grant assistance ratio hence; there was no submission for expenditure.
3.	Sustainable Income Generating Project	341,332	341,332	207,945.21	133,388.79	The Programme was only focusing on the monitoring of the existing project and there were no grants release to new projects due to rehabilitation process for Cyclone Winston.

#	Capital Grant	Budget	Revised Budget ($)	Actual Expenditure ($)	Variance ($)	Remarks
4.	First Home Buyers	10,000,000	6,746,198.38	3,340,000	3,408,196.38	The Programme was demand driven and the requisition for expenditure was based on applications received.
5.	Housing Assistance For Fire Victims	500,000	500,000	245,000	255,000	The Programme depended on the number of applications received from fire victims.
6.	Town Wide	4,000,000	4,000,000	525,601.19	3,474,398.81	The Programme looked after 26 informal settlements and there were processes involved on land development lease acquisitions, tender process for the on-going informal settlement upgrading programs. The main focus during the year was the rehabilitation process for Cyclone Winston.
7.	PRB Simla Project	2,598,218	2,598,218	1299,109	1299,109	The budget for PRB Simla Project utilized 50 per cent. Tender process for the building works was assessed and identified 6 companies. No decision was made as none of them met the requirements.
8.	Housing Authority Matavolivoli	2,450,000	2,450,000	2,450,000	0	Capital Grant 100 per cent utilised
	Total	**20,889,550**	**17,635,748.38**	**8,355,155.40**	**9,282,592.98**	

Addressing Negative Expenditures for the Department of Housing

As a way forward to alleviate the problem, the Ministry was in the process of recruiting three (3) Accounts Personnel in Accounts Section to increase the staffing capacity. This was to effectively and efficiently provide the financial support services to avoid such anomaly. The other measures that the Ministry had taken on board were as follows:

1. Identify the anomalies in all underlying reconciliations and undertake the adjustment exercise to ensure the reconciliation reports were 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 underlying reconciliations were to be prepared on a monthly basis;
5. All reconciliations prepared were verified and signed copy of the reconciliation was submitted to Ministry of Economy; and
6. Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.

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 'ineffective' as there were significant deficiencies that had been identified in its internal controls.

Submission of FY 2016-2017 Draft Agency Financial Statements

The audit revealed that the timeline for submission and signing of the financial statements between the Department and OAG was 15 days after the due date

Late Submission of Draft Financial Statements

All agencies were required to prepare their respective agency accounts and submit to the Office of the Auditor General ('OAG') two months after the closing of accounts in accordance with the Ministry of Economy Circular 04/2017 *titled* '2016-17 Closing of Accounts Procedures'. Permanent Secretaries of Ministries and Departments were requested to ensure that annual accounts for the financial year ending 31 July 2017 were properly closed off and be ready in time for audit conducted by OAG by 31 July 2017.

- The Department submitted the financial statement for audit on 19 January 2018 which was six months after the due date of the submission;
- The errors in the financial statement identified during the audit was confirmed by the Department and necessary amendments were made on 6 March 2018; and
- The audit of the Ministry was delayed due to the request by the Department (now Ministry of Housing & Community Development) to OAG for the audit to commence on 20 February to allow the Ministry to complete all the pending reconciliations for that period.

The Committee was informed that the Ministry had prepared draft financial statement based on the figures extracted from FMIS system after the closure of accounting period. Due to shortage of staffs in the Accounts Section then, the adjustments for misallocation of expenditures and variances were not cleared from the underlying accounts on a timely basis as a result draft financial statement were submitted late, followed by management comments and signing of agency financial statements accordingly.

The process would be updated with effect from the 2019-2020 financial year statement. With its current team, the Ministry's utilization level on operating and capital grant release had significantly improved. All the RIE submissions made for its financial year's operating and capital grant was approved by Ministry of Economy. The Committee noted that all reconciliations were up to date.

PART C: OTHER SIGNIFICANT MATTERS

23.5 Internal Controls and Governance Systems

The OAG noted during the time of audit that the Department was yet to submit its Annual Report for the years 2014 – 2016 to the Minister. The monthly signed reports required under section 60 of the Finance Instructions were also not provided to the Permanent Secretary.

As such, the following internal controls were neither checked regularly nor in place for the Financial Year ended 31 July 2017:–

- The following administrative internal controls were absent:
    1. Assessment of internal controls report was not available contrary to section 67 (1) of F.I 2010 and Section 17.3 of the Department's Finance Manual; and
    2. Payment vouchers tested were not always stamped "PAID" contrary to Part 2.8.9 of the Finance Manual.
- Local Purchase Orders were not issued when procuring goods, services or works from an organisation within Fiji
- Monthly retirement of accountable advance was not carried out resulting in a high closing balance of $178,999. The total outstanding advance balance brought forward from July 2016 amounted to $177,399 while two additional advances totalling $1,600 were taken in February and June 2017 respectively. In addition, interest on advances owed (12 per cent interest) was not applied contrary to section 10.1.15 of the Department's Finance Manual.

The Committee was informed that the department was in consultation with the Ministry of Local Government staff to complete the pending annual reports from 2015-2018 when they were under the Ministry. A Committee had been formed to compile the pending Annual Reports from 2015 to date. The Permanent Secretary was closely monitoring the status of those pending reports.

In the Financial Year; 2016-17, the Department of Housing was under the Ministry of Local Government, Housing & Environment. The Report was compiled and should be submitted to the Ministry of Local Government by 31st July, 2020.

23.6 Anomalies in the Recruitment of Senior Consultant Engineer

The audit highlighted that the Senior Consultant Engineer was not recruited through an Open Merit Recruitment System ('OMRS') as the vacancy was not identified, job description was not prepared prior to recruitment, there was no assessment nor advertisement for the position. However, the Department contracted a Senior Consultant Engineer from India for the period 12 June 2017 to 12 September 2017.

The Committee was informed that there was a skills shortage of Consultant Engineer in the Construction Sector in Fiji. The Senior Consultant Engineer was engaged by the department initially for a period of 3 months commencing on 18/6/2017 and his contract agreement was further extended till 26 March, 2019. The Senior Consultant Engineer provided Consultancy Services to the 3 Departments of the Ministry. The said consultant's agreement was further extended by the Department till 26 March, 2020.

To expand on the 'skill shortage', the Department informed the Committee that these related to the Capital projects; Squatter Upgrading; Municipal Urban Designs; Master Planning; Environment Landfill Projects undertaken by the Ministry of Local Government, Housing & Environment in 2016-17.

The Senior Technical Consultant was engaged to provide assistance in the professional technical design oriented advice and guidance to the Department of Local Government, Housing and the Department of Environment. The Senior Technical Consultant was a qualified Architect and Urban Designer from Premier Institutions of India and had more than 45 years International Experience. There was a shortage of skills in the areas of urban development & scheme planning and those available operated from their own private practice at an extremely high cost. Hence, it was not cost effective to handle multiple projects.

The Department further advised that the following projects were handled by the Engineer under the Informal Settlements projects:

1. Caubati Informal Squatter Settlement (Phase 1 and 2) - 248 Lots / 8.7 Ha
2. Nadonumai - 376 households / 23.16 Ha;
3. Waidamudamu - 270 Lots / 13.23 Ha;
4. Wakanisila - 124 households / 7.77 Ha;
5. Sasawira - 160 Lots / 4.00 Ha;
6. River Road - 14.13 Ha; and
7. Qauia - 443 Lots / 26.5 Ha.

The following projects were undertaken by the Engineer under the Local Government projects:
1. Landscaping – CBD Area, Nadi;
2. Urban Design – Savusavu; and
3. Urban Design and Traffic Planning of Labasa CBD Area.

23.7 Incorrect Posting of Expenditures

Audit scrutiny noted that expenditures incurred for Squatter Upgrade and Resettlement totalled to $1,566,181 was recorded at the VAT inclusive price in SEG 8 allocation for Squatter Upgrade 1-23101-23999-080429.

The VAT proportion of these payments was not posted separately to SEG 13 and the details of this were provided below:

FMIS ID/ Cheque No.	VIP Amount ($)	VAT Amount ($)
AP8469	416,361	34,378
AP8528	195,270	16,123
AP8529	14,352	1,185
AP2725	118,787	9,808
AP3118	108,449	8,955
AP0770	186,104	15,366
AP2899	263,429	21,751
710	263,429	25,466

The audit mentioned that the main contributing factor for the above was the engagement of inexperienced staffs in the Accounts Section. As a result, the Squatter Upgrade and Resettlement expenditures were overstated by $133,032 while VAT expenditure for the year was understated by the same amount.

The Committee concurred with the recommendation made by the Auditor-General whereby the Department should ensure that capable and competent officers were employed at the Accounts Section to address these mispostings.

In view of the above, the Committee was advised that in 2019-2020, the Ministry for Housing & Community Development had established its own Accounts Unit. Currently, the Ministry had fully fledged accounts unit and had streamlined all the processes of the Ministry. The current accounts unit comprised of the three (3) Accounts staffs as listed below:

1. Senior Accounts Officer- Salesh Naidu EDP No. 63422;
2. Assistant Accounts Officer- Nileshni Devi EDP No.96142; and
3. Clerical Officer- Danish A Ram EDP No.99372.

23.8 Full payment for incomplete work on Lagilagi Housing Development Project

For the purpose of the Project, People's Community Network ('PCN') was granted a lease of 1.3949 hectare of land on certificate title 27907 for a period of 99 years and initiated the Lagilagi Housing Project at Jittu Estate, Raiwaqa to build 152 homes together with a community hall and kindergarten (Addendum to the Agreement between the Ministry of Local Government, Housing & Environment & Recipient signed on 30/1/2017 for continuation of grant agreement – Schedule 1 paragraph no. 2)

Notwithstanding the terms of the agreement, the Parties agreed that the balance of payment to PCN would be made depending on the successful completion of the Project and such payment should be made in accordance with the payment schedule below:–

Payments	Amount ($)
1st payment to be made upon the signing of the Addendum for Lagilagi Housing Development Project	800,000
2nd payment to be made on or after 31 January 2017 upon submission for satisfactory completion reports and verification by the Ministry for Lagilagi Housing Development Project building works	1,104,211
3rd payment to be made on or after 31 March 2017 upon submission of satisfactory completion reports and verification by the Ministry for Lagilagi Housing Development Project building works	1,104,211
Final payment to be made on 30 September 2017 upon completion of the defects liability period and verification by the Ministry of the rectification works	245,380

The audit further highlighted that the PS had approved the final payment dated 5th May 2017 that was made to PCN totalled $1,349,591 and this consisted of the amounts due on the 3rd payment of $1,104,211 and the final payment of $245,380 even through the project was only 67 per cent completed. PCN was yet to construct a community hall and a kindergarten.

The Committee was informed that the reason why the Department made the final payment of $245,380 before the expiry of the defect liability period was due to:–

Notice of Stop Work Issued to Contractor by Project Architect

The Project Architect, APPi Design on 20th January 2017 had issued a Notice of Stop Work to the Contractor: Fortech Construction Limited due to the Peoples Community Network was still working on obtaining Funds of $3,253,801.62(VIP) from the Ministry. (*Please refer to Attachment 1- Site Instruction No. 10)*

The Addendum to the Grant Agreement was signed between the Ministry and PCN on 30th January 2017 for the approval of funding of $3,253,801.62(VIP) which was vired from the 1st Time Home Owners Grant budget of $10.0 million (VIP). (*Please refer to Attachment 2-Addendum to the Grant Agreement.)*

The final payment of $245,380.16 was part of this funding of $3,253,801.62(VIP) which was vired from 1st Time Home Owners Grant. *(Please Attachment 3 – Virement Approval.)* The Virement of Funds of $3,253,801.62(VIP) from 1st Time Home Buyers Grant was approved by Ministry of Economy on 25th November 2016 as Budgeted for the 2016-17 Financial Year.

Payment Record of RIEs 1st, 2nd, 3rd & Final Payments

The 1st Payment of $800,000.00 was paid to Peoples Community Network on 10th February 2017 and the Official Receipt with the Acquittals was submitted by Peoples Community Network, and the Issued Payment Certificates 13, 14 & 15 was submitted by APPi Design, and the Progress Reports 28, 29, 30 & 31 was submitted by Fortech Construction Ltd.

The 2nd Payment of $1,104,210.73 was paid to Peoples Community Network on 10th March 2017 and the Official Receipt with the Acquittals was submitted by Peoples Community Network, and the Issued Payment Certificate 16 was submitted by APPi Design, and; the Progress Report 32 was submitted by Fortech Construction Ltd.

The 3rd Payment of $1,104,210.73 was paid to Peoples Community Network on 5th July 2017 and the Official Receipt with the Acquittals was submitted by Peoples Community Network, and, the Issued Payment Certificate 16 was submitted by APPi Design, and; the Progress Report 33 was submitted by Fortech Construction Ltd.

The Final Payment of $245,380.16 was paid to Peoples Community Network on 5th July 2017 and the Official Receipt with the Acquittals was submitted by Peoples Community Network, and, the Issued Payment Certificate 16 was submitted by APPi Design, and; the Progress Report 33 was submitted by Fortech Construction Ltd.

Pending Projects: Community Hall and Kindergarten

Commitment of Funding - The Peoples Community Network had committed to seek funding from outside of government for the construction of a Community Hall/Office and the Kindergarten as stated in the submission of Paper on Options dated 10th January 2015. The Peoples Community Network had not secured funding outside government nor completed outstanding works (community hall and kindergarten).

The Department further advised that the Public Enquiry on Lagilagi Settlement had been completed by Fiji Competition and Consumer Council ('Commission') and a case had been filed for charges by the Commission. The Ministry had compiled an Information Paper on Recommendations and worked on the transfer of Leases from Peoples Community Network to the Ministry. A detailed report for the taking over of the project was expected to be submitted to Cabinet soon.

23.9 Waiver of Tender

Section 48 (1) (a) and (b) stated that the "*Board may approve that tender's procedures be waived where there is only one supplier capable of supplying the goods, services or works and a supplier has been nominated by an aid agency which is fully funding the procurement*"

The audit noted that the Government Tender Board ('GTB') approved the waiver of tender for the electricity reticulation at Ledrusasa Squatter Upgrading Residential Project on 12 June 2017. The Department entered into an agreement with the contract on 19 May 2017 prior to the approval for the GTB. A total of $186,104 was paid to the contractor following approval of the GTB.

The Committee was informed that the Contractor had completed the works carried out for the Ledrusasa Squatter Upgrading Residential Project. Moving forward, the Department had implemented measures and thorough checks to reinforce the process so there was no recurrence of the same. A copy of the Electricity reticulation works of Ledrusasa Squatter Upgrading Project had been completed and the copy of the Certificate of Completion was submitted to the Committee as evidence.

23.10 Withholding Tax Account

Within 3 days of receiving the monthly GL reports from the Ministry of Economy, the Assistant Accountant shall reconcile the ledger balances to the GL reports and prepare a ledger reconciliation statement. Any errors or misallocations must be immediately adjusted by way of journal vouchers. (Ministry's Finance Manual 2013 section 16.3.4)

The Assistant Accountant must reconcile all accounts to be submitted to the Ministry of Economy within 2 weeks after the closing of each monthly account. However, the audit noted the following anomalies:–

1. Contrary to the nature of the account, the Withholding Tax allocation had a debit balance of $46,040 at the financial year ending 31/07/17. Transactions posted in FMIS GL was mostly for payment of provisional tax;
2. The opening balance on 1 August 2018 also had a debit balance of $10,555;
3. The opening balance of $10,555 debit could not be relied upon since no reconciliations were prepared for the account prior to August 2016; and
4. The Department prepared only one Withholding Tax reconciliation for the financial year August 2016 to July 2017 dated 20 February 2018.

23.11 Absence of Underlying Accounts Reconciliation

The audit noted that the Department did not prepare and submit its monthly reconciliations for Drawings Account and RFA for the year ending 31 July 2017 as tabulated below.

FMIS GL Accounts No.	Account Description	Amount as at 31/07/2017 ($)	Comment
1-23101-23999-530301	Drawings BSP Suva	(98,919)	No reconciliations were provided as at date of audit.
1-23101-23999-560203	AR Individuals	(46,036)	The balance was carried forward from previous year and there was no transaction in 2016-17

The OAG noted in the audit that weak supervision and monitoring by the supervisors had resulted in the non-preparation of reconciliations.

Update on Drawings Accounts and Revolving Fund Account (RFA)

The Committee was informed that the department completed both the Drawings Account and Revolving Fund Account reconciliations for 2016–17 period. In 2018, as a way forward, the Ministry with the assistance from FMIS Division of Ministry of Economy had undertaken the reconciliation exercise from the inception of the department's Trust Fund Account. The said account was reconciled and adjusted and the unsubstantiated variances that had resulted from previous years misposting had been submitted via a Memorandum for Book Entry Adjustment to Ministry of Economy on 14/10/2018. On 16th August 2019, the Ministry obtained confirmation from Ministry of Economy that request for book entry adjustment was in progress.

23.12 Expenditure Balance Recorded Contrary to the Nature of the Account

The audit highlighted that contrary to the nature of the account, Special Expenditures (SEG 7) allocation namely National Housing Implementation Plan allocation number 1-23101-23999-070203 had a credit balance of $8,275 in FMIS GL as at 31 July 2017. The Department posted an adjustment of misposting amounting to $97,861 in period 10 to the FMIS GL resulting in the credit balance in the expenditure allocation as at 31 July 2017. As a result, SEG 7 was not reflected in the Statement of Receipts and Payments at year end.

Head No. 24 - Ministry of Women, Children & Poverty Alleviation

PART A: FINANCIAL STATEMENT

24.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Women, Children & Poverty Alleviation ('Ministry') had resulted in the issuance of an unqualified audit opinion. However, attention was drawn to the following areas:–

1. The Ministry did not carry out a Board of Survey (BOS) to verify the existence and condition of the assets under its authority contrary to section 49 of the Finance Instructions 2010; and
2. Internal controls over procurement and account reconciliations were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial loss in the near future.

24.2 Statement of Receipts and Expenditure

The Ministry had incurred an expenditure totalled to $62,370,233 for the year ended 31 July 2017. A total of $9,322 was collected as Revenue.

24.3 Appropriation Statement

The Ministry had incurred expenditure totalling $62.37 million in the 2016–17 FY against a revised budget of $64.12 million resulting in savings of $1.75 million or 3 per cent.

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.

Submission of FY 2016-2017 Draft Agency Financial Statements

The audit revealed the following:–

- Less than 5 out of 10 key processes were completed within two weeks of the due date in accordance with the Ministry of Economy Finance Circulars on the closing of accounts;
- There were no adjustments made on the draft financial statements which indicated the effectiveness of an entity's internal review processes before the accounts were submitted for audit;
- The timeline of submitting the draft financial statements was received before or on 16 October 2017;
- There was a delay in the receipt of the Management Comments from the date agency financial statement draft management letter was issued; and
- The signed financial statement was received within the 5 day's timeframe.

Finalisation of Financial Statements

The Ministry of Economy Circular 04/2017 *titled* "2016-2017 Closing of Accounts Procedures" clearly stated that "*all agencies are required to prepare their respective agency accounts and submit to the OAG two months after the closing of accounts. Permanent Secretaries of Ministries and Departments are requested to ensure that financial accounts of the financial year ending 31 July 2017 are properly closed off and be ready in time for audit by the OAG by 31 July 2017"*

The audit of the Ministry for the year ended 31 July 2017 was finalised after the deadlines provided above. The details of the submission of the financial statements were provided below.

<table>
<tr><th colspan="4">Submission of Financial Statements</th></tr>
<tr><th>1st Draft Submission Date</th><th>2nd Draft Submission Date</th><th colspan="2">Reason for Amendment</th></tr>
<tr><td>12th February 2018</td><td>12th March 2018</td><td colspan="2">Changes were made to the notes to the draft Financial Statements ('FS')and the Ministry, through the Ministry of Economy, posted a virement of $280,046 on 18th April 2018 to transfer the budget from SEG 1 to SEG 2</td></tr>
<tr><th colspan="4">Draft Management Letter ('DML')</th></tr>
<tr><th colspan="3">Date DML sent for Management's Comments</th><th>Date Management Comments Received</th></tr>
<tr><td colspan="3">Interim DML sent on 5th January 2018
Financial Statement DML sent on 27th March 2018
Supplementary DML sent on 16th April 2018</td><td>20 March 2018
16 May 2018
16 May 2018</td></tr>
<tr><th colspan="3">Audit Report</th><th>Date FS signed by the Ministry</th></tr>
<tr><td colspan="3">Date FS sent for signing</td><td>18 May 2018</td></tr>
</table>

The Committee noted that the causes of the delay in the finalization of the audit were as follows:-

- Delayed submission of draft financial statements due to delay in finalisation of the Ministry's drawings account reconciliation;
- Delayed submission of management comments to the draft management letter; and
- Delays in the amendment to the financial statements.

PART C: OTHER SIGNIFICANT MATTERS

24.4 Annual Board of Survey not conducted

Section 24 (1) of the Procurement Regulations 2010 stated that "*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*".

The audit noted that the Ministry did not carry out an Annual Board of Survey of its plant, equipment and inventories for the year ended 31 July 2017. This indicated the inadequate system of controls in the management of fixed assets of the Ministry.

The Committee was informed that the Ministry had completed the Board of Survey and had forwarded the report to the Ministry of Economy for their confirmation. The Board of Survey was not carried out by the Ministry due to shortage of staff and high turnover of staff. The Board of Survey had been conducted for the period 2018-2019 and had been submitted to Ministry of Economy. As mentioned above, the Ministry still had not received the confirmation on the disposal of items.

24.5 Internal Controls not implemented resulting in payment anomalies

The quotation process was intended to ensure that the agencies receive value for money based on fair competition and ethical dealings. Upon receipt of the goods, services or works, the ***receiving officer*** should verify that their receipt was in good order and that the invoice was in accordance with the Local Purchase Orders ('LPO') and the receiving officer must be an officer other than the officer authorising the LPO.

The audit noted the following anomalies upon the review of payment records maintained by the Ministry:

1. Competitive quotations were not obtained from suppliers for purchases over $1,000 and instances were noted where verbal quotations were obtained for purchases costing more than $1,000; and
2. LPO's were not issued prior to making payments and invoices were not attached to the payment voucher. Refer to appendix 24.1 in the audit report for the abovementioned anomalies.

24.6 Missing Payment voucher and other records

The Senior Accounts Officer was responsible for safekeeping and proper maintenance of all accounting records or documents. The Auditors were not provided with the payment vouchers for expenditures totalled $28,824 incurred by the Ministry. Refer to the table below for details:

Date	Cheque/ EFT No.	Allocation	Particulars	Amount ($)
31/08/16	11276	1-24203-95011-040201	Supplier for dryer	2,413
31/08/16	11277	1-24203-95011-059101	Supply for food items	311
08/05/17	63080	1-24301-75999-060151	Accommodation for 30 guests for Gender Training	16,200
08/05/17	63080	1-24301-75999-060151	Conference Package Option 4 BR	9,900
Total				**28,824**

In the absence of the payment vouchers, the Auditor-General was not able to substantiate the authenticity of the payments totalled to $28,824. The Committee was informed that the Ministry had identified an officer who was solely responsible for the Payment Vouchers. This would ensure quality management and better focus in this area.

24.7 Fixed Asset and Expandable Items Register not maintained up-to-date

The Executive Officer or the Cost Manager Assets should be responsible for maintaining the fixed asset register (FAR). The FAR should provide the following details:–

1. Date of Acquisition (including if asset was acquired by transfer, gift or second-hand);
2. Cost;
3. Description;
4. Serial Number and Model;
5. Location; and
6. Other relevant information (e.g. if asset is sold or written off)

The EO or Manager Assets must ensure that the FAR was kept updated. The audit revealed that the FAR and expendable items register maintained by the Ministry was not updated during the 2016–17 FY and tabulated below were examples of items not taken or charged in the register.

Date	Cheque/ EFT No	Particulars	Amount ($)
31/08/16	62276	Being payment for an industrial photocopier printer scanner	5,727
31/08/16	61831	Payment for the suppler of stationaries	2,172
10/11/16	62166	Payment for the supply of printer	2,110
06/12/16	12485	Being for the supply of toner	2,615
19/12/16	12594	Being payment for the supply of office furniture	6,191
27/02/17	13488	Payment of toners	13,310
23/03/17	13805	Supply of laptop computers	4,930
06/04/17	62888	Being for the supply of Dji phantom for professionals	5,275
20/07/17	63457	Being payment for I5 Desktop	15,039
20/07/17	63457	Being payment for I7 Desktop	17,658
26/05/17	14721	Being payment for 5*5 42" TV	4,583
TOTAL			**79,610**

The audit findings indicated inadequate control over fixed assets and expandable items. There was also a high risk of loss of these items through theft. The Committee was informed that the Fixed Asset Register had been completed and was now being maintained by Corporate Services Department of the Ministry.

24.8 Anomalies in the Social Welfare Programmes

The Ministry paid a sum of $42.3 million and $47.1 million for Social Pension Scheme (SPS), Poverty Benefit Scheme (PBS) and Care & Protection Allowance (C&P) in 2016 and 2017 respectively.

Welfare Programmes Programme 2 (SEG 6)	Amount Paid 31/07/17 ($)	Amount Paid 31/07/16 ($)
Social Pension Scheme	13,361,513	8,150,208
Poverty Benefit Scheme	28,994,584	30,145,834
Care & Protection Allowance	4,724,376	3,997,406
Total Expenditure	47,080,473	42,293,448

The review of the recipient's records showed that confirmation was not obtained from Fiji National Provident Fund ('FNPF') to ascertain that the recipients were not beneficiaries of the FNPF Pension Scheme. In addition, individual case files were not maintained by the Ministry to file all required documents for the applicants. Refer to Appendix 24.2 of the audit report for details.

In addition, the review of the PBS case files revealed instances where special consideration cases were approved by the Social Welfare Officers but no evidence was provided that applications were forwarded to the Director of Social Welfare where the panel was to make the final decision. Refer to 24.3 of the audit report for details.

In view of the above, current procedures applied with regards to the welfare programs affected the efficiency of output and uniformity of performance by the Ministry. The Committee was informed that the Ministry had signed an MOA with FNPF in 2016 for the sharing of information and for assistance in the verification of social protection applications. Whilst the Ministry had started with the new verification process, it was noted that the data sent to FNPF such as birth certificate numbers could not be captured in the FNPF system because it had not yet been upgraded.

The Ministry had requested individuals to provide maiden names of female recipients whose names had changed after marriage. These were provided but it still could not be matched in their system. Thus, the Ministry resorted to asking recipients to provide a verification letter from FNPF to validate that they were not beneficiaries of the superannuation.

The Ministry should ensure the safe keeping and maintenance of individual case files. The Ministry has procured new filing cabinets for the storing of these case files but again faces the challenge of office space, especially with the large volume of (Total number of recipients is 89,283) cases to maintain in these file cabinets.

24.9 Pending Applications

The audit noted that the Ministry had a total of 6,633 (extracted from Aug 2016 – Jul 2017 Report from the Ministry) applications pending as at 31 July 2017 for PBS, C&P and SPS.

Social Welfare Programs	Processing Period	Total Pending Applications as at 31/07/17	No. of New Recipients as at 31/07/17	Percentage pending to new applicants (%)
Poverty Benefit Scheme	Minimum 30 days Maximum 90 days	4,889	10,795	45
Care & Protection Allowance	Minimum 30 days Maximum 90 days	856	1,800	48
Social Pension Scheme	Minimum 30 days	888	1,141	78
Total Applications		**6,633**	**13,736**	**48**

The audit further established that the root-cause of the pending applications was due to the following:–

1. Family members not present during home visits;
2. Engagement of the staff at the Ministry with the Help for Homes Initiative post TC Winston in 2016; and
3. High number of applications received after the change in allowance amount from August 2017.

The Committee was informed that the Ministry was focused that all applications were processed in time. However, there were several issues that hinder some of those applications being completed within the time frame given as in the SOPs. One of the challenges, especially for the Poverty Benefit Scheme was the home visit which was a requirement for the processing of the application.

In maritime and rural communities, this posed a challenge for the completion of a case, especially with the lack of appropriate transportation at times. The other challenge was the submission of incomplete documents, especially the Birth Certificates which was a requirement because the birth registration number was used as the primary key to process the application in the system. Without it, the case could not be processed. On other occasions applications were submitted through 3rd parties, many times with incomplete documents. Therefore, it was quite a challenge to try and trace the applicant when there was no contact. There were situations where documents were lost or misplaced by officers because of the volume of applications that came in every day and also during handing over from one officer to another which added to the delays.

In trying to clear the pending cases, the Ministry:

(i) conducted sweeps in the divisions, bringing officers from the District offices and working together in a district to clear the pending cases before moving to the other district (For example, officers from Ba and Tavua working together with officers in Rakiraki to clear the pending cases in Ra before they moved to Tavua and then to Ba, however, this was a costly exercise
(ii) Used the REACH program to reach out to the rural and maritime communities
(iii) Had reviewed its process and amended its procedures to fast track the processing of these applications, for example, with the Care and Protection allowance for children in poor families which in the past required a home visit, had now been amended with only birth certificates and school letters required for the processing of the application.

With the number of cases that were identified late for processing, the number completed on time speaks volume of the efforts that the Ministry was doing to ensure that the time frames were met. In the past financial year (2018-2019), the Ministry received a total of **20,099** new applications with the completion of **21,725** cases approved, (with a carry forward of 1,626 pending cases from the previous year) and a pending of **3,648** to be addressed in this new financial year.

24.10 Anomalies in hire of vehicles

Section 52 (2) of the Finance Instruction's 2010 stated that "*vehicles must be used for official purposes*" In the event of an accident involving a government vehicle, the driver must immediately report the accident to the Police and inform the Executive Officer. Details of the accident should not be given to anyone other than the Police or agency staff. If permitted by the Police, the Driver should drive the vehicle to the official garage. Within 24 hours after the accident, the driver should prepare an accident report. The report must outline the following information:–

1. Time and date of accident;
2. Driver's name and vehicle registration number;
3. Extent of the damage and physical injuries suffered;
4. Description of how accident occurred;
5. Details of other vehicle involved (as in 1 -4 above);
6. Names and contract addressed of witnesses; and
7. Any other relevant information. – *excerpt is from the Ministry's Finance Manual 2013*

The Ministry paid an amount of $23,332 to Company X in relation to repairs for damages to the hired vehicle. See table below for details.

Date	Cheque No.	Amount ($)	Payment for
02/06/17	63191	6,395	Damages
02/06/17	63191	5,567	Damages
17/07/17	63433	11,370	Cost of excess and adjustment fee incurred from the hired vehicle involved in an accident at Kubulau area in Bua during the HFH Phase 3 Exercise.
Total		**23,332**	

The audit noted the following anomalies:–

1. No accident report was prepared for the accidents to the above hired vehicle;
2. Police reports were not obtained by the Ministry;
3. Interview of the driver and the record of damages assessed by the Transport Officer was not carried out;
4. The Ministry did not take insurance cover on the vehicle hired from Company X. As a result, the Ministry had to pay the full repair costs. Total payment made to Company X in relation to hire of vehicle from February 2017 to July 2017 totalled $86,750.24; and
5. The vehicle was taken out of hire under a person's name who was not an employee of the Ministry.

The Committee was advised that the vehicle was hired by the Ministry in 2017. The hire of the vehicle was used during the Home Care Initiative. The transport policy was the same throughout Government. The Committee was informed that this was an oversight by the Ministry and it was brought to their attention after the incident had happened. The Transport Officer at that time did not consult the supervisor for advice but acted on her own accord. The Transport Officer had been terminated from the Ministry. The Ministry noted that the processes were not followed in regards to the accident reports.

24.11 Maintenance of Running Sheets for rented vehicle

Each driver must keep daily running sheets, in the form approved by the PS, to record details of each run undertaken in any of the agency's vehicles. The running sheet shall document:–

1. Vehicle registration number;
2. Date and mileage at the start of the day;
3. Runs during the day and reasons for each run;
4. Arrival and departure times including mileage during each separate run; and
5. Fuel details if vehicle was filled during the day.

The audit noted that the Ministry did not maintain running sheets for a hired land cruiser. The vehicle was rented out on Saturday 24th December 2016 at 4.33 p.m. However, review of the minute dated 28/02/17 on which the request for rental charges was made stated that the hiring chargers was for the duration from 03/01/17 to 28/02/17. Since no running sheets were maintained for the duration of the vehicle hire, the Auditor-General could not verify the whereabouts of the vehicle from 4.30 p.m. on 24/12/16 to 8.00 a.m. on 03/01/17 (9 days).

The Committee was informed that while the policy was clear, the Ministry noted the non-compliance on its part. The Ministry did inform the Senior Officer who was driving the hired vehicle at the time. However, the running sheets were never filled. Considering that there were no running sheets provided, the Ministry was not able to ascertain the whereabouts of the vehicle as it was driven by a very Senior Officer of the Ministry. In addition, the Committee was advised that the Ministry was not able to convene an investigation of the vehicle.

24.12 Anomalies noted in SLG84 Accounts

All funds released from agencies and recorded on SLG84 should be reconciled on a monthly basis and a report sent to the paying agency. The Senior Accounts Officer or Accounts Officer must check that:–

1. All relevant details were included on the voucher;
2. Balances were adequately supported; and
3. The correct accounts had been debited or credited. *(Ministry's Finance Manual)*

Only the Senior Accounts Officer or Accounts Officer should approve journal adjustments. The audit revealed the following issues:–

- The Ministry did not prepare monthly SLG84 reconciliations in a timely manner. Of the 7 SLG84 accounts used by the Ministry during the year, only one (1) reconciliation was prepared on 8 February 2018 for the year ended 31 July 2017;
- Prior year balances carried forward since 2015 totalling $248 were yet to be cleared. The Ministry could not provide evidence that acquittals totalling $3,366,766 were prepared and submitted to the Ministry of Economy;
- The Ministry prepared and posted journals in the FMIS GL without supporting documents; and
- Journal Vouchers were not always approved by the Senior Accounts Officer or Accounts Officer.

The Committee was advised that the Ministry had requested for additional staff in 2019-20 FY budget and four (4) posts were approved.

24.13 Stale Cheques not journalised from Drawings Account

The Accounting Head must make all attempts to issue stop notices for all cheques that had remained unpresented for more than 6 months. The audit reviews of the Drawings account found the following anomalies:–

- Stale cheques totalling $15,212 were still appearing in the unpresented cheque listing as at 31/07/17. Refer to appendix 24.4 in the audit report for more details; and
- During the time when this audit was conducted, the Auditors performed subsequent testing of the unpresented cheques listing and noted that cheques totalling $12,247 were not presented to the Bank and had become stale cheques.

The Ministry was not able to confirm if any replacement cheques were issued for the stale cheques. The Ministry advised that since the Ministry of Economy was handling the Drawings account, stale cheques were journalized towards the end of the Financial Year.

24.14 Anomalies in the Revolving Fund Account (RFA)

The Ministry's RFA which recorded Accountable Advance had an outstanding balance of $19,049 as at 31 July 2017. The audit revealed that the accountable advances for the year ending 31 July 2017 were reduced through journal entries totalling $111,236 which could not be substantiated. Refer to appendix 24.6 of the audit report for details. The audit further highlighted that the contributing factor to this issue was that the Ministry did not identify the officers retiring the Accountable Advance.

The Committee was informed that the Ministry was in the process of identifying the balances in the RFA but recovery of salary was currently being imposed to officers for not acquitting on time. Preparation of RFA reconciliation had been updated.

24.15 Unsubstantiated Operating Trust Balances

The Operating Trust Account for the Ministry had a credit balance of $115,733 as at 31 July 2017. The audit was not able to substantiate the operating trust account balances totalling $74,723 after performing subsequent payment testing on 19/08/18 on the outstanding operating trust balances as at 31 July 2017 as tabulated below.

Description	Balance as at 31/07/17 ($) A	Paid Date	Cheque Number	Subsequent Amount Paid ($) B	Unsubstantiated Balance ($) A+B
988 PD PSC Scholarship Loan	(11,470)	No payment done			(11,470)
201PD Tax Arrears/PAYE	(10,175)	No payment done			(10,175)
501PD Employees FNPF	(78,669)	30/8/17	63667	28,817	(49,852)
Payroll Deduction (Uniform)	(159)	No payment done			(159)
201 PD Tax Arrears/PAYE	(2080)	No payment done			(2,080)
501 PD Employees FNPF	(13,180)	30/08/17	63665	12,193	(987)
Total	**(115,733)**			**Total**	**(74,723)**

Moreover, the Auditors noted that the Operating Trust Account balances had been increasing in the past four (4) years. See table below for details.

Year Ending	Amount ($)	Increase Amount ($)
31/12/14	24,637	
31/12/15	46,756	22,119
31/07/16	87,221	40,465
31/07/17	115,733	28,512

"The audit highlighted that the inability to settle liabilities and rectify variances on time will result in overstatement of government liabilities at Whole of Government level and can also result in write-offs in the future"

The Committee was informed that there were a lot of mispostings recorded which was rectified by the Ministry. The reconciliation of the Operating Trust accounts was updated by the Ministry and all the subsidiary account with its separate outstanding balances had been identified.

24.16 Absence of Risk Management Policy

Audit review of the Ministry's corporate governance revealed that there was no risk management framework in place. As a result, the Ministry did 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.

The Ministry advised that it was in the process of developing a Risk Management Policy but had however, developed a Risk Management Matrix which was captured in the Ministry's costed Operational Plan 2019-2020.

Head No. 25 – Ministry of Youth and Sports

PART A: FINANCIAL STATEMENT

25.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Youth & Sports ('Ministry') resulted in the issuance of an unqualified audit opinion.

25.2 Statement of Receipts and Expenditure

The Ministry incurred expenditure totalling $20.32 million for the year ended 31 July 2017. A total of $94,518 was collected as revenue. This revenue mainly comprised of the sale of farm produce from Nasau, sale of pigs, chicken, vegetables, hire of mattresses, national youth dance, brass bands and portable tents.

25.3 Appropriation Statement

The Ministry incurred expenditure totalling $20.32 million in 2016–17 FY against a revised budget of $21.38 million resulting in savings of $1.06 million or 4.96 per cent which were mostly from capital expenditures.

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.

Submission of FY 2016-2017 Draft Agency Financial Statements

The audit revealed the following:–

- 5 out of 9 key processes were completed within two weeks of the due date in accordance with the Ministry of Economy Finance Circulars on the closing of accounts;
- There were no adjustments made on the draft financial statements which indicated the effectiveness of an entity's internal review processes before the accounts were submitted for audit;
- The timeline of submitting the draft financial statements was to be received before or on 1 October 2017;
- Managements comments were received within 14 days from the date agency financial statement draft management letter was issued; and
- The signing of the financial statements was received within the 15 days timeframe.

PART C: OTHER SIGNIFICANT MATTERS

25.4 Operating Trust Account Anomalies

The Senior Accounts Officer must ensure that all balances were accurate and adequately supported and any misallocations or outstanding balances from previous months had been dealt with. The audit highlighted that the Operating Trust Account of the Ministry had a credit balance of $59,799 as at 31

July 2017. The audit noted that this amount, $25,495 or 43 per cent was carried forward from prior years for which details were not available with the Ministry. Refer to the table below for details.

Account Allocation	Description	Amount ($)
1-25101-25101-861901	201 PD TAX ARREARS/PAYE	2,899
1-25101-25101-861920	501 PD EMPLOYEES FNPF	4,946
1-25101-25101-863201	VAT ON REVENUE	3,687
1-25101-25101-899999	MISCELLANEOUS FUND OTHERS	13,963
Total		**25,495**

The above findings indicated that inadequate controls and supervisory checks in the administration of the operating trust fund account was not maintained. The Committee was informed that the Ministry had completed its internal verification of all documents that could be obtained from 2011 to 2015 for which the accumulated balances could not be substantiated during the 2017 audit process.

All the related documents that could be obtained through the Finance Team were verified internally, against the balances in the FMIS. It was further noted that the financial figures were mostly mis-posted due to clerical errors and oversights. Also funds received for programs were not fully spent and posted to correct ledger accounts. Thus, upon verification of the financial mis-postings, internal adjustments were recommended and facilitated to correct accounts as phase 1 to clear carried-forward balances.

Furthermore, the Ministry had written to the Ministry of Economy on 30th April 2018 through the Senior Accounts Officer (attachment 1) and on 31st July 2018 for adjustments of balances through the Permanent Secretary of Youth & Sports (attachment 2) for final resolution and adjustment of the operating Trust Fund anomalies.

The Committee was further informed that the Ministry had also strengthened its reconciliation and supervisory checks in the Finance section through formulation of adequate SOPs, which set imperative procedures in timely rectification of balances within the operating trust fund account.

The Ministry through continuous consultation with the Ministry of Economy FMIS and Treasury Division would further initiate relevant adjustments of carried forward balances in the operating Trust Funds Account.

CONCLUSION

The Committee after reviewing the audit report of the five (5) Ministries and Departments listed in the Social Services Sector, it has been noted that there are specific cross cutting issues which Permanent Secretaries and Management of these government bodies needs to address immediately.

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 5 Ministries and Departments 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 Social Services Sector (Parliamentary Paper No. 8 of 2019) can be retrieved from the Fiji Parliament website:
http://www.parliament.gov.fj/wp-content/uploads/2019/02/9-Report-of-the-Auditor-General-of-the-Republic-of-Fiji-2017-Audit-Report-on-Social-Services-Sector.pdf