



OFFICE of the AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2019 Audit Report on General Administration Sector



**PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 25 OF 2021**



OFFICE of the AUDITOR GENERAL
Republic of Fiji

VISION

Promoting public sector accountability
and sustainability through our audits

To provide independent value adding
audit services

MISSION

To provide an environment where
our people can excel

RESPECT

We uphold respect
in our relationships.

INTEGRITY

We are ethical, fair and
honest in our duties.

INDEPENDENT
& OBJECTIVE

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and report objectively.

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COMPETENCE

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the highest standard of
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Our processes
are transparent.

CONFIDENTIALITY

We maintain audit
related information
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PROFESSIONAL FRAMEWORK

International Standards for Supreme Audit Institutions

International Standards on Auditing

LEGAL FRAMEWORK

2013 CONSTITUTION OF THE
REPUBLIC OF FIJI

AUDIT
ACT 1969

ENVIRONMENT
MANAGEMENT ACT

NDP AND OTHER
LEGISLATION

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File: 102

01 June 2021

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

Dear Sir

2019 AUDIT REPORT ON GENERAL ADMINISTRATION SECTOR

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the General Administration Sector for 2019 excluding Head 4 – Ministry of Economy.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Ajay Nand'.

Ajay Nand
AUDITOR-GENERAL

Encl.



The Office of the Auditor-General – Republic of Fiji

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

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

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

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

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AUDITOR-GENERAL'S FOREWORD



I am pleased to present the report on the General Administration Sector. Permanent Secretaries and those charged with governance of the agencies under the General Administration Sector are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards Cash Basis and requirements of *Finance Management Act 2004* and other applicable laws and regulations.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

It is important to note that the deficiencies highlighted in this report were identified during our audit and may have been subsequently resolved. These have been included in this report as they impacted on the overall system of control of the ministries and departments as at 31 July 2019.

The vision of the Office of the Auditor-General of “*Promoting Public Sector Accountability and Sustainability through our audits*” will be achieved when audits are completed on time and reported to Parliament on a timely basis.

Majority of the agencies have been very cooperative throughout the audit process, however, some agencies have not given the work of my office sufficient priority. The completion of audits of 2018-2019 and prior year Agency Financial Statements and timely preparation of the respective years’ Sector Audit Reports to parliament has been hampered due to the following:

- (i) Draft Agency Financial Statements submitted considerably late for audit or drafts submitted within the set timeline are found to be not acceptable hence need to be resubmitted.
- (ii) Considerable delay in providing comments to draft management letters.
- (iii) Cancellation of Exit Meetings or non-confirmation of date and time for Exit Meetings.
- (iv) Not providing supporting documents to support management comments for audit verification prior to finalization of management letters.
- (v) Delay in signing audited accounts and Management Representation Letters and returning them for issue of the Audit Report.

As a consequence of these delays, I modified my reporting approach to parliament in the past by issuing the Sector Audit Reports in volumes. However, the Chairperson of the Standing on Public Accounts (PAC) indicated to me in his letter dated 18 September 2020, that the modified reporting approach was causing difficulty to the Committee in its examination and scrutiny of the reports.

To effectively deal with the challenges I have described above, meet the expectations of the PAC and achieve the vision of OAG, I have approved the following key changes in processes of the OAG in preparing reports to parliament.

- In the event management comments are not received and/or exit meetings are not confirmed by the agency/entity audited, the Final Management Letter will be issued after 14 days from issue of Draft Management Letters (Audit Memorandum). It will be assumed that management has agreed to the audit findings reported in the Draft Management Letter. Significant matters will be included in the report to parliament.
- Where signed accounts with Management Representation Letter for issue of audit report are not returned within seven days from date of issue for signature, audited financial statements will be included in the report to parliament with relevant comments.
- In cases where management comments or information provided during the audit are found to be false, misleading or incorrect upon audit verification, the matter will be dealt in accordance with section 7(1)(d) of the Audit Act 1969. Section 7(1)(d) states that *“in the performance of his or her functions under section 152(2) of the Constitution of the Republic of Fiji and of his or her duties under this Act, the Auditor-General may examine upon oath, declaration or affirmation (which oath, declaration or affirmation the Auditor-General hereby empowered to administer) all persons whom her or she may think to examine respecting the receipt or expenditure of money or the receipt or issue of any stores affected by the provisions of this Act and respecting all other matters or things whatsoever necessary for the due performance and exercise of the duties and powers vested in him or her.”* Section 7 (3) of the Act further states that *“Any person examined pursuant to the provisions of section (1)(d) who gives a false answer to any questions put to him or her or makes a false statement on any matter knowing or believing it to be true shall be deemed to be guilty of perjury and shall be liable to be prosecuted and punished accordingly.”*

The relevant provisions of the Act will also be applied to cases where records and/or information required for audit purposes are not provided when requested during the audit and are produced after the issue has been reported in the Draft Management Letter or Draft Audit Report or not provided at all. The changes in processes have been brought to the attention of Permanent Secretaries, Heads of Independent Bodies and Commissions and those charged with governance in agencies which are subject to my audit 01 April 2021.

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting by agencies under the General Administration Sector, the audit opinions issued on the financial statements and the key reasons for such opinions, internal control assessments, other significant issues identified from the audits and high level recommendations aimed to strengthen financial reporting, governance and internal controls.

The issues discussed in this report require the immediate attention and prompt actions by the Permanent Secretaries and those charged with governance of the agencies to improve financial accountability by the Ministries and Departments.



Ajay Nand
AUDITOR-GENERAL

Date: 01 June 2021

1.0 SECTOR SUMMARY

This report includes the audit for agencies under the General Administration sector, namely:

Head 1	Office of the President
Head 2	Office of the Prime Minister and Department of Immigration
Head 3	Office of the Attorney-General
Head 5	Ministry of iTaukei Affairs
Head 6	Ministry of Defense and National Security
Head 7	Ministry of Employment, Productivity and Industrial Relations
Head 8	Ministry of Foreign Affairs
Head 9	Independent Bodies: Office of the Auditor General Judiciary Department Parliament Office Office of the Director of Public Prosecutions
Head 13	Independent Commissions Public Service Commission (<i>Reported together with Ministry of Civil Services</i>)
Head 14	Ministry of Disaster Management and Meteorological Services
Head 15	Ministry of Justice Fiji Corrections Service
Head 16	Ministry of Communications Department of Information Technology and Computing Services
Head 17	Ministry of Civil Service
Head 18	Ministry of Rural and Maritime Development
Head 19	Republic of Fiji Military Forces
Head 20	Fiji Police Force
Head 49	Peacekeeping Missions

The audit for Heads 04, 50, 51 and 52 under the Ministry of Economy was being finalised as at 28 May 2021. The results of the audits of these Heads will be included in our subsequent reports to Parliament.

Results of our Audits - Quality and Timeliness of Financial statements

Of the twenty-one agencies reported in this report, the audit resulted in the Auditor-General issuing modified audit opinion on seven agencies. The details are contained in [Section 2.0](#).

The submission of acceptable draft financial statements for audit were generally delayed impacting the timeliness of financial statements.

2.0 AUDIT OPINION RESULTS

The main outcome of the audits are independent auditors' reports on the agency financial statements that were produced and submitted to the Auditor-General.

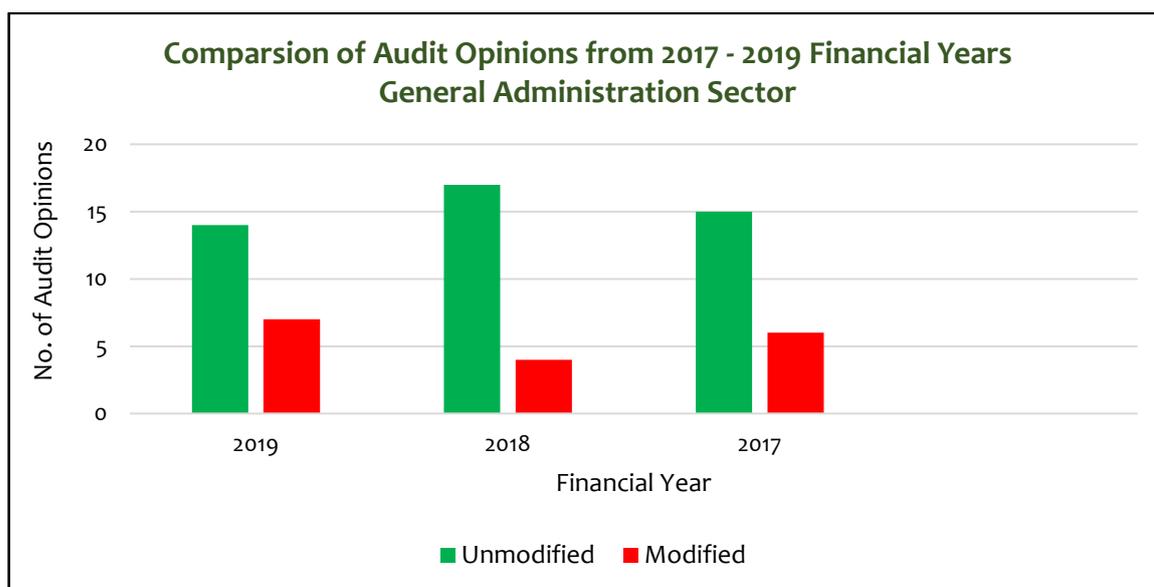
Comparatively, for the financial years 2017-2019, the quality of the agency financial statements for the agencies under the General Administration Sector has not improved. This indicates that significant matters reported in the independent auditors' report are not given adequate attention. As a result, these matters remain unresolved resulting in modified audit opinion.

For financial year 2019, seven agencies were issued with modified audit opinion compared to four agencies for financial year 2018.

The following table presents comparison of the results of our audit for last three financial years for ministries and departments under the General Administration Sector.

Ministry/Department	2018-2019 Financial Year		2017-2018 Financial Year	2016-2017 Financial Year
	Date Audit Report Signed	Audit Opinion Type	Audit Opinion Type	Audit Opinion Type
1. Office of the President	06/07/2020	Unmodified	Unmodified	Unmodified
2. Office of the Prime Minister and Dept of Immigration	22/04/2021	Modified	Modified	Unmodified
3. Office of the Attorney-General	21/05/2020	Unmodified	Unmodified	Unmodified
5. Ministry of iTaukei Affairs	15/04/2020	Unmodified	Unmodified	Unmodified
6. Ministry of Defense and National Security	10/11/2020	Unmodified	Unmodified	Modified
7. Ministry of Employment, Productivity and Industrial Relations	19/03/2021	Modified	Modified	Modified
8. Ministry of Foreign Affairs	18/03/2020	Modified	Unmodified	Unmodified
9. Independent Bodies				
Office of the Auditor-General	18/10/2019	Unmodified	Unmodified	Unmodified
Judiciary Department	10/11/2020	Modified	Unmodified	Modified
Parliament Office	10/08/2020	Unmodified	Unmodified	Unmodified
Office of the Director of Public Prosecutions	06/05/2020	Unmodified	Unmodified	Unmodified
14. Ministry of Disaster Management and Meteorological Services	19/03/2020	Modified	Unmodified	Unmodified
15. Ministry of Justice	01/03/2020	Unmodified	Unmodified	Modified
Fiji Corrections Service	11/02/2021	Unmodified	Unmodified	Unmodified
16. Ministry of Communications	14/01/2021	Unmodified	Unmodified	Unmodified
Department of Information Technology and Computing Services	25/03/2021	Unmodified	Unmodified	Unmodified
17. Ministry of Civil Service	21/04/2021	Unmodified	Unmodified	Unmodified
18. Ministry of Rural and Maritime Development	25/03/2021	Unmodified	Modified	Modified
19. Republic of Fiji Military Forces	06/08/2020	Modified	Unmodified	Modified
20. Fiji Police Force	22/05/2020	Modified	Modified	Unmodified
49. Peacekeeping Missions	08/02/2021	Unmodified	Unmodified	Unmodified

The graphical presentation below provides a comparison of the results of our audit for last three financial years for ministries and departments under the General Administration Sector.



In accordance with International Standards on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the Financial Management Act 2004, Finance Instructions 2010 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit which would affect the financial statements of an entity.

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

An **Emphasis of Matter** paragraph is included in the auditor's report to highlight an issue that will help the user better understand the financial statements. And an **Other Matter** paragraph highlights a matter that is relevant to users' understanding of the audit report.

The reporting framework on which the agency financial statements of Ministries and Departments are prepared are based on the Financial Management Act 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010, and Finance (Amendment) Instructions 2016.

Based on the above, we issued modified audit opinion for agencies on the grounds presented in the next page:

Office of the Prime Minister and Department of Immigration

Department of Immigration

1. The Value Added Tax (VAT) on revenue recorded in the general ledger was incorrectly computed by the Department of Immigration. The incorrect accounting for VAT on revenue was prevalent for 11 months during the financial year. Due to the extent of the incorrect accounting for VAT, it was not practical for me to substantiate the total value of the misstatement. Furthermore, bank lodgment forms and cash analysis sheets for operating revenue totaling \$162,007 were not checked and certified by the supervising officers.

As a result, the accuracy and completeness of the operating revenue balance of \$11,433,053 recorded in the consolidated financial statements for the financial year ended 31 July 2019 cannot be ascertained.

2. An unreconciled variance of \$915,722 exists between the Immigration Bond Trust Fund Account closing balance in the financial statements and the cash at bank balance. Consequently, the accuracy and completeness of the total receipts and total payments of \$6,276,246 and \$4,404,845 respectively in the Trust Fund Account Statement of Receipts and Payments cannot be substantiated.
3. As at the date of my audit report¹, there still exists significant lapse in reconciliations and absence of detailed breakdown listings of permit holders and their current balances. As such, the accuracy of the closing balance of \$30,596,029 disclosed in the Immigration Trust Fund Account Statement of Receipts and Payments for the year ended 31 July 2019 cannot be ascertained.
4. Included in the Established Staff expenditure of the Department of Immigration are charges in respect of payment for meal claims, accountable advance and accommodation totaling \$85,985 which are not payroll related expenditures. Due to the misallocation, the consolidated Established Staff balance of \$5,350,211 is overstated by \$85,985 and the Travel and Communication balance is understated by the same amount.

Ministry of Employment, Productivity and Industrial Relations

1. The reconciliation process for the main trust fund bank accounts is ineffective for the National Employment Centre, Employment Relations Tribunal, Occupational Health and Safety, Workmen Compensation, Wages Dispute and OHS Consultancy Trust Fund Accounts. Proper cash books were not maintained for each trust account, stale cheques were not cleared and receipts and payments were not posted in the general ledger on a timely basis.

As a result, an unreconciled variance of \$167,827 exists between the Workmen's Compensation, Wages dispute, OHS consultancy, Occupational Health and Safety Trust Fund Account cash general ledger balances and the bank reconciliation for these accounts. Consequently, the completeness of the respective trust fund receipts and payments and accuracy of the cash at bank balance totalling \$9,840,504 of these trust fund accounts as at 31 July 2019 cannot be ascertained.

¹ 22/04/21

2. The Ministry received \$60,000 from the Ministry of Civil Service under the Shared Services Agreement and receipted the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those funds other than public money. Consequently, including the amount received and accumulated over the years, the OHS Consultancy Trust Fund Account is overstated by \$190,000 and operating revenue understated by the same amount.

Ministry of Foreign Affairs

1. The qualification was due to the unreconciled variance of \$3,587,846 which exists between the FMIS general ledger balance of \$7,382,725 and the accumulated Overseas Mission's bank reconciliation balance of \$3,794,879. As a result, the accuracy of the total expenditure and total revenue amounting \$41,992,322 and \$339,160 respectively reflected in the Statement of Receipts and Expenditure for the year ended 31 July 2019 cannot be ascertained.

The Ministry, in its effort to resolve the above variance has developed a new posting method in 2017 where each bank account is transacted to a corresponding general ledger account from 2017 onwards. The Ministry intends to work closely with Ministry of Economy to rectify and adjust the unreconciled variance before the end of the 2021 financial year.

Attention was also drawn to the following matters:

1. Internal controls over procurement of goods and services were generally found to be weak. This is in respect to Local Purchase Orders not raised; competitive quotes not obtained; supporting documents not attached to payment vouchers to substantiate the payment made; invoices not attached to payment vouchers; and invoices received before the purchase was authorized. These internal control weaknesses, if not addressed promptly, may result in material misstatement and possible financial losses in the future.
2. The Fiji Public Service (Diplomatic and Consular Services) Regulations 2005 is yet to be reviewed and aligned to the recent changes in legislation, regulations and international best practices concerning diplomatic and consular services.

Judiciary

The financial statements provide the status of the Department's reconciliations for Suitors, Maintenance and Sundries Trust Fund accounts. Notable progress has been noted in the preparation of reconciliations for the Trust Fund accounts compared to previous financial years. However, as at the date of the audit report², there still exists significant lapse in the years of reconciliation and absence of detailed breakdown listings of beneficiaries and their current balances. As such, the accuracy of the closing balance of \$36,130,095 disclosed in the Judicial Trust Fund Account Statement of Receipts and Payments for the year ended 31 July 2019 cannot be determined.

Ministry of Disaster Management and Meteorological Services

1. There is an unreconciled variance of \$91,709 between the FMIS general ledger and the Ministry's payroll report for Government Wage Earners. Consequently, the accuracy of

² Date of audit report – 10/11/20

Government Wage Earners balance of \$215,273 recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019 cannot be ascertained.

2. The Ministry did not include as part of the Statement of Receipts and Expenditure, the grant for Building Safety and Resilience in the Pacific Project (BSRP) amounting to \$622,991 received from the Secretariat of the Pacific Community. The BSRP grant was not facilitated through Ministry of Economy's Overseas Development Assistance Unit, thus not recorded in the FMIS General Ledger. As a result, grant funds received are kept in a bank account operated by the Permanent Secretary for Ministry of Disaster Management and Meteorological Services.

Attention was also drawn to the following matters:

1. Internal controls relating to payments, journal vouchers, reconciliation for payroll, revolving fund account, operating trust fund account, inter departmental clearance account, main trust fund account, bank lodgement clearance account and drawing account were weak. This is in respect of non-preparation of monthly underline account reconciliations, non-certification of journal adjustment, delay in preparation of the payroll and underline accounts reconciliations, delay in clearance of stale cheques, payment vouchers not stamped "paid" and not supported with source documents. These internal controls weakness, if not addressed promptly, may result in material misstatements and possible financial losses in the future.
2. Policies and Standard Operating Procedures (SOPs) for effective management of aid in kind was yet to be approved. These SOPs need to be approved for effective management of aid in kind received by the National Disaster Management Office.
3. The Statement of Losses provides details of losses of money, revenue and assets. As at the date of the audit report³, the Ministry of Disaster Management and Meteorological Services was still waiting for the approval from Permanent Secretary for Economy for the write off the unserviceable assets items valued at \$84,745.
4. Cabinet decision (05) 310 of 2005 states that Civil Aviation Authority of Fiji and Fiji Airports Limited to reimburse the 50% cost to Fiji Meteorological Services relating to the Nadi and Nausori Terminal. In addition, it stated that review of the structure of the cost be carried out by the Fiji Meteorological Office. The Ministry is yet to enter into a contract agreement for the provisions of weather services to the aviation industry due to the lack of suitable consultants to undertake a review to determine the cost related to the aviation centre which is to be reimbursed by Fiji Airports Limited to the Ministry. Due to non-review of the cost structure, Fiji Airports Limited is only paying \$50,000 monthly.

Republic of Fiji Military Forces

1. An unreconciled variance of \$122,559 exists between the bank reconciliation and the Cash at Bank General Ledger balances for the Engineers Projects Trust Fund Account for the year ended 31 December 2019. As a result, the accuracy and completeness of the closing cash at bank balance of \$830,546 reflected in the Trust Fund Account Statement of Receipts and Payments cannot be substantiated.

³ 19/03/21

2. There were unreconciled variances of \$81,658 and \$202,296 between the Engineers Trust Fund Cash Book and the general ledger balances for cash receipts and cash payments, respectively. Consequently, the accuracy and completeness of the total receipts and total payments of \$3,150,090 and \$4,026,048, respectively in the Trust Fund Account Statement of Receipts and Payments cannot be substantiated.
3. The Force was unable to provide relevant supporting documents to substantiate the progressive claims made by the subcontractors engaged for the construction of Rotuma Hospital totalling \$1,163,637. Due to the lack of appropriate supporting documents, the completeness and the accuracy of payments totalling \$2,475,435 for Rotuma Hospital as reflected in the Engineers Projects Trust Fund Account Statement of Receipts and Payments could not be substantiated.
4. An unreconciled variance of \$7,067 existed between the Plant Pool Trading Account cash at bank balance and the FMIS General Ledger cash balance. In addition, there were unreconciled variances of \$89,182 and \$94,503 for cash receipts and cash payments, respectively between the Plant Pool Trading Account cash book and the FMIS general ledger balances. Consequently, the accuracy and completeness of the cash at bank balance of \$424,052 stated in the Plant Pool Trading Account balance sheet as at 31 July 2019 cannot be confirmed.
5. An unreconciled variance of \$48,664 existed between the Plant Pool Value Added Tax (VAT) Account Reconciliation and the VAT receivables general ledger balance. Consequently, the accuracy and completeness of the VAT receivables balance of \$171,642 stated in the Plant Pool Trading Account balance sheet as at 31 July 2019 cannot be confirmed.
6. Internal controls over procurement processes were generally weak. These weak controls resulted in procurement of goods and services without following the open tender process amounting to \$762,138, procurement of goods and services without obtaining competitive quotations totalling \$387,046, splitting of local purchase order totalling \$243,472, charging of expenditure to incorrect expenditure allocations totalling \$333,577, payments vouchers not certified as correct totalling \$172,364, procurements made on expired and undated quotations totalling \$90,938 and payments not adequately supported totalling \$82,388.
7. Consequently, the completeness and accuracy of the maintenance and operations, purchase of goods and services and special expenditures totalling \$4,623,243, \$10,276,529 and \$3,586,457, respectively reflected in the Statement of Receipts and Expenditure cannot be ascertained.
8. The internal controls over payroll were generally weak. This relates to delay in the preparation of payroll reconciliations, errors noted in the payroll reconciliations, overpayment of lodging allowances, salary overpayments and improper maintenance of payroll records. Consequently, the accuracy of the established staff and government wage earners expenditure recorded in the Statement of Receipts and Expenditure of \$69,982,199 and \$338,472 respectively cannot be ascertained.

Fiji Police Force

1. The Force did not include, as part of the Financial Statements, the Trust Fund Account Statement of Receipts and Payments for the Force Band Trust Fund Account which had receipts \$88,820 and payments amounting \$43,216 for the period ended 31 July 2019. In

addition, the Force Band account transactions were not recorded in the FMIS General Ledger.

2. A variance of \$217,930 exists between the Police Clearance revenue record maintained by the Force Criminal Record Unit and the FMIS general ledger. As a result, the correctness of the Police Clearance revenue balance of \$2,761,043 could not be substantiated as recorded in the financial statements for the financial year ended 31 July 2019.

3.0 ASSESSMENT OF FINANCIAL GOVERNANCE

This section evaluates the effectiveness of the internal controls maintained by 21 Ministries and Departments.

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

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

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

Our overall assessment of the financial governance of the agencies reported under the Infrastructure indicate no improvement around internal control, the financial statement preparing processes and responses to the Office of the Auditor-General. Details of our assessment is provided under [section 4.0 – Results Summary Financial Governance](#).

3.1 Internal control framework

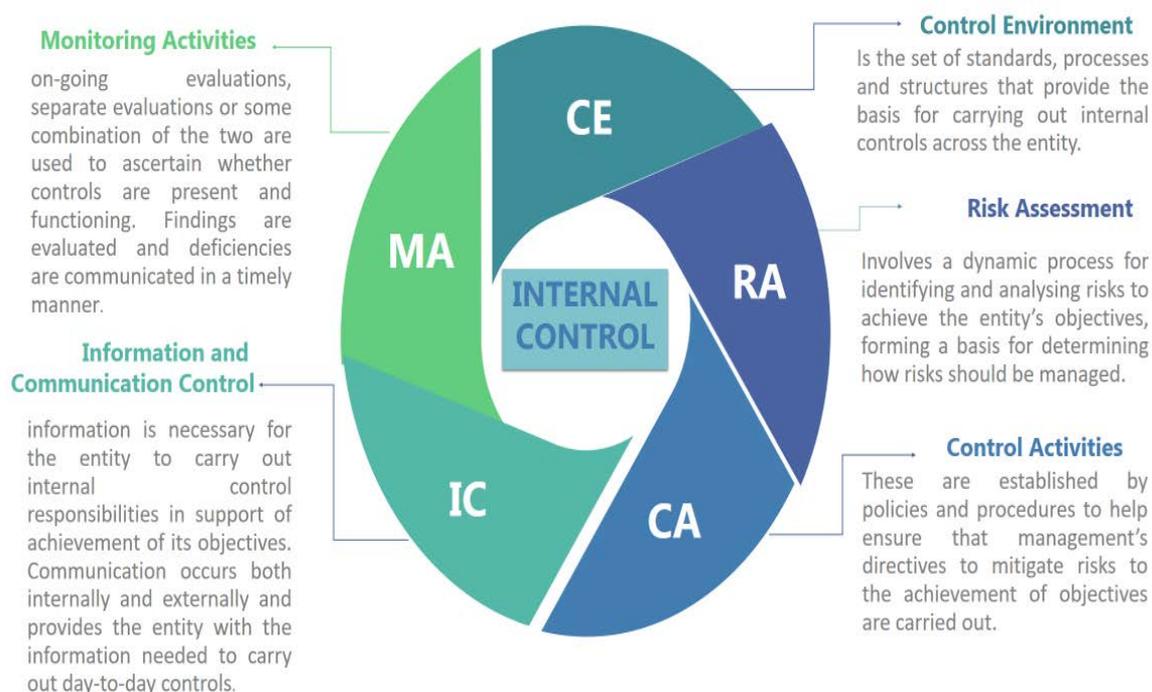
During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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

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

3.2 Internal controls

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



3.3 Preparation of draft 2018-2019 agency financial statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✗	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✗
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	✓

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

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

3.4 Quality of draft financial statements by entities

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

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

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

3.5 Timeliness of draft financial statements for entities

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

Rating	Timeliness of draft financial statements assessment
Effective	Acceptable draft financial statements received before or on 15 October 2019
Generally effective	Acceptable draft financial statements received on or before 31 October 2019
Ineffective	Acceptable draft financial statements received after 31 October 2019

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

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

Accordingly, we have assessed timeliness for *General Administration Sector* as:

Rating	Timeliness of Management Comments Received
Effective	Within 21 days from issue of Draft Management Letter
Rating	Timeliness of Signed Financial Statements Received
Ineffective	After 15 days from issue of Financial Statements for signing

	Internal controls															Financial Statement Preparation									Responses to OAG					
	CE			RA			CA			IC			MA			T			YE			Q			MC			SFS		
Financial Year	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17
Department of Information Technology & Computing Services	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
17. Ministry of Civil Service	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
18. Ministry of Rural and Maritime Development	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
19. Republic of Fiji Military Forces	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
20. Fiji Police Force	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
49. Peacekeeping Missions	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

'17 = 2017 '18 = 2018 '19 = 2019

CE=Control Environment RA=Risk Assessment Q=Quality of draft financial statements

IC=Information and Communication Control CA=Control Activities YE= Year-end close processes

T=Timeliness of draft financial statements MA=Monitoring Activities

MC=Management Comments provided SFS=Signed Audited financial statements returned

Section 1 Office of the President

Roles and Responsibilities

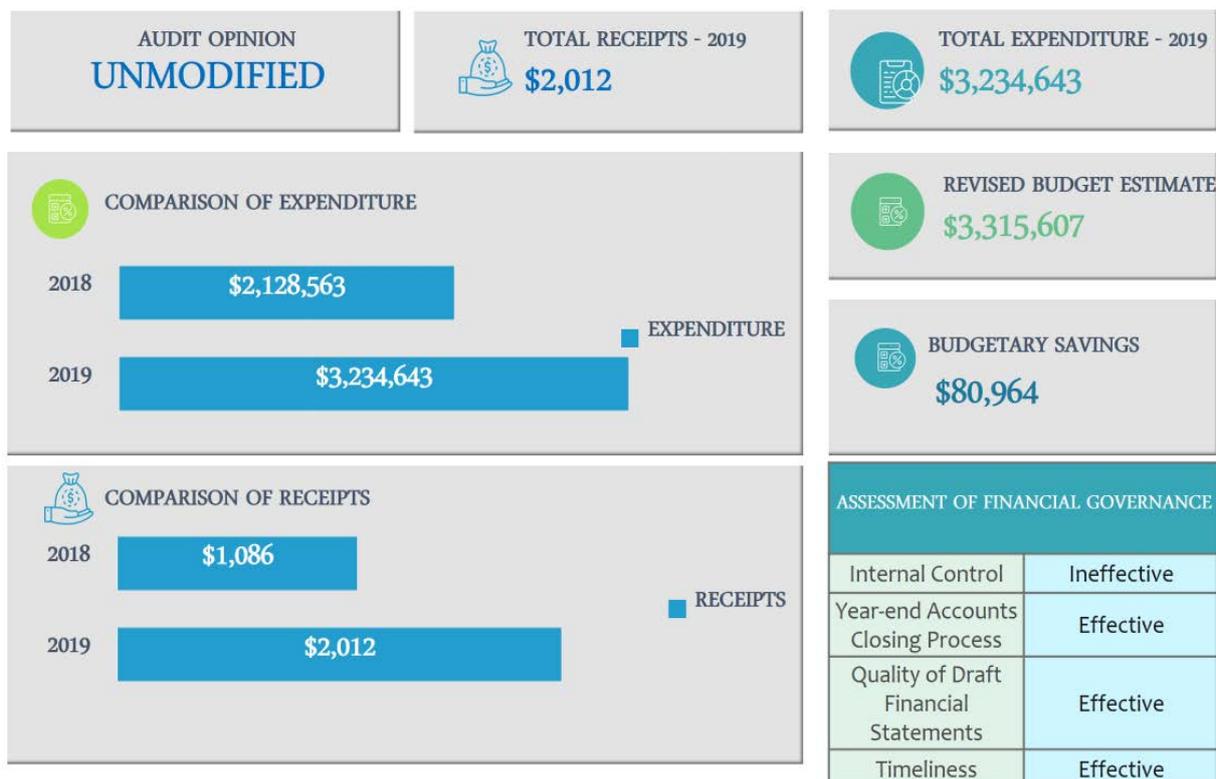
The Office of the President provides administrative and logistical support to the Head of State in the performance of their official duties. These duties include: the signing of Bills passed by Parliament into law, opening each session of Parliament, attending ceremonial functions, responsibility as Commander-in-Chief of the Republic of Fiji Military Forces (RFMF), state visits and active community engagement.

His Excellency is also Fiji’s lead advocate and Champion in the national campaign to promote a fit and healthy nation. The Office also facilitates the President’s engagements with specific audiences and the general public to help reduce non-communicable diseases, a serious health crisis affecting the Fijian people.

The President promotes Fiji to the international community by formally receiving the newly appointed Foreign Head of Missions who are accredited to Fiji, receiving visiting dignitaries including Head of States, Heads of Government, and leaders of International Organisations and by visiting other countries for special occasions and to move forward Fiji’s strategic foreign policy priorities.

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PART A: FINANCIAL INFORMATION

1.1 Audit Opinion

The audit of the 2019 accounts of the Office of the President resulted in an unqualified audit opinion.

1.2 Appropriation Statement

The Office collected revenue totalling \$2,012 in 2019 and incurred expenditure totalling \$3.2 million against a revised budget of \$3.3 million resulting in savings of \$0.08 million or 2%.

Details of expenditure against the revised budget are provided in Table 1.1.

Table 1.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	786,460	36,561	823,021	801,233	21,788
2	Government Wage Earners	247,010	18,764	265,774	265,427	347
3	Travel & Communication	1,113,900	(654,658)	459,242	459,240	2
4	Maintenance & Operations	483,400	310,961	794,361	788,747	5,614
5	Purchase of Goods & Services	496,400	288,372	784,772	782,770	2,002
Total Operating Costs		3,127,170	---	3,127,170	3,097,417	29,753

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
13	Value Added Tax	188,437	---	188,437	137,226	51,211
	TOTAL	3,315,607	---	3,315,607	3,234,643	80,964

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Office. These have been included in this report as they impacted on the overall system of control of the Office as at 31 July 2019.

1.3 Engagement of Interior Designer Consultant for State House

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.¹

An agreement was signed between the Office and an Interior Designer consultant on 04 October 2018 to be engaged as the Interior Designer for the State house upgrade and refurbishment works for a sum of \$30,625 (VIP).

We noted that prior to the signing of the agreement, the Office had already engaged the designer since November 2017 without any formal agreement. An expression of interest was put out on 20 Feb 2019 for the interior design services and interest from two companies were received. However there was no proper evaluation done to document and justify the engagement of the vendor.

The Office continued to engage the vendor without following proper procurement procedures such as calling for tender given that the total payment made for the interior designer of State House during the financial year amounted to \$154,911.92.

The interior designer was also engaged by the Office to purchase items required for the refurbishment of the State house including the procurement of chandelier lights and bulbs, ceiling lights and sofas.

In some instances, the requirement for three competitive quotes was waived and if obtained, the lower quotes were not considered. This defeated the purpose of obtaining quotations and shows that it was merely done to fulfill procurement requirements. Local purchase orders were also not issued before the engagement of the interior designer for these services.

¹ Office of the President Finance Manual 2015 – Part 2: Expenditure - Introductory Statement

Root cause/Implication

The audit finding is attributed to the lack of proper planning for the refurbishment works at the State House.

In the absence of a proper tender process, the procurement was not done in an open and fair manner.

Recommendations

The Office should ensure that:

- **Public tenders are called for any procurement of goods, services or works valued at \$50,000 or more; and**
- **The principle of promoting open and fair competition amongst suppliers and contractors are maintained at all times.**

Agreed Management Action

Based on Audit recommendations, moving forward the Office shall ensure that Public tenders are called for any procurement of goods, services or works valued at \$50,000 or more and the principle of promoting open and fair competition among suppliers and contractors are maintained at all times.

The Office had opted to Engage Interior Designer Consultation due to lack of expertise in Office and CIU at the Ministry of Economy. Initially the Ministry of Economy's scope was done for structural changes and it did not consider on opting for Interior designer consultant because this was a one of kind of project for both parties.

The Office assures the Office of the Auditor General that this recommendation has been duly noted and accepted in good spirit and the same will be done to further strengthen the internal control procedures.

Officer Responsible

Head of Corporate Services/Manager Finance

1.4 Procurement of Goods and Services from the Accountable Advance Allocation

Audit review of the accountable advance allocation (1-01101-01101-570301 Revolving Fund Account) noted that the Office procured goods and services using the accountable advance allocation.

The Office withdrew cash in the form of petty cash using the accountable advance allocation and used the funds to procure various goods and services. The withdrawal of funds in the form of petty cash was not justified as the Office does not have a petty cash warrant approved by the Ministry of Economy.

The charges in the accountable advance allocation were later cleared with relevant supporting documents and posted to the respective expenditure allocations through journal adjustments.

Root cause/Implication

The above finding is a direct result of improper monthly cash flow planning. The practice adopted reflects improper financial management and if not stopped can result in misuse, fraud and misappropriation of funds.

Recommendations

The Office should:

- **cease using the accountable advance allocation to procure goods and services;**
- **strengthen its procurement planning to ensure adequate funds are available to meet their annual activities;**
- **ensure supervisors up skill their knowledge in basic government accounting through continuous self-learning, training and refresher courses;**
- **take necessary disciplinary action against officers involved; and**
- **refrain from operating petty cash if it does not have the approval from the Ministry of Economy.**

Agreed Management Action

Based on Audit recommendations, the office has taken a strong stand that moving forward it shall ensure that it ceases the use of accountable advance allocation to procure goods and services that have been on a need basis due to ad hoc activities and unplanned activities that the office still needed to deliver.

The Office shall continue to strengthen its procurement planning to ensure adequate funds are available to meet its annual activities. It shall ensure that the staff members concerned do upgrade their skill and knowledge in basic government accounts through continuous self-learning, training and refresher courses.

The Office assures the Office of the Auditor General that these recommendations has been duly noted and accepted in good spirit and approval shall be sought from Ministry of Economy in the new Financial Year for a petty cash account that will further strengthen the internal control procedures.

Officer Responsible

Head of Corporate Services/Manager Finance

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

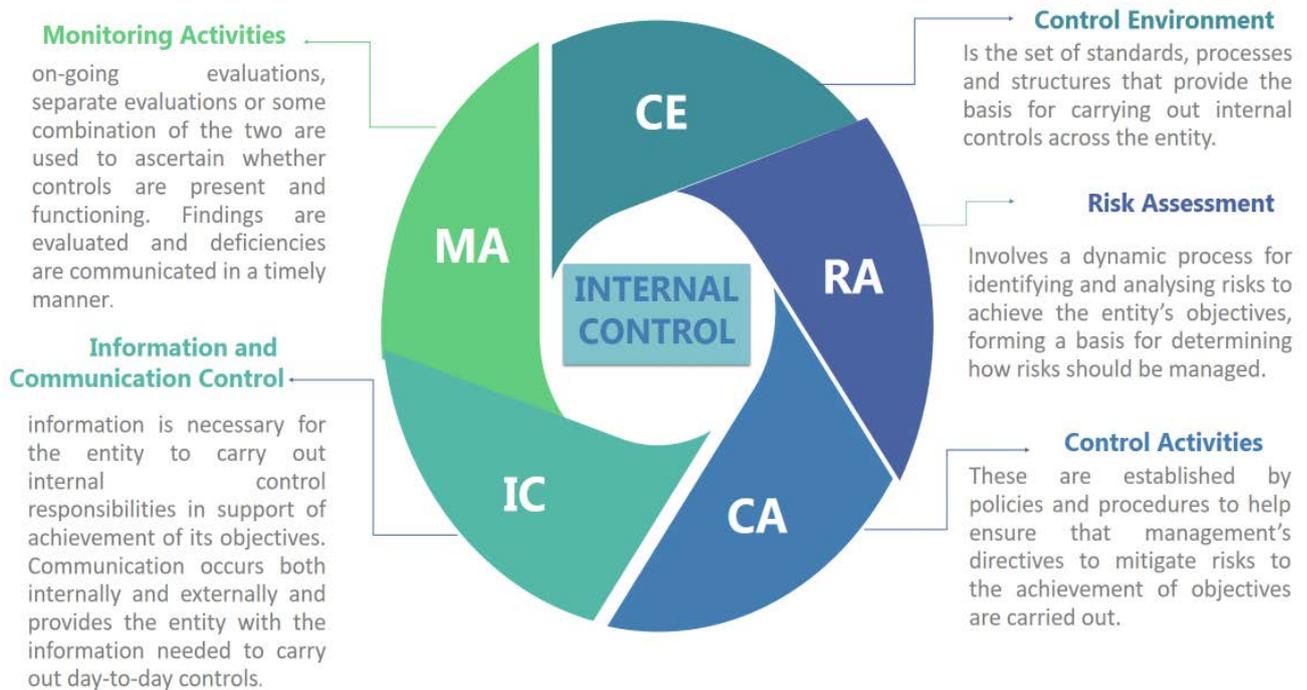
1.5 Internal Controls

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

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

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

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



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

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

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

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

1.6 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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

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

Rating	Year-end close process assessment
★ Effective	Nine of Ten key processes completed within two weeks of due date

1.7 Quality of Draft Financial Statements by entities

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

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

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

1.8 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
● Generally Effective	Acceptable draft financial statements received on or before 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
● Effective	Within 5 days from issue of Financial Statements for signing

Section 2**Office of the Prime Minister and Department of Immigration****Roles and Responsibilities**

The Office of the Prime Minister ('OPM') assists the Prime Minister in his role as Head of Government and the Chairperson of Cabinet by providing administrative and logistical support. The Cabinet Office of the OPM provides Cabinet and the Prime Minister with secretarial support to ensure timely decisions for the effective running of Government.

The OPM also administers the implementation of a number of programs, including the development of the mahogany industry, administration of small grants and the coordination of donor funding for community development projects (particularly in rural and maritime areas) and the administration of the Rotuma, Rabi, Melanesian Vasu-i-Taukei and Kioa Island Councils.

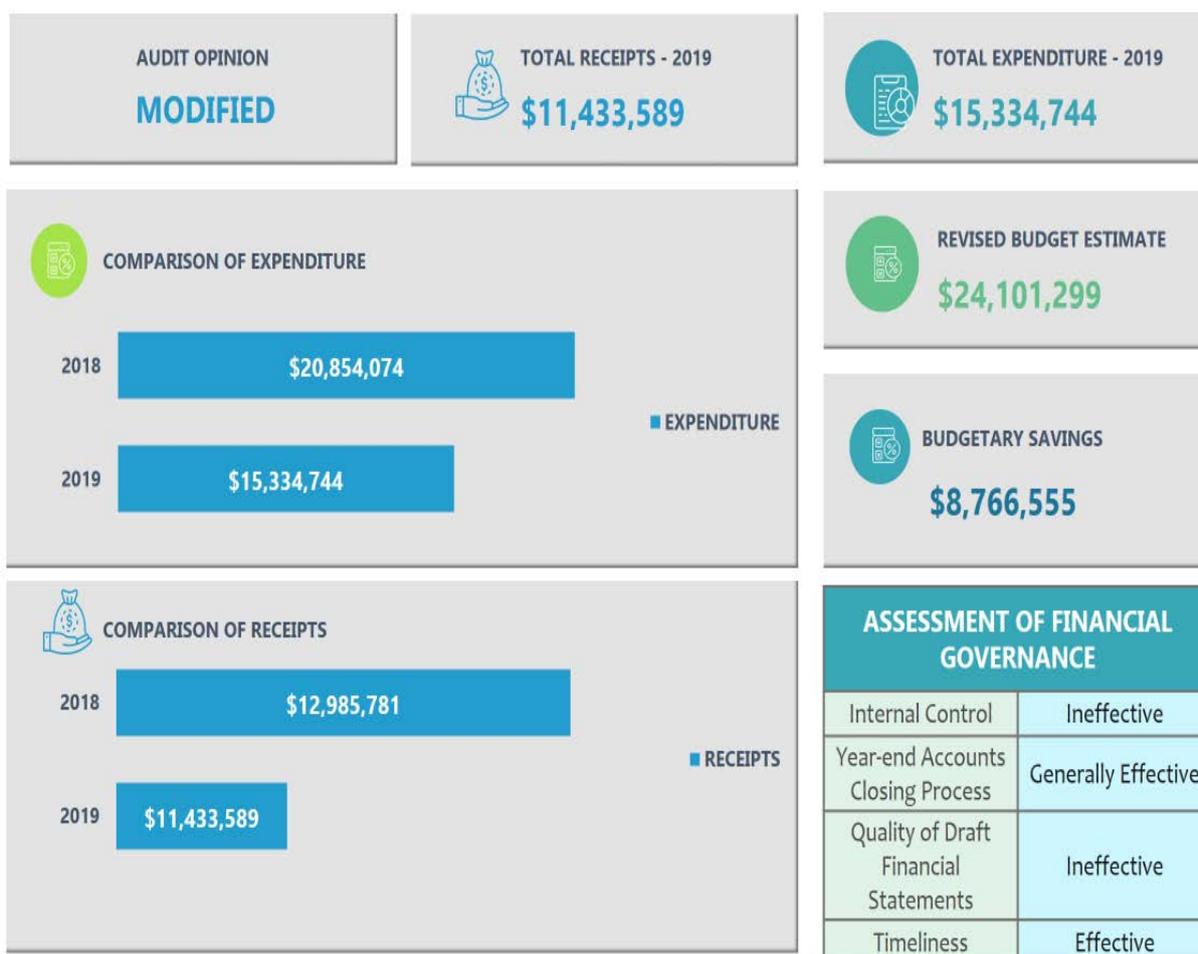
The OPM also has authority over the Department of Immigration, which is responsible for managing the flow of people across Fiji's borders. This includes passport issuance for Fijian citizens, entry and departure permits and the processing of applications for citizenship. The Department is in the process of introducing new technologies to improve internal operations and deliver more effective services to the public, namely through the installation of a Biometric Verification System.

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PART A: FINANCIAL INFORMATION



2.1 Audit Opinion

The audit of the 2019 accounts of the Office of the Prime Minister and Department of Immigration resulted in a modified audit opinion. The qualifications were as follows:

Department of Immigration

1. The Value Added Tax (VAT) on revenue recorded in the general ledger was incorrectly computed by the Department of Immigration. The incorrect accounting for VAT on revenue was prevalent for 11 months during the financial year. Due to the extent of the incorrect accounting for VAT, it was not practical for me to substantiate the total value of the misstatement. Furthermore, bank lodgment forms and cash analysis sheets for operating revenue totaling \$162,007 were not checked and certified by the supervising officers.

As a result, I am unable to ascertain the accuracy and completeness of the operating revenue balance of \$11,433,053 recorded in the consolidated financial statements for the financial year ended 31 July 2019.

2. An unreconciled variance of \$915,722 exists between the Immigration Bond Trust Fund Account closing balance in the financial statements and the cash at bank balance. Consequently, I was unable to substantiate the accuracy and completeness of the total receipts and total payments of \$6,276,246 and \$4,404,845 respectively in the Trust Fund Account Statement of Receipts and Payments.
3. Note 4 (e) to the financial statements provides a brief description for the purpose of the Immigration Trust Fund Account. As at the date of my audit report, there still exists significant lapse in reconciliations and absence of detailed breakdown listings of permit holders and their current balances. As such I was unable to satisfy myself on the accuracy of the closing balance of \$30,596,029 disclosed in the Immigration Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2019.
4. Included in the Established Staff expenditure of the Department of Immigration are charges in respect of payment for meal claims, accountable advance and accommodation totaling \$85,985 which are not payroll related expenditures. Due to the misallocation, the consolidated Established Staff balance of \$5,350,211 is overstated by \$85,985 and the Travel and Communication balance is understated by the same amount.

2.2 Appropriation Statement

The Office incurred expenditure totaling \$15.3 million in 2019 against a revised budget of \$24.1 million, resulting in a saving of \$8.7 million or 36%.

Details of expenditure against the revised budget are provided in Table 2.1.

Table 2.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	6,814,704	-	6,814,704	5,350,211	1,464,493
2	Government Wage Earners	943,318	-	943,318	563,334	379,984
3	Travel & Communication	2,560,720	(75,918)	2,484,802	1,481,311	1,003,491
4	Maintenance & Operations	1,403,737	342,918	1,746,655	1,315,523	431,132
5	Purchase of Goods & Services	1,252,133	(188,000)	1,064,133	560,679	503,454
6	Operating Grants & Transfers	815,000	-	815,000	347,856	467,144
7	Special Expenditure	472,666	(79,000)	393,666	273,134	120,532
	Total Operating Expenditure	14,262,278	-	14,262,278	9,892,048	4,370,230
9	Capital Purchases	300,000	-	300,000	-	300,000
10	Capital Grants & Transfers	9,000,000	-	9,000,000	5,248,132	3,751,868
	Total Capital Expenditure	9,300,000	-	9,300,000	5,248,132	4,051,868
13	Value Added Tax	539,021	-	539,021	194,564	344,457
	TOTAL	24,101,299	-	24,101,299	15,334,744	8,766,555

The budget savings were largely due to the following:

1. Savings in established staff and government wage earners is due to 18 vacant positions in the Office that were not filled as suitable candidates could not be found and budget constraint.
2. Savings in travel and communication is due to less overseas and local travel undertaken by staff.
3. Savings in maintenance and operations is due to decrease in utility bills, motor vehicle maintenance, fuel and office maintenance.
4. Savings in purchase of goods and services is attributed to decrease in purchase of office furniture, office supplies and meeting expenses.
5. Savings in operating grants and transfers is due to the decrease in development grant utilized for Rabi, Melanesian and Kioa Island Council as facilitated by the Office of the Prime Minister.
6. Savings in special expenditure is due to the decrease in the expenses for deportation by the Department of Immigration and the payment of benefits to former Prime Ministers.
7. Savings in capital purchase is due to changes in project plans for the Department of Immigration IBMS upgrade.
8. Savings in capital grants and transfers is due to the Office of the Prime Minister exercising prudent financial management in funding capital projects considering the government tight cash flow position during this period.

2.3 Trust Fund Account

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

The Office of the Prime Minister operates and maintains four main trust fund bank accounts. The Department of Immigration operates and maintains one main trust fund bank accounts. Given below are the details of these accounts:

(a) Chinese Grant Trust Fund Account

The trust fund account is used to record and maintain grants that are provided by the Chinese Government to the Fiji Government through bilateral agreements in the form of letter of exchange.

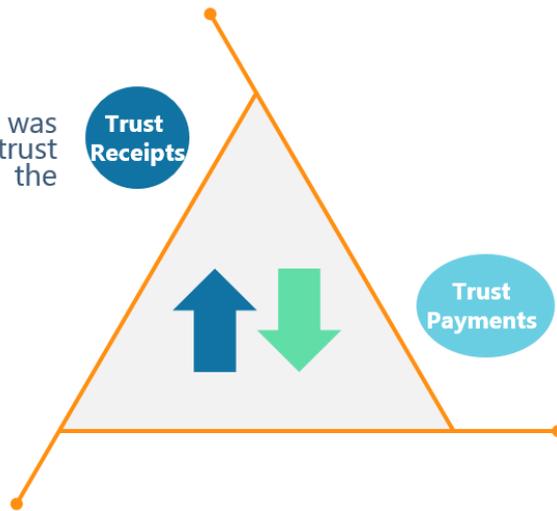
The funds are generally used to cater for those projects that are committed by the Honorable Prime Minister through request from the communities and evaluated based on its need and priority.

These are mainly projects that assist communities in the areas of education, integrated village/settlement developments, youth developments, women's and minority group settlement developments and are not provided for in the national budget estimates. The approving authority for the funding of assistance under this trust fund is the Honorable Prime Minister.

The financial analysis of Trust Receipts and Payments for the year ended 31 July 2019 is provided below.

Trust Receipts

A sum of \$551 was recorded as trust receipts which is the interest earned.



Trust Payments

A sum of \$10,055 was paid out from trust. \$10,000 or 99% of the total payment relates to funding of assistance to Fiji Bowls.

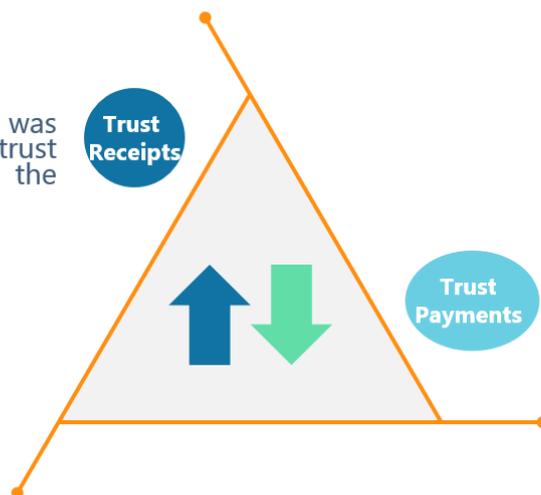
(b) Taiwan Grant Trust Fund Account

The trust fund account is used to record and maintain grants that are provided by the Taiwanese Government to the Fiji Government through bilateral agreements. The funds are generally used to cater for those projects that are committed by the Honorable Prime Minister through request from the communities and evaluated based on its need and priority. These are mainly projects that assist communities in the areas of education, integrated village/settlement developments, youth developments, women’s and minority group settlement developments and are not provided for in the national budget estimates. The approving authority for the funding of assistance under this trust fund is the Honorable Prime Minister.

The financial analysis of Trust Receipts and Payments for the year ended 31 July 2019 is provided below.

Trust Receipts

A sum of \$435 was recorded as trust receipts which is the interest earned.



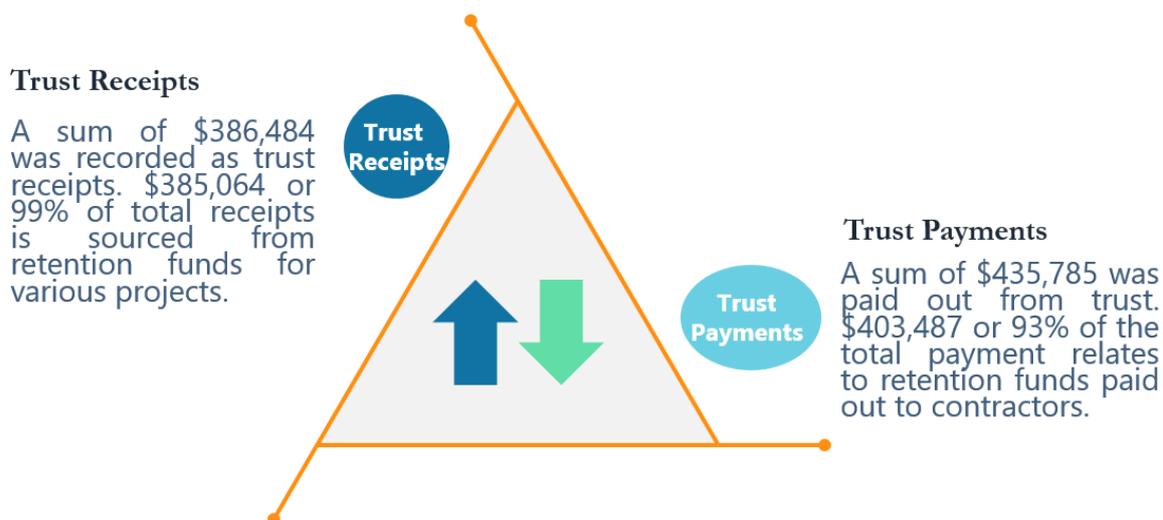
Trust Payments

A sum of \$30,923 was paid out from trust. \$30,840 or 99% of the total payment relates to funding of assistance to community projects.

(c) Retention Fund Account

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

The financial analysis of Trust Receipts and Payments for the year ended 31 July 2019 is provided below.

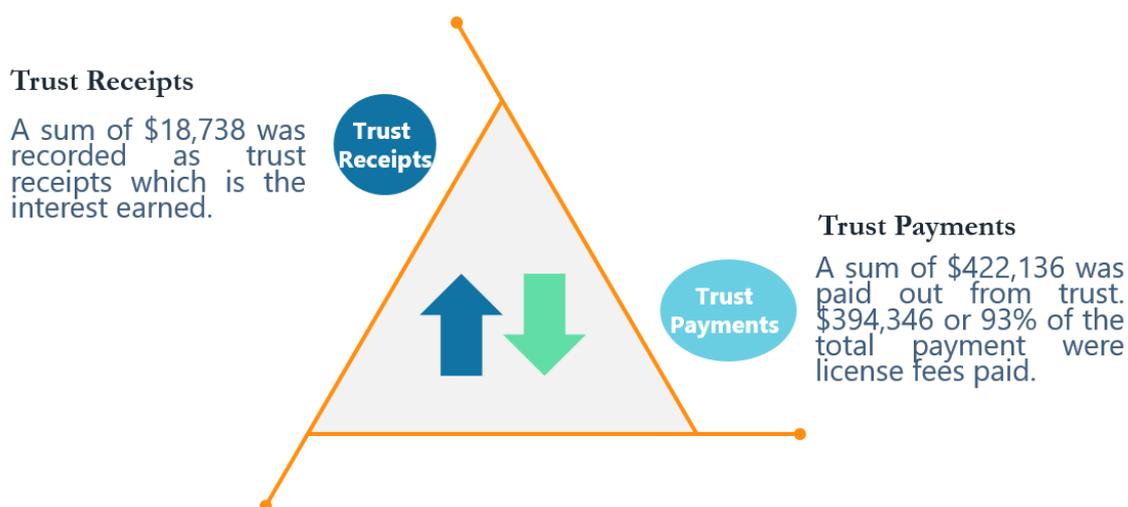


(d) Mahogany Industry Council Trust Fund Account

The Mahogany Industry Council Trust Fund (‘Fund’) was established in July 2015 for the sole purpose of administering all license fees paid by Mahogany Industry license holders

The license fees concept was introduced in June 2011 following the Mahogany Industry Development Act of 2010 and Mahogany Industry (licensing and branding) Act of 2011. The administration of the proceeds was handled by the Ministry of Economy and was only transferred to the Office of the Prime Minister, as Secretariat of the Mahogany Industry Council (‘Council’), in August 2015. The use of the proceeds is at the discretion of the Mahogany Industry Council.

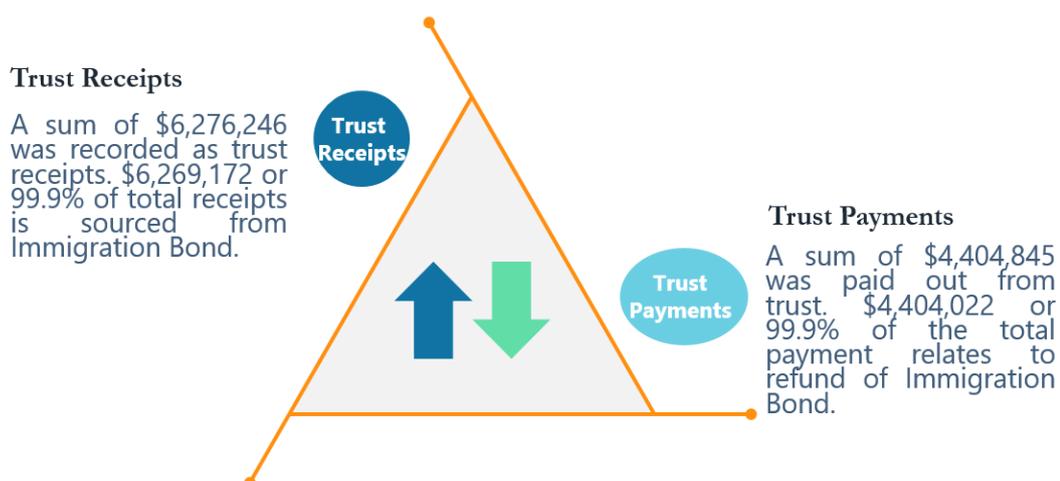
The financial analysis of Trust Receipts and Payments for the year ended 31 July 2019 is provided below.



(e) Immigration Trust Fund Account

The Immigration Security bond trust fund account was established for the sole purpose of retention of money paid by non- Fiji citizens as security prior to the granting of the permit. Bonds are kept with the Department until such time, they leave the country then it will be refunded. The Department changed the Immigration Trust bank account from Westpac to HFC on 30th August 2018 due to the high interest rates offered by HFC bank. The Westpac bank account is still open as it is used to cater for the Savusavu and Levuka stations where the HFC bank is not in operation.

The financial analysis of Trust Receipts and Payments for the year ended 31 July 2019 is provided below.



Detailed statement for trust receipts and payments are provided in Appendix 2.1 - 2.5.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Office. These have been included in this report as they impacted on the overall system of control of the Office as at 31 July 2019.

2.4 Irregularities in Revenue Process

Each journal voucher or input form shall be checked by the Senior Accounts Officer who must ensure that:

- i. vouchers are adequately supported;
- ii. dollar values are accurately computed;
- iii. the correct account codes have been debited or credited.¹

The lodgement forms shall be checked and signed by the Accounts Officer or Sectional Supervisor (who must not also be responsible for collecting revenue). Cash to be deposited shall be counted before the Accounts Officer or Sectional Supervisor signs the lodgement forms.²

The Revenue Collector must total the register at the end of the day and give it to the Accounts Officer or Sectional Supervisor for checking. The Accounts Officer or Sectional Supervisor must sign the cashbook after checking the details in the cash book against the issued receipts, money on hand and bank lodgement forms.³

Audit review of the Department of Immigration revenue records revealed the following anomalies:

- The Value Added Tax (VAT) on revenue recorded in the general ledger was incorrectly computed by the Department of Immigration. The incorrect accounting for VAT on revenue was prevalent for 11 months during the financial year. Due to the extent of incorrect accounting for VAT involving 11 months revenue transactions, it was not practical to substantiate the total value of the misstatement.

Refer to Appendix 2.6 for examples of errors in VAT computation.

- Contrary to section 5.4.3 of the Department's Finance Manual, bank lodgement form totalling to \$90,757 were not certified correct by the Accounts Officer or Sectional Supervisor.

¹ Immigration Department Finance Manual 2013, Section 5.5.6

² Immigration Department Finance Manual 2013, Section 5.4.3

³ Immigration Department Finance Manual 2013, Section 5.5.2

Refer to Appendix 2.7 for details.

- Contrary to section 5.5.2 of the Department's Finance Manual, cash analysis sheet totalling to \$71,250 were not certified correct by the Accounts Officer or Sectional Supervisor.

Refer to Appendix 2.8 for details.

Root Cause/Implication

The findings are mainly attributed to the ineffective review on monthly reconciliations and supervision in the Accounts Section to correctly prepare and approve journal vouchers.

The findings also indicate non-compliance to revenue internal control procedures and ineffective monitoring and supervision in the Accounts Section.

As a result, the accuracy and completeness of the operating revenue balance of \$11,433,053 recorded in the consolidated financial statements for the financial year ended 31 July 2019 cannot be ascertained.

Recommendations

The Department should ensure that:

- **stipulated revenue procedures in place are adhered to at all times;**
- **oversight function and supervisory checks are strengthened; and**
- **appropriate disciplinary action is taken against officers failing to comply with regulations in place.**

Agreed Management Action

The Department discovered that VAT calculation was incorrect in June 2019. During Closing of Accounts in July 2019, the department could not accommodate the adjustment in the accounting period.

Since, the adjustment was not made in 2018-2019 Financial Year, therefore the department will liaise with MOE (Financial Reporting Team) to make the adjustment in the current Financial Year to avoid overpayment/clearance of Vat liability allocation.

The lodgment form for Levuka Office was signed by the revenue collector (only one staff is stationed in Levuka office). The department noted that the divisions overlooked on signing of few of the bank lodgments therefore, an email was sent on 05/08/2019, to all the sectional heads to strengthen the controls on revenue management (Bullet point no 1 emphasis was on verification and certification of lodgment forms).

As per the records, only two cash analysis sheet dated 17/09/18 and 11/07/19 for Nadi office and Lautoka office respectively were not signed by sectional heads however, they did sign the bank lodgment form. Way forward, the department through internal circular No 5/2020 dated 07/12/2020 had conveyed to all officers on the controls of revenue management process.

The Accounts personnel were informed on how to compute VAT. Journal vouchers strictly monitored by the officer certifying and posting in the general ledger to recomputed for correctness. The Sectional supervisors had been informed via email, on Department's financial manual.

Journal vouchers are recomputed and checked by the supervisors before entered in the general ledger. The Department is carrying out a quarterly visit to outer stations to ensure adherence to Department's financial manual.

Officer Responsible

Principal Accounts Officer

2.5 Anomalies in payroll expenditure

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorized payments, inaccurate payroll reports and invalid pay rates.⁴

Audit review of payroll expenditure revealed that non - payroll expenditure worth \$85,985.40 was posted to SEG 1 – Established Staff allocation. These payments included meal claims, accountable advance and accommodation payment. Refer to Table 2.2 for details.

Table 2.2: Payments contrary to Payroll Expenditure posted to SEG 1 – Established Staff

Details	Amount (\$)
Meal Claim	81,723.72
Accountable Advance	3,436.00
Accommodation Payment	825.68
Total	85,985.40

Root Cause/Implication

Non-payroll expenditures were directly charged to the established staff allocation due to the unavailability of funds in the respective allocations at the time of transaction. These were to be regularised however it did not eventuate.

Due to the misallocation, the consolidated Established Staff balance of \$5,350,211 is overstated by \$85,985 and the Travel and Communication balance is understated by the same amount.

Recommendations

The Department should:

- **Cease the inappropriate use of established staff allocation to post payment contrary to the nature of allocation;**
- **Ensure that proper virement and cash flow adjustment procedures are followed at all times; and**
- **Review its payroll expenditures and ensure that postings are done to the correct allocation so that correct amount is reflected in the general ledger.**

⁴ Immigration Department Finance Manual 2013, Part 4: Payroll – Introductory paragraph
Office of the Prime Minister and Department of Immigration

We maintain that payment for meal claims, accountable advance and accommodation are not payroll related expenditures.

Agreed Management Action

The Department does not have specific allocation for meal allowance in SEG 1. The allowance allocation in SEG 1 caters for meal allowance due to insufficient funds in the subsistence account and other allowances. Meal allowance is considered as an “allowance”.

Officer Responsible

Principal Accounts Officer

2.6 Immigration bond trust fund account

Within 5 days after the end of each month, the Clerical Officer – Reconciliation shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.⁵

Audit review of the Immigration Bond Trust Account revealed that an unreconciled variance totaling \$915,722 existed between the cash at bank balance and the Immigration Bond Trust Fund Account closing balance in the financial statements. It was noted that the variance is largely due to the non-recording to interest earned, payment of withholding tax and bank charges into the General Ledger.

Root Cause/Implication

The above findings indicate that the general ledger cash balance was not reconciled to the physical cash at bank balance. In the absence of proper review and reconciliation, such variances cannot be detected and addressed in a timely and correct manner.

As a result, the completeness and accuracy of the Immigration Bond Trust Fund Account cash balance could not be ascertained.

Recommendations

The Department should ensure that:

- **Reconciliations are promptly prepared and reviewed. Any deficiencies are investigated and rectified; and**
- **The Agency Financial Statements separately discloses interest earned from the trust fund account.**

Agreed Management Action

The Department had followed up with MOE to create a GL account in the FMIS for Trust Fund transfer to HFC Bank Account. The Department carried out the reconciliation when the GL account was created by MOE. The Department agrees that the changes in bank account were not reflected in the General Ledger reason being the

⁵ Immigration Department Finance Manual 2013, Section 15.4.1
Office of the Prime Minister and Department of Immigration

GL for HFC bank was not created. The GL was created on 03/10/2019 upon confirmation from the bank on 05/07/2019 hence, the transfer took place. However the reconciliation of \$25m was done on WBC GL account. Reconciliation has been carried out. Since the creation of GL allocation, the Department has been conducting reconciliation on a timely basis.

Officer Responsible

Principal Accounts Officer

2.7 Significant outstanding operating trust fund balance

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.⁶

We noted that VAT on revenue amounting to \$1,623,632.83 which accounts for 97% of the operating trust fund balance have been outstanding since 2016 financial year.

In addition, since 2017 financial year, staff FPNF contribution amounting to \$45,969.24 is outstanding for clearance from the operating trust fund account.

Audit review of the reconciliations further indicated that the figures have accumulated from previous years thus increasing the operating trust ending balance.

Root Cause/Implication

This finding could be attributed to the lack of stringent monitoring and review of the monthly reconciliations performed to ensure that payments are made to the relevant authorities on a timely manner.

The significant balance in VAT on revenue indicates that payments were not made to Fiji Revenue and Customs Services (FRCS) on time. Not making correct VAT payment to FRCS could result in VAT penalties being imposed to the Department.

Operating Trust Fund caters the employee deductions and non-clearance of the dues on a timely manner would disadvantage the employees in terms of lost interest or penalties imposed due to late payments.

Recommendations

The Department should:

- **strengthen the controls around the monitoring and review of the monthly reconciliations for timely clearance of balances in the trust account; and**

⁶ Immigration Department Finance Manual 2013, Part 2: Expenditure – Introductory paragraph
Office of the Prime Minister and Department of Immigration

- **investigate long outstanding balances and take appropriate action to clear it.**

Agreed Management Action

The outstanding VAT on revenue accumulating from previous years was due to noncompliance of vat circular no. 10/2009 for the correct method of vat calculation. Hence prior to 2016 Foreign Affairs posting on vat on revenue was not paid to FRCS. Also the department was doing incorrect vouchering in the FMIS system where SLG 86 was not debited for vat input and credited to SEG 13 as per circular no 10/2009. Hence resulted in accumulating vat on SLG 86.

Way forward the Department communicated with MOFA for supporting documents (certify copy of receipts) to enable FID to process outstanding vat on revenue payment to FRCS, further to it the Department had a meeting with MOE on 23/12/2020 for the clearance of SLG 86.

The department has also liaised with MOE to deactivate all FMIS access privileges for MOFA to touch the revenue allocation for FID, however the same has been accommodated and the revenue posting by MOFA through the IDC Account.

The FNPF balance of (\$45,969.24) consists of July balance which was \$19,450.40 payable in August. Therefore, the prior year balance amounting to \$26,663.73. Way forward, the Department is in the process of reconciliation where outstanding balance of prior year stands at \$7,159.98. Monthly payments of VAT are made to FRCS.

Monthly payments of outstanding FNPF. The Department had designed a SOP for this process which includes monthly reconciliation by the responsible Accounts Clerks.

Officer Responsible

Principal Accounts Officer

2.8 Anomalies in Operating Trust Account

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.⁷

It was noted that OPM was in the process of establishing a standard operating procedure/policy on the utilization of funds under Sports Trust Fund allocation.

The funds kept in this account constitute trust monies paid in by sponsors, other non-government organizations and business enterprises for specific purposes and does not originate from the Government thus constitute trust money similar to trust money maintained in the Fund 9 FMIS general ledger.

Moreover, for Miscellaneous Trust Fund account, we could not ascertain the purpose of the fund and how it should be utilized due to unavailability of information at the OPM.

⁷ Immigration Department Finance Manual 2013, Part 2: Expenditure – Introductory paragraph
Office of the Prime Minister and Department of Immigration

Audit review of miscellaneous trust account noted stagnant balances from August to July 2019, whereby no movements was noted during the financial year. As at 31 July 2019, the sports trust fund and miscellaneous trust fund account had balances of \$1,122,982 and \$63,099, respectively.

Root Cause/Implication

The Office took over the responsibility of operating these accounts without any proper handing over.

The Office continued to operate the Account according to how it was operated previously.

Recommendations

The Office should:

- **formulate a standard operating procedure/ policy on how to utilize the funds in the Sporting Trust Fund account and Miscellaneous Trust Fund Account; and**
- **record these accounts in the Main Trust general ledger under Fund 9 in the FMIS with separate bank accounts.**

Agreed Management Action

The sporting trust was transferred to the Office of the Prime Minister from the Ministry of Youth in 2012. Management has decided to transfer the account back to the Ministry of Youth and Sports which would be best suited to handling the account. The Office had sent a memo (31/12/19) for the transfer containing an updated listing of donors, recent reconciliations and has had two meetings with the Ministry of Economy and the Ministry of Youth team. The Ministry of Economy and Ministry of Youth are yet to action the transfer of account.

The Miscellaneous trust fund account was used to receive payments for the sale of the books 3 legged stool and the Ratu Sukuna Biography. The payments were received by the Office of the Prime Minister and the books were issued by the Department of National Archives. This practice has ceased and the Office of the Prime Minister is still in consultation with the Ministry of Economy for the transfer of the remaining balance and closure of account.

Officer Responsible

Principal Accounts Officer

2.9 Listing for Security Bond Held in Trust

The Clerical Officer - Bond and Clerical Officer - Reconciliation shall make available for the audit the necessary trust documents supporting the transactions and balances of the trust account.⁸

The Department of Immigration maintains the Immigration Bond Trust Fund account in order to facilitate the receipt and payment of Immigration bonds from work permit holders.

⁸ Immigration Department Finance Manual 2013, Section 15.4.7
Office of the Prime Minister and Department of Immigration

As at the date of the audit report⁹, there still exists significant lapse in the years of reconciliation and absence of detailed breakdown listings of work permit holders and their current balances.

As a result, we could not obtain the detailed breakdown listing of those beneficiaries and ascertain their respective balances being held by Department as trust as at 31 July 2019.

Root Cause/Implication

According to the Manager Finance, the backlog is mainly due to the limited staffs and resource constraints to browse through the old records and update the schedules from prior years.

In the absence of proper reconciliations, we were not able to ascertain the correctness of the balance reflected in the Immigration Bond Trust Fund account.

If this issue is not addressed, there is a high risk of fraudulent payments being made as the detailed current listing of the permit holders and their respective balances as at year end are not available.

Recommendations

The Department should:

- **continue to allocate resources in order to update the reconciliations and detailed breakdown listings of work permit holders and their current balances; and**
- **ensure the security bonds are refunded to the permit holders or organisation in accordance with Section 27 (1) of the Policies & Management guidelines on Processing & Issuance of Non-Citizen Permits, Visas & Exemptions.**

Agreed Management Action

The Department has maintained the detailed listing on a manual register, to update all bond fee records (receipts and refund), however failed to maintain the database (excel sheet) to record the same. The Department has commenced updating records for bond database and have updated for the period of 1980 to 2008. The Department has engaged NEC volunteers to work on updating the bond database for the period of 2009 – 2018. It should be noted that the records have been updated from 2019 till to date. The Department has recruited NEC volunteers from 12.10.2020 for updating of backlog of bond database for Accounts Section. The Department had designed a SOP for this process which includes monthly Bond updates by the responsible Accounts Clerks.

Officer Responsible

Principal Accounts Officer

⁹ 15/04/21

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

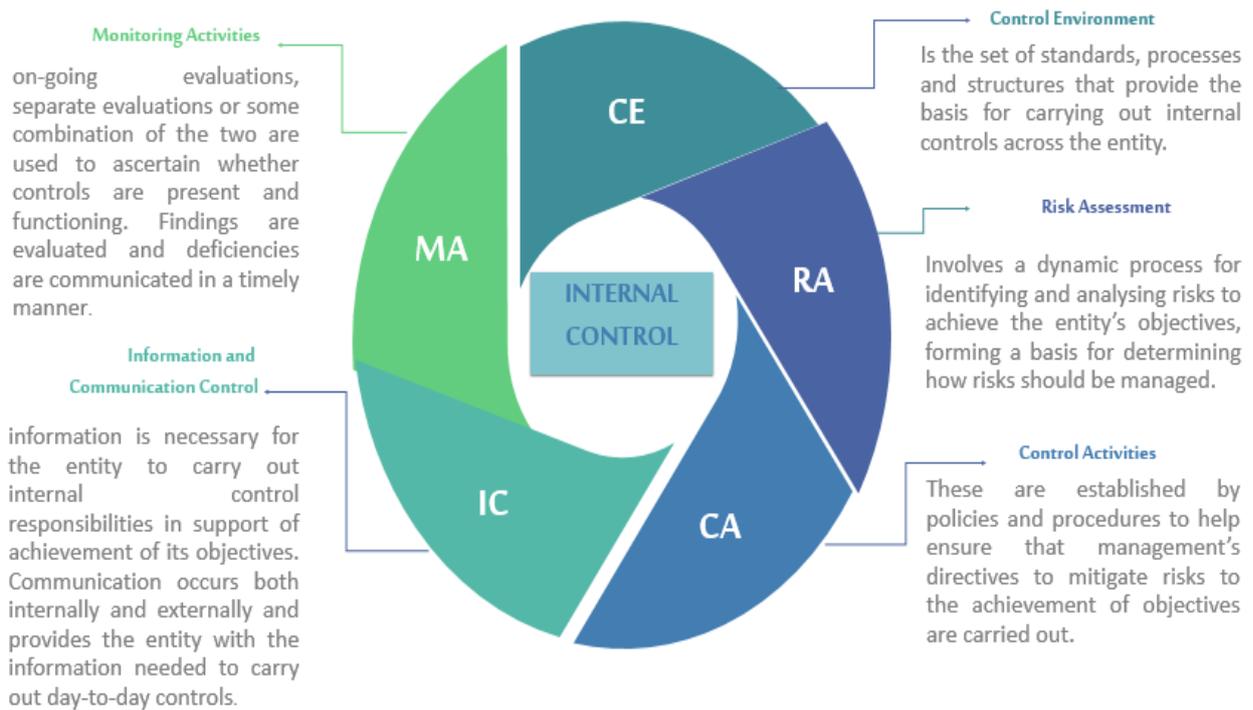
2.10 Internal Controls

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

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

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

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



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

Office of the Prime Minister

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

Department of Immigration

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

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

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

2.11 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji. Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✖	Cancellation of unprocessed purchase orders by 12 July 2019	✔
Clearance of Inter-departmental clearance accounts by 30 August 2019	✔	Processing of payments by 29 July 2019	✔
Clearance of stale cheques by 05 August 2019	✔	Processing of virement by 23 August 2019	✔
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✔	Completion of reconciliations by 29 August 2019	✔
Retirement of imprests by 19 July 2019	✔		

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

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

2.12 Quality of Draft Financial Statements by entities

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

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

Office of the Prime Minister

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

Department of Immigration

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

2.13 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
Effective	Acceptable draft financial statements received before 15 October 2019.

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

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

Accordingly, we have assessed timeliness as:

Office of the Prime Minister

Rating	Timeliness of Management Comments Received
Effective	Within 21 days from issue of Draft Management Letter

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

Department of Immigration

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

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

APPENDIX 2.1: CHINESE GRANT TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
Interest	551	573
Reverse statement fee	---	6
Total Receipts	551	579
PAYMENTS		
Assistance to Fiji Bowls	10,000	---
Retention for Valelevu Multi-Purpose Court	---	22,595
Withholding Tax	55	57
Withdrawal Transfer – Bank Fees	---	6
Total Payments	10,055	22,658
Net Deficit	(9,504)	(22,079)
Opening balance as at 1 August 2018	550,727	572,806
Closing Balance as at 31 July 2019	541,223	550,727

APPENDIX 2.2: TAIWAN GRANT TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
Interest Received	435	165
Taiwan Cash Grant	---	424,032
Total Receipts	435	424,197
PAYMENTS		
Assistance to Community Projects	30,840	22,759
Assistance to Schools	---	16,500
Bank Charges	40	3
Withholding Tax	43	17
Total Payments	30,923	39,279
Net (Deficit)/ Surplus	(30,488)	384,918
Opening Balance as at 1 August 2018	435,043	50,125
Closing Balance as at 31 July 2019	404,555	435,043

APPENDIX 2.3: RETENTION FUND ACCOUNT

Description	31-Jul 2019 (\$)	31-Jul 2018 (\$)
RECEIPTS		
Interest	1,420	1,045
Retention for Vuanisaiki Primary School	---	53,038
Retention for Queen Victoria School	---	11,881
Retention for Nabua Resource Centre	8,513	23,642
Retention for Ballantine Memorial School	14,865	22,297
Retention for Naseyani Primary School	8,373	12,276
Retention for Tavua District School	14,258	11,667
Retention for Nubu Primary School	2,425	12,835
Retention for Dogotuki District School	2,726	11,444
Retention for Vuya District School	8,753	18,333
Retention for Kubulau District School	9,714	9,746
Retention for Immaculate Conception Primary School	6,312	9,684
Retention for Nausori Primary School	---	80,043
Retention for Vaturova Koroalau High School	---	11,510
Retention for Dama District School	12,070	3,476
Retention for Bukuya Health Centre	29,633	14,738
Retention for Raiwai Youth Hall	35,405	82,612
Retention for Suvavou Kindergarten	3,391	11,870
Retention for Rukurukulevu Village	14,925	12,577
Retention for Nausori District School	15,558	31,116
Retention for Biausevu Village Women's Group	20,563	26,735
Retention for Saint John Bosco Primary School	---	7,580
Retention for Qelemumu Primary School	21,970	---
Retention for Bocalevu Village	3,995	---
Retention for Ratu Veikoso Primary School	14,585	---
Retention for Uluivalili College	26,805	---
Retention for Navuso District School	8,077	---
Retention for Cautata District School	8,022	---
Retention for Lomaiviti Nursing	30,826	---
Retention for Nabukaluka Primary School	8,118	---
Retention for Nasivikoso Village School	20,087	---
Retention for Sawanikula Primary School	17,004	---
Retention for Suva Methodist Primary School	16,591	---
Retention for Immaculate Conception College	1,500	---
Total Receipts	386,484	480,145
PAYMENTS		
Bank fee	142	6
Resident Withholding Tax	---	105
Withdrawal Transfer	---	40

Description	31-Jul 2019 (\$)	31-Jul 2018 (\$)
FRCS Payments	32,156	4,633
Retention Payment – Nausori Primary School	---	40,022
Retention Payment – Mamanuca Primary School	---	11,630
Retention Payment – Vunisaiki Primary School	54,385	54,385
Retention Payment – Nabua Resource Centre	16,607	14,073
Retention Payment – Vatulele District School	---	16,278
Retention Payment – Tavua District School	12,368	---
Retention Payment – Biausevu Village Women's Group	32,777	---
Retention Payment – Vuya District School	25,844	---
Retention Payment – Nubu Primary School	14,149	---
Retention Payment – Bukuya Health Centre	21,168	---
Retention Payment – Kubulau District School	9,253	---
Retention Payment – Nausori District School	22,266	---
Retention Payment – Queen Victoria School	11,336	---
Retention Payment – Naseyani Primary School	9,851	---
Retention Payment – Cautata District School	6,958	---
Retention Payment – Navuso District School	7,006	---
Retention Payment – Raiwai Youth Hall	56,301	---
Retention Payment – Sawanikula Primary School	8,112	---
Retention Payment – Dama District School	8,528	---
Retention Payment – Rukuruku Village School	6,820	---
Retention Payment – Immaculate College	8,892	---
Retention Payment – Bocalevu Village	3,812	---
Retention Payment – Dogotuki District School	6,760	---
Retention Payment – Nabukaluka Primary School	7,042	---
Retention Payment – Qelemumu Primary School	6,760	---
Retention Payment – Ratu Veikoso Primary School	6,958	---
Retention Payment – Suvavou Village	7,281	---
Retention Payment – Lomaiviti Nursing	20,656	---
Retention Payment – Uluivalili College	615	---
Retention Payment – Vaturova High School	10,982	---
Total Payments	435,785	141,172
Net (Deficit)/Surplus	(49,301)	338,973
Opening Balance as at 1 August 2018	1,379,059	1,040,086
Closing Balance as at 31 July 2019	1,329,758	1,379,059

APPENDIX 2.4: MAHOGANY INDUSTRY COUNCIL FUND

Description	31-Jul 2019 (\$)	31-Jul 2018 (\$)
RECEIPTS		
Interest	18,738	21,116
License Fees	---	407,301
Total Receipts	18,738	428,417
PAYMENTS		
Audit Fees	100	50
Bank charges	63	61
Withholding Tax	1,874	2,112
License Fees	394,346	---
Branding Legal Fees	25,753	---
Total Payments	422,136	2,223
Net (Deficit)/ Surplus	(403,398)	426,194
Opening Balance as at 1 August 2018	2,155,968	1,729,774
Closing Balance as at 31 July 2019	1,752,570	2,155,968

APPENDIX 2.5: IMMIGRATION TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
Immigration Bond Received	6,269,172	7,044,629
Interest	7,074	27,237
Total Receipts	6,276,246	7,071,866
PAYMENTS		
Immigration Bond Refund	4,404,022	3,562,587
Bank charges	823	--
Total Payments	4,404,845	3,562,587
Net Surplus	1,871,401	3,509,279
Opening Balance as at 1 August 2018	28,724,628	25,215,349
Closing Balance as at 31 July 2019	30,596,029	28,724,628

APPENDIX 2.6: JOURNAL VOUCHERS APPROVED WITH INCORRECT COMPUTATION

JV No.	Amount VIP (\$)	Correct Revenue amount to be recorded VEP (\$)	Prepared By	Certified By	Revenue amount recorded by Department VEP	Variance (\$)
27011	59,190.00	54,302.75	Clerical Officer	A/PAO	53,862.90	439.85
27012	45,862.00	42,075.23	Clerical Officer	A/PAO	41,734.42	340.81
27013	41,512.00	38,084.40	Clerical Officer	A/PAO	37,775.92	308.48
27014	43,217.00	39,648.62	Clerical Officer	A/PAO	39,327.47	321.15
27015	30,533.00	28,011.93	Clerical Officer	A/PAO	27,785.03	226.9
27016	1,423.00	1,305.50	Clerical Officer	A/PAO	1,294.93	10.57
27017	478.00	438.53	Clerical Officer	A/PAO	434.98	3.55
27018	142,175.00	130,435.78	Clerical Officer	A/PAO	129,379.25	1,056.53
27019	167,804.00	153,948.62	Clerical Officer	A/PAO	152,701.64	1,246.98
27020	133,062.00	122,075.23	Clerical Officer	A/PAO	121,086.42	988.81
27021	165,451.00	151,789.91	Clerical Officer	A/PAO	150,560.41	1,229.50
27022	126,721.00	116,257.80	Clerical Officer	A/PAO	115,316.11	941.69
27023	4,650.00	4,266.06	Clerical Officer	A/PAO	4,231.50	34.56
27024	5,404.00	4,957.80	Clerical Officer	A/PAO	4,917.64	40.16
27025	2,844.00	2,609.17	Clerical Officer	A/PAO	2,588.04	21.13
27026	3,115.00	2,857.80	Clerical Officer	A/PAO	2,834.65	23.15
27027	2,532.00	2,322.94	Clerical Officer	A/PAO	2,304.12	18.82
27028	34,085.00	31,270.64	Clerical Officer	A/PAO	31,017.35	253.29
27029	22,449.00	20,595.41	Clerical Officer	A/PAO	20,428.59	166.82
27030	20,609.00	18,907.34	Clerical Officer	A/PAO	18,754.19	153.15
27031	21,085.00	19,344.04	Clerical Officer	A/PAO	19,187.35	156.69
27032	11,256.00	10,326.61	Clerical Officer	A/PAO	10,242.96	83.65
27033	11,038.00	10,126.61	Clerical Officer	A/PAO	10,044.58	82.03
27034	2,103.00	1,929.36	Clerical Officer	A/PAO	1,913.73	15.63
27035	1,010.00	926.61	Clerical Officer	A/PAO	919.10	7.51
27036	4,198.00	3,851.38	Clerical Officer	A/PAO	3,820.18	31.20
27042	141,293.00	129,626.61	Clerical Officer	PAO	128,576.63	1,049.98
27043	168,120.00	154,238.53	Clerical Officer	PAO	152,989.20	1,249.33

APPENDIX 2.7: BANK LODGEMENT FORM NOT CHECKED & SIGNED BY SECTIONAL SUPERVISOR

Date Cash Received	Journal Number	Journal Description	Amount (\$)
06/08/2018	24/01/2019	Clearance of Labasa revenue from 01/08/18-08/08/18.	972.00
12/09/2018	09/02/2019	Clearance of Savusavu revenue from 12/09/18-14/09/18.	588.00
09/10/2018	43/03/2019	Clearance of Lautoka revenue from 09/10/18-15/10/18.	6,200.00
06/12/2018	13/05/2019	Clearance of Labasa revenue from 06/12/18-10/12/18.	439.00
25/01/2019	34/06/2019	Clearance of Levuka revenue from 18/01/19-29/01/19	144.00
06/03/2019	17/07/2019	Clearance of Lautoka Revenue from 01/02/19-07/02/19.	4,344.00
20/03/2019	20/08/2019	Clearance of Revenue for Suva, Nadi, Labasa, Savusavu, Levuka from 22/3-29/3 and Lautoka from 07/3-29/3.	343.00
16/04/2019	11/09/2019	Clearance of Lautoka Revenue from 01/4 and 30/04/2019	6,437.00
27/05/2019	15/10/2019	Clearance of Revenue for Lautoka from 01/05/19-09/05/19, Nadi 29/05-31/05, Savusavu 30/05-31/05/19, Labasa 29/05-31/05, Suva wharf 02/5-20/5.	2,372.00
11/06/2019	26/11/2019	Clearance of Revenue for Lautoka from 03/06/19-28/06/19.	8,924.00
11/07/2019	29/12/2019	Clearance of Revenue for Lautoka from 01/07/19 to 31/7/19.	4,619.00
13/09/2018	31/02/2019	Revenue Clearance Nadi 12/809 - 19/10	8,994.00
15/11/2018	04/05/2019	Lautoka Revenue 15/11-21/11	3,072.00
16/11/2018	04/05/2019	Lautoka Revenue 15/11-21/12	10,088.00
20/11/2018	04/05/2019	Lautoka Revenue 15/11-21/13	8,436.00
21/11/2018	04/05/2019	Lautoka Revenue 15/11-21/14	3,819.00
05/12/2018	12/05/2019	Clearance Labasa Rev 03/12-05/15	6,922.00
03/04/2019	01/09/2019	JV01/09/19 Revenue Amount	72.00
03/04/2019	01/09/2019	JV01/09/19 Revenue Amount	144.00
09/04/2019	01/09/2019	JV01/09/19 Revenue Amount	55.00
25/04/2019	01/09/2019	JV01/09/19 Revenue Amount	55.00
29/04/2019	01/09/2019	JV01/09/19 Revenue Amount	55.00
15/05/2019	10/10/2019	10/10/19 Revenue Amount	13,663.00
TOTAL			90,757.00

APPENDIX 2.8: CASH ANALYSIS SHEET NOT CHECKED & SIGNED BY SECTIONAL HEAD

Date Cash Received	Journal Number	Journal Description	Amount (\$)
12/06/2018	13/05/2019	Clearance of Labasa revenue from 06/12/18-10/12/18.	439.00
11/07/2019	29/12/2019	Clearance of Revenue for Lautoka from 01/07/19 to 31/7/19.	4,619.00
24/01/2019	34/06/2019	Clearance of Levuka revenue from 18/01/19-29/01/19	144.00
06/03/2019	17/07/2019	Clearance of Lautoka Revenue from 01/02/19-07/02/19.	4,344.00
20/03/2019	20/08/2019	Clearance of Revenue for Suva, Nadi, Labasa, Savusavu, Levuka from 22/3-29/3 and Lautoka from 07/3-29/3.	343.00
11/07/2019	29/12/2019	Clearance of Revenue for Lautoka from 01/07/19 to 31/7/19.	4,619.00
03/05/2019	10/10/2019	Clearance of Revenue for Suva, Nadi, Labasa and Savusavu from 01/05/19-28/05/19.	44,881.00
17/09/2018	31/02/2019	Revenue Clearance Nadi 12/809-19/12	11,861.00
TOTAL			71,250.00

Section 3

Office of the Attorney-General

Roles and Responsibilities

The Attorney-General is the Chief Legal Adviser to Government, whose Permanent Secretary is the Solicitor-General.

The Attorney-General's Chambers seeks to continually review and improve Fijian laws to bring about a more just and secure society. It provides legal services to Government and represents the State in legal proceedings. It also prepares draft laws on request of Cabinet and maintains a publicly accessible register of all written laws.

The Chambers is therefore responsible for:

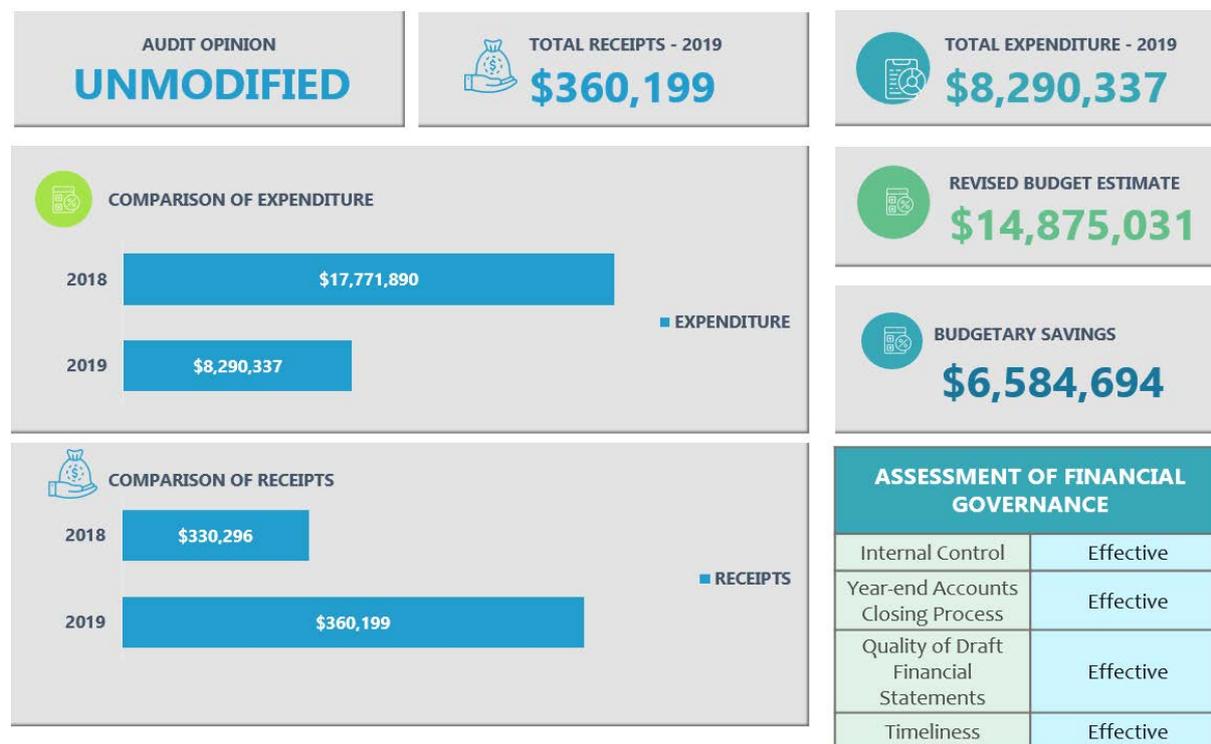
- Providing legal advice to Government and to the holders of a public office on request;
- Drafting laws on the request of Cabinet;
- Maintaining a publicly accessible register of all written laws;
- Representing the State in Tribunals and Courts in legal proceedings to which the State is a party, except criminal proceedings; and
- Performing other functions assigned by the Constitution, any written law, Cabinet or the Attorney-General.

The Department of Civil Aviation comes under the Office of the Attorney-General and is responsible for the regulation of air transport in Fiji. The Department develops air safety protocols, in line with international standards, and looks after the development of Fijian airports.

The Fiji Intellectual Property Office and the Media Industry Development Authority also come under the Office of the Attorney-General.

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PART A: FINANCIAL STATEMENTS

3.1 Audit Opinion

The audit of the 2019 accounts of the Office of the Attorney General resulted in an unqualified audit opinion.

3.2 Appropriation Statement – Head 03 Office of the Attorney General

The Office incurred expenditure totalling \$8.3 million in 2019 against a revised budget of \$14.9 million, resulting in a saving of \$6.6 million or 44%.

Details of expenditure against the revised budget are provided in Table 3.1.

Table 3.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,334,169	(55,000)	5,279,169	3,971,976	1,307,193
2	Government wage earners	360,143	55,000	415,143	369,448	45,695
3	Travel & communication	456,750	85,000	541,750	427,038	114,712
4	Maintenance & operations	453,900	67,000	520,900	409,281	111,619

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
5	Purchase of goods & services	1,509,784	59,000	1,568,784	579,329	989,455
6	Operating grants & transfers	3,638,685	(75,000)	3,563,685	1,715,652	1,848,033
7	Special expenditure	1,955,000	(136,000)	1,819,000	633,149	1,185,851
	Total Operating Expenditure	13,708,431	-	13,708,431	8,105,873	5,602,558
8	Capital construction	709,000	-	709,000	-	709,000
9	Capital purchase	-	-	-	-	-
10	Capital grants and transfers	-	-	-	-	-
	Total Capital Expenditure	709,000	-	709,000	-	709,000
13	Value added tax	457,600	-	457,600	184,464	273,136
	TOTAL	14,875,031	-	14,875,031	8,290,337	6,584,694

The savings of \$1,307,193 or 25% under established staffs was largely due to 34 vacant positions that the Office had during the financial year. Concerted efforts have been made by the Office to fill in the vacancies.

The savings of \$989,455 or 63% under purchase of goods and services was mainly due to: (1) No Government legal expense (mainly for court filing fees and judgement) was incurred during the year; (2) there was no consultant and no legal expert was hired during the year; (3) there was no drafting of new legislation carried out during the year; and (4) Fiji Intellectual Property Office (FIPO) had significant savings as majority of their expenditures were borne by the AG's office.

3.3 Appropriation Statement – Head 09 – Media Industry Development Authority

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	300,000	-	300,000	28,375	271,625
	Total Operating Expenditure	300,000	-	300,000	28,375	271,625
	TOTAL	300,000	-	300,000	28,375	271,625

Payments relating to the functioning of the Media Industry Development Authority is facilitated by the Office of the Attorney-General.

3.4 Appropriation Statement – Head 13 (i) Fiji Human Rights and Anti-Discrimination Commission

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	2,353,386	-	2,353,386	1,765,041	588,345
	Total Operating Expenditure	2,353,386	-	2,353,386	1,765,041	588,345
	TOTAL	2,353,386	-	2,353,386	1,765,041	588,345

A saving of \$588,345 was noted for the financial year as the Fiji Human Rights and Anti-Discrimination Commission did not request the release of the full operating grant amount of \$2,353,386 allocated for the 2019 financial year.

3.5 Appropriation Statement – Head 13 (ii) Constitutional Services Commission

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	50,000	-	50,000	28,394	21,606
	Total Operating Expenditure	50,000	-	50,000	28,394	21,606
	TOTAL	50,000	-	50,000	28,394	21,606

3.6 Appropriation Statement – Head 13 (iii) Legal Aid Commission

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	10,362,009	-	10,362,009	10,362,009	-
	Total Operating Expenditure	10,362,009	-	10,362,009	10,362,009	-
	TOTAL	10,362,009	-	10,362,009	10,362,009	-

Operating Grant for Legal Aid Commission increased by \$1,959,443 or 23% in 2019 compared to 2018. This was attributed to increased efforts to expand the reach of quality legal services for the Fijian people through offices in Nasinu, Suva, Korovou, Tavua, Rakiraki, Taveuni, Levuka, Seaqaqa, Nadi, Kadavu, Rotuma, Vunidawa and Nausori, increased budget to cater for salaries and FNPF, other operational expenses including travel and communications, advertisement and security expenses; and trainings for professional and corporate staffs.

3.7 Appropriation Statement – Head 13 (iv) Accident Compensation Commission Fiji

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	1,700,000	-	1,700,000	1,700,000	-
	Total Operating Expenditure	1,700,000	-	1,700,000	1,700,000	-
	TOTAL	1,700,000	-	1,700,000	1,700,000	-

Operating Grant for Accident Compensation Commission Fiji (ACCF) increased by \$700,000 or 70% in 2019 compared to 2018. This was attributed to the expansion of ACCF with effect from 01/01/19 to include worker's compensation.

3.8 Appropriation Statement – Head 13 (v) Accountability and Transparency Commission

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	500,000	-	500,000	-	500,000
	Total Operating Expenditure	500,000	-	500,000	-	500,000
	TOTAL	500,000	-	500,000	-	500,000

Accountability and Transparency Commission “bill” is before the parliament. The savings of \$500,000 or 100% under operating grants for Accountability and Transparency Commission was attributed to the fact that the Commission is yet to be fully established. Once the bill is passed, then the fund would be utilised for the establishment of the Commission.

3.9 Appropriation Statement – Head 13 (vi) Online Safety Commission

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	300,000	-	300,000	120,127	179,873
	Total Operating Expenditure	300,000	-	300,000	120,127	179,873
	TOTAL	300,000	-	300,000	120,127	179,873

3.10 Main Trust Fund Account

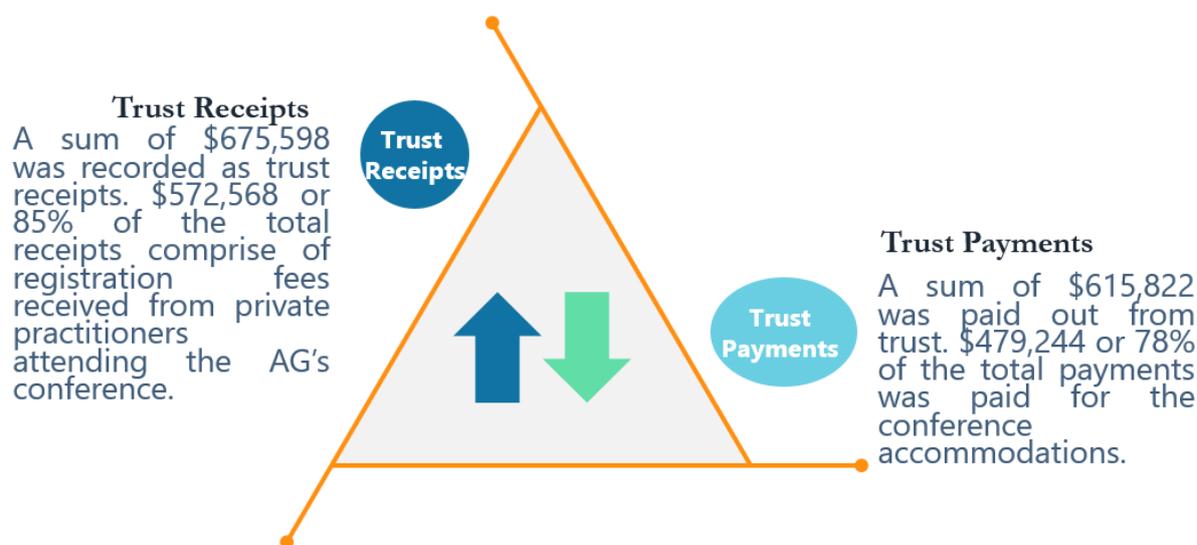
Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Office of the Attorney General operates and maintains 3 main trust fund bank accounts which includes the following:

3.10.1 Attorney General’s Conference Trust Fund Account

The Trust Fund Account was established to retain surplus fund generated after the Annual Attorney General’s Conference to assist the next conference as the Office is only allocated a sum of \$100,000 from the annual budget allocation.

Receipts in the account consist of a sum of \$100,000 from Continuing Legal Education allocation and registration fees from private practitioners attending the Conference. Payments comprise of expenditure associated with the conference which is usually held in December.

As at 31 July 2019, the Trust Fund Account had a balance of \$237,249. This balance is made up of \$100,000 received from the budget allocation and the surplus funds carried forward from prior years.



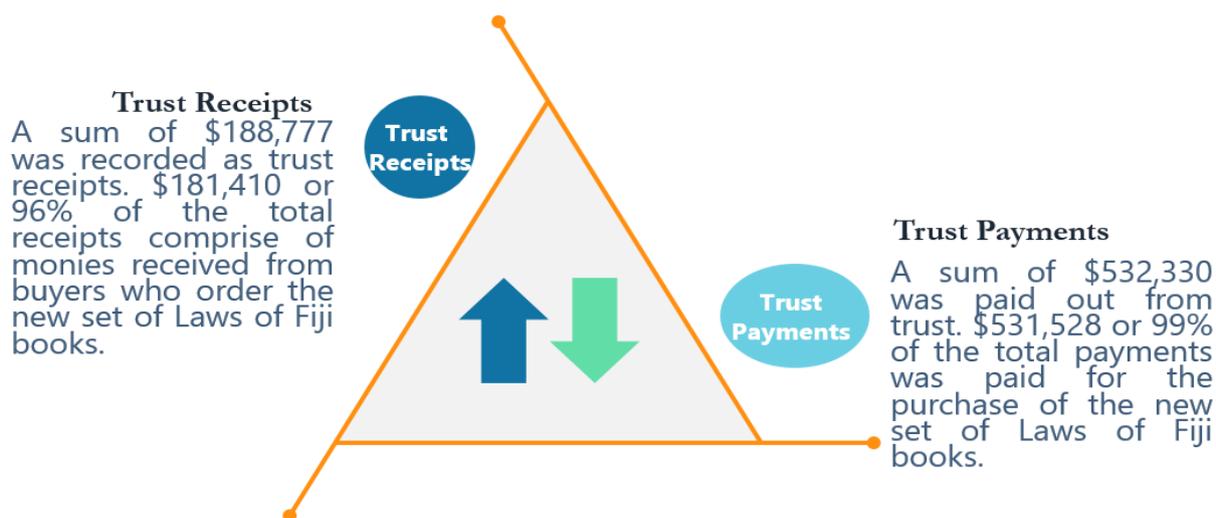
The detailed trust fund account statement of receipts and payments is provided in *Appendix 3.1*.

3.10.2 Laws of Fiji Trust Fund Account

The Laws of Fiji Fund was established to fund the cost of publication and printing of the Laws of Fiji and to provide funding for future law revisions. The website development and mobile digital software application have been completed in 2019.

Receipts consist of orders from buyers of the new set of Laws of Fiji.

As at 31 July 2019, the Laws of Fiji Trust Fund Account had a balance of \$631,060. This balance is made up of the surplus from sale and publishing and printing of the law books.

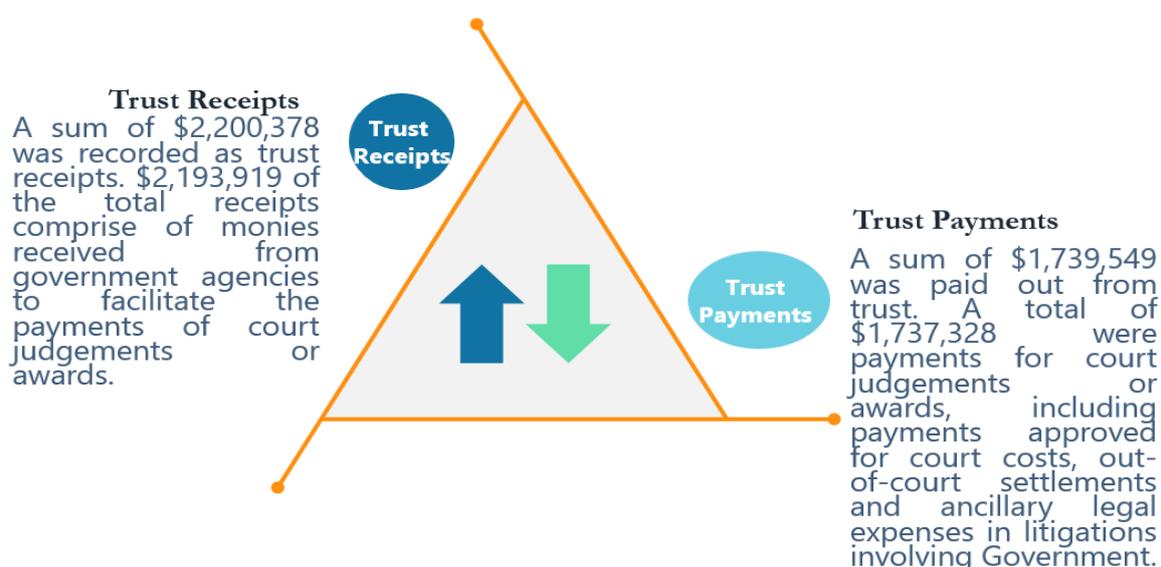


The detailed trust fund account statement of receipts and payments is provided in *Appendix 3.2*.

3.10.3 Solicitor-General’s Trust Account

The Solicitor-General’s Trust Fund Account was established on 27 July 2018 and prior to that the funds received and paid out were recorded in the Standard Liability Group (SLG) 84 allocation in FMIS general ledger. The funds are received from government ministries, department and agencies to facilitate the payments of court judgements or awards, including payments approved for court costs, out-of-court settlements and ancillary legal expenses in litigation involving Government.

As at 31 July 2019, the Solicitor-General’s Trust Fund Account had a balance of \$939,872. This balance is mostly made up of the payments received from ministries, department and agencies for which cases are in progress.



The detailed trust fund account statement of receipts and payments is provided in *Appendix 3.3*.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

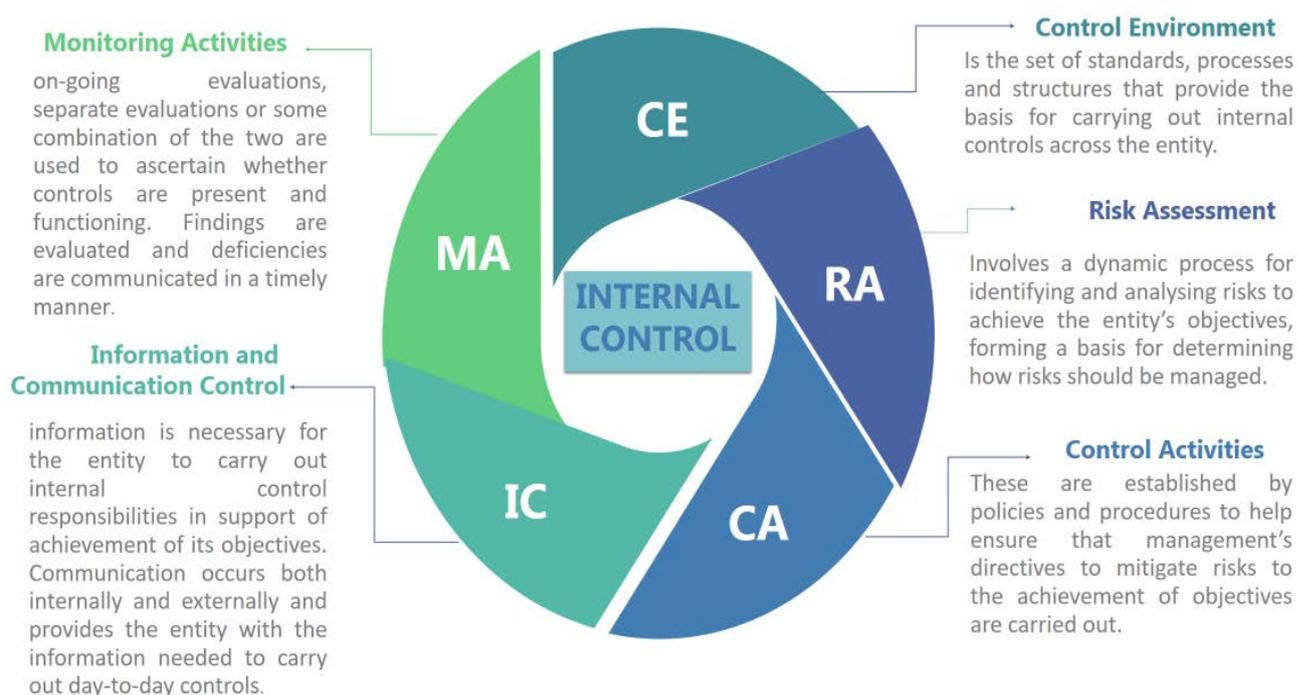
3.11 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
Effective	No deficiencies identified in internal controls

3.12 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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

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

Rating	Year-end close process assessment
Effective	Nine of Ten key processes completed within two weeks of due date

3.13 Quality of Draft Financial Statements by entities

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

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

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

3.14 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
• Effective	Acceptable draft financial statements received on or before 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
• Effective	Within 15 days from issue of Financial Statements for signing

APPENDIX 3.1: ATTORNEY GENERAL'S CONFERENCE TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Participants registration fees for AG's conference	572,568	443,510
Budget allocation from Consolidated Fund	100,000	100,000
Interest	3,030	2,329
Total Receipts	675,598	545,839
Payments		
Conference accommodation	479,244	442,663
Conference stationery	35,402	19,036
Conference incidental	1,074	21,234
Conference speakers travel	29,844	16,669
Conference advertising	6,624	15,897
Conference transportation	1,500	1,500
Set up & IT	45,115	-
Band	4,050	-
Refund of registration	8,700	3,800
Dishonoured cheques	500	2,200
Meal claims	3,340	1,020
Bank charges	126	233
Withholding Tax	303	118
Total Payments	615,822	524,370
Net Surplus	59,776	21,469
Opening balance as at 1 August	177,473	156,004
Closing Balance as at 31 July	237,249	177,473

APPENDIX 3.2: LAWS OF FIJI TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Laws of Fiji Book	181,410	495,950
Interest	7,367	8,172
Total Receipts	188,777	504,122
Payments		
Laws of Fiji Book payments	531,528	459,764
Withholding Tax	737	817
Bank charges	65	71
Total Payments	532,330	460,652
Net (Deficit)/Surplus	(343,553)	43,470
Opening balance as at 1 August	974,613	931,143
Closing Balance as at 31 July	631,060	974,613

APPENDIX 3.3: SOLICITOR GENERAL TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Revenue	2,193,919	478,990
Interest	6,459	64
Total Receipts	2,200,378	479,054
Payments		
Litigation Payments	1,737,328	-
Withholding Tax	646	6
Bank charges	75	5
Dishonoured Cheques	1,500	-
Total Payments	1,739,549	11
Net Surplus	460,829	479,043
Opening balance as at 1 August	479,043	-
Closing Balance as at 31 July	939,872	479,043

Section 5

Ministry of i-Taukei Affairs

Roles and Responsibilities

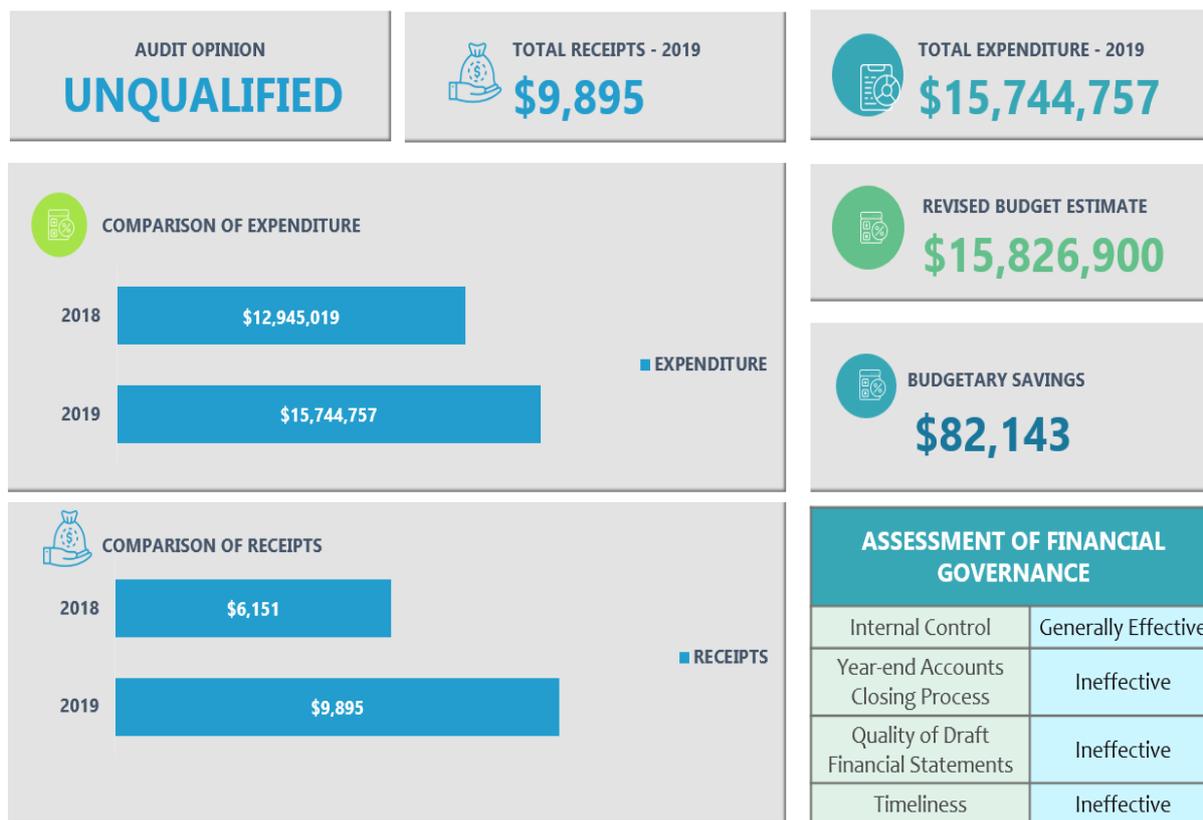
Through the Ministry of i-Taukei Affairs, Government develops, implements and monitors policies and programs for the good governance and wellbeing of the i-Taukei people. The Ministry's specific roles and responsibilities are outlined in the i-Taukei Affairs Act and other legislation.

The Ministry's core function is to provide the link between Government and the various institutions that govern the affairs of the i-Taukei. The Ministry is responsible for ensuring that these institutions are well run, accountable and transparent so as to best serve the interests of all i-Taukei. The i-Taukei administration – established across 14 Provinces in Fiji – is under the direction of the i-Taukei Affairs Board, an eight-member group appointed by the Minister for i-Taukei Affairs. The Ministry is the custodian of various registers that detail i-Taukei land ownership, customary fishing grounds, village boundaries and traditional titles, including the *Vola ni Kawa Bula*, known as the VKB.

As such, the Ministry has the important responsibility of resolving disputed claims in relation to these matters. In support of its role as official record keeper, the Ministry conducts surveys of i-Taukei land, as well as demarcations of village and fishing boundaries, in areas where no records exist. The Ministry is also entrusted with preserving and promoting i-Taukei culture for the present and future generations. It develops programs aimed at deepening the understanding of i-Taukei customs, language and traditional knowledge, as well as documents important ceremonial occasions and conducts research on a broad range of topics.

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PART A: FINANCIAL INFORMATION

5.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of i-Taukei Affairs resulted in an unqualified audit report.

5.2 Appropriation Statement

The Ministry collected revenue totalling \$9,895 and incurred a total expenditure of \$15.7 million against a revised budget of \$15.8 million which resulted in savings of \$82,143 or 0.5%.

Details of expenditure against the revised budget are provided in Table 5.1.

Table 5.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	3,577,674	7,333	3,585,007	3,585,006	1
2	Government wage earners	227,994	81,131	309,125	309,126	(1)
3	Travel & communication	265,212	(74,329)	190,883	189,777	1,106
4	Maintenance & operations	371,000	37,228	408,228	404,572	3,656

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
5	Purchase of goods & services	385,410	(39,930)	345,480	342,800	2,680
6	Operating grants & transfers	9,100,561	-	9,100,561	9,100,557	4
7	Special expenditure	1,141,207	(23,313)	1,117,894	1,117,357	537
	Total Operating Expenditure	15,069,058	(11,880)	15,057,178	15,049,195	7,983
10	Capital grants and transfers	563,153	11,880	575,033	573,922	1,111
	Total Capital Expenditure	563,153	11,880	575,033	573,922	1,111
13	Value added tax	194,689	-	194,689	121,640	73,049
	TOTAL	15,826,900	-	15,826,900	15,744,757	82,143

The following factors contributed to the increase in total expenditures in 2019 by \$2.8 million or 22%:

1. Established Staff expenditure increased by \$453,481 (14%) due to payments of bonus and increments resulting from the Annual Performance Assessments.
2. Maintenance and Operations expenditure increased by \$92,790 (30%) due to repairs and maintenance carried out on a non-leased vehicles and the purchases and installations of GPS on all Ministry vehicles.
3. Purchase of Goods and Services expenditures increased by \$102,594 (43%) due to increase in the engagement of the Ministry towards the joint Government roadshows in the Western and Northern Divisions.
4. Operating Grants and Services expenditure increased by \$2.1 million (31%) due to increase in the budget approved to cater for the various grants within the i-Taukei Affairs Board.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

5.3 Oversight Function – Financial Governance

The role of the line Ministry in overseeing financial governance by ensuring that audited financial statements are produced by the iTaukei Affairs Board (iTAB) is ineffective.

The latest audited financial statements of the iTAB is for the year 2002.

The yearly submission of audited financial statements as a condition to receiving government grant is not included as terms and conditions in the agreement between the Ministry and iTAB.

Recommendations

- **The Ministry should strengthen its role in overseeing financial governance by the iTAB.**
- **The Ministry should consider enforcing the submissions of audited financial statements as a condition to payment of grants, in the Grant Agreement.**

Agreed Management Action

The Ministry is always committed to prove best practises and good governance with much anticipation, however, a lot has transpired from this end, which has resulted in the delay. The Ministry is concerned with the issue highlighted. As far as grant is concerned, we have set the platform. The Ministry is conducting a quarterly meetings with the iTAB and TLTB on the administrations of grants. A designed monitoring template has been distributed for proper management. However, with the audit status, the Ministry will consult more often with iTAB and propose way forward for the organisation. MTA will continue to monitor closely on the phases of improvement.

Officer Responsible

Director Corporate Services

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

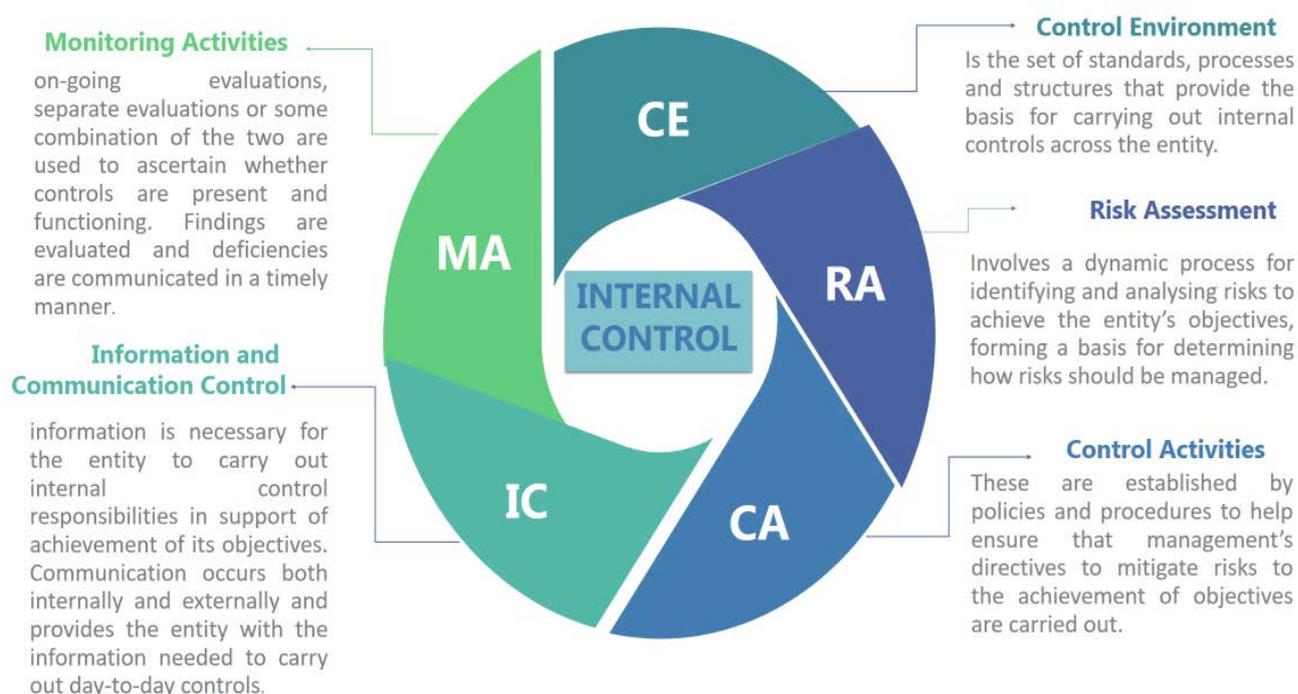
5.4 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
★ Generally effective	A few deficiencies identified in internal controls

5.5 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019		Submission of arrears of revenue returns by 30 August 2019	

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

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

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

5.6 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
✖ Ineffective	Although there were no audit adjustments made to the balances, the initial draft financial statements submitted for audit were incomplete and not in compliance with Sections 71 & 73 of the 2010 Finance Instructions.

5.7 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
✖ Ineffective	Acceptable draft financial statements received after 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
✖ Ineffective	After 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
✖ Ineffective	After 14 days from issue of Financial Statements for signing

Section 6

Ministry of Defence and National Security

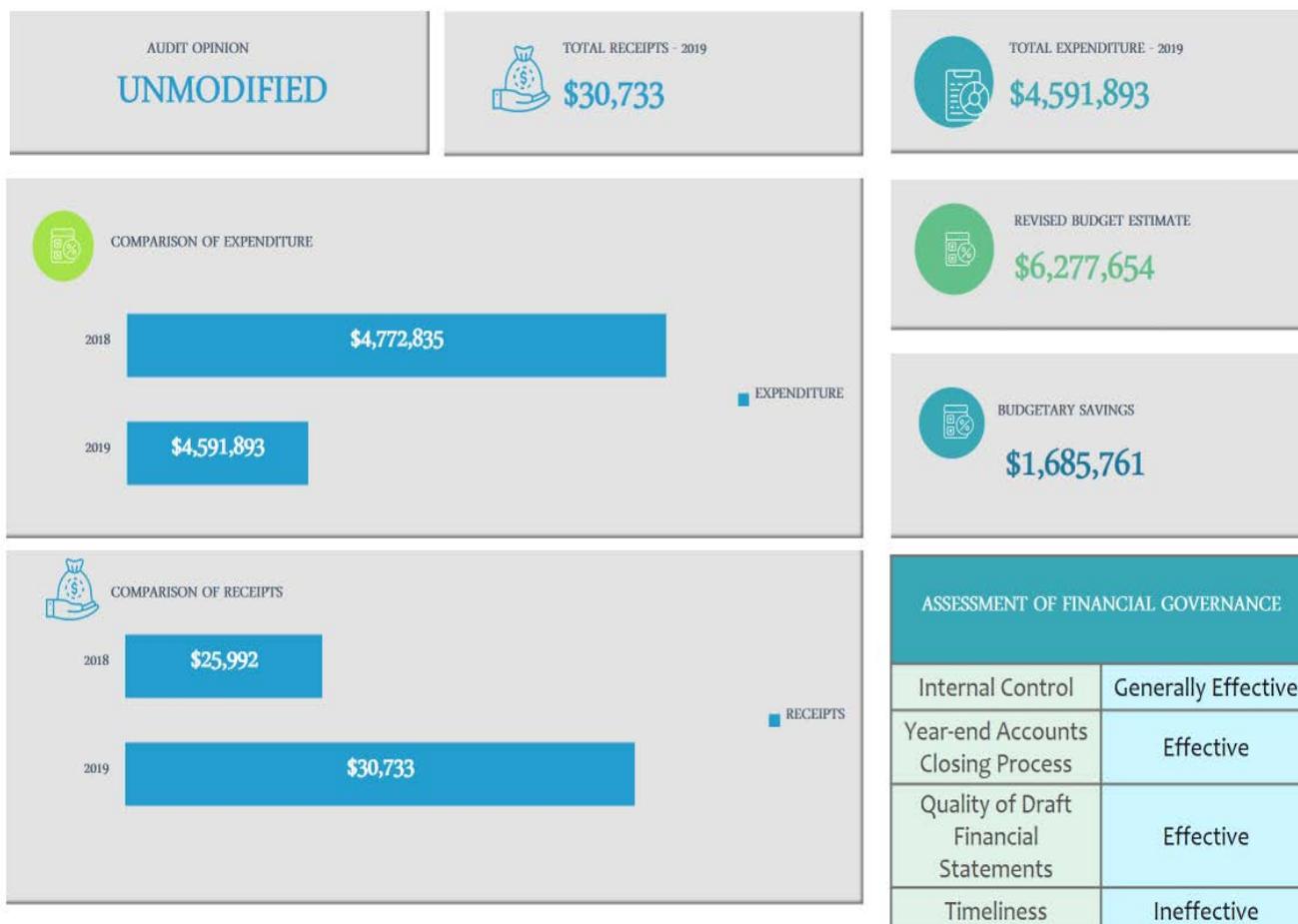
Roles and Responsibilities

The Ministry of Defence and National Security is responsible for Fiji’s national security, including the defence of the country’s sovereignty and territorial integrity. The Ministry carries out this responsibility through the implementation of Fiji’s National Security Strategy and by conducting policy oversight of two of Fiji’s Disciplined Forces, the Republic of Fiji Military Forces (RFMF), and Fiji Police Force (FPF).

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PART A: FINANCIAL INFORMATION



6.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Defence and National Security resulted in an unmodified audit opinion. However, attention is drawn to the following matters:

- Internal controls over procurement and payment processes and revenue were generally found to be weak. This is in respect of incorrect posting of value added tax, reimbursement revenue and accountable advance in the general ledger and the incorrect rate of license fees charged. These internal controls weakness if not addressed promptly, may result in material misstatements and possible financial losses in the future.
- The Ministry does not have mechanisms in place to establish the total number of security companies operating in Fiji. Hence, the Ministry is unable to monitor the collection of the Security Industry License fees. The Ministry intends to improve the process through review of Security Industry Act 2010.

6.2 Appropriation Statement

The Office collected revenue totalling \$30,733 in 2019 and incurred expenditure totalling \$4.5 million against a revised budget of \$6.2 million resulting in savings of \$1.6 or 27%.

Details of actual expenditure against the revised budget are provided in Table 6.1.

Table 6.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,423,330	(343,511)	1,079,819	935,489	144,330
2	Government Wage Earners	222,672	140,008	362,680	355,300	7,380
3	Travel & Communication	322,200	90,000	412,200	398,433	13,767
4	Maintenance & Operations	140,200	106,189	246,389	220,318	26,071
5	Purchase of Goods & Services	449,090	(34,000)	415,090	314,949	100,141
6	Operating Grants & Transfers	45,140	42,000	87,140	83,393	3,747
7	Special Expenditure	1,996,322	(686)	1,995,636	1,843,169	152,467
	Total Operating Costs	4,598,954	---	4,598,954	4,151,051	447,903
8	Capital Construction	1,300,000	---	1,300,000	217,658	1,082,342
	Total Capital Costs	1,300,000	---	1,300,000	217,658	1,082,342
13	Value Added Tax	378,700	---	378,700	223,184	155,516
	TOTAL	6,277,654	---	6,277,654	4,591,893	1,685,761

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

6.3 Deviation from expenditure internal control procedures

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.¹

Assessment on the effectiveness of the Ministry's internal control mechanism during audit revealed that controls over procurement and payment processes and revenue were generally found to be weak. This is in respect of incorrect posting of value added tax, reimbursement revenue and accountable advance in the general ledger and the incorrect rate of license fees charged.

Refer to Appendix 6.1 for details.

Root cause/Implication

The finding indicates non adherence to stipulated procurement processes and procedures. It also shows lack of oversight and supervisory check.

These internal controls weakness if not addressed promptly, can result in material misstatements and possible financial losses in the future.

Recommendation

The management of the Ministry must review and assess the effectiveness of internal controls to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

¹ Ministry of Defence and National Security Finance Manual 2018 Introductory Statement – Part 2: Expenditure

Agreed Management Action

The ministry noted the concerns raised and will ensure that all posting into GL is correct, and that vat is correctly reflected into the VAT allocation. Internal control will be strengthened to ensure that the issue raised does not reoccur in the future.

Officer Responsible

Senior Accounts Officer

6.4 Significant arrears of revenue

At the end of each month, the Accounts Officer shall prepare a Statement of Revenue comparing the types of revenue collected during the month against the forecasted revenue. Explanations for variances between the actual and forecasted revenue must be obtained from the officers responsible for revenue collection.²

The arrears of revenue for the Ministry relates to the security license fees. It was noted that the Ministry's arrears of revenue as at 31 July 2019 amounted \$20,970. The last four years' balance details are as follows:

Table 6.2: Details of arrears of revenue for the past 4 years

Year	Balance (\$)
31/07/19	20,970
31/07/18	20,245
31/07/17	12,269
31/07/16	6,113
Total Arrears	59,597

Root cause/Implication

The finding indicates that the current arrears recovery measures is ineffective. Ineffective recovery measures will lead to further accumulation of arrears of revenue can increases the risk of revenue not being collected hence resulting in loss of State revenue.

Recommendation

The Ministry should review and strengthen the arrears of revenue recovery measures and vigorously follow up with the debtors.

Agreed Management Action

The Ministry notes the recommendation of the Audit with appreciation. The review of the Security Industry Act 2010 ("Act") is a priority agenda for the Ministry in this 2020/2021 FY and is expected to be completed by no later than July 2021. The Security Industry Registration and Licensing Board in its meeting on 19th June 2020 had endorsed a proposal to review the Act. It will now be tabled before the Hon. Minister with a Cabinet Paper to its effect seeking the mandate to review the Act and subsequently forwarded to Cabinet for endorsement. The

² Ministry of Defence and National Security Finance Manual 2018 – Section 5.5.10

Ministry notes the delay in the review of the Act as rightfully attributed to the staff turnover within the Security Division. Nevertheless, this is an undertaking that we will ensure is completed within this FY.

Officer Responsible

Senior Accounts Officer/Acting Manager Security

6.5 Enforcement of the Security Industry Act 2010

It is imperative that the Ministry enforces the provisions of Security Industry Act.

The review of the security license records and related revenue records noted that several security companies have not renewed their security licenses over the years and continue to provide security services. Refer to Appendix 6.2 and 6.3 for details.

Furthermore, we noted that the Registration and Licensing Board had only one meeting during the financial year (2018-2019). As a result, numerous applications made by the security companies for the Security Master License were not processed for approval.

Root cause/Implication

This is due to the absence of standard operating procedures to guide, coordinate and properly organize the work of the Securities Division within the Ministry.

As a result, revenue due to government has not been collected over the years and security companies continue to operate and provide services illegally.

Recommendations

The Ministry should ensure that:

- **Standard operating procedures/ policies of the Securities Division are developed to guide officers in the enforcement of the Security Industry Act 2010.**
- **Proper mechanisms are put in place to ensure the effective enforcement of the provisions of the Security Industry Act 2010.**

Agreed Management Action

- *The Ministry notes the recommendation of the Audit with appreciation. The review of the Security Industry Act 2010 ("Act") is a priority agenda for the Ministry in this 2020/2021 FY and is expected to be completed by no later than July 2021. The Security Industry Registration and Licensing Board (SIRLB) in its meeting on 19th June 2020 had endorsed a proposal to review the Act. It will now be tabled before the Hon. Minister with a Cabinet Paper to its effect seeking the mandate to review the Act and subsequently forwarded to Cabinet for endorsement. The Ministry notes the delay in the review of the Act as rightfully attributed to the staff turnover within the Security Division. Nevertheless, this is an undertaking that we will ensure is completed within this FY.*
- *A discussion paper will be tabled to address the enforcement powers and outstanding arrears. The Ministry will be working with the Office of the Director Prosecutions, Police and Solicitor General's Office.*

- *Although it was confirmed that only one Board meeting was held in the period 2018/2019 all staff that were part of the Secretariat had left the Ministry through resignation and contract expiry. The Ministry will ensure that this process is strengthened and that Board meetings schedule is planned and related activities are captured for record purpose. The minute recording for this meeting is available however will now be put on paper by the Security Division for record. The SILRB met yesterday and have agreed for the secretariat to prepare a meeting schedule for quarterly meeting this financial year. The ministry is now working with Fiji Islands Security Employers Association (FISEA) to provide help provide an enabling environment for ease of registration and licensing.*

Officer Responsible

Acting Manager Security

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

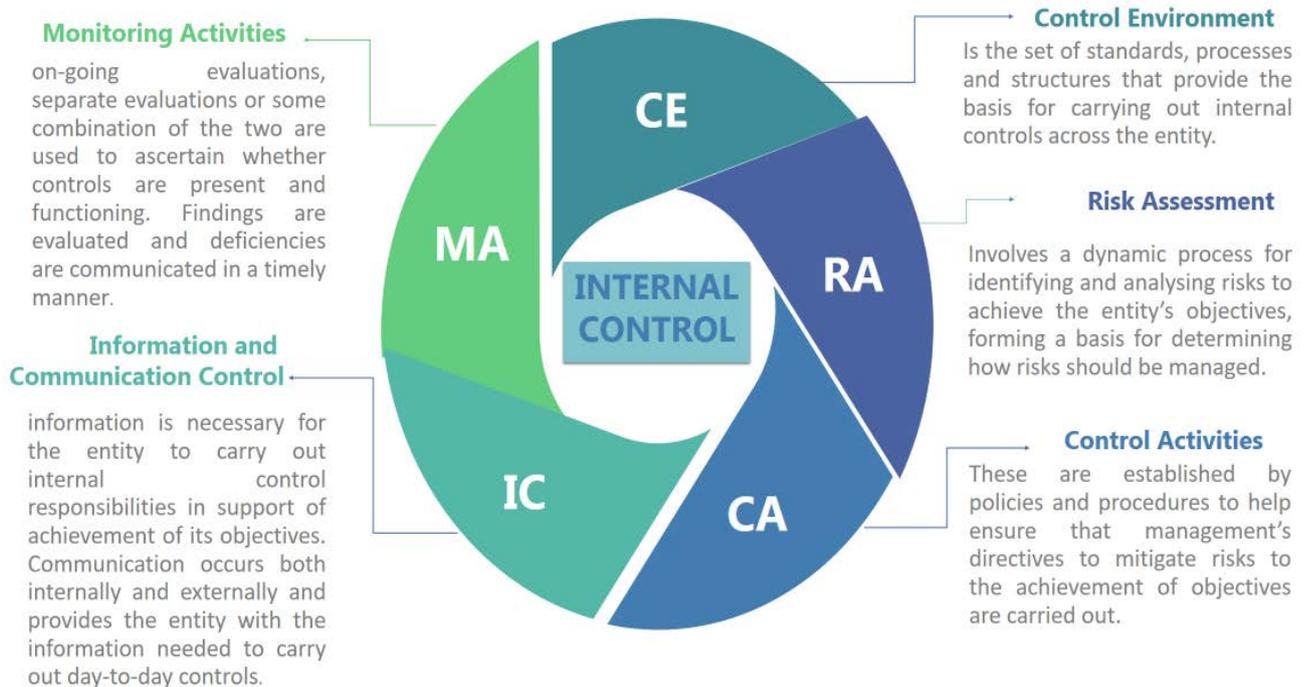
6.6 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Some deficiencies identified in internal controls

6.7 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, Constitutional Offices, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	✓

When Ministries and Departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit. This rating is applied for independent offices as well.

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

Rating	Year-end close process assessment
★ Effective	Ten of Ten key processes completed within two weeks of due date

6.8 Quality of Draft Financial Statements by entities

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

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

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

6.9 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
 Ineffective	Acceptable draft financial statements received after 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

APPENDIX 6.1: DETAILS OF EXPENDITURE CONTROL DEVIATIONS

Chq No.	Date	Description	Amount (\$)	Findings
6433	24/09/2018	Payment made for purchase of 2 TP Link and Port Graphic Gigabit Desktop Switch.	150.00	LPO is not attached for the payment voucher.
27983	25/10/2018	Payment made for purchase of printer.	999.00	LPO is not attached for the payment voucher.
8292	29/07/2019	Payment made for hiring of conference room and accommodation for Regional workshop.	20183.50	Final Invoice and Agreement with vendor is not attached.
66241	30/07/2019	Clearance of IDC, reimbursement of Military Police Advisor (MPA) allowance. The unutilised balance of MPA allowance was reimbursed to the Ministry.	90,620.73	Audit cannot substantiate whether MPA allowance is inclusive of VAT as no written agreement exists.
7962	13/06/2019	Payment made for airfare to travel to attend international meeting from 17th to 20th June.	4,986.00	VIP amount is incorrectly posted under expenditure.
7936	7/06/2019	Payment of 20 medium back chairs for Ministry Conference Room to replace the old wooden chairs.	4,000.00	VIP amount is incorrectly posted under expenditure.
8089	2/07/2019	Payment for diesel and fuel for June.	3,107.18	VIP amount is incorrectly posted under expenditure.
27501	4/01/2019	Payment made in respect of MPA January Monthly allowance.	25,152.00	The amount is incorrectly posted at VEP.
27524	5/02/2019	Payment in respect of MPA February 2019, monthly allowances.	26,260.35	The amount is incorrectly posted at VEP.
27532	4/03/2019	Payment of UN MPA monthly allowance for the month of March 2019.	26,260.35	The acquittal amounts to 12,600.11 for the month of March 2019. The amount is incorrectly posted at VEP.
27541	3/04/2019	Payment of MPA allowance for the month of April, 2019.	26,260.34	The acquittal amounts to 9,445.93 for the month of April

Chq No.	Date	Description	Amount (\$)	Findings
				2019. The amount is incorrectly posted at VEP.
27550	9/05/2019	Payment made for post allowance for MPA for the month of May 2019.	26,260.34	The amount is incorrectly posted at VEP.
27558	4/06/2019	Payment of MPA allowance for the month of June, 2019.	26,260.34	The amount is incorrectly posted at VEP.
8238	23/07/2019	Payment made for payment of L3 I by PX 107 and I by PX231 servicing and warranty of the X-ray machine situated at Nadi international arrival.	16,270.95	The expenditure is not VAT inclusive and the Ministry has wrongly calculated VEP of the amount \$17,735.33. This should be posted under expenditure instead of \$16,270.95.
66236	30/07/2019	Clearance of IDC for the purchase of SARMAP Software	81,507.54	VAT amount is over-posted by \$103.35 and SEG 5 is under posted by the same.

APPENDIX 6.2: SECURITY COMPANIES OPERATING WITH EXPIRED INDIVIDUAL LICENSE

Company Name	Expiry Date
C1	02/05/2018
C2	31/12/2014
C3	31/12/2014
C4	14/04/2015
C5	02/05/2018
C6	02/05/2018
C7	31/12/2014
C8	09/07/2015
C9	08/07/2015

APPENDIX 6.3: SECURITY COMPANIES OPERATING WITH EXPIRED MASTER LICENSE

Company Name	Expiry Date	Company Name	Expiry Date
C1	31/12/2014	C22	20/04/2015
C2	31/12/2014	C23	20/08/2015
C3	02/05/2015	C24	14/04/2018
C4	01/12/2015	C25	12/14/2018
C5	05/02/2016	C26	12/14/2018
C6	01/03/2016	C27	14/04/2018
C7	31/12/2014	C28	14/04/2018
C8	14/08/2017	C29	24/11/2015
C9	09/07/2016	C30	11/11/2015
C10	31/12/2017	C31	14/12/2016
C11	10/12/2015	C32	14/08/2017
C12	31/12/2017	C33	14/04/2018
C13	12/11/2015	C34	14/04/2018
C14	31/12/2017	C35	23/12/2015
C15	07/09/2018		
C16	09/07/2016		
C17	14/04/2018		
C18	19/10/2015		
C19	11/06/2015		
C20	16/08/2017		
C21	14/04/2018		

Section 7**Ministry of Employment, Productivity and Industrial Relations****Roles and Responsibilities**

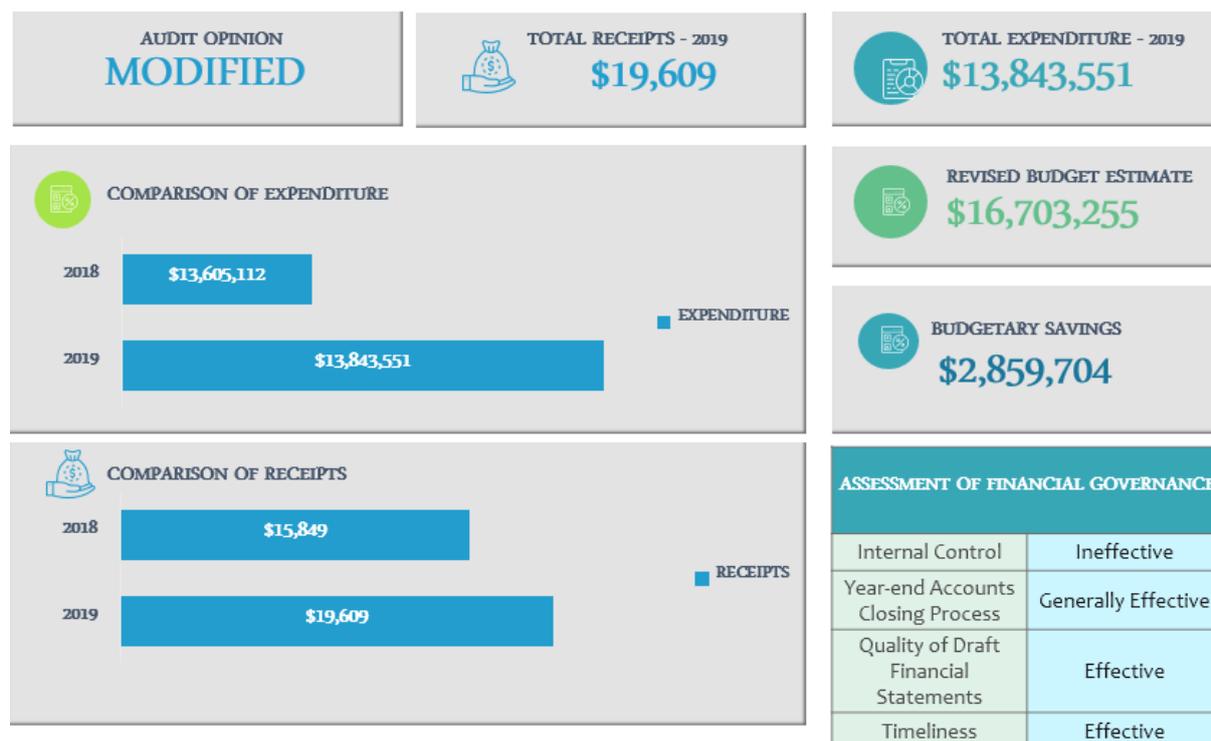
The Ministry of Employment, Productivity and Industrial Relations is responsible for upholding the constitutional right of every Fijian to economic participation, a just minimum wage, humane treatment in the workplace and proper working conditions. The Ministry promotes and advances the rights of workers and employers, and administers and enforces the Employment Relations Promulgation 2007, Health and Safety at Work Act 1997, National Employment Centre Act 2009 and the Workers Compensation Act (Cap. 94).

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PART A: FINANCIAL INFORMATION



7.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in a modified audit opinion.

The qualifications were as follows:

1. The reconciliation process for the main trust fund bank accounts is ineffective for the National Employment Centre, Employment Relations Tribunal, Occupational Health and Safety, Workmen Compensation, Wages Dispute and OHS Consultancy Trust Fund Accounts. Proper cash books were not maintained for each trust account, stale cheques were not cleared and receipts and payments were not posted in the general ledger on a timely basis.

As a result, an unreconciled variance of \$167,827 exists between the Workmen’s Compensation, Wages dispute, OHS consultancy, Occupational Health and Safety Trust Fund Account cash general ledger balances and the bank reconciliation for these accounts. Consequently, I am unable to ascertain the completeness of the respective trust fund receipts and payments and accuracy of the cash at bank balance totalling \$9,840,504 of these trust fund accounts as at 31 July 2019.

2. The Ministry received \$60,000 from the Ministry of Civil Service under the Shared Services Agreement and receipted the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those funds other than public money. Consequently, including the amount received and accumulated over the

years, the OHS Consultancy Trust Fund Account is overstated by \$190,000 and operating revenue understated by the same amount.

7.2 Appropriation Statement

The Ministry collected revenue totalling \$19,609 in 2019 and incurred expenditure totalling \$13,843,551 against a revised budget of \$16,703,255 million resulting in savings of \$2,859,704 or 17.1%.

Details of expenditure against the revised budget are provided in Table 7.1.

Table 7.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	7,714,806	(284,259)	7,430,547	6,185,647	1,244,900
2	Government Wage Earners	283,188	284,259	567,447	563,229	4,218
3	Travel & Communication	524,995	38,000	562,995	526,032	36,963
4	Maintenance & Operations	520,800	50,000	570,800	525,486	45,314
5	Purchase of Goods & Services	1,540,372	145,725	1,686,097	1,359,409	326,688
6	Operating Grants & Transfers	55,000	(20,000)	35,000	35,000	---
7	Special expenditure	5,349,851	(213,725)	5,136,126	4,383,322	752,794
	Total Operating Costs	15,989,012	---	15,989,012	13,578,135	2,410,877
13	Value Added Tax	714,243	---	714,243	265,416	448,827
	TOTAL	16,703,255	---	16,703,255	13,843,551	2,859,704

Budget savings were largely due to the following:

1. Savings in Established Staff is due to the 42 vacant positions in the Ministry that were not filled as a result of budget constraint.
2. Savings in purchase of goods and services is attributed to the reduction in the purchase of fixed assets such office equipment and office furniture, reduction in planned training, reduction in payment of FNU levy due to less staff as a result of vacant positions and reduction in publications, printing and advertising during the year.
3. Savings in special expenditure is attributed to the reduction in operational expenditure that was incurred for the foreign employment services, seasonal work programme and Fiji volunteer scheme programme.

7.3 Trust Fund Account

Ministry of Employment, Productivity and Industrial Relations maintains five main trust fund accounts. These trust monies relate to receipts and payments related to Work Compensation,

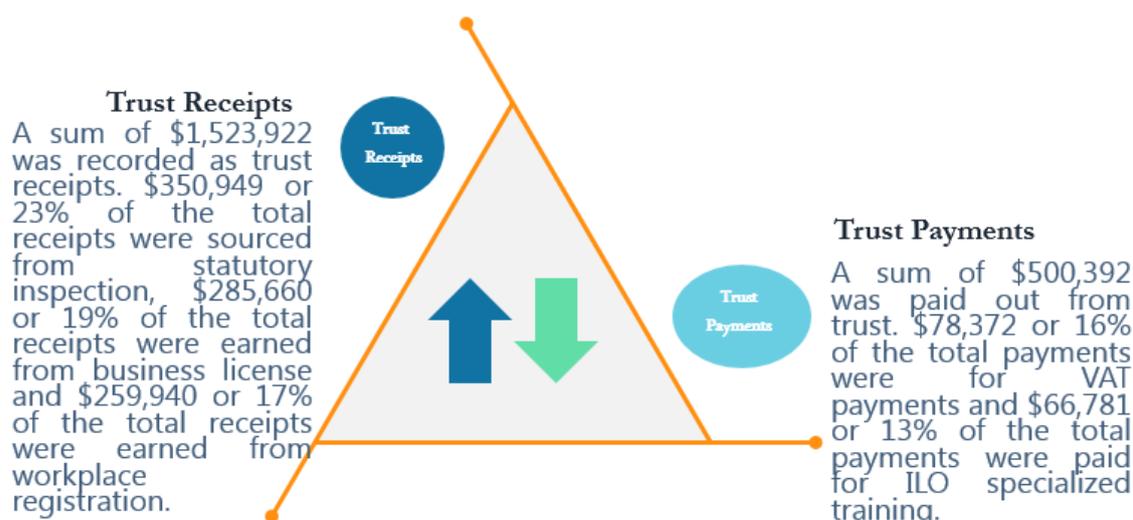
Wages dispute, Occupational Health and Safety Consultancy, Occupational Health and Safety Trust, Employment Relations Tribunal, National Employment Centre and Child Labour. The following further explains the nature, purpose and use of each trust account.

(i) Occupational Health and Safety Trust Account:

A liability account responsible for the promotion of OHS and enforcement of the *Health and Safety at Work Act 1996* and its subsidiary legislations. The Service aims to promote and maintain a working environment, which is healthy and safe for both workers and employers and directly contributes to improved productivity.

For the Occupational Health and Safety Trust Account, the Ministry collected trust revenue totalling \$1,522,939 in 2019 and incurred expenditure totalling \$500,392 resulting in a surplus of \$1,023,530 compared to a surplus of \$770,281 in 2018.

NATIONAL OCCUPATIONAL HEALTH & SAFETY EDUCATION AND ACCIDENT PREVENTION TRUST FUND ACCOUNT

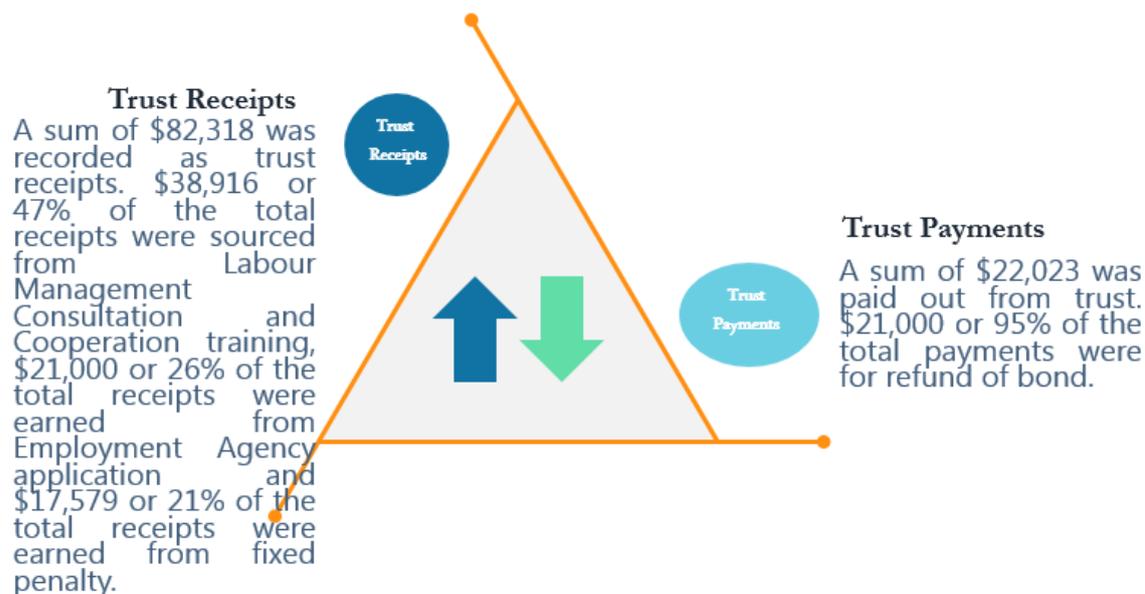


(ii) Employment Relations Tribunal Trust Account:

A liability account whereby when employment disputes and employment grievances are not resolved by the Mediation Service, the Employment Relations Tribunal assists employers or their representatives and workers or their representative trade union by adjudicating and determining the grievance or dispute between parties. In adjudication proceedings, there is also a requirement on the Tribunal to provide mediation assistance to the disputing parties when the need arises. In this regard the Tribunal assists disputing parties to amicably settle matters and these settlements are documented as binding awards or decisions.

For the Employment Relations Tribunal Trust Account, the Ministry collected trust revenue totalling \$82,318 in 2019 and incurred expenditure totalling \$22,023 resulting in a surplus of \$60,295 compared to a surplus of \$48,681 in 2018.

EMPLOYMENT RELATIONS AGENCY TRUST FUND ACCOUNT



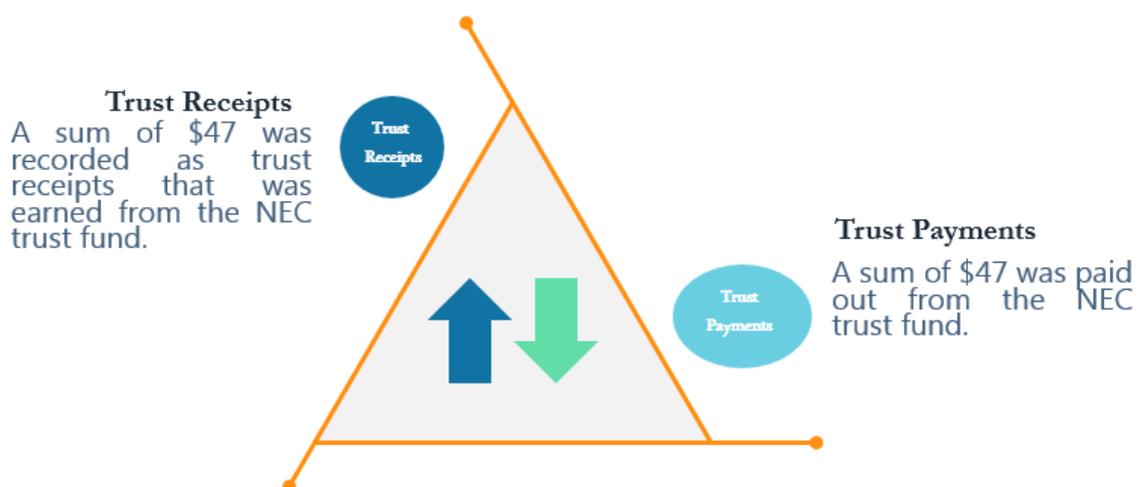
(iii) National Employment Centre Trust Account:

The National Employment Centre operates under the National Employment Centre Act 2009. The Centre is responsible for providing employment skills training and facilitating employment opportunities for the unemployed. The Centre offers 3 services – Formal Employment Service, Foreign Employment Service and Fiji Volunteer Service. Unemployed persons who register under the National Employment Centre undertake professional counselling, aptitude assessment, life skills training and are trained in the relevant employment skills demanded by the labour market. Moreover, the Centre provides opportunities for the unemployed to do volunteer services, work attachment, and facilitates opportunities for employment both locally and internationally.

There was minimal activity in this trust account as the Ministry has ceased the operation of this account and is working on formally closing the account.

The Ministry collected trust revenue totalling \$47 in 2019 and incurred expenditure of the same amount for the Employment Centre Trust Account.

NATIONAL EMPLOYMENT CENTRE TRUST FUND ACCOUNT



(iv) **Occupational Health and Safety (OHS) Consultancy Services, Workmen’s Compensation and Wages Dispute Trust Fund Account**

- **Work Compensation Trust Account:**

A liability account and the Workmen’s Compensation Act (Cap. 94) places on employers the legal responsibility to compensate workers who sustain injuries, lose their lives or contract diseases in the course of their employment. Compensation is through monetary payments and medical care provisions for the injured workers. Cases involving the death of a worker, monetary payments are given to the dependents’ of the deceased worker.

With effective from January 1, 2019, the workmen compensation function of the Ministry has been transferred to the Accident Compensation Commission of Fiji (ACCF). The Ministry will continue to process compensation cases prior to January 1, 2019 in accordance with the requirement of the Workmen’s Compensation Act and the Ministry’s standard operating procedures.

- **Wages Dispute Trust Account:**

A liability account and the Wages Unit is responsible for setting minimum wages and other terms and conditions of employment in Fiji’s employment sector. It ensures workers are actually provided with the stipulated Wages Regulations terms and conditions. Any payment received from employer after dispute on wages is resolved by the Wages unit and is paid out to the respective employee.

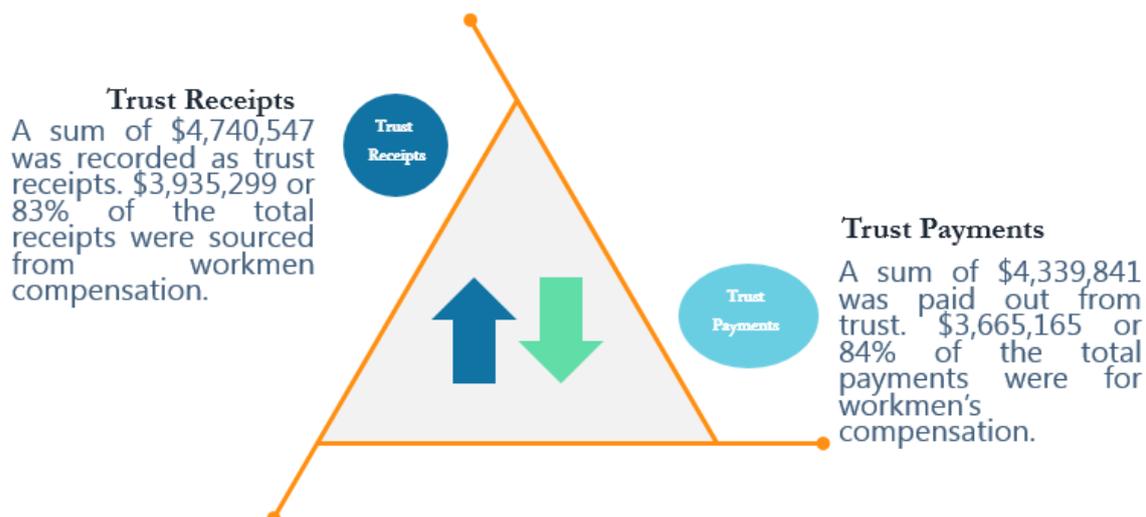
- **Occupational Health and Safety (OHS) Consultancy Trust Account:**

A liability account used to facilitate the payment of overtime hours, meal allowances, transport allowances, and accommodation which is paid by companies into OHS Trust account when OHS Inspectors have performed services to the companies. Funds are transferred from OHS Trust Account to OHS Consultancy to pay the OHS inspectors.

For the Occupational Health and Safety (OHS) Consultancy Services, Workmen’s Compensation and Wages Dispute Trust Fund Account, the Ministry collected trust revenue totalling \$4,740,547 in 2019

and incurred expenditure totalling \$4,339,841 resulting in a surplus of \$400,706 compared to a deficit of \$1,090,839 in 2018.

OCCUPATIONAL HEALTH AND SAFETY (OHS) CONSULTANCY SERVICES, WORKMEN'S COMPENSATION AND WAGES DISPUTE TRUST FUND ACCOUNT

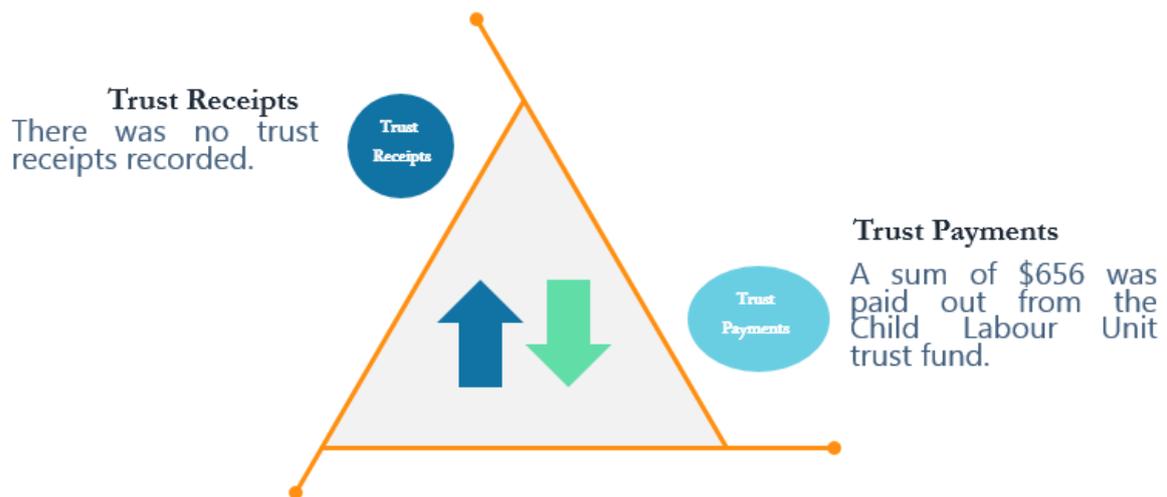


(v) Child Labour Trust Fund Account:

The Child Labour Unit is responsible for monitoring, training and development for the labour inspectorate and stakeholders on all aspects of child labour issues under the ERP 2007 and Health and Safety at Work Act 1996, for promotion and advocacy on issues of child labour in Fiji and also for the maintenance of child labour information system in Fiji with the aim of maintaining proper and effective management of the child labour cases. The unit conducts investigation and prosecution on child labour cases, provides awareness programmes for stakeholders and members of the public on the aspects of child labour laws and ensures that issues related to child protection are properly addressed.

For the Child Labour Trust Fund Account, the Ministry did not collect any revenue in 2019 and incurred expenditure totalling \$656 resulting in a deficit of \$656 compared to a deficit of \$1,570 in 2018.

CHILD LABOUR UNIT TRUST FUND ACCOUNT



Detailed statement for trust receipts and payments are provided in Appendix 7.1, 7.2, 7.3, 7.4 and 7.5.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

FINANCIAL STATEMENTS AUDIT

7.4 Anomalies in Procurement and Payment for Good and Services

A minimum of three competitive quotes must be obtained for the procurement of goods, services or works valued at \$1000 and more but \$50,000 and less.¹

The Manager Finance or Accounts Officer must not certify a payment as correct unless they are satisfied that:

- (i) it is in accordance with a PO, indent, contract, invoice or other authorization;
- (ii) there is documentation that the goods, services or works have been received;
- (iii) sufficient uncommitted funds are available for payment of the account;
- (iv) the account is not fraudulent and has not been previously paid; and
- (v) the expenditure account it is charged to is correct.²

Audit review of the procurement and payments for goods and services revealed the following internal control weaknesses:

- Less than three quotes were obtained for procurement of goods and services for amount more than \$1,000.
- Expenditures were charged to Standard Expenditure Groups (SEGs) contrary to the nature of the goods or services acquired.
- In some instances, there were no evidences of approval for payments.

Refer Appendix 7.6 for examples.

¹ Ministry of Employment Productivity & Industrial Relations Finance Manual 2019, Part 2, Section 2.4 paragraph 2.4.3

² Ministry of Employment Productivity & Industrial Relations Finance Manual 2019, Part 2, Section 2.8 paragraph 2.8.4

Root cause/Implication

The audit finding indicates serious failure of internal controls and lack of oversight of officers responsible for approving payments.

Moreover, misallocation of expenses indicates lack of supervisory checks in the reconciliation process to ensure that expenditures are charged to the correct allocations at the close of accounts.

The internal control weaknesses noted, if not addressed promptly, may result in material misstatements and possible financial losses in the future.

Recommendations

The Ministry should:

- **strengthen internal controls around procurement of goods and services; and**
- **improve supervisory checks and due diligence in its procurement.**

Agreed Management Action

In the past the operational plan was not properly aligned to the approved budget. Now the ministry plans its expenditure as per approved budget for each activity as to avoid paying for expenses from other allocations.

The Ministry agrees with audit recommendation on the need to strengthen the internal control around procurement of goods and services.

Officer Responsible

Manager Finance

7.5 Anomalies in Main Trust Fund Accounts reconciliations

Within 5 days after the end of each month, the Account Officer, AAO OHS shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.³

The Account Officer and AAO OHS shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.⁴

The Ministry as at 31 July 2019 had the following main trust fund accounts:

- National Occupational Health & Safety Education and Accident Prevention Trust Fund Account.
- Employment Relations Agency Trust Fund Account.
- National Employment Center Trust Fund Account.
- Workmen's Compensation, Wages dispute, OHS Consultancy Services Trust Fund Account.
- Child Labour Trust Fund Account.

³ Ministry of Employment Productivity & Industrial Relations Finance Manual 2019, Part 14, Section 14.4 paragraph 14.4.1

⁴ Ministry of Employment Productivity & Industrial Relations Finance Manual 2019, Part 14, Section 14.4 paragraph 14.4.3

Audit review of the above main trust fund accounts reconciliations revealed the following anomalies and control weaknesses:

- For all the five trust fund accounts it cannot be determined whether the bank reconciliations were prepared in a timely manner, that is, within five days after the end of each month as none of the reconciliations were dated by the respective officers preparing, checking, verifying and endorsing the reconciliations.
- Proper cash books were not maintained for each trust account, stale cheques were not cleared promptly and receipts and payments were not posted in the general ledger on a timely basis.
- Receipts for National Occupational Health & Safety Education and Accident Prevention Trust Fund account for the month of May amounting to \$75,013.80 (Journal voucher no. 08/11) were not posted in the general ledger.
- There exists an unreconciled variance of \$167,827 between the Workmen’s Compensation, Wages dispute, OHS consultancy, Occupational Health and Safety Trust Fund Account cash general ledger balance and the bank reconciliation. Refer to the below table for detail.

Table 7.2: Variance between the general ledger (FMIS) and bank reconciliation

Trust Fund Account	FMIS/GL Amount (\$)	Bank Reconciliation Amount (\$)	Variance (\$)
National Occupational Health & Safety Education and Accident Prevention	7,923,082	8,002,992	79,909
Workmen’s Compensation, Wages dispute, OHS Consultancy Services	1,917,348	1,829,431	87,918
Total	9,840,430	9,832,423	167,827

Root cause/Implication

The findings indicate lack of supervisory checks and management override of controls over trust fund records to ensure that bank reconciliations are diligently carried out. This also indicates that reconciliations were not properly reviewed on a regular basis.

Consequently, the completeness of the respective trust fund receipts and payments and accuracy of the cash at bank balance totalling \$9,840,430 of these trust fund accounts as at 31 July 2019 cannot be ascertained.

Recommendations

The Ministry should ensure that:

- **Reconciliations are prepared and reviewed by Senior Accounts Officers on a timely manner and any variances noted are properly investigated and rectified;**
- **Proper cash books are maintained for each trust account and stale cheques are cleared in a timely manner; and**
- **Receipts and payments are posted in the general ledger on a timely basis.**

Agreed Management Action

Audit recommendations are noted. Trust reconciliations will be prepared and reviewed in a timely manner.

Officer Responsible

Manager Finance

7.6 Shared Services Revenue Recorded in OHS consultancy services Trust Fund

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate “trust fund” which is not a trust). As stipulated in the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.⁵

The Ministry has a shared service arrangement with the Ministry of Civil Service where it provides services including Accounts, Human Resources and IT related functions at a fee of \$70,000 per annum. The shared service arrangement commenced from financial year 2018.

It was noted that for the year ended 31 July 2019, the Ministry deposited the shared services revenue of \$60,000 into the OHS consultancy trust fund account instead of the Consolidated Fund Account. From the commencement of shared services arrangement, the Ministry of Civil Service has paid the Ministry a total sum of \$190,000.

The OHS Consultancy Trust Fund Account maintains the funds paid by companies to facilitate the payment of overtime hours, meal allowances, transport allowances, and accommodation for OHS Inspectors when they perform OHS related services outside their normal working hours. The recording of shared services revenue contradicts the nature and purpose of the account.

Root cause/Implication

Due to the incorrect recording of revenue, the Ministry’s operating revenue is understated whilst the OHS consultancy trust fund liability is overstated by \$190,000.

Recommendation

The Ministry should reverse the shared services revenue recorded in the OHS consultancy trust fund and deposit it in the Consolidated Fund Account of government.

Agreed Management Action

The Ministry is liaising with Ministry of Economy and Ministry of Civil Service to have this funds moved to CFA. The shared service arrangement has come to an end during the 2019 – 2020 financial year as the payroll for doctors, leave administrations and training has been reverted back to Ministry of Health.

Officer Responsible

Manager Finance

⁵ Ministry of Employment Finance Manual 2013 – Part 14 Trust Accounts

7.7 Presentation of Main Trust Fund Accounts

Each year the Account Officer, Assistant Accounts Officer OHS and Service Managers shall prepare an annual trust receipts & payments statement within two weeks of the end of the year. The statement must be certified and dated by the Account Officer. It shall include supporting notes providing details of outstanding balances or adjustments. The Account Officer shall submit the statement to the Senior Accountant. The Trust Account Officer shall make available for the audit the necessary trust documents supporting the transactions and balances of the trust account. ⁶

In 2019, the Main Trust Account balances for Ministry of Employment, Productivity and Industrial Relations was \$10,686,429. These funds relate to receipts and payments for Workmen's Compensation, Wages dispute, Occupational Health and Safety Consultancy, Occupational Health and Safety Trust, Employment Relations Tribunal, National Employment Centre and Child Labour.

Audit review of the current presentation of the Main Trust Fund revealed the following:

- The Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one-line item on the Statement even though the nature of the trust receipt and payment may vary.
- For OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds, the Ministry maintains one bank account and provides a consolidated statement of trust receipts and payments in its Agency Financial Statements. Separate statements are not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. Moreover, with the various trust funds being deposited into one bank account, there is a risk of funds for a particular trust being utilised for the other trust funds.

Root cause/Implication

The current presentation of the trust fund accounts is deemed inadequate and does not provide adequate and useful information to the users of the financial statements.

As a result, the accuracy of the OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds cash at bank balance cannot be ascertained.

Recommendations

The Ministry should:

- **work towards maintaining separate bank accounts for all each trust accounts and prepare separate statements for each type of account; and**
- **ensure that trust receipts and payments are classified by nature.**

Agreed Management Action

Your recommendation is noted and we will communicate with Ministry of Economy for the separation of the three bank account. Your recommendation is noted and we will abide by it once the three accounts is separated.

⁶ Ministry of Employment Productivity & Industrial Relations Finance Manual 2019, Section 14.4.5 – 14.4.7

In 2019, the Ministry has been able to identify the balances according to the nature of the activities. Hence, in 2020 the Ministry has submitted the AFS where the trust is presented according to the nature of the balances. As for the bank accounts, the Ministry is working on closing off some trust accounts and this will be addressed when this is finalized.

Officer Responsible

Manager Finance

COMPLIANCE AUDIT - MANAGEMENT OF LABOUR STANDARD SERVICES (LSS)

The compliance audit on Labour Standard Services was conducted to assess the overall compliance of the Labour Standard Services business unit to legal frameworks, policies and standards that govern its management and operations. This included the unit's compliance to standards set by the International Labour Organisation.

7.8 Stakeholder Arrangement and Engagement

Formal agreements (MOU) serve as a collective agreement between relevant stakeholders on mutually agreed terms and conditions, which will assist them in achieving their respective goals and objectives.

Combating and reducing employment grievances requires an integrated multi-level approach and therefore a multi-level agreement is vital for planning and decision-making.

Such integrated approaches will bring about the following:

1. Creating a mutual understanding between parties involved;
2. Building capacities and network sharing for the benefit of stakeholders; and
3. A holistic approach of sharing credible and reliable employment data and information.⁷

We noted that the LSS does not have an agreement or memorandum of understanding with stakeholders such as Municipal Councils, Fiji Revenue Customs Services, and the Registrar of Companies, in order to share information relating to the employment of workers.

Root causes/Implication

LSS has not drafted and signed an agreement with stakeholders such as Municipal Councils, Fiji Revenue Customs Services and the Registrar of Companies for exchange of employer base data, as they have been relying on the current practice of the exchange of information on mutual agreement and good faith.

The absence of established formal agreements or MOU may hinder the acquiring of important employer information which is vital for the Department to achieve its objective for inspection and complaints.

Recommendation

The Ministry (MEPIR) should liaise with important stakeholders such as FRCS, Registrar of Companies and Municipal Councils to enter in to an MOU with regards to sharing important employment information.

Agreed Management Action

The Ministry⁸ informed us that they will be proposing MOUs with these stakeholders in this current financial year (2020-2021) for better coordination and programs available with these agencies. The Ministry is also working

⁷ Bilateral Agreement and Memorandum of Understanding_ILO, Paragraph 3, pg 2.

⁸ Ministry's comments e-mailed on 20/08/20.

with International Labour Organization (ILO) on a Fiji Labour Inspection Management System (Paperless) which will assist in getting details from these stakeholders on a possible solution on information sharing.

Officer Responsible

Director Labour Standard Services

7.9 Submission of Inspections Report to ILO Director General

As member of the International Labour Organisation, MEPIR is required under the Inspection Convention 081 to publish and submit to the ILO Director Generals Office, an annual general report on the work of the inspection services under its control.

The central inspection authority shall publish an annual general report on the work of the inspection services under its control. Such annual reports shall be published within a reasonable time after the end of the year to which they relate and in any case within twelve months. Copies of the annual reports shall be transmitted to the Director-General of the International Labour Office within a reasonable period after their publication and in any case within three months⁹.

The annual report published by the central inspection authority shall deal with the following and other relevant subjects in so far as they are under the control of the said authority:

- a) Laws and regulations relevant to the work of the inspection service;
- b) Staff of the labour inspection service;
- c) Statistics of workplaces liable to inspection and the number of workers employed therein;
- d) Statistics of inspection visits;
- e) Statistics of violations and penalties imposed;
- f) Statistics of industrial accidents;
- g) Statistics of occupational diseases.¹⁰

Audit noted that while LSS submitted a report to ILO in 2019, it did not include a report on work of the inspection services.

Root cause/Implication

The omission of the report was attributable to non-inclusion of the requirement of article 20 in ERA 2007.

The absence of a report on the work of the Inspection services has deprived LSS of gaining constructive feedback from the ILO which could have further assisted LSS in its operations.

Recommendations

The Ministry should:

⁹ CO81_Labour Inspection Convention, 1947_Part (I) Labour Inspection in Industry, Article 20

¹⁰ CO81_Labour Inspection Convention, 1947_Part (I) Labour Inspection in Industry, Article 21

- prepare an annual general report on the work of the inspection services under its control and submit it to the ILO Director General Office annually or in 12- month period; and
- consider reviewing the ERA 2007 to incorporate the requirement of Article 20 and 21 of the ILO Convention 081.

Agreed Management Action

The Ministry has indicated that they will explore the options of reporting in line with the ILO convention 081 on Labour inspections.

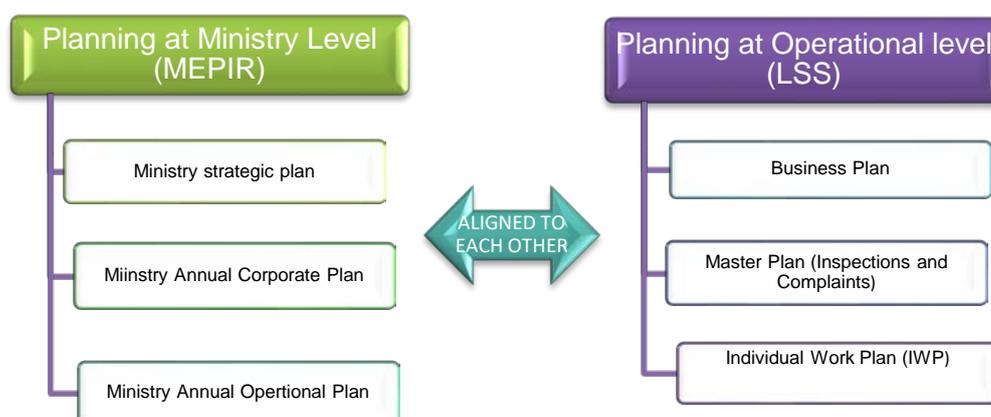
Officer Responsible

Director Labour Standard Services

7.10 Master Register not prepared for Annual Inspections

The Master Register needs to incorporate all labour inspections that will be conducted by the relevant District Office for the financial year from 1st August to 31st July.¹¹ The Master Register must be submitted by Managers to Director LSS (DLSS) on or before 15th June of each year.¹²

Figure 7.1: Hierarchy of planning - Two Stages of MEPIR Planning



(Source: Ministry and Operational Level Planning Practices)

We noted that LSS has not prepared a Master plan for carrying out annual inspections. This indicates that LSS has not performed its operational level planning effectively.

Additionally, we noted from the discussion held with the DLSS that development of inspection targets is set based on the number of complaints received. For instance, if 2,000 complaints are received in a year then the inspection targets for the subsequent year would be double the number of complaints received at 4,000 a year. Audit reviewed the targeted numbers of inspections against the actual inspections and noted the following variances for the years 2016 to 2019. Refer to Table 7.3 for details.

¹¹ LSS Central Eastern Districts Inspection Master Plan Procedure 1

¹² LSS Central Eastern Districts Inspection Master Plan Procedure 2

Table 7.3 Variance between Expected Target and Actual Inspection

Year	Complaint Received	Expected Target of Inspection (Double the amount of Complaints Received)	Actual Inspections	Variance
2016	2,244	4488	3642	846
2017	2,200	4400	3724	676
2018 - 2019	2,180	4360	3458	902

It is evident from the above table that LSS is not achieving its desired target.

Root causes/Implication

The Management of LSS overlooked the preparation of a Master Plan for annual inspections. This also indicates that proper process was not followed as stipulated in the Standard Operating Procedure of LSS.

The variance in inspection indicates that LSS is facing a resourcing issue where the current number of staff are not able to deliver the desired output.

The absence of a Master Plan for annual Inspection will hinder the Department's planning in efficiently allocating its resources. Consequently, the LSS may not be able to achieve its desired number of inspections annually.

Recommendation

The Ministry should develop realistic inspections targets for labour inspectors.

Agreed Management Action

The Ministry¹³ notes that in terms of figures on employer base, they will be using the figures provided through the Nationwide Employment Survey on COVID-19 in the current financial year. This gives accurate and proper employer base figure to be used by LSS nationwide.

The strengthening of monitoring and preparation of inspection master plan is already being conducted including the Individual Work Plans for the current financial year (2020-2021).

Officer Responsible

Director Labour Standard Services/District Managers and Senior Labour Officers

7.11 Complaints Management

The Standard Operating Procedures require that labour inspectors conduct search and issue demand for wages and time records. If employer fails, then refer case for prosecution for cases

¹³ Ministry's comments e-mailed on 20/08/20.

within 12 months for failing to produce records or make application for cases more than 12 months from the date of complaint¹⁴

Figure 7.2: Complaint Management Process



¹⁴ SOP- Labour Complaints Investigation Procedure

Review of complaint files revealed that Labour Inspectors were not adhering to the SOP when handling complaints. Delays were noted in referring complainants’ cases for prosecution within the stipulated timeline.

The Table below shows the list of cases with 12 months of demand notice due which have not been referred for prosecution:

Table 7.4: Prosecution File Testing

Complainant Name	Demand Notice Issued Date	Status of Complaint Files as at the time of audit ¹⁵ yet to be referred for Prosecution
A	19/01/2018	<ul style="list-style-type: none"> No proof of Demand Notice being received. Demand Notice Expired File not referred for prosecution
B	16/02/2018	<ul style="list-style-type: none"> Demand Notice Expired File not referred for prosecution
C	XX/12/2018	<ul style="list-style-type: none"> Demand Notice has not been sent- Missing date Notice has been printed since December No relevant actions taken place
D	20/12/2017	<ul style="list-style-type: none"> Demand Notice not accepted by Employer Case not referred for prosecution
E	Not Sent	<ul style="list-style-type: none"> Case has been pending since 2015 Complainant Update Form Indicate that demand issue needs to be served but no date has been specified.
F	04/12/2016	<ul style="list-style-type: none"> Demand Notice has expired. Case not referred for prosecution.
G	20/12/2017	<ul style="list-style-type: none"> Demand Notice expired Case not referred for prosecution
H	22/08/2017	<ul style="list-style-type: none"> Demand Notice expired Case not referred for prosecution
I	22/08/2017	<ul style="list-style-type: none"> Demand Notice expired Case not referred for prosecution
J	03/02/2017	<ul style="list-style-type: none"> Demand Notice expired Case not referred for prosecution.

Root causes/Implication

The audit finding is attributed to Labour Officers holding back overdue cases although demand notices had been served, and the 12-month period of demand notice had lapsed.

Secondly, Database Management System (DBMS) function is limited as there is absence of portals in the DBMS to alert and remind senior labour officers on cases which has reached the 12 months of demand notices period which need to be referred for prosecutions.

Justice is delayed for complainants due to the delays in submission of files for prosecution by Labour Inspectors in the Department. Consequently, delays will create backlogs of complaints cases with the Department which may be difficult to clear in a timely manner.

¹⁵ 10 April 2019

Recommendations

The Ministry should:

- **ensure that cases are referred for prosecution when employers are not able to produce the wages and time records within the stipulated timeframe. On the same note, Managers must ensure that Assistant Labour Officers follow the relevant legislation and policies when performing their roles; and**
- **upgrade the DBMS in terms of its features and functionalities to ensure that the maximum benefit is realized. Upgrading features such as notifications and alerts and attachment will help add-value to the overall operations of the Ministry.**

Agreed Management Action

The Ministry through LSS Unit have secured the services of three (3) Senior Labour Officer (Legal) and have trained some Labour Officers to assist in prosecution of cases and fast track the referral of cases to ERT and its resolution. Two (2) Senior Labour Officers (Legal) are based in Suva and 1 in the West. The Unit will also be recruiting 3 additional Labour officers (Legal) to assist in the management and prosecution of labour inspections and complaints that is taken to the ERT.

The Ministry is working with International Labour Organization (ILO) on the Fiji Labour Inspection Management System (Paperless) which will add value and ensure alerts are made on the inspections and complaints process on set timelines.

Officer Responsible

Director Labour Standard Services/District Managers/ Team Leaders

7.12 Data and Information Management

A Database Management System (DBMS) is basically a collection of programs that enables users to store, modify, and extract information from a database as per the requirements. DBMS is an intermediate layer between programs and the data. Programs access the DBMS, which then accesses the data.¹⁶

A DBMS makes it possible for users to create, edit and update data in database files. Once created, the DBMS makes it possible to store and retrieve data from those database files.¹⁷ More specifically, a DBMS provides the following functions:

Some fundamental advantages of having a database management system are:¹⁸

- Reducing Data Redundancy
- Sharing of Data
- Data Integrity

¹⁶Computer and Database Revolution _Dinesh Thakur, computer science, B.SC, MCSE, MCDBA, CCNA, CCNP, SCJP, A+, 2016.

¹⁷ Database Management - System_Kistri Castro_25 July 2018

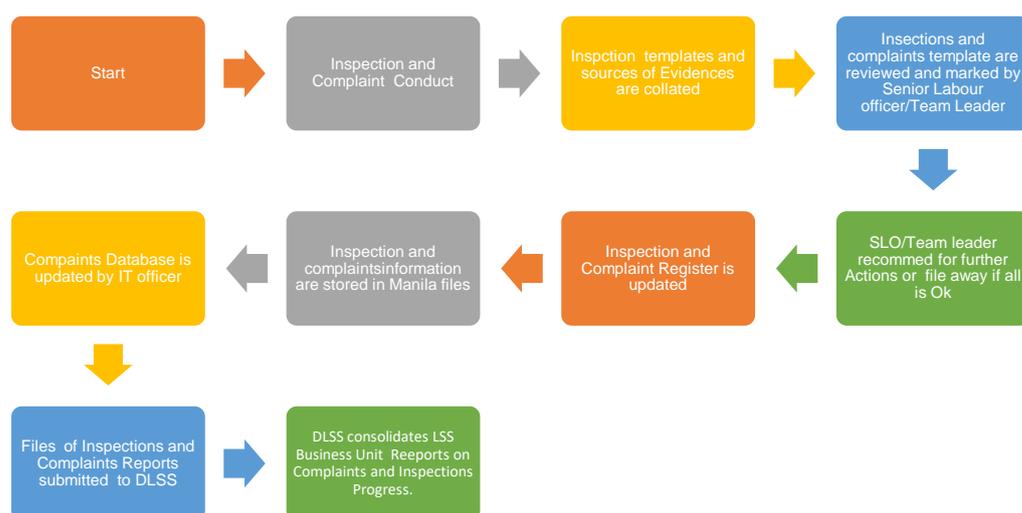
¹⁸ Database Management - System_Kistri Castro_25 July 2018

- Data Security
- Privacy
- Backup and Recovery

Files and records may be of interest to external researchers for their legal, political, administrative, technical and historical value.¹⁹

We noted that LSS still maintains manual records for inspections data. Since the establishment of LSS, inspections data is manually stored in manila folders and arch lever files.

Refer to Figure 7.3 for details.



At the date of audit²⁰ review it was also noted that three of the registers were not regularly updated with daily inspections and complaints data. The three registers are;

- New and closed employers file registers;
- The prosecution file referral register and the;
- Demand notice register.

The ‘new and closed file register’ records any new businesses or employer as well as those that have closed their operations in the market. During review of the new and close file register, we noted that it was last updated in 2015. The 2016 to 2018 records were not updated in the register.

The ‘prosecution files referral register’ records inspections and complaints files referred for prosecution to the employment tribunal. The prosecution file referral register was last updated in November 2018. However, there were a number of inspection and complaints files referred for prosecution after November 2018.

The ‘demand notice register’ records the demand notices sent to employers demanding for payments of arrears of wages due to employees; as well as the demand notices for records needed

¹⁹ The ILO Filing archives system Paragraph 2

²⁰ 15/10/19

for inspections - such as time and wages records. The demand notice register was last updated in August 2018.²¹

Root causes/Implication

The Ministry has not prioritized the development of a DBMS for inspections which has seen the Department having no electronic system of data management for inspections as of the date of this audit.

In an absence of a computerized system of data management there is high risk of loss of data in the event of a natural disaster which could destroy the manual files.

In addition, retrieving of information from manual records would take a longer timeframe compared to extracting data from an electronic database, which is done almost instantly.

Recommendation

The Ministry should reassess its priorities for investment in the development of an inspection database to be used to store all inspection data.

Agree Management Action

The Fiji Labour Inspection and Complaints Management System (Paperless) process will take care of all the Data Management and Storage process for LSS Database. This project will be managed with the assistance of ILO. The Internal Audit process will ensure the update of all LSS registers and database, however, with the introduction of the Fiji Labour Inspection and Complaints Management System (Paperless), this will ensure the regular updates of cases through a web-based system.

Officer Responsible

Director Labour Standard Services/District Managers/Team Leaders

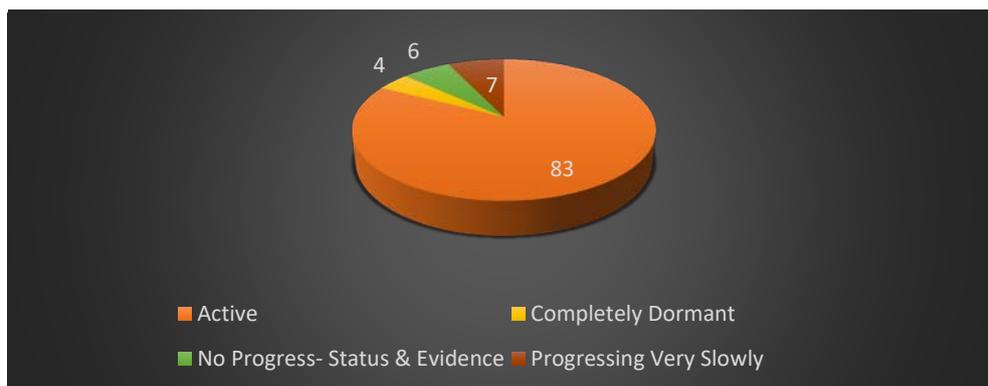
7.13 Dormant/Inactive Files

Developing a communication strategy is essential for guiding operations in communicating with clients regarding the status of cases. It ensures an efficient process in order for employees, employers, and the complainant to be contacted in a timely manner.

We noted instances of dormant complaint files at LSS. The files have been dormant for some years, that is, no action has been taken by the Department on these complaints. We reviewed 100 files and found out that 17 case files were inactive. Out of these 17 inactive files, four were completely dormant, six files do not have a progress status of the case, while work on the remaining seven files were progressing slowly.

Figure 7.4: Status of Complaint Files

²¹ 24/9/19



Root causes/Implication

The problem of dormant inspections and complaints files were due to contacts that were not properly verified at the initial stage when registering the employers and worker’s information details. Secondly, due to the frequent changes of contacts and address by workers and employers, and the delay in responding to cases by LSS and certain employers contacted through next of kin revealed that the employers have closed their businesses.

There is a risk that dormant or inactive files can be closed without pursuing it further. This is evident from the table below which shows the number of cases which have been closed.

Table 7.6: Case Files Closed Due to Non-Contactable Complainants

Year	Number of Cases Closed Due to Non-Contactable Complainants
2011	33
2012	54
2013	82
2014	17
2015	34
2016-2017	31
2017-2018	38
2018-2019	10

Recommendations

The Ministry should develop:

- an online portal where employers and workers can update their information online and where the Unit can communicate with complainants for any updates; and
- a MOU with telecommunication companies with regards to tracking of employer’s contacts and addresses.

Agreed Management Action

The Ministry has mentioned that there is currently a Toll-Free Online Number 1535 where employers and workers can communicate and be updated on cases and any relevant information is needed.

The proposal for an MOU is being looked into in line with the standard procedures and legislations.

The Ministry has taken legal advice from the Solicitor-General's office on 25 November, 2020 in regards to non-contactable workers where it was clarified that the Ministry may not be able to institute proceedings in Court since the key witnesses are not contactable. As such these files are temporarily closed awaiting workers to contact the Ministry again.

Officer Responsible

Director Labour Standard Services/District Managers/Team Leaders

7.14 Completion Timeframe of Complaints and Inspections

The complaint standard operating procedures timeline for resolving complaints is as tabulated below²²:

Table 7.7: Timelines for resolving Complaints

Description	Performance Indicator
1. Calculate the statutory claims of the worker based on the wages and time records provided by the employer.	5.14 working days
2. If Employer fails to pay, issue demand notice for payment.	6. 7 working days
3. a) If complainant at any point wishes to withdraw the complaint, fill "Complaint Withdrawal Form". b) If complainant has settled the matter with the employer and is unable to come to the office to withdraw the complaint then fill "Request for Withdrawal Form"	7. 3 working days
4. Payments received from employer, issue trust fund receipt and prepare payment voucher. If request for cheque payment, pay worker through acknowledgement of receipt of payment. Fill complaint closure form.	8. 7 working days
5. Fill Complaint monitoring form for complaint pending for more than one month and submit to LO, SLO, Manager for directions.	9. 2 working days
6. If payment is disputed, refer for prosecution. Obtain witness statement where no evidence is produced.	10. 7 working days
7. If complaints settled, then fill Complaint History Form and attach EFT Confirmation Form (if payment made through EFT), update register and submit file to DLSS for audit and verification.	11. 5 working days

The Inspections standard operating procedures timeline for resolving inspections is as tabulated below:

Table 7.8: Timelines for resolving Inspections

Description	Performance Indicator
1. Scrutinize wage, time records & other documents including LMCC, OHS, Sexual Harassment policy, HIV/AIDS policy	5 working days

²² Labour Investigation procedure, Part 7 to Part 11

Description	Performance Indicator
and any training on ERA 2007 been conducted including child employment and FNPF deductions.	
2. Employers employing 1-20 workers, interview at least 3 workers. Employers employing more than 20 workers, interview at least 5 workers.	6 working days
3. Officers to fill inspection report form and inspection audit form simultaneously while cross-checking with employment records from employer with concluding remarks to employer, highlighting inspection findings.	7.3 working days
4. Compile a 1-page inspection report which should also include recommendation and possible date of rectification by the employers. If company ceased operation, fill employer file closure form and submits weekly report.	7.3 working days
5. Enter inspection into the register & submit inspection report to the officer in charge.	9.2 working days
6. Supervisor stamps & signs the inspection report 'checked' with recommendation on compliance and non-compliance and bring-up dates and pass file to the investigating officer and submit weekly report Admin Assistant to provide customer service report.	10.3 working days
7. Officer proceed with recommendation made by the Supervisor either on calculation of arrears of wages and in absence of wages and time record, issue demand notice for records.	11.2 working days

We noted that there has been significant delays in resolving complaints cases and achieving inspection targets. The table below represents the pending or unresolved complaint cases for the years 2016 to 20219:

Table 7.9: Unresolved Complaints Cases

Year	Total Cases	Cases Resolved	Pending Cases	Rate of Case Solved From each Year (%)
2016 - 2017	2352	901	1451	38.31
2017-2018	2014	810	1204	40.21
2018-2019	2180	1224	914	56.15

The table below shows unachieved inspection targets for the years 2016 to 2019.

Table 7.10: Number of Targeted vs Actual Inspections Achieved

Year	Business Plan (BP) Targets			Actual (A) Achieved			Variances (BP – A)	Variance/Targ ets (%)
	WRO	NMW	Total	WRO	NMW	Total		
2016	2,750	800	3,550	2627	835	3,462	92	2.48
2017 - 2018	3,000	2,500	5,500	2,641	1,083	3,724	1,776	32.29
2018 -2019	3,800	8,00	4,600	2,448	1,010	3,458	1,142	24.83

Key:

WRO: Wage Rate Order

NMW: National Minimum Wage

Root causes/Implication

It was noted from interviews and audit analysis that among other causes, the delay in the conduct of inspections and resolving of complaints cases has led to the accumulated unresolved complaint cases and unachieved inspection targets. Labour inspectors were not adhering to the timeline provided in the SOP when conducting inspections and when resolving complaints. On average, LSS takes more than 11.5 working days to complete a complaint case. Similarly, it takes LSS more than 11.2 working days to finish an inspection process. The delay is attributed to unrealistic labour inspector to task ratios, time taken by staff in doing recalculations, resignation of staff and the inability to contact complainants.

Untimely inspections and complaints services will accumulate unachieved inspection and unresolved complaints targets. This will also frustrate complainants/ workers due to the delay in service delivery. We also observed during the audit that complainants at the LSS office as they were frustrated with the high turnaround time of their complaints

Recommendations

The Ministry should:

- **strictly monitor the time taken to resolve complaints and inspections to ensure that inspectors are following the SOP requirements; and**
- **implement strategies that support the timely achievements and resolving of inspections and complaint cases.**

Agreed Management Comments

Internal audits are conducted to check on conformance to SOP and ISO processes for both inspections and complaints. As a result, new forms have been developed to monitor complaints etc. LSS have also implemented strategies to support the resolution of cases by having two (2) separate teams to look after backlog and current cases.

Officer Responsible

Director Labour Standard Services/District Managers/Team Leaders

7.15 Domestic Child Labour Inspection

Conduct child labour inspection with the industries that are suspected of employing children. The industries, be classified into:

- a) Sugar Industry/Agricultural Industry including commercial vegetable farms
- b) Industrial undertakings in commercial businesses
- c) Domestic employment.²³

²³ MEPIR Child labour inspection procedure

Child labour in domestic work refers to situations where domestic work is performed by children below the relevant minimum age (for light work, full-time non-hazardous work), in hazardous conditions or in a slavery-like situation.²⁴

The ILO's fundamental child labour Conventions, namely Convention No. 138 concerning the minimum age for admission to employment and Convention No. 182 on the worst forms of child labour, provide the framework for ending child labour and protecting all under-18s.²⁵

Children should not be working in domestic work in the home of a third party or employer, below the general minimum age for admission to employment or work, which shall not be less than the age of completion of compulsory schooling, and in any case not lower than 15 years.²⁶

It was noted that the Employment Relations Act (ERA) 2007 does not include provisions for Domestic Child inspection by LSS. Domestic child labour is a matter of concern as the welfare of children in the country in such situations are at risk.

It was gathered from the interview and discussion held with Senior Labour Officer (SLO) Inspections on 17th July 2019 that the inspection team has never conducted domestic child labour inspections. The SLO further elaborated that LSS does not have the mandate to enter private residences to conduct child labour inspection.

Root causes/Implication

We noted from discussions with Director LSS on 04/03/19 that the Department does not have the legal mandate to enter any private residence to conduct child labour inspections unless accompanied by a police officer.

The absence of inspections on domestic child labour may result in the:

- Increased number of children being engaged in child labour;
- Rights of the children being abused;
- Exploitation of child labourers;
- Non-compliance to child labour laws

Recommendations

The Ministry should:

- **review ERA 2007 and align it with ILO legal framework on domestic child labour which shall consider and prioritize domestic child labour inspection mandate for LSS to undertake; and**
- **create awareness through media and other forms of communication on the roles of LSS in conducting inspections.**

Agreed Management Comments

The Ministry had also stated that as part of the on-going process with the relevant stakeholders through the Employment Relations Board (ERAB), the ERA is currently being reviewed with proposals to incorporate the

²⁴ Child labour and domestic work (IPEC) – International Labour Organisation_ILO

²⁵ Ending child labour in domestic work International Labour Organisation

²⁶ Ending child labour in domestic work – International Labour Organization

recommendations for better priorities on Child Labour Inspections in accordance with ILO Conventions and frameworks.

The Alliance 8.7 project under the Sustainable Development Goal 8 with the assistance of ILO will assist in ensuring that we prioritise and prepare strategies and procedures for domestic Child Labour inspections in line with the legislations. The unit will also be embarking on conducting media alerts and awareness at District and Divisional levels to ensure the information about Child Labour is taken to the grass root level through constant Labour inspection and Awareness programs.

Officer Responsible

Director Labour Standard Services

7.16 Incomplete Child Labour Files

A child must—

- a) not be employed or permitted to be employed for more than 8 hours in a day; and
- b) be given at least 30 minutes paid rest for every continuous 4 hours worked.

A child must not be employed or permitted to be employed during a period when the child is required to attend school or for a period which prejudices the child's educational participation.²⁷

An employer of children in a workplace, or in an occupation which forms part of a workplace,
Must –

- a) keep a register of all the children and the register must include particulars of their ages, the date of commencement and termination of their employment, the conditions and nature of their employment and any other prescribed particulars; and
- b) must produce the register for inspection when required by a labour officer or labour inspector.

The register must be maintained separately and apart from any other register.

An employer who fails to keep a register as required or who fails or refuses to produce a register when required to do so commits an offence.²⁸

We noted that LSS has not been undertaking thorough investigations into child labour, as the child labour inspection template design was reviewed and noted to be insufficient for gathering all required and relevant information. Furthermore, other causes include the negligence of labour inspectors in properly filling what is required in the inspections template. These details include hours of work of the child, numbers of breaks and verification of the child labour registers.

Some specific issues identified during review of the child labour inspection reports revealed that:

- Most of the children engaged in child labour work have been working for more than 8 hours a day, thus violating the working hours of child labour stated in the ERA 2007 and the child labour policy;

²⁷ Employment Relation Act Section 97

²⁸ Employment Relation Act Section 99

- We were not able to ascertain if the 30 minutes paid break after every 4 hours of work was being practised as this was not captured in any section of the child labour inspection form. The design of the inspections audit forms has no provision for this;
- We were also not able to ascertain whether the employers maintain a child labour register as this was not captured in the inspection audit form. The register is an important record that each employer is supposed to maintain under the ERA 2007 which should be updated with fundamental records of children employed in their organizations;
- Child labour information recorded in files were incomplete due to missing pages of inspections form not attached ; and
- We were not able to ascertain whether the employer has been penalized and charged for breaching the ERA 2007, for employing child labour, and breaching of standards by not keeping the child labour registers.

Table 7.11: Table showing non-compliance by employer in child labour

Name of Company	Date of inspection	Nature	Work More than 8 hours	Breaks of 30 minutes after every 4 hours	Child Labour Register
A	23/08/2017	Car wash	9	Not recorded in Inspection form	Not maintained
B	23/08/2017	Car wash	10	Not recorded in Inspection form	Not maintained
C	23/08/2017	Car wash	9	Not recorded in Inspection form	Not maintained
D	23/08/2017	Car wash	11	Not recorded in Inspection form	Not maintained
E	23/08/2017	Car wash	10	Not recorded in Inspection form	Not maintained
F	23/08/2018	Car wash	10.3	Not recorded in Inspection form	Not maintained

Root causes/Implication

The design of the child labour inspection form does not capture whether there was provision of 30 minutes breaks between every 4 hours of work.

In addition, there is also no provision in the inspections form to capture whether child labour registers were maintained at the employer’s premises. The incomplete Inspection forms by Inspectors hindered the collection of basic information that is required under the legislations.

The lack of thorough reviews of child labour information by supervisors, and incomplete child labour inspection forms by Inspectors, means that basic inspection information required under the ERA 2007 cannot be validated. As a result, the Ministry is not effectively enforcing and monitoring the requirements of the ERA 2007 with respect to child labour.

Recommendations

The Ministry should: ensure that:

- **Child Labour inspection forms are updated accordingly with the requirement of the ERA 2007 and the interagency child labour policy; and**

- Supervisors thoroughly review child labour inspections forms to ensure completeness of information.

Agreed Management Action

The child labour cases are managed by a proper Child Labour database and measures are put in place to ensure that the database is updated through constant monitoring. The IWP is clear in terms of Child Labour inspections and numbers to be inspected with inspection forms to be filled and verification of hours of work to be done upon interview with the child and the employer including the parents/guardian of the child.

LSS in its response to the audit findings noted that the Child Labour Inspections forms and inspection procedures will be reviewed to ensure compliance with the audit observations. This is targeted to be implemented by 29/08/20²⁹. Furthermore, child labour inspections and training will be conducted to ensure forms and procedures are followed by Inspectors.

Officer Responsible

Director Labour Standard Services/District Managers/Team leaders

7.17 Unclaimed Monies distributed to Complainants

LSS is responsible for ensuring that wages in arrears and other form of entitlements which are due to complainants are recovered and paid as soon as possible

We noted that there were 193 cases of unclaimed monies with LSS totalling \$194,299.32 which was not paid to the complainants as of the date of this audit³⁰. The oldest case of unclaimed money has been maintained at LSS from 06 May 2012. From the 193 cases of unclaimed monies, 51 cases had partial payments made to complainants.

The following table provides details of audit verification of the records of unclaimed money against the reconciliation records provided by the Accounts Officer.

Table 7.12: Audit Scrutiny of Unclaimed Monies

Date	Reference	Amount \$	Remarks	Finding
13/02/13	223963	60.00	Not yet Paid	Record found in LSS database. Upon calling the complainant she mentioned that she was not informed that the money was recovered.
23/05/13	223434	1,000.00	Not paid	Record does not exist in LSS database
04/04/14	396456	175.04	Not paid	Record does not exist in database.
26/05/14	396468	34.12	Paid	Record does not exist in database.

²⁹ Ministry's comments e-mailed on 20/08/20.

³⁰ 19/4/19

Date	Reference	Amount \$	Remarks	Finding
06/11/14	396905	629	Not yet paid	Record does not exist in database.
17/12/14	362532	850.82	Not yet paid	Record exists in Database. Called the complainant and he mentioned that all dues have been received. Status in accounts has not been updated.
20/04/18	503187	1,111.30	Not yet paid.	LSS database shows that case is closed. Account's status show that money has not been paid
21/12/18	645590	2,400.00	Not yet paid	Record exists in database. Complainant cannot be contacted.
13/07/16	445476	556.70	Not yet paid	Record exists in database. Called the complainant and she mentioned that the officer did not inform her that dues have been recovered.
03/01/17	503403	454.45	Not yet paid	Record does not exist in database.
16/10/18	645549	693.59	Not yet paid	Record exists in database. Number provided cannot be contacted.

Root causes/Implication

Labour Officers could not contact the complainants who did not come to collect the money, after the list was published in the newspapers. This was due to the fact that most contact numbers given by complainants were no longer unavailable when attempts were made to call them. . Furthermore, most complainants changed their residential addresses and place of employment. No alternative avenues were explored to contact these complainants.

Not distributing unclaimed monies in a timely manner will result in complainants not getting their entitlements on time.

Recommendations

The Ministry should:

- ensure that the list of unclaimed monies is published through the various forms of mass media to ensure greater coverage;
- continue to contact the complainants on the details provided in the complainant detail form even after publishing the names list; and
- place a list of unclaimed monies at provincial and district council offices or other public offices.

Agreed Management Comment

A taskforce team have been established to try and contact and locate the workers after efforts to contact them through the media proved unsuccessful. This taskforce team are visiting workers at their workplaces and residences to ensure that the unpaid wages are paid.

The unit will also consider putting the list of workers through the Provincial and District council offices for wider circulation.

The Ministry is also working on locating workers through its social media platform to get through workers and also information sharing with Fiji National Provident Fund. The names of the workers were posted on our social media post on January 26, 2021

Officer Responsible

Director Labour Standard Services/District Managers/Team Leaders

7.18 Forms/Documents in Individual Cases

The SOP of LSS provides the following guidelines for filling relevant forms at different stages:

- Visit/ call/ email and request the employer to provide the wages and time records for the complainant and conduct inspection. Also, advise complainant on the progress of the case. Attempt good faith meeting with both parties.
- Conduct search and issue demand for wages and time records. If employer fails, then refer case for prosecution for cases within 12 months for failing to produce records or make Section 214 Application for cases more than 12 months from the date of complaint.
- If Employer fails to pay, issue demand notice for payment.
- a) If complainant at any point wishes to withdraw the complaint, fill “Complaint Withdrawal Form”.
- b) If complainant has settled the matter with the employer and is unable to come to the office to withdraw the complaint then fill “Request for Withdrawal Form”.
- Payments received from employer, issue trust fund receipt and prepare payment voucher. If request for cheque payment, pay worker through acknowledgement of receipt of payment. Fill complaint closure form.
- Fill Complaint monitoring form for complaint pending for more than one month and submit to LO, SLO, Manager for directions.
- If payment is disputed, refer for prosecution. Obtain witness statement where no evidence is produced.
- If complaints settled, then fill Complaint History Form and attach EFT Confirmation Form (if payment made through EFT), update register and submit file to DLSS for audit and verification³¹.

We noted that some case files did not contain the required forms that needs to be attached at each stage as the case progresses.

While reviewing the case files against the SOP, it was found that the case files had missing documents/forms.

³¹ SOP- Labour Complaints Investigation Procedure

Please refer to the table below for case files which had missing forms and documents.

Table 7.13: Missing Document

Type of Missing/Document	Number of Case File with missing documents
Demand Notice- Time and Wages Record	22 case files
Demand Notice-Payment of Dues	2 case files
Complainant Update Form	2 case files
Complaints Closure Form	2 case files
Complaints Monitoring Form	9 case files
Pro-Forma Letter	5 case files
Complainant History Form	2 case files
Total Number of Cases Missing Forms	44 Case files

Out of the 100 case files which were tested, 44 case files did not have the mandatory forms.

Root cause/Implication

Labour Officers do not attach the necessary forms. In most cases the forms that were missing were the Complaints Monitoring Form and the Complainant Update Form. Additionally, other important documents such as wages and time records were not filed in the case file because the employer of the complainant had failed to maintain them.

The lack of complete forms/documents in case files will make it difficult to provide an effective assessment on cases, and could delay the outcomes of such cases.

Recommendation

The Ministry should strengthen its supervisory function, ensuring all files are thoroughly reviewed for the inclusion of mandatory documents. Prompt follow up should be done in the absence of important documents from case files.

Agreed Management Action

All officers have been trained through Induction on the processes and procedures required for inspection and complaints. Issues are also addressed during monthly and quarterly meetings.

The Ministry uses mass media and face to face communication to employers and workers to conduct labour law advocacy and training programs.

Officer Responsible

Director Labour Standard Services/ District Managers/Team Leaders

7.19 Absence of Follow up on Child Labour Cases

Follow up is an essential monitoring mechanism providing assurance that recommendations have been implemented accordingly. Follow up done on cases of child labour found during inspections

will provide assurance that child labour issues have been addressed effectively with children removed and protected from such situations.

It was noted that LSS has not undertaken follow-up inspections on any of the child labour cases found during initial inspections, and those lodged through complaints.

It was also noted from our audit that for children found working and begging during school hours, most were sent to school and given appropriate assistance through the Department of Social Welfare, following inspections carried out by LSS.

An interview with the SLO Inspection noted that follow up was not done to confirm that these children remained in school and were not engaged in child labour again.

Root Causes and Implication

It has been noted that the process of conducting follow up inspections for child labour has not been incorporated in to the Child Labour Policy and the ERA 2007.

The absence of regular follow up on child labour cases would mean that eradicating or curtailing child labour will become a reoccurring issue in future.

Recommendation

The Ministry should make necessary amendments to its Child Labour Policy and ERA 2007 to include follow up on child labour inspection

Agreed Management Comments

The Ministry under the SDG Alliance Target 8.7 will be conducting the following functions;

- 1. Finalize and coordinate the implementation of the National Roadmap to achieve the SDG Alliance Target 8.7 working together to end Child Labour, Forced Labour, Modern Slavery and Human Trafficking.*
- 2. Monitor and report on Fiji's progress to achieving the SDG Target 8.7 to ERAB*
- 3. Mobilize resources for innovative actions to accelerate progress and scale up solutions on the areas of Child Labour*

Officer Responsible

Director Labour Standard Services

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

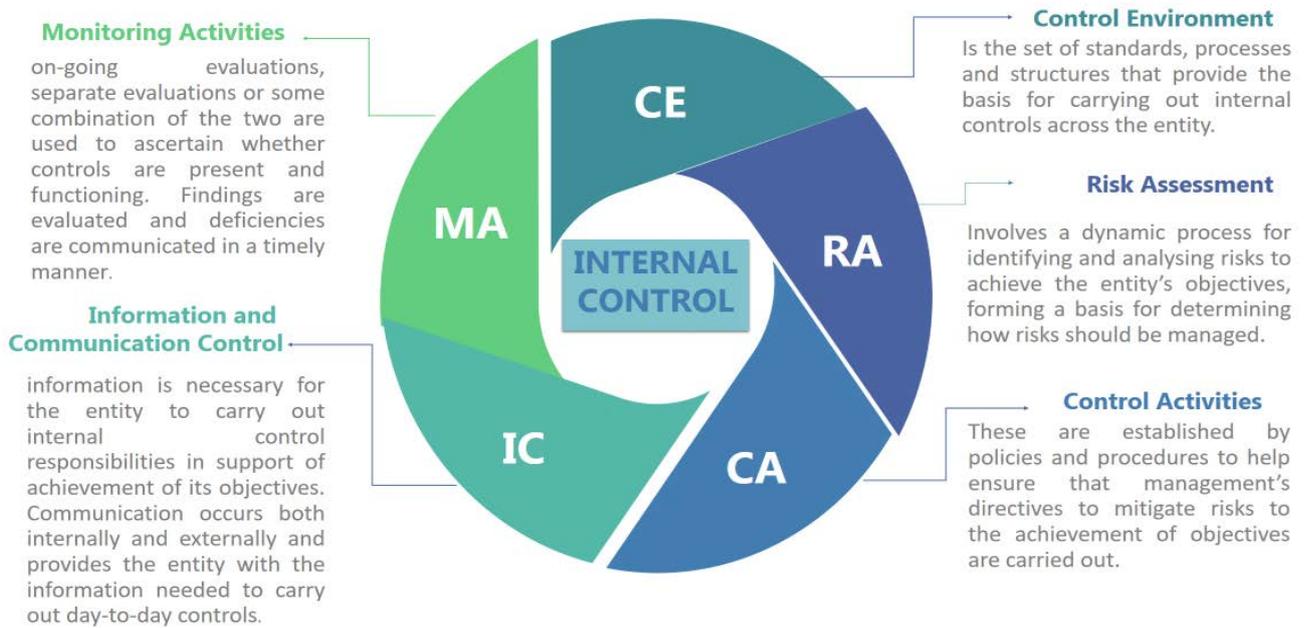
7.20 Internal Controls

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

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

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

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



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

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

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

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

7.21 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✗	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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

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

Rating	Year-end close process assessment
☀ Generally effective	Eight of the nine key processes completed within two weeks of due date.

7.22 Quality of Draft Financial Statements by entities

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

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

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

7.23 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
✖ Ineffective	Acceptable draft financial statements received after 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
✔ Effective	Within 5 days from issue of Financial Statements for signing

APPENDIX 7.1: NATIONAL OCCUPATIONAL HEALTH & SAFETY EDUCATION AND ACCIDENT PREVENTION TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
OHS Trust Fund Receipts	1,523,922	1,348,749
Total Receipts	1,523,922	1,348,749
PAYMENTS		
OHS Trust Fund Payments	500,392	578,468
Total Payments	500,392	578,468
Net Surplus	1,023,530	770,281
Balance as at 1 August 2018	6,899,554	6,129,273
Closing Balance as at 31 July 2019	7,923,084	6,899,554

APPENDIX 7.2: EMPLOYMENT RELATIONS AGENCY TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
Employment Relations Trust Fund Receipts	82,318	132,437
Total Receipts	82,318	132,437
PAYMENTS		
Employment Relations Trust Fund Payments	22,023	83,756
Total Payments	22,023	83,756
Net Surplus	60,295	48,681
Balance as at 1 August 2018	557,208	508,527
Closing Balance as at 31 July 2019	617,503	557,208

APPENDIX 7.3: NATIONAL EMPLOYMENT CENTRE TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
NEC Trust Fund Receipts	47	11,962
Total Receipts	47	11,962
PAYMENTS		
NEC Trust Fund Payments	47	6,454
Total Payments	47	6,454
Net Surplus	---	5,508
Balance as at 1 August 2018	228,306	222,798
Closing Balance as at 31 July 2019	228,306	228,306

**APPENDIX 7.4: OHS CONSULTANCY SERVICES, WORKMENS COMPENSATION AND WAGES
DISPUTE TRUST FUND ACCOUNT**

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
Workmen's Compensation	3,935,299	3,993,405
Wages Dispute	535,011	592,439
OHS Consultancy	270,237	74,995
TOTAL RECEIPTS	4,740,547	4,660,839
PAYMENTS		
Workmen's Compensation	3,665,165	4,891,544
Wages Dispute	502,767	700,482
OHS Consultancy	171,909	159,652
TOTAL PAYMENTS	4,339,841	5,751,678
Net Surplus/ (Deficit)	400,706	(1,090,839)
Balance as at 1 August 2018	1,516,714	2,607,553
Closing Balance as at 31 July 2019	1,917,420	1,516,714

APPENDIX 7.5: CHILD LABOUR UNIT TRUST FUND ACCOUNTS

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
Child Labour Unit Trust Fund	---	---
Total Receipts	---	---
PAYMENTS		
Child Labour Unit Trust Fund	656	1,570
Total Payments	656	1,570
Net Deficit	(656)	(1,570)
Balance as at 1 August 2018	772	2,342
Closing Balance as at 31 July 2019	116	772

APPENDIX 7.6: ANOMALIES IN PROCUREMENT AND PAYMENTS

Cheque Date	Cheque Number/ EFT	Particulars	VIP Amount (\$)	Remarks
18/09/18	10937	Being payment made for the installation of Canopy for 4WD HILUX for safekeeping of luggage and materials.	4,461.00	Only 2 quotes were obtained.
30/01/19	11772	Being payment made for the purchase of TCL 40" Commercial FHD LED (TV) and TV Bracket.	888.00	Expenses for the purchase of TV was incorrectly posted to SEG 4 Printing and Stationery allocation instead of SEG 5 Technical Supplies vote.
18/06/19	12703	Being payment made for the purchase of HP toners requested by Corporate Service for the printing of important documents.	3,310.99	Expenses of amount \$1,669.72 related to SEG 4 Stationery and Printing allocation was incorrectly posted to SEG 5 Office Books, Periodicals and Publications allocation.
27/05/19	12511	Being payment of fuel charges for the month of December 2018.	10,281.83	Expenses related to SEG 4 Fuel expenses allocation was incorrectly posted to SEG 7 Fiji Volunteer Scheme (R) allocation of amount \$488.21 and SEG 7 Attachment Allowance allocation of amount \$231.52.
18/09/18	41246	Being payment made for one way speed boat travels for attending Roadshow to the Eastern Division from 19-21/09/18.	1,500.00	Invoice was not attached to the PV.
12/11/18	11330	Being payment of catering costs for afternoon tea for executive management, staff and district reps (160 persons) on 12/11/18	2,400.00	VAT was not charged for the catering services rather whole amount was charged to Subsistence allocation. Requisition form was not approved by PS for Employment. Only 2 quotes were attached to the payment voucher.
11/10/18	41309	Payment of 1st Quarter GSS Apprenticeship Training Scheme.	50,000.00	4th Quarter Apprentice Training Scheme acquittal is not provided for audit verification.

Cheque Date	Cheque Number/ EFT	Particulars	VIP Amount (\$)	Remarks
12/10/18	11151	Payments made for the purchase of blinds for level 4.	15,285.75	Competitive quotes obtained were from vendors who did not sell Venetian blinds. Invoice is not stamped paid.
12/10/18	11153	Payments made for the printing of files for OHS Unit.	14,311.26	Invoice is not stamped paid.
28/08/18	10833	Payment made for the advertorial for the radio mention for road show.	20,109.60	VIP price is incorrectly recorded under SEG instead of VEP price. VEP price of \$18,449.17 should be recorded under SEG 5. Overstatement in expenditure amounting to \$1,660.43 is noted.
24/12/18	41472	Payments made for the purchase of uniform for customer service front line team.	5,744.05	Only 2 competitive quotes were taken, third vendor did not reply to email request for quotes, no other vendor were contacted for quotes.
28/04/19	41651	Payment for the Work attachment for NMW Enumerators Pay.	21,462.66	No approval from PS was made for the payment. The contracts are with NEC and not maintained by Employment.
07/05/19	41660	Payment for NMW Enumerators allowance payments.	15,336.25	No approval from PS was made for the payment. The contracts are with NEC and not maintained by Employment.
07/06/19	12678	Payments made for the Radio announcement for NMW.	11,290.49	Supporting documents are not stamped paid.
15/05/19	41665	Payment for NMW volunteers pay 3.	15,336.25	No approval from PS was made for the payment. The contracts are with NEC and not maintained by Employment.
15/11/18	11349	Payment made for the advertorial for the roadshow.	9,722.86	PV incorrectly posted to the attachment allowance GL in SEG 7
03/01/19	JV No. 072087	To journalize established staff salary for NEC to Pay 16/18 - 4/19.	141,860.80	Amount incorrectly posted to foreign employment service GL in SEG 7
01/08/19	JV No. 072692	Being transfer of the salary from SEG 1 to SEG 7 for NEC Project Established Staff for the period	106,278.81	Amount incorrectly posted to foreign employment service GL in SEG 7

Cheque Date	Cheque Number/ EFT	Particulars	VIP Amount (\$)	Remarks
		26/02/2019 to 29/07/2019 (Pay 5/19 to Pay 15/19).		
07/06/19	41685	Being payment for the FVS and NEC Allowances for Pay 23 (23/5/2019 - 29/5/2019).	22,451.88	Amount incorrectly posted to foreign employment service GL in SEG 7
12/12/18	41449	Payment made for the extra extension work for level 6 conference room.	16,055.05	Amount incorrect posted to foreign employment service GL in SEG 7
26/09/18	11079	Payment made for the advertorial for Minister's roadshow.	12,153.58	Amount incorrect posted to foreign employment service GL in SEG 7

Section 8 Ministry of Foreign Affairs

Roles and Responsibilities

The Ministry of Foreign Affairs promotes Fijian interests in other nations and on the world stage. This includes a broad range of activities from providing consular services to Fijians living overseas to organizing high-level visits to Fiji.

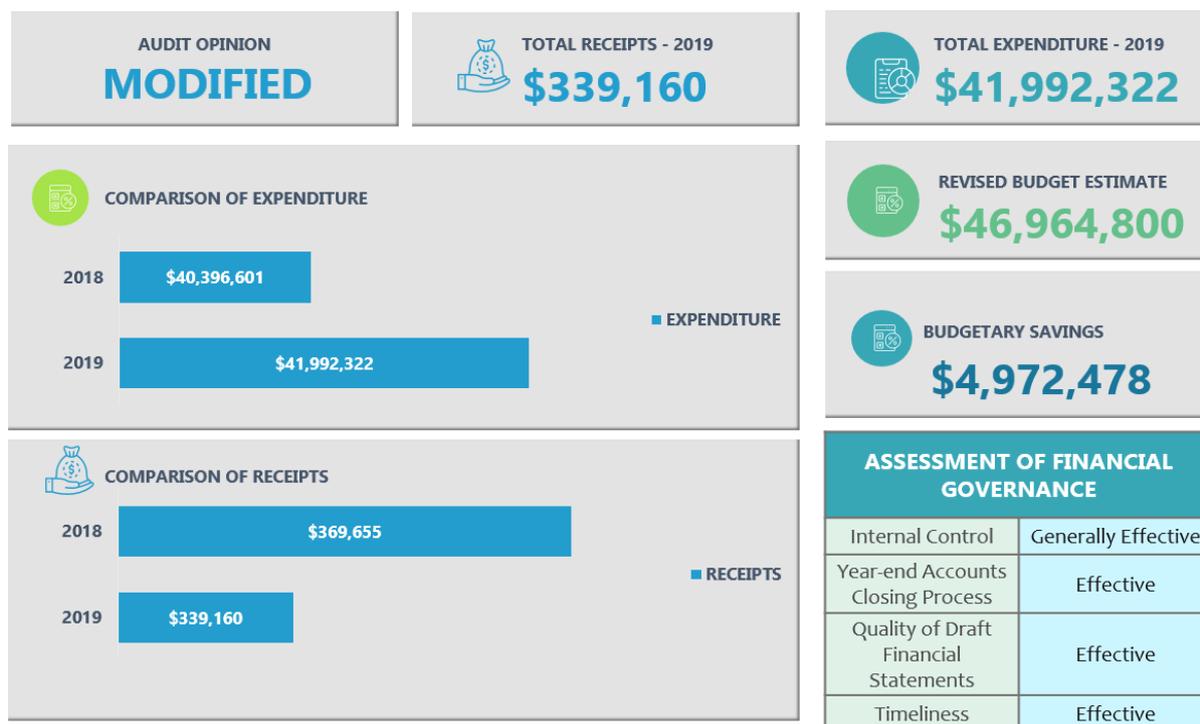
The Ministry develops and carries out Fiji's foreign policy and manages Fiji's relationships with other nations and with multi-national and sub-regional organisations like the United Nations and the Melanesian Spearhead Group. The Ministry is focused on securing the maximum benefits for Fiji from these relationships.

The Ministry maintains diplomatic relations with as many countries as possible and in co-ordination with the line ministries focuses on promoting and advancement of Fijian interests in the areas of tourism, employment opportunities, and investment and trade.

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PART A: FINANCIAL STATEMENTS



8.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Foreign Affairs resulted in a modified audit report.

The qualification was due to the unreconciled variance of \$3,587,846 which exists between the FMIS general ledger balance of \$7,382,725 and the accumulated Overseas Mission's bank reconciliation balance of \$3,794,879. As a result, the accuracy of the total expenditure and total revenue amounting \$41,992,322 and \$339,160 respectively reflected in the Statement of Receipts and Expenditure for the year ended 31 July 2019 cannot be ascertained.

The Ministry, in its effort to resolve the above variance has developed a new posting method in 2017 where each bank account is transacted to a corresponding general ledger account from 2017 onwards. The Ministry intends to work closely with Ministry of Economy to rectify and adjust the unreconciled variance before the end of the 2021 financial year.

Furthermore, attention was drawn to the following matters:

- Internal controls over procurement of goods and services were generally found to be weak. This is in respect to Local Purchase Orders not raised; competitive quotes not obtained; supporting documents not attached to payment vouchers to substantiate the payment made; invoices not attached to payment vouchers; and invoices received before the purchase was authorized. These internal control weaknesses, if not addressed promptly, may result in material misstatement and possible financial losses in the future.

- The Fiji Public Service (Diplomatic and Consular Services) Regulations 2005 is yet to be reviewed and aligned to the recent changes in legislation, regulations and international best practices concerning diplomatic and consular services.

8.2 Appropriation Statement

The Ministry incurred expenditure totalling \$41.9 million in 2019 against a revised budget of \$46.9 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$4.9 million or 10%.

The budget savings were largely due to the following:

- Savings of \$673,586 or 15% under Government Wage Earners was attributed to savings from Missions locally engaged staffs' superannuation fund as only three locally engaged staffs' superannuation contributions were paid from this allocation during the year. Also, the retirement benefit budget for Missions locally engaged staffs was not utilised as there were no claim of retirement benefits made from locally engaged staffs.
- Savings of \$1,291,470 or 99% under the Capital Construction was attributed to the non-implementation of the planned refurbishment work for Wellington Mission budgeted for \$1 m and Overseas Missions with a budget of \$300,000. The projects were managed by the Construction Implementation Unit (CIU) of the Ministry of Economy. For Wellington Mission, there were technicalities to be resolved with the host country authorities given that the Fiji properties in Wellington are heritage sites and any refurbishment work need to strictly comply with relevant heritage regulations. For Overseas Missions, there were issues with contractual agreement with Project Management Company due to differences on the scoping work, costing and the construction by-laws from the Municipal authorities. Also, there were difficulties faced in obtaining relevant documentations to warrant the utilization of funds for refurbishment works, hence the non-implementation of Overseas Missions refurbishments.
- Savings of \$299,896 or 93% under the Capital Purchase was attributed to delay in the finalization and approval of purchase of office equipment for Overseas Missions and the Document Management System. For the purchase of office equipment, delay was due to the non-submission of tender documentations from Missions within the stipulated period. For the Document Management System, the project was awaiting ITC processes in finalizing the calling of tenders for the required system. However, the procurement could not be processed as there were no confirmation made from ITC hence funding was not utilized.

Details of expenditure against the revised budget are provided in Table 8.1.

Table 8.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	16,705,230	(683,467)	16,021,763	14,680,296	1,341,467
2	Government Wage Earners	4,260,072	166,057	4,426,129	3,752,543	673,586
3	Travel & Communication	3,192,301	665,231	3,857,532	3,851,458	6,074

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
4	Maintenance & Operations	11,373,791	138,267	11,512,058	11,485,449	26,609
5	Purchase of Goods & Services	1,505,643	(27,608)	1,478,035	1,472,189	5,846
6	Operating Grants & Transfers	5,239,206	(303,873)	4,935,333	4,931,319	4,014
7	Special Expenditure	1,364,411	32,393	1,396,804	1,394,199	2,605
	Total Operating Expenditure	43,640,654	(13,000)	43,627,654	41,567,453	2,060,201
8	Capital Construction	1,300,000	-	1,300,000	8,530	1,291,470
9	Capital Purchase	310,000	13,000	323,000	23,104	299,896
	Total Capital Expenditure	1,610,000	13,000	1,623,000	31,634	1,591,366
13	Value Added Tax	1,714,146	-	1,714,146	393,235	1,320,911
	TOTAL	46,964,800	-	46,964,800	41,992,322	4,972,478

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

8.3 Unreconciled Variance in Overseas Mission Bank Reconciliation

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.¹ Unreconciled items must be investigated and resolved promptly.²

The Principal Accounts Officer must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.³

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

Audit verification of the Ministry's overseas missions' bank accounts revealed an un-reconciled variance of \$3,587,846 between the FMIS general ledger balance \$7,382,725 and the bank reconciliation of \$3,794,879.

The Fiji Consulate General Sydney was closed and transferred to the Ministry of Industry, Trade & Tourism during the month of April in 2016. However, balance of \$919,009 is still appearing under the Ministry's head in the FMIS general ledger.

Refer to *Appendix 8.1* for details.

Root Cause/Implication

The findings indicate the lack of supervisory checks in postings made in the FMIS general ledger and timely regularisation of the accumulated variance from past years.

¹ Finance Instruction 2010, Section 32 (6)

² Finance Instructions 2010, Section 58 (3)

³ Ministry of Foreign Affairs Finance Manual 2013, Section 5.3.10

As a result, we could not ascertain the accuracy of the the total expenditure and total revenue amounting \$41,992,322 and \$339,160, respectively reflected in the Statement of Receipts and Expenditure

Recommendations

The Ministry should:

- **liaise with Ministry of Economy to rectify the above variance in bank reconciliations;**
- **ensure that overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and foreign exchange gains or losses are adjusted immediately; and**
- **ensure that the balance of accounts at Fiji Consulate General Sydney are transferred to Ministry of Industry, Trade & Tourism in consultation with Ministry of Economy.**

Agreed Management Action

The variances identified in the Mission's Bank account reconciliations with General Ledger (GL) have been recurring over the prior years. Unfortunately, not much effort has been undertaken to resolve the matter.

It is noted that through this system the Missions with more than one Bank Account are reconciled against one GL account. In such instances, it is obvious that it will be difficult to reconcile these accounts.

The Ministry has now introduced a new format of recording in the GL system with changes also made to reconciliation prepared locally. The new format individually reflects transactions in the system and aligning balances with Bank account.

The Ministry feels that it would be appropriate that even though the new format of posting has been implemented, the unreconciled variances accumulated in the past still needs to be rectified.

In this regard, the Ministry is consulting Ministry of Economy on the way forward of removing these variances and starting afresh. Although the new format of postings is currently addressing the issue, it is important to note that the accumulated variances from the past will remain. The Ministry will be making a new submission to MOE for SAG 51 and SLG 86, where we will propose to move the variance to Equity – SLG 91, the reason being it cannot go decades to resolve the variance. Ministry is hoping that by closure of 2021 FY, the variance is resolved.

In our consultations with MOE, we are proposing the removal of left over funds of the Consulate General Sydney account from the Ministry's GL account as the account now falls under the Ministry of Industry and Trade accounts.

Officer Responsible

Director Finance and Senior Accounts Officer – HQ & Missions

8.4 Anomalies in Domestic Allowance

According to Section 55 of Fiji Public Service (Diplomatic and Consular Services) Regulations 2005, domestic help allowance is payable only to Heads of Missions to assist Heads of Mission “employ” a domestic help or maid to assist his or her spouse in carrying out daily chores.

We noted that the Ministry pays Head of Missions domestic allowance of FJD\$8,000 as part of post allowance. However, we were unable to determine the basis upon which the Ministry had arrived at the current rate for domestic allowances.

Although the Head of Missions have been paid domestic allowances, there was no evidence to indicate that domestic help or maid were engaged by the respective Head of Missions.

Refer to *Table 8.2* for details.

Table 8.2: Domestic allowance paid without evidence of domestic maid engaged

EDP Number	Post	Amount FJ(\$)
60866	Canberra High Commissioner	8,000
93127	Beijing High Commissioner	8,000
48207	Seoul High Commissioner	8,612
95219	Abu Dhabi High Commissioner	8,000
96701	PRUN New York High Commissioner	8,000
47298	Tokyo High Commissioner	8,000
94759	Brussels High Commissioner	8,000
46326	London High Commissioner	8,000
46933	Geneva High Commissioner	8,000
94841	New Delhi High Commissioner	8,000
9441	Jakarta High Commissioner	8,000

Root Cause/Implication

The Fiji Public Service (Diplomatic and Consular Services) Regulations 2005 is vague and does not clearly highlight the responsibilities of the Ministry and Heads of Missions in the engagement of a domestic help or maid.

Recommendations

The Ministry should:

- review and update the Fiji Public Service (Diplomatic and Consular Services) Regulations 2005; and
- seek appropriate legal advice from the Office of the Solicitor General to provide clarity on payment of the domestic allowance to Head of Missions.

Agreed Management Action

The FOSR states under Section 55 (2) that the Domestic help allowance is payable only to HOMs to assist them in employing a domestic help/maid

The reality on the ground is that:

- employing a maid on a formal basis will mean HOMs paying far more than the F\$8,000 annual Domestic allowance and goes through tedious process;

- maids are normally engaged by the HOMs on his/her own informal/personal arrangement – without employment contracts;
- some HOMs engage their relatives coming over from Fiji to work as their maid again with no formal employment contracts.

So the rationale behind paying domestic allowance as part of their fortnightly post allowance is to again assist HOMs in engaging a maid/domestic assistant as per the FOSR. It is also for administrative purpose in terms of paying the annual F\$8,000 entitlement throughout the 26 pays rather than paying it as and when request received from HOMs.

There is no provision in the FOSR that requires HOM to provide evidence of employment of maid in order to access the F\$8,000 domestic allowance that they are entitled to.

In terms of the review of the FOSR 2005, the Ministry agreed on the need for the regulations to be reviewed because some of the provisions of Public Service Regulations are outdated and the Ministry is finding difficulty in complying with it, hence impinges lot of queries. The last review was carried out in 2018/2019 calendar year and the committee headed by Ambassador in Tokyo. The document was submitted to SG's office for vetting and that was the last update we heard about that document.

Officer Responsible

Director Finance

8.5 Significant Savings for the Ministry's Capital Expenditure

The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency.⁴

Efficiency relates to the productivity of the resources used to conduct an activity in order to achieve the maximum value from the resources used.⁵

We noted that \$1,291,470 or 99% of the Capital Construction (SEG 8) budget and \$299,896 or 93% of the Capital Purchase (SEG9) budget for the 2018/2019 financial year were not utilised by the Ministry.

Refer to Appendix 8.2 for details.

Root Cause/Implication

The anomaly indicates the ineffective planning and management reviews done to ensure that the allocated funds are effectively utilised as appropriated.

Non-utilization of capital budget is deemed as lost opportunity where economic benefits are not realized from funds provided in the budget.

⁴ Financial Management Act 2004 – Section 28.1 (a)

⁵ Guide to the Procurement Policy Framework 2010 – Section 3.3.1

Recommendations

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

Agreed Management Action

SEG 8

Total Capital Construction allocation for 2018/19 is \$1.3m which is made up of \$1m for the Upgrading of Wellington Mission and \$0.3m for Refurbishment of Overseas Missions.

The implementation of both project is managed by the Construction Implementation Unit (CIU) of the Ministry of Economy. The delay in implementation is due to the following factors:

- a) Technicalities to be resolved given that the Fiji properties in Wellington are heritage sites and any refurbishment work need to strictly comply with relevant heritage regulations;
- b) Issues with contractual agreement with Project Management Company due to differences on the scoping work, costings and the construction by-laws from the Municipal authorities;
- c) Difficulties in obtaining relevant documentations to warrant the utilization of funds for refurbishment works;

SEG 9

Total Capital Purchase allocation for 2018/19 is \$310,000, made up of \$160,000 for Document Management System (DMS) and \$150,000 for Purchase of Office Furniture and Equipment

For the DMS project, the Ministry was awaiting ITC processes in finalizing the calling of tenders for the required system. However, the actual procurement could not be processed as there was no confirmation made from ITC, hence, funding was not utilized.

As for the purchase of Office Furniture and Equipment, the non-submission of relevant documentations and other mandatory requirements to facilitate the purchase was the key reason for low utilization of the allocation.

Officer Responsible

Senior Administrative Officer – (AMU)

8.6 Anomalies in Post Allowance

The location allowance, representation allowance and representation supplement allowance is to be disbursed at the rate for married officers as highlighted under regulations 51 (1).⁶ Subject to these regulations, a married officer is entitled to location and representations allowances only for period during which his or her spouse is residing with him or her overseas.⁷

Child allowance is to be disbursed only for the period during which a dependent child is in resident with the Head of Mission or officer in an overseas mission.⁸

⁶ Fiji Public Service (Diplomatic and Consular Services) Regulations 2005, Regulation 50 (3)

⁷ Fiji Public Service (Diplomatic and Consular Services) Regulations 2005, Regulation 51 (1)

⁸ Fiji Public Service (Diplomatic and Consular Services) Regulations 2005, Regulation 50 (3)

Representation allowance is to cover direct and necessary expenditures on official entertainment. Officers other than the Head of Mission must account for two third of their representative allowance.⁹

Audit review of Missions post allowance noted the following:

- Diplomats engaged in Foreign Missions were being paid location, representational supplement, and representation allowance at married rates although copies of marriage certificates for Diplomats were not maintained in their personal files;
- Similarly, although diplomats were being paid child allowance, copies of children's birth certificates were not maintained in their personal files;
- Officers other than the Head of Missions were paid full representational allowance contrary to 1/3rd stipulated under section 49 of the Public Service (Diplomatic and Consular Services) Regulations 2005;
- Allowances were incorrectly calculated based on other position rates rather than Officers substantive position which resulted in overpayment of post allowance totalling \$6,096.28.

Refer to *Appendix 8.3* for details.

Root Cause/Implication

The anomaly indicates that the Ministry did not perform due diligence by ensuring that relevant supporting documents are obtained to confirm the accuracy of allowances paid and that the diplomats are only paid the post allowances they are rightfully entitled to under the FOSR.

It also denotes ineffective records management practice as copies of critical records were not kept in their personal files.

The risk of unauthorised and ineligible payments of post allowance is rated highly. Also, the overpayment of post allowances, if not recovered on a timely manner, could result in the loss of public funds.

Recommendations

The Ministry should ensure that:

- **All relevant supporting documents for post allowance payments are filed in diplomats personal files and are properly verified prior to calculation of postal allowance at married rate and qualification of child allowance; and**
- **Overpayment of allowance are recovered via salary deductions from respective diplomats.**

Agreed Management Action

The Fiji Overseas Service Regulations (FOSR) which governs entitlements for diplomats serving in diplomatic Missions including Post Allowance is silent on the need for newly appointed diplomats to provide documentations such as marriage and children birth certificates prior to their diplomatic postings.

However, from 2019, the Ministry has enforced the need to include marriage and children's birth certificates as a requirement for newly appointed diplomats. This is to be provided to HQ prior to their departure to the Mission.

⁹ Fiji Public Service (Diplomatic and Consular Services) Regulations 2005, Regulation 49
Ministry of Foreign Affairs

The intent is firstly to substantiate Diplomat's claim for the number of children they have and their marital status. It is also used for record-keeping purpose in terms of diplomats Personal Files. All these documents is kept in HQ and copies are also sent to the Mission.

Officer Responsible

Director Corporate Services, Principal Administrative Officer, Senior Accounts Officer Missions.

8.7 Anomalies in Procurement of Goods and Services

All payments must be processed through payment vouchers prepared by the *Clerical Officer Payments/Ledgers*. Separate vouchers are to be used for separate payees and for the payment of different services.¹⁰

The Clerical Officer Payments/Ledgers preparing a payment voucher must ensure that all information required under Finance Instruction 14-(1) has been included on the payment voucher or attached to it, before passing it to the SAO for certification.¹¹

Audit review of the Ministry's expenditures during the financial year indicated instances where:

- Local Purchase Orders (LPOs) were not raised;
- Competitive quotes were not obtained;
- Supporting documents were not attached to the payment voucher to substantiate the payment made;
- Invoices were not attached to payment vouchers; and
- Invoices were received before purchases were authorized.

Refer to *Appendix 8.4* for details.

Root Cause/Implication

The findings indicate lack of adequate supervision and non-compliance with the Finance Manual (2013).

Without purchase orders, the procurement of these goods and services are deemed as unauthorised.

Processing payments without supporting documents increases the risk of improper payments such as duplicate payments and miscalculations and payments for works/services not rendered.

The Ministry would not receive value for money based on fair competitions and ethical dealings if it continues not to procure from the most economical supplier.

The risk of unauthorised and fraudulent payments is rated highly. This could be catalyst to abuse, misappropriation which could result in wastage of taxpayer's funds.

¹⁰ Ministry of Foreign Affairs Finance Manual 2013, Section 2.9.3

¹¹ Ministry of Foreign Affairs Finance Manual 2013, Section 2.9.4

Recommendations

The Ministry should ensure that:

- the Ministry complies with its Finance Manual, procurement procedures and instructions at all times;
- Local Purchase Orders are issued where applicable;
- payments are authorised if they are substantiated with adequate supporting documents;
- competitive quotes are obtained for all procurements valued at \$50,000 or less; and
- appropriate disciplinary action is taken against officers that continue to breach financial regulations.

Agreed Management Action

Quotations not obtained

Audit comment is noted, however we wish to highlight that the said company was the only company that could accommodate the request given its urgency.

Purchase Orders not raised

The anomalies highlighted is due to either of the following reasons:

- i). the vendors directly issuing proforma invoices, LPO is not issued, thus direct payment is made to the vendor;
- ii). the vendor do not accept LPO; and
- iii). if there are late payment on previous charges.

Documentations not attached

The anomalies highlighted is noted and the Ministry is committed to improving its filing system to ensure all relevant documentations are properly filed for references.

Invoices not attached

The anomalies highlighted is noted, the Ministry has gone through the PV's concerned, we have agreed with the audit findings. Moving forward, the Ministry has developed checklists for procuring of goods and services which covers supporting documentations that needs to be provided before approval is made for processing of payments.

Invoices received before Minute requisition authorised

The anomalies is noted, however the standard operating process for procuring of goods and services is firstly obtaining the actual amount to be paid to vendor with proper documentation through the issuance of invoices before approval is sought for procuring at the actual costs.

Officer Responsible

Director Finance and Senior Accounts Officer – HQ & Foreign Missions.

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

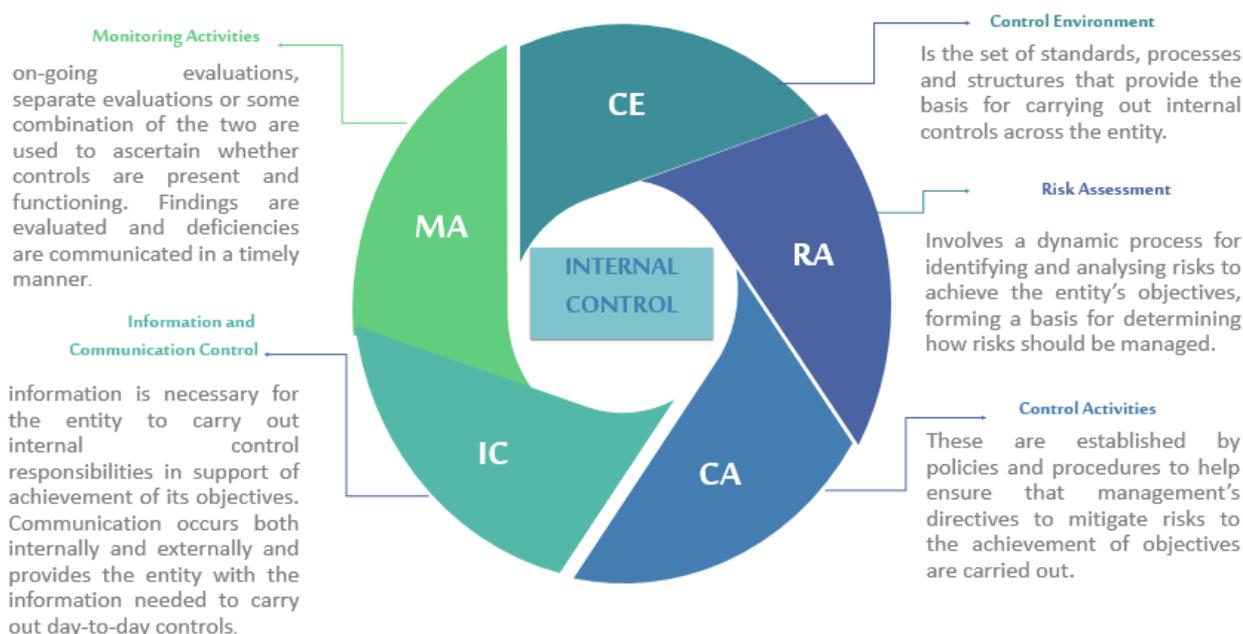
8.8 Internal Controls

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

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

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

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



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

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀	☠	☀	☘	☀

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

8.9 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji. Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓		

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

Rating	Year-end close process assessment
● Effective	All 9 key processes completed within two weeks of due date.

8.10 Quality of Draft Financial Statements by entities

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

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

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

8.11 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
● Ineffective	Acceptable draft financial statements received after 31 October 2019.

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

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

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
• Effective	After 14 days from issue of Draft Management Letter

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

APPENDIX 8.1: VARIANCE IN BANK RECONCILIATION AND FMIS GENERAL LEDGER FOR OVERSEAS CASH

Missions	FMIS Balance as at 31/07/19 FJ(\$)	Bank Reconciliation Balance as at 31/07/19 FJ(\$)	Variance FJ(\$)
Fiji Consulate General Sydney	919,009	-	919,009
Canberra Cash Account	156,307	89,551	66,756
London Cash Account	658,875	104,445	554,430
Tokyo Cash Account	346,665	285,453	61,212
Wellington Cash Account	695,524	503,234	192,290
Beijing USD Cash Account	430,825	238,381	192,444
Brussels Cash Account	274,355	202,672	71,683
New York Cash Account	387,495	280,344	107,151
Washington Cash Account	422,031	183,710	238,321
Geneva Cash Account	352,662	334,755	17,907
Addis Ababa Cash Account	425,230	-	425,230
Abu Dhabi Cash Account	706,668	184,950	521,718
Seoul Cash Account	578,690	445,747	132,943
Kuala Lumpur Cash Account	336,545	241,643	94,902
PNG Cash Account	275,674	240,008	35,666
New Delhi USD AC	132,842	148,288	(15,446)
Jakarta USD Cash Account	328,849	194,872	133,977
Brazil USD Cash Account	(114,600)	-	(114,600)
New Delhi Rupee AC	1,430	16,251	(14,821)
New Delhi Rental Account	67,649	100,575	(32,926)
Overseas Bank Balances	7,382,725	3,794,879	3,587,846

APPENDIX 8.2: SIGNIFICANT SAVINGS IN CAPITAL PROJECTS**SEG 8 – Capital Construction: Budget vs. Actuals**

Capital Project	Revised Budget (\$)	Actuals (\$)	Savings (\$)	Savings %	Remarks
Upgrade of Wellington Mission	1,000,000	8,530	991,470	99%	The funding was for the upgrading of Fiji Government properties in Wellington. The project is managed by Construction Implementation Unit (CIU) of the Ministry of Economy. There were some technicalities to be resolved with host country authorities before the project can commence, hence, the delay in implementation.
Refurbishment Overseas Mission	300,000	-	300,000	100%	The funding was for the upgrading of Fiji Overseas Missions. The project is managed by Construction Implementation Unit (CIU) of the Ministry of Economy. There were some technicalities to be resolved with host country authorities before the project can commence, hence, the delay in implementation.
TOTAL	1,300,000	8,530	1,291,470	99%	

SEG 9 – Capital Purchase: Budget vs. Actuals

Capital Project	Revised Budget (\$)	Actuals (\$)	Savings (\$)	Savings %	Remarks
Purchase of Office Equipment	163,000	23,104	139,896	86%	Due to the non-submission of documentations from Missions within the stipulated period with regards to the purchase of office equipment for the Missions, the Ministry could not fully utilise budgetary provision for the year.
Document Management System	160,000	-	160,000	100%	This project was awaiting ITC processes in finalizing the calling of tenders for the required system. However, the procurement could not be processed as there were no confirmation made from ITC hence funding was not utilized.

Capital Project	Revised Budget (\$)	Actuals (\$)	Savings (\$)	Savings %	Remarks
TOTAL	323,000	23,104	299,896	93%	

APPENDIX 8.3: DETAILS OF ANOMALIES IN POST ALLOWANCE**Overseas Missions: Marriage Certificate and children's Birth Certificates not provided**

Mission	EDP #	Post	Type of Allowances Received	Marriage Certificate	Birth Certificate
Canberra	60866	High Commissioner	Post allowance at married rate and child allowance	Not Provided	Not Provided (3 Children)
	92468	First Secretary	Post allowance at married rate and child allowance	Not Provided	N/A
	95460	Second Secretary	Post allowance at married rate and child allowance	Not Provided	Not Provided (3 Children)
Beijing	93127	High Commissioner	Post allowance at married rate and child allowance	Not Provided	Not Provided (2 Children)
	62860	Counsellor	Post allowance at married rate and child allowance	Not Provided	Not Provided (3 Children)
		First Secretary	Post allowance at married rate and child allowance	Not Provided	Not Provided (4 Children)
	93763	Second Secretary	Post allowance at married rate and child allowance	Not Provided	Not Provided (3 Children)
Wellington	91994	High Commissioner	Post allowance at married rate and child allowance	Not Provided	Not Provided (1 Child)
Seoul	48207	High Commissioner	Post allowance at married rate and child allowance	Not Provided	N/A
Abu Dhabi	95219	High Commissioner	Post allowance at married rate and child allowance	Not Provided	Not Provided (1 Child)
	95186	Second Secretary	Post allowance at married rate and child allowance	Not Provided	Not Provided (2 Children)
PRUN New York	96701	High Commissioner	Post allowance at married rate and child allowance	Not Provided	N/A
	59127	First Secretary	Post allowance at married rate and child allowance	Not Provided	N/A
Tokyo	47298	High Commissioner	Post allowance at married rate and child allowance	Not Provided	N/A
	91071	First Secretary	Post allowance at married rate and child allowance	Not Provided	Not Provided (2 Children)
Brussels	94759	High Commissioner	Post allowance at married rate and child allowance	N/A	N/A
		Counsellor	Post allowance at married rate and child allowance	Not Provided	N/A
Geneva	46933	High Commissioner	Post allowance at married rate and child allowance	Not Provided	N/A
	81776	First Secretary	Post allowance at married rate and child allowance	Not Provided	Not Provided (3 Children)
	92806	Second Secretary	Post allowance at married rate and child allowance	Not Provided	N/A
New Delhi	94841	High Commissioner	Post allowance at married rate and child allowance	Not Provided	Not Provided
	60497	Counsellor	Post allowance at married rate and child allowance	Not Provided	Not Provided (2 Children)
	94491	First Secretary	Post allowance at married rate and child allowance	Not Provided	N/A
Jakarta	96971	Counsellor	Post allowance at married rate and child allowance	Not Provided	N/A
	56130	First Secretary	Post allowance at married rate and child allowance	Not Provided	N/A

Mission	EDP #	Post	Type of Allowances Received	Marriage Certificate	Birth Certificate
	62592	Second Secretary	Post allowance at married rate and child allowance	Not Provided	N/A

Overseas Missions: Anomalies in payment of post allowance resulting in overpayments

Mission	EDP #	Post	Pay No.	(Underpayment) /Overpayment FJ(\$)	Audit Comment
Beijing	93127	High Commissioner	22/2018	(240.85)	Underpayment of FJ\$240.85 due to salary being used for computation of location allowance.
	92337	First Secretary	16/2018	390.34	Overpayment of FJ\$390.34 due to post allowance being calculated on Counsellors position. No evidence of acting appointment obtained.
			20/2018	336.54	Overpayment of FJ\$336.54 due to post allowance being calculated on Counsellors position. No evidence of acting appointment obtained.
			18/2018	386.53	Overpayment of FJ\$386.53 due to post allowance being calculated on Counsellors position. No evidence of acting appointment obtained.
			19/2018	386.53	Overpayment of FJ\$386.53 due to post allowance being calculated on Counsellors position. No evidence of acting appointment obtained.
Seoul	95255	Third Secretary	14/2019	598.25	Overpayment of acting Second Secretary allowance amounting FJ\$598.25. The reason being full representation allowance rather than 1/3 rd . used in computing the difference between substantive and acting post, hence resulting in an overpayment of acting allowance.
			15/2019	598.25	Overpayment of acting Second Secretary allowance amounting FJ\$598.25. The reason being full representation allowance rather than 1/3 rd . used in computing the difference between substantive and acting post, hence resulting in an overpayment of acting allowance.
			12/2019	1,415.43	Overpayment of acting First Secretary allowance amounting FJ\$1,415.43. The reason being full representation allowance rather than 1/3 rd . used in computing the difference b/w substantive and acting post, hence resulting in an overpayment of acting allowance.
			12/2019	1,284.77	Overpayment of acting First Secretary allowance amounting FJ\$1,284.77. The

Mission	EDP #	Post	Pay No.	(Underpayment) /Overpayment FJ(\$)	Audit Comment
					reason being full representation allowance rather than 1/3 rd . used in computing the difference b/w substantive and acting post, hence resulting in an overpayment of acting allowance.
PRUN New York	94248	Second Secretary	20/26	178.41	Overpayment of FJ\$178.41. The reason for variance is full payment of rep allowance rather than 1/3 amount as per Fiji Overseas Service Regulation 2005.
		Military Advisor - Counsellor	20/26	338.48	Overpayment of FJ\$338.48. The reason for variance is full payment of rep allowance rather than 1/3 amount as per Fiji Overseas Service Regulation 2005.
		Attaché	20/26	98.66	Overpayment of FJ\$98.66. The reason for variance is full payment of rep allowance rather than 1/3 amount as per Fiji Overseas Service Regulation 2005.
		Attaché	20/2018	177.33	Overpayment of FJ\$177.33. The reason for variance is full payment of rep allowance rather than 1/3 amount as per Fiji Overseas Service Regulation 2005.
PNG		Second Secretary	6/2019	63.99	Overpayment of FJ\$63.99. The reason for variance is 2/3 rd rather than 1/3 rd payment of representational allowance.
		First Secretary	6/2019	83.62	Overpayment of FJ\$83.62. The reason for variance is 2/3 rd rather than 1/3 rd payment of representational allowance.
TOTAL				6,096.28	

APPENDIX 8.4: ANOMALIES NOTED IN PROCUREMENT OF GOODS AND SERVICES**Headquarters: 3 Competitive Quotations not obtained**

Date	Cheque/EFT No.	Amount (\$)
18/02/19	5106	15,563.00
16/05/19	5678	14,260.00
16/05/19	5598	13,996.00
14/06/19	5770	3,032.11
07/02/19	5076	1,500.00
12/03/19	5241	16,400.00
10/04/19	5395	26,126.00

Headquarters: Purchase Orders not raised

Date	Cheque/EFT No.	Amount (\$)
24/01/19	36526	11,192.66
06/02/19	5054	6,275.53
12/02/19	5085	25,355.50
17/04/19	5437	3,119.27

Overseas Missions: Three Competitive Quotations not obtained

Mission	Allocation	Journal No.	Date	Cheque/EFT No.	Amount (\$)
Brussels	1-08201-80301-030201	80203	19/02/19	Online	18,050.01
			08/02/19	Online	2,903.55
			08/02/19	Online	2,254.65
			08/02/19	Online	2,343.86
		80095	26/11/18	Online	2,363.99
			19/11/18	Online	1,480.00
Wellington	1-08201-80701-030201	80522	11/09/18	Online	13,316.12
		80522	08/07/19	Online	3,244.55
		80093	09/11/18	Online	1,789.93
PRUN New York	1-08201-81101-030201	80360	09/11/18	Online	1,789.93
			19/02/19	Online	5,837.89
		80440	01/05/19	16792	2,778.61
			02/05/19	16793	19,037.43
			02/05/19	16794	1,948.66
Canberra	1-08201-80101-040322	80172	21/02/19	16712	20,589.49
		80499	06/02/19	16713	1,170.46
Brussels	1-08201-80301-040322	80172	31/01/19	418360	2,559.99
		80499	07/07/19	48485	7,202.88
New Delhi	1-08201-80401-040322	80117	13/12/18	Online	1,304.66
		80168	21/01/19	Online	1,015.23
New Delhi	1-08201-80401-040322	80076	17/10/18	2017	1,552.73
			08/10/18	1998	1,693.89

Mission	Allocation	Journal No.	Date	Cheque/EFT No.	Amount (\$)
		80522	17/05/19	2404	4,783.15
			08/05/19	2385	1,526.98
			25/07/19	2538	1,056.89
			25/07/19	2539	1,363.37
Indonesia	1-08201-80402-040322	80522	30/10/18	7431	4,992.36
			02/07/19	C877195	18,329.02
South Korea	1-08201-80406-040322	80526	10/09/18	180923	3,585.54
			13/09/18	180925	2,340.68
			21/09/18	180949	1,091.80
Malaysia	1-08201-80601-040322	80045	06/09/18	214071	4,883.25
		80170	18/01/19	214215	2,877.66
			23/01/19	214222	2,358.15
			23/01/19	214223	1,120.51
			24/01/19	214224	3,498.01
PNG	1-08201-80801-040322	80091	19/11/18	Online	8,274.02
		80362	09/05/19	Online	4,164.74
London	1-08201-81001-040322	80193	27/02/19	18502	3,195.17
			20/02/19	18488	6,118.58
			13/02/19	18474	5,154.46

Overseas Missions: No supporting documents attached

Mission	Allocation	Journal No.	Date	Cheque/EFT No.	Amount (\$)
Beijing	1-08201-80201-030301	80522	08/07/19	9075182	1,055.70
					1,055.70
					1,269.43
					1,347.15
					1,055.70
					993.09
					1,321.24
					949.91
		80322	25/10/19	9061335	4,565.45
			11/10/18	9075125	817.85
			08/10/18	9075123	1,531.07
Abu Dhabi	1-08201-80405-040322	80526	02/07/19	Bank Transfer	1,079.34
South Korea	1-08201-80406-040322	80088	28/11/18	181137	673.81

Headquarters: Invoices not attached

Date	Cheque/EFT No.	Amount (\$)	Audit Comments
17/05/19	5576	134.67	Invoice not attached

Date	Cheque/EFT No.	Amount (\$)	Audit Comments
26/07/19	5988	21,316.00	Invoice not attached
14/06/19	5770	3,032.11	Invoice not attached

Overseas Missions: Invoices and acquittals not attached

Mission	Journal No.	Date	Cheque /EFT No.	Amount (\$)	Audit Comments	
Brussels	80117	16/05/19	Online	910.36	Acquittals for petty cash expended not attached.	
Abu Dhabi	80526	16/07/19	734373	10,490.16	Advance cash for covering expenses during Ambassador's annual leave to be cashed by Second Secretary. Acquittals for funds expended not attached.	
Canberra	80522	13/05/19	Online	913.80	Invoice not attached.	
Brussels	80117	18/12/18	Online	1,164.53	Invoice not attached.	
		30/04/19	Online	1,021.14	Invoice not attached.	
		80168	10/01/19	Online	903.89	Invoice not attached.
Delhi	80522	17/05/19	2404	4,783.15	Invoice not attached.	
		08/05/19	2385	1,526.98	Invoice not attached.	
Indonesia	80522	12/10/18	Online	19,111.68	Invoice not attached.	
		30/10/18	7431	4,992.36	Invoice not attached.	
		02/07/19	C87719 5	18,329.02	Invoice not attached.	
Malaysia	80170	18/01/19	214215	2,877.66	Invoice not attached.	
		23/01/19	214223	1,120.51	Invoice not attached.	
PNG	80362	09/05/19	Online	4,164.74	Invoice not attached.	
London	80174	23/01/19	18439	19,013.57	Invoice not attached.	
		80193	20/02/19	18488	6,118.58	Invoice not attached.
		20/02/19	18484	6,060.94	Invoice not attached.	
		07/02/19	18466	1,098.00	Invoice not attached.	
PRUN New York	80068	8/10/18	Debit Card	4,913.65	Invoice not attached.	

Headquarters: Invoices received before purchase requisition minute authorised

Date	Cheque/EFT No.	Amount (\$)	Audit Comments
06/02/19	5054	6,275.23	Purchase requisition minute date was 04/02/19 whereas invoice date was 30/01/19.
07/06/19	36674	8,629.76	Purchase requisition minute date was 21/05/19 whereas two invoice dates were 18/03/19 and 21/12/18.
07/12/18	4805	2,201.84	Purchase requisition minute date was 07/12/18 whereas two invoice dates were 06/11/18 and 20/11/18.

Date	Cheque/EFT No.	Amount (\$)	Audit Comments
24/04/19	5449	10,113.76	Purchase requisition minute date was 17/04/19 whereas two invoice dates were 23/01/19 and 16/04/19.
03/10/18	4547	7,522.94	Purchase requisition minute date was 26/09/18 whereas invoice date was 18/09/18.
14/05/19	5555	3,000.00	Purchase requisition minute date was 01/05/19 whereas invoice date was 10/04/19.
20/09/18	4487	26,480.73	Purchase requisition minute date was 13/09/18 whereas invoice date was 04/09/18.

Head 9

Office of The Auditor General

Roles and Responsibilities

Office of the Auditor-General is an independent public office established and mandated by the Fijian constitution and is responsible for;

- The inspection, audit and report on the public accounts, property and transaction of state.
 - To perform annual audits across various state entities, ministries, departments and whole of government accounts and fiancé. Report on performance, environment and information technology risk assessment.
-

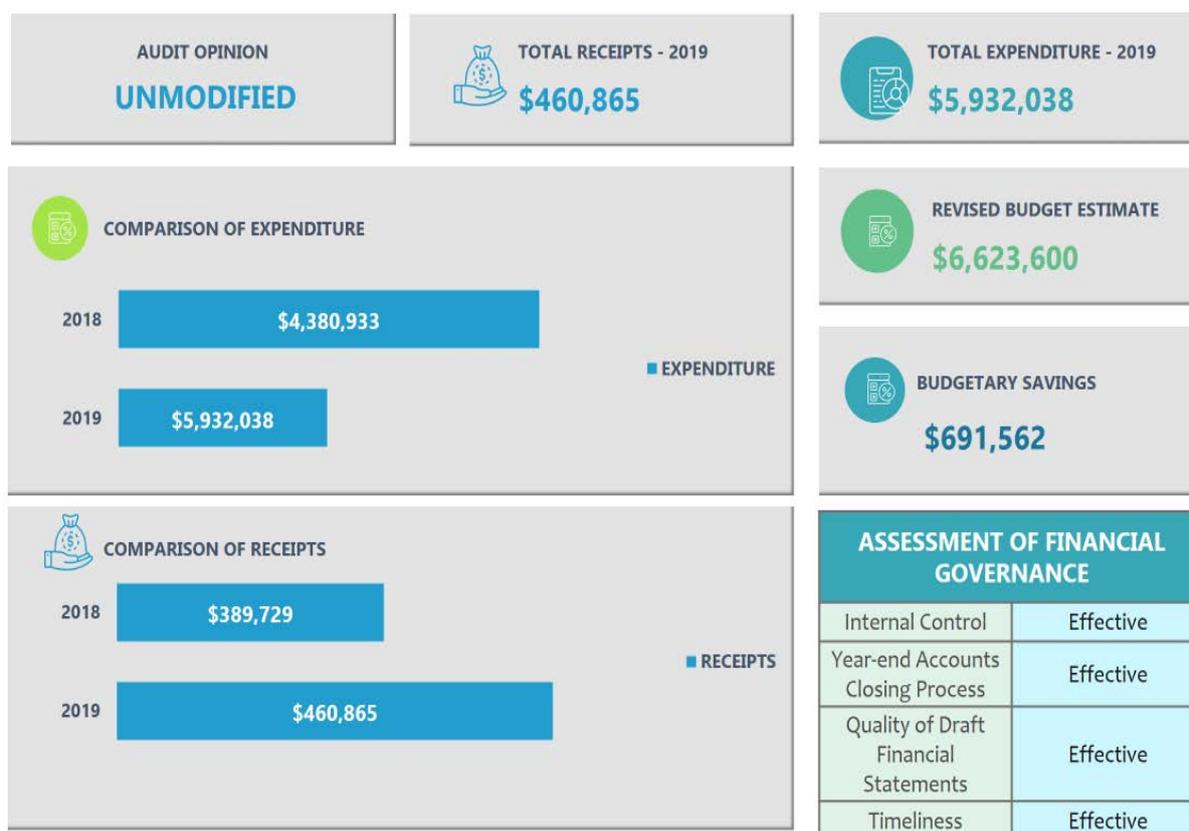
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PART A: FINANCIAL STATEMENTS

9.1 Audit Opinion

The audit of the 2019 accounts of the Office of the Auditor General was carried out by the Chartered Accounting firm, BDO resulted in an unqualified audit opinion.



9.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$460,865 and incurred a total expenditure of \$5,932,038 for the year ended 31 July 2019. Details are provided in Table 9.1.

Table 9.1: Statement of Receipts and Expenditure for 2019

Description	31 July 2019 (\$)	31 July 2018 (\$)
Revenue		
Audit Fees	446,872	388,943
Miscellaneous revenue	13,993	786
Total Revenue	460,865	389,729
Expenditure		
Established staff	4,254,644	3,348,290
Government wage earners	53,354	38,381
Travel and communications	257,510	238,778
Maintenance and operations	182,184	98,053
Purchase of goods and services	591,667	585,975

Description	31 July 2019 (\$)	31 July 2018 (\$)
Operating grants and transfer	11,750	12,775
Total Operating Expenditure	5,799,330	4,322,252
Value Added Tax	132,708	58,681
Total Expenditure	5,932,038	4,380,933

The significant variances with the comparative balances for some account areas were attributed to salary increment for all staff following Job Evaluation Review (JER), increase in staff professional development through local and international trainings and meetings, staff performance assessment bonus and staff health insurance benefit payments.

Revenue mainly comprised of audit fees and commission.

9.3 Appropriation Statement

The Office incurred expenditure totalling \$5,932,038 in 2019 against a budget of \$6,623,600 resulting in savings of \$691,562 or 10%. Major saving was in personal emolument due to some vacant positions which were filled in 2019/2020 financial year.

Details of expenditure against the revised budget are provided in Table 9.2.

Table 9.2: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,575,260	-	4,575,260	4,254,644	320,616
2	Unestablished Staff	56,510	-	56,510	53,354	3,156
3	Travel & Communication	288,000	-	288,000	257,510	30,490
4	Maintenance & Operations	199,364	-	199,364	182,184	17,180
5	Purchase of Goods & Services	760,000	-	760,000	591,667	168,333
6	Operating Grants & Transfer	15,000	-	15,000	11,750	3,250
7	Special expenditures	592,000	-	592,000	448,221	143,779
	Total Operating Expenditure	6,486,134	-	6,486,134	5,799,330	686,804
13	Value Added Tax	137,466	-	137,466	132,708	4,758
	Total Expenditure	6,623,600	-	6,623,600	5,932,038	691,562

The Office collected revenue totalling \$460,865 in 2019.

PART B ASSESSMENT OF FINANCIAL GOVERNANCE

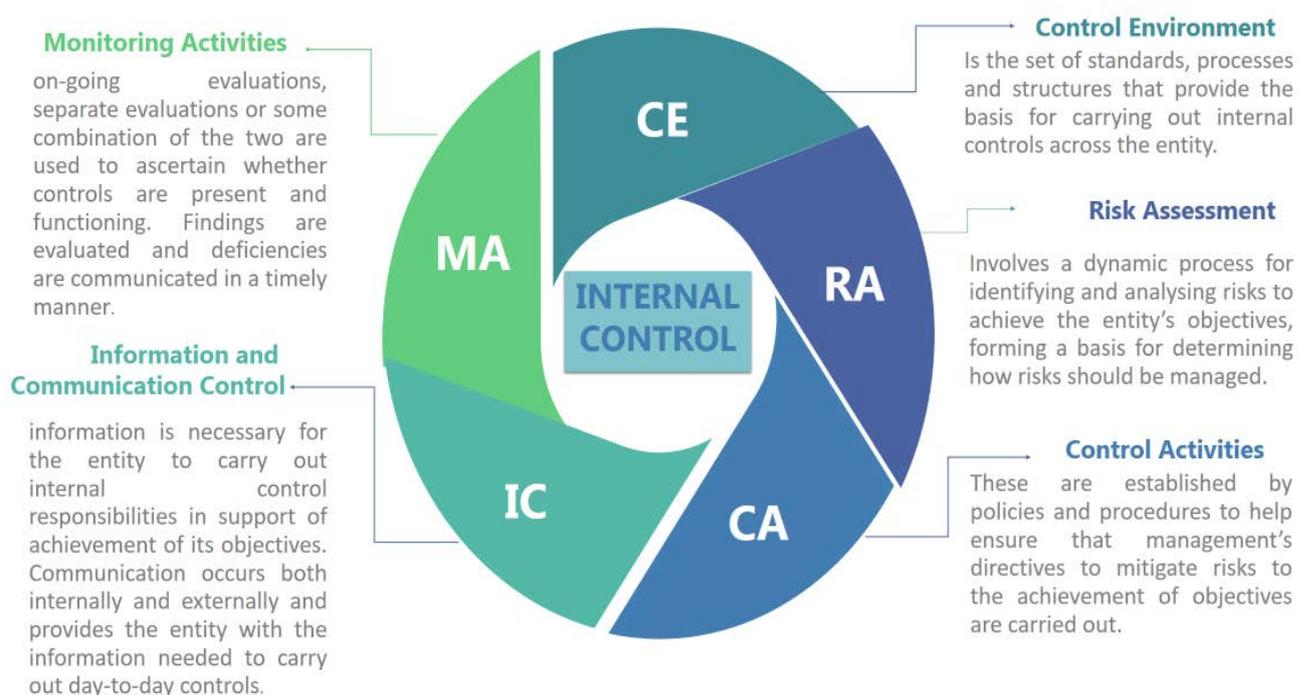
9.4 Internal Controls

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

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

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

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



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

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

In view of the above, we have assessed the internal controls of the Office of the Auditor General as:

Rating	Internal control assessment
Effective	No significant deficiencies identified in internal controls

9.5 Submission of FY 2018-2019 Draft Agency Financial Statements

On 12 June 2019, Permanent Secretary for Economy issued Circular No. 03/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2019 accounts and times were detailed.

The key focus areas in the circular were:

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	✓

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

Rating	Year-end close process assessment
Effective	All 10 key processes completed by due date

9.6 Quality of draft financial statements by entities

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

BDO assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. The assessment for the Office of Auditor General was:

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

9.7 Timeliness of draft financial statements

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

	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements submitted to Chartered Accounting firm BDO before 15 October 2019

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

To assess the timeliness of provision of management comments and signing of financial statements, BDO have compared the date the draft management letter and audited financial statements were provided to OAG and the date management comments and signed accounts were provided by OAG to the firm. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Provided to Chartered Accounting firm BDO
● Ineffective	After 14 days from issue of Draft Management Letter

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

Section 9 Office of the Director of Public Prosecutions

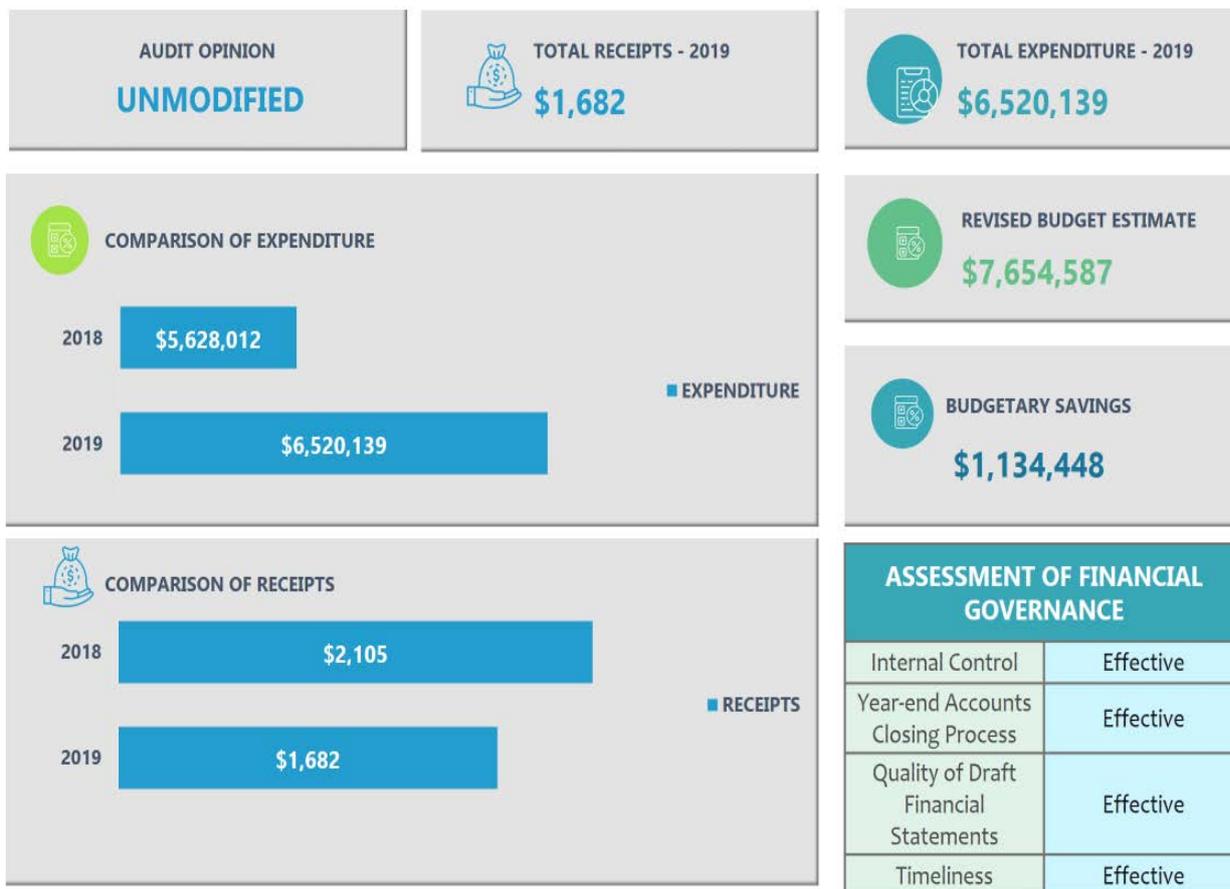
Roles and Responsibilities

The Office of the Director of Public Prosecutions is an independent office established under the Constitution to institute and conduct criminal court proceedings in Fiji.

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PART A: FINANCIAL INFORMATION



9.1 Audit Opinion

The audit of the 2019 accounts of the Office of the Director of Public Prosecutions resulted in an unmodified audit opinion.

9.2 Appropriation Statement

The Office of the Director of Public Prosecutions collected revenue totalling \$1,682 in 2019 and incurred expenditure totalling \$6.5 million against a revised budget of \$7.6 million resulting in savings of \$1.1 million or 15%.

Details of actual expenditure against the revised budget are provided in Table 9.1.

Table 9.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	---	---	---	---	---
2	Government Wage Earners	---	---	---	---	---
3	Travel & Communication	---	---	---	---	---
4	Maintenance & Operations	---	---	---	---	---
5	Purchase of Goods & Services	---	---	---	---	---
6	Operating Grants & Transfers	7,654,587	---	7,654,587	6,520,139	1,134,448
7	Special expenditure	---	---	---	---	---
	Total Operating Costs	7,654,587	---	7,654,587	6,520,139	1,134,448
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	---	---	---	---	---
	Total Capital Expenditure	---	---	---	---	---
13	Value Added Tax	---	---	---	---	---
	TOTAL	7,654,587	---	7,654,587	6,520,139	1,134,448

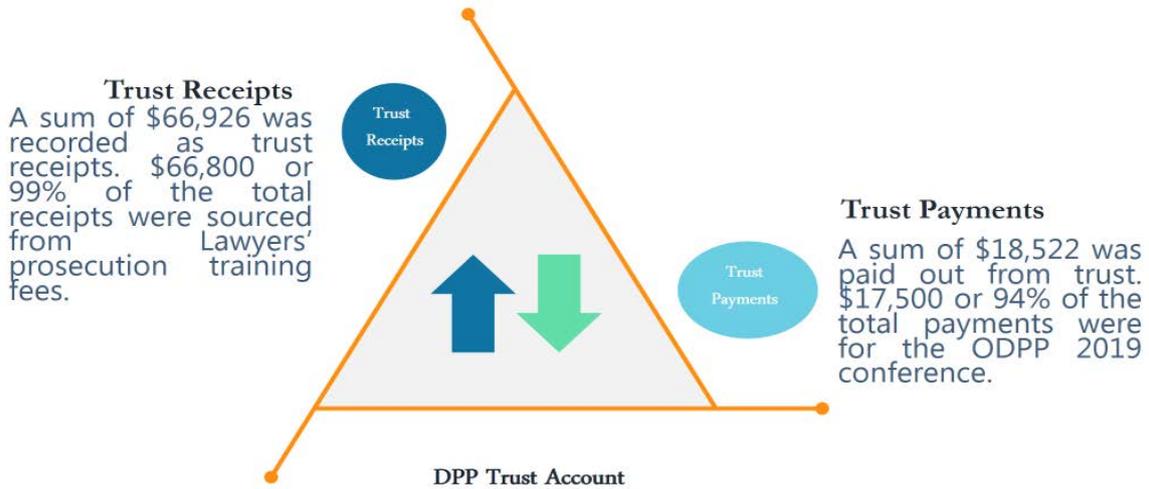
The budget savings were largely due to the vacant positions, no major repair and maintenance done for vehicles and buildings, the payment of Court witness and fees depends on date of trial as set out by the courts and the purchase of generator which was budgeted for did not eventuate as the landlord did not approve the installation.

9.3 Trust Fund Account

The Office of the Director of Public Prosecutions maintains the following two trust accounts:

1. DPP Trust Account

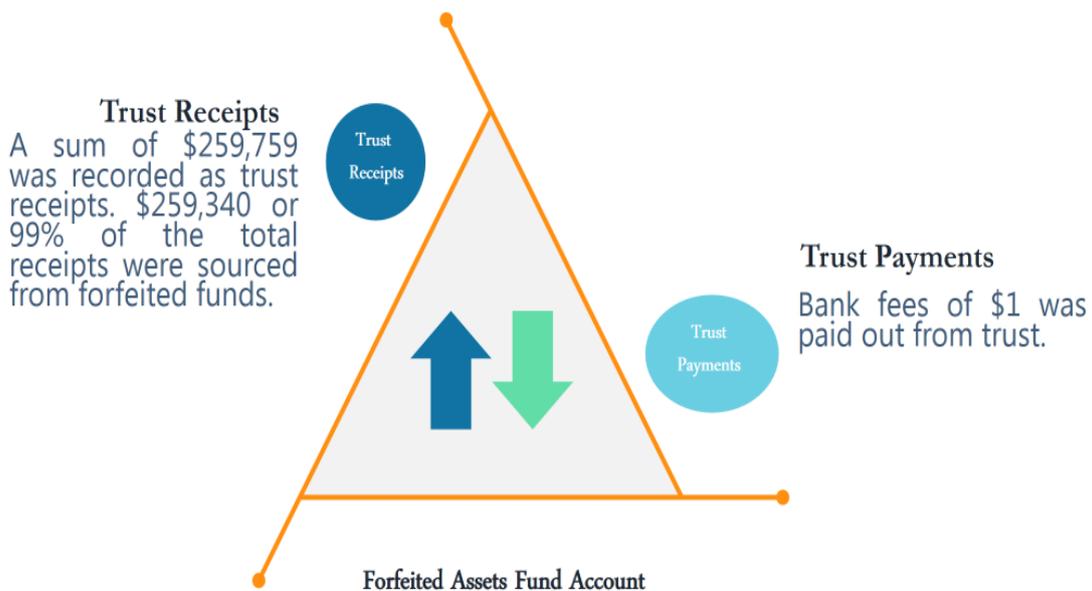
The purpose of the fund is to administer the training normally conducted by the Office of the Director of Public Prosecutions. Funds are received from parties such as Police Force, lawyers and other participants and payments are for the conduct of trainings such as training materials. This consists of receipts of \$66,926 from prosecution course fees and bank interest. Payments of \$18,522 include expenses for the ODPP Conference 2019, refund of prosecution course fees to a participant who did not attend and the bank credit reversal that had to be done due to bank error.



2. Forfeited Assets Fund Account

Proceeds of Crime Act 2004 and Proceeds of Crime Act Amendment No. 7/2005, Section 71 (A) established the trust fund account for the purpose of keeping the funds received from a person instead of a forfeited order as per section 16 of the act, proceeds of pecuniary penalty orders and money received by the state from a foreign country for mutual assistance on criminal matters. The purpose of this funds are to make payments to the person if a forfeiture order is discharged, make payments to foreign countries with approval of the Minister of Economy in the obligation with respect of a registered foreign forfeiture order and registered foreign pecuniary order. This consists of receipts of \$259,759 for bank interest and forfeited funds and payment of \$1 for bank fees.

As at 31 July 2019, there were funds amounting to \$597,206 in the Trust account. This consists of funds of \$154,403 for DPP Trust Account and \$442,803 for Forfeited Assets Fund Account.



Detailed statement for trust receipts and payments are provided in Appendix 9.1 and 9.2.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

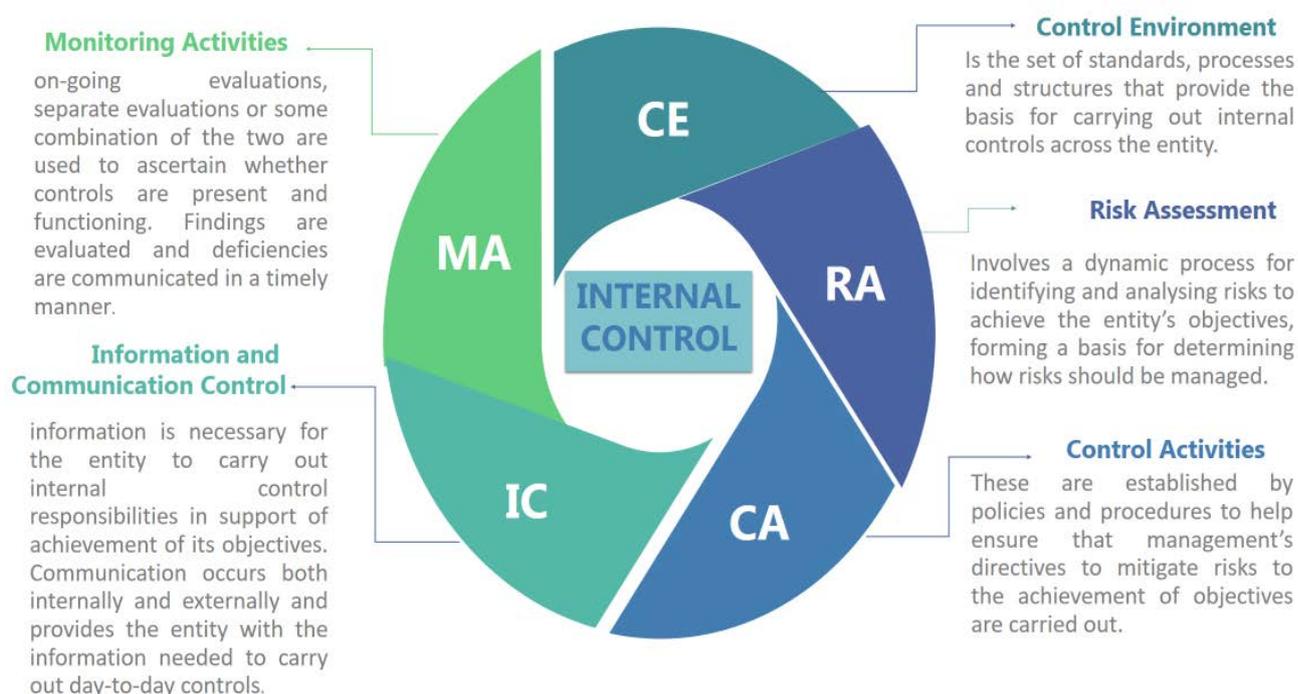
9.4 Internal Controls

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

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

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

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



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

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

In view of the above, we have assessed the internal controls of the Office of the Director of Public Prosecutions as:

Rating	Internal control assessment
* Effective	No deficiencies identified in internal controls

9.5 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners, and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019		Submission of arrears of revenue returns by 30 August 2019	Not Applicable

When the Office of the Director of Public Prosecutions achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, it is more likely to prepare accurate and timely draft financial statements for audit.

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

Rating	Year-end close process assessment
Effective	All key processes completed within two weeks of due date

9.6 Quality of Draft Financial Statements by entities

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

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

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

9.7 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
• Generally Effective	Acceptable draft financial statements received on or before 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
• Effective	Within 5 days from issue of Financial Statements for signing

APPENDIX 9.1: STATEMENT OF RECEIPTS AND PAYMENTS – DPP TRUST ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Lawyers' Prosecution Training Fees	66,800	23,500
Interest	126	97
Bank Fees Reversal	---	30
Total Receipts	66,926	23,627
Payments		
Refund of Lawyers' Prosecution Training Fees	300	300
Bank Fees	217	244
ODPP Conference 2019	17,505	---
Credit Reversal	500	---
Total Payments	18,522	544
Net Surplus	48,404	23,083
Opening balance as at 1 August	105,999	82,916
Closing balance as at 31 July	154,403	105,999

APPENDIX 9.2: STATEMENT OF RECEIPTS AND PAYMENTS FORFEITED ASSETS

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Interest	419	183
Forfeited Funds – d/deposits	259,340	---
Total Receipts	259,759	183
Payments		
Bank Fees	1	---
Total Payment	1	---
Net Surplus	259,758	183
Opening balance as at 1 August	183,045	182,862
Closing balance as at 31 July	442,803	183,045

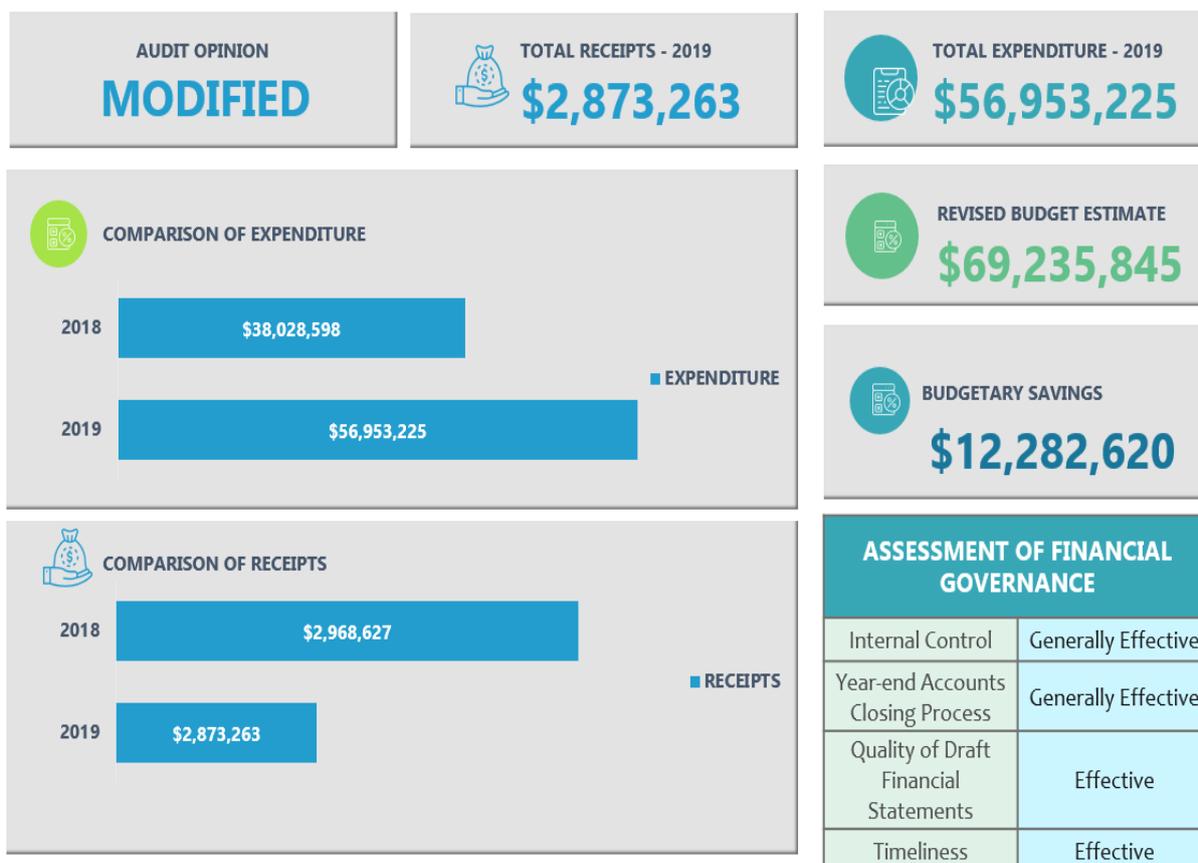
Head 9**Judiciary****Roles and Responsibilities**

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

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PART A: FINANCIAL STATEMENTS



9.1 Audit Opinion

The audit of the 2019 accounts of the Judicial Department resulted in a modified audit report. The qualification was in respect of the following issue.

The financial statements provide the status of the Department’s reconciliations for Suitors, Maintenance and Sundries Trust Fund accounts. Notable progress has been noted in the preparation of reconciliations for the Trust Fund accounts compared to previous financial years. However, as at the date of the audit report¹, there still exists significant lapse in the years of reconciliation and absence of detailed breakdown listings of beneficiaries and their current balances. As such, the accuracy of the closing balance of \$36,130,095 disclosed in the Judicial Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2019 cannot be determined.

9.2 Appropriation Statement

There were no redeployments of the Department’s funds during the year. No virements were prepared as the Department as an Independent Office was allocated operating grants as one-line item. The funds for reporting and comparison purpose were classified in respective standard expenditure group according to the Department’s budget submission. The Expenditure Ledger was

¹ Date of audit report – 10/11/20
 Independent Body - Judiciary

maintained by the Department to record the transaction in the respective standard expenditure groups.

The Department collected revenue totalling \$2,873,263 in 2019 and incurred expenditure totalling \$56.9 million against a revised budget of \$69.2 million resulting in savings of \$12.2 million or 18%.

Details of expenditure against the revised budget are provided in Table 9.1 and the appropriation movement in Table 9.2.

Table 9.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	-	-	-	-	-
2	Government Wage Earners	-	-	-	-	-
3	Travel & Communication	-	-	-	-	-
4	Maintenance & Operations	-	-	-	-	-
5	Purchase of Goods & Services	-	-	-	-	-
6	Operating Grants & Transfers	69,235,845	-	69,235,845	56,953,225	12,282,620
7	Special expenditure	-	-	-	-	-
	Total Operating Expenditure	69,235,845	-	69,235,845	56,953,225	12,282,620
8	Capital Construction	-	-	-	-	-
9	Capital Purchase	-	-	-	-	-
	Total Capital Expenditure	-	-	-	-	-
13	Value Added Tax	-	-	-	-	-
	TOTAL	69,235,845	-	69,235,845	56,953,225	12,282,620

Table 9.2: Appropriation Movement for 2019

SEG	Item	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	30,414,524	27,221,259	3,193,265
2	Government Wage Earners	2,842,146	2,822,846	19,300
3	Travel & Communication	3,227,161	3,162,155	65,006
4	Maintenance & Operations	1,232,930	1,171,675	61,255
5	Purchase of Goods & Services	1,094,985	924,092	170,893
6	Operating Grants & Transfers	3,000	-	3,000
7	Special Expenditure	2,509,368	1,874,570	634,798
	Total Operating Expenditure	41,324,114	37,176,597	4,147,517
8	Capital Construction	24,116,465	17,048,536	7,067,929
9	Capital Purchase	883,535	801,930	81,605
	Total Capital Expenditure	25,000,000	17,850,466	7,149,534
13	Value Added Tax	2,911,731	1,926,162	985,569
	TOTAL	69,235,845	56,953,225	12,282,620

The savings of \$3,193,265 or 10% under Established Staff was mainly attributed to the vacant positions for Judicial Officers that were not filled.

The savings of \$634,798 or 25% noted under Special Expenditure was mainly due to the vacant Chief Tribunal, Legal Tribunal and Non-Legal Tribunal positions under Employment Relations Tribunal.

The significant savings for Capital Construction was due to the low utilisation rate of on-going projects and the non-implementation of projects earmarked for the 2018/2019 financial year. Significant savings of \$4,981,248 was noted for the relocation of Ba Court due to the project being on hold as the appointment of the contractor was finalised after the financial year end. The extension of Lautoka Court with the budget of \$516,795 was not implemented because the Lead Consultant contract had ended in the prior year and the Construction Implementation Unit was in the process of tendering for the appointment of a new consultant. A total of \$804,887 was also budgeted under the Rural & Small Towns Upgrade for the construction of Nabouwalu Courthouse project which was withdrawn due to only one tender bid received by CIU in the prior year. However, no further work has been done for this project in the current year.

9.3 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Judicial Department operates and maintains 3 main trust fund bank accounts which include the Judicial Trust Fund Account, the Judiciary Trust Fund Account and the Legal Practitioners Unit Fund Account.

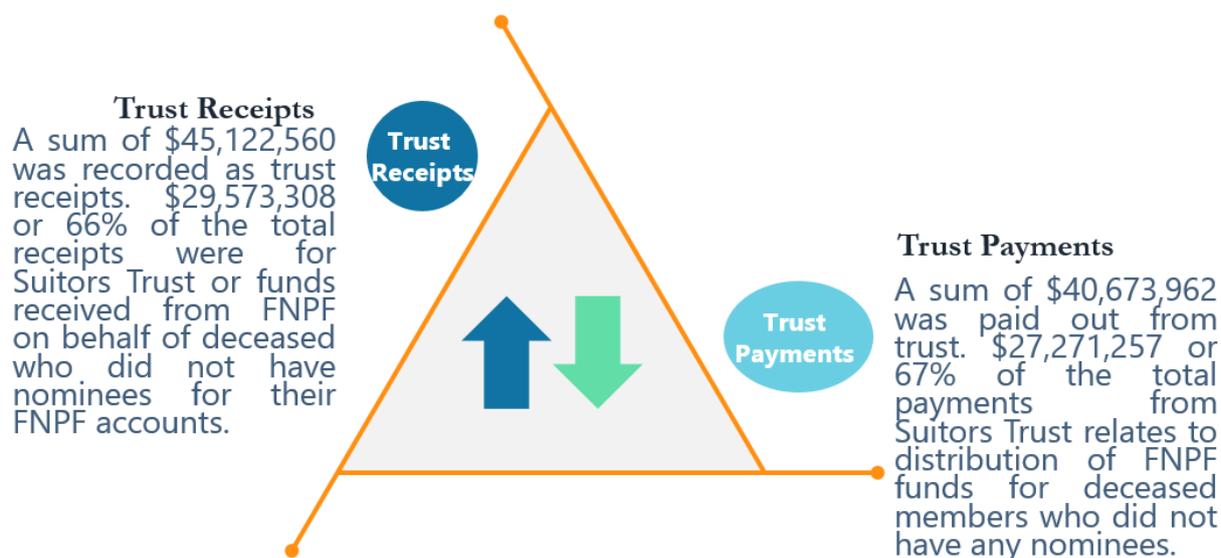
The Trust Fund Account Statements of Receipts and Payments are now presented separately for transparency purposes and to correctly reflect the trust monies received and paid out of the three separate bank accounts maintained for the various trust funds being administered by the Department.

9.3.1 Judicial Trust Fund Account

The Judicial Trust Account consisted of four trust fund accounts namely; Suitors Trust, Maintenance Trust, Sundries Trust and Deposit Retention for project funds.

- (i) The Suitors Trust comprise of monies received from FNPF on behalf of deceased who did not have nominees for their FNPF accounts, Criminal and Civil related matters. The Suitors Trust Account are administered only at Suva, Lautoka and Labasa Office.
- (ii) The Maintenance Trust comprise of monies received from maintenance payments by defendants to their spouses based on the judgements passed by the Family Law Court. The Maintenance Trust is administered at 11 Stations; namely Suva, Sigatoka, Nadi, Lautoka, Ba, Tavua, Rakiraki, Nausori, Nasinu, Taveuni and Levuka.
- (iii) The Sundries Trust of monies received from Civil and Criminal cases based on Court judgements. These include compensations, LTA fines, cash bail, court fees, bailiff fees and small claims. The Sundries Trust are administered at 12 Stations; namely Suva, Nasinu, Nausori, Rakiraki, Tavua, Ba, Lautoka, Nadi, Sigatoka, Labasa, Savusavu and Taveuni.
- (iv) The Deposit Retention for projects comprises of funds retained for projects that are being carried out by the contractors and are paid back to them after completion of the defects liability period. It is usually 10% of the gross cost of the project. The funds are kept in this account because some projects defects liability period lapses in the following financial year.

As at 31 July 2019, the Judicial Trust Fund Account had a balance of \$36,130,095.

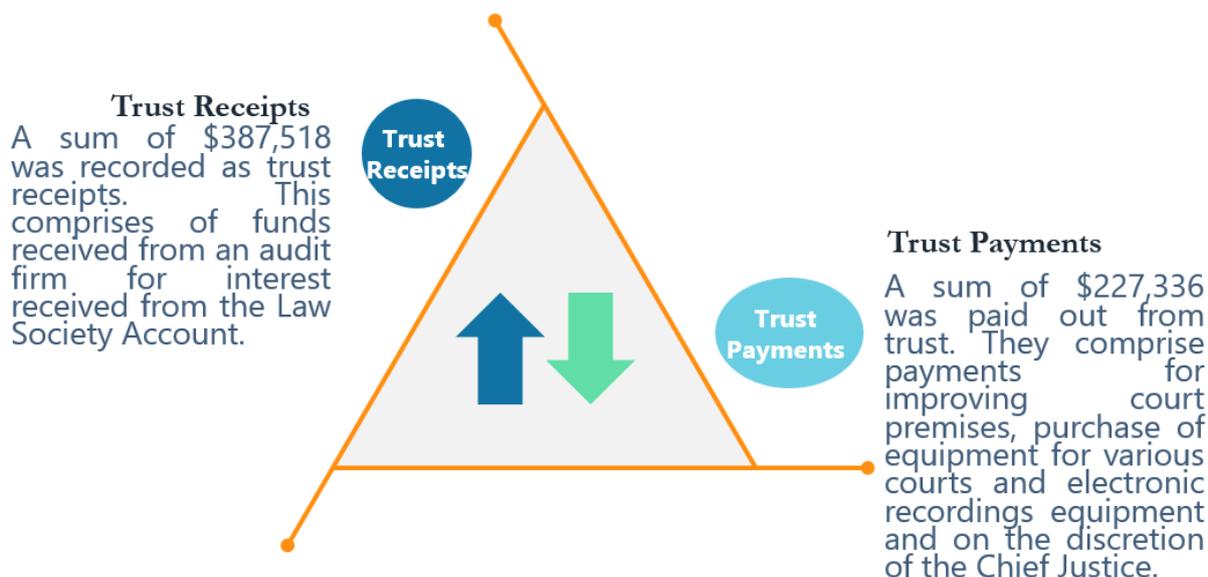


The detailed trust fund account statement of receipts and payments is provided in *Appendix 9.1*.

9.4.2 Judiciary Trust Fund Account

The Trust Fund comprise of funds received from an audit firm for interest received from the Law Society Account to meet the costs and expenses for improving court premises, purchase of equipment for various courts in all the divisions including acquisition of equipment for the Judiciary, implementation of electronic recording of court proceedings and on the discretion of the Chief Justice.

As at 31 July 2019, the Judiciary Trust Fund Account had a balance of \$888,074.

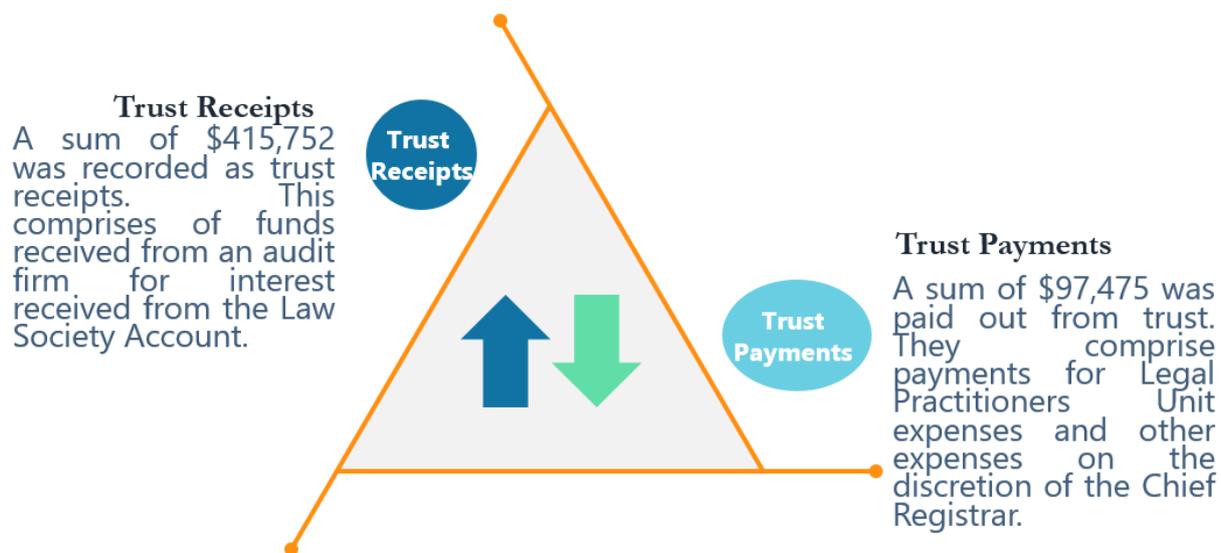


The detailed trust fund account statement of receipts and payments is provided in *Appendix 9.2*.

9.4.3 Legal Practitioners Unit Fund Account

The Trust Fund comprise of funds received from an audit firm for interest received from the Law Society Account to meet the costs and expenses of the Legal Practitioners Unit in the Office of the Chief Registrar in the performance of the functions and duties of the Chief Registrar under the Legal Practitioners Act 2009 and other expenses on the discretion of the Chief Registrar.

As at 31 July 2019, the Legal Practitioner Unit Fund Account had a balance of \$1,447,329.



The detailed trust fund account statement of receipts and payments is provided in *Appendix 9.3*.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Department. These have been included in this report as they impacted on the overall system of control of the Department as at 31 July 2019.

9.4 Judicial Trust Fund Account Bank Reconciliation Variance

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.²

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.³

The Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor's Trust, Maintenance Trust and Sundries Trust accounts.

As at 31 July 2019, the General Ledger for respective trust fund account had balances as detailed in Table 9.3.

Table 9.3: Details of the Judicial Trust Fund Account

Trust Account	Amount (\$)
Suitors Trust Fund	26,566,121
Maintenance Trust Fund	2,039,332
Sundries Trust Fund	5,993,284
Total	34,598,737

Audit review of the Department's Judicial Trust Fund Account Bank Reconciliation revealed the following anomalies:

- There is a balance of \$734,667 that is appearing in the Judicial Trust account bank reconciliation as "Adjustment by Ministry of Economy in December 2013". This amount has been appearing in

² Finance Instructions 2010 – Section 58 (3)

³ Finance Instructions 2010 – Section 58 (2& 3)

the Judicial Trust reconciliation since 2013. It is most likely that funds amounting to \$734,667 is yet to be transferred by Ministry of Economy to the Department. Although the Department has raised the issue with the Ministry of Economy on numerous occasions, the issue is yet to be rectified. As a result, the cash at bank general ledger is overstated by the same amount as there is no actual cash held against this balance;

- Included in the trust fund account reconciliation as at 31 July 2019 is a reconciling balance of \$49,774 for which the Department could not substantiate the balance; and
- A variance of \$13,210 was also noted between the Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2019. Refer to Table 9.4 for details.

Table 9.4: Variance between SLG 89 and SAG 52

Description	Amount (\$)
FMIS Cash at Bank balance	36,143,305
FMIS Trust Fund Balance	36,130,095
Variance	13,210

As at the date of the audit report⁴, there still exists significant lapse in the years of reconciliation and absence of detailed breakdown listings of beneficiaries and their current balances. As such the accuracy of the closing balance of \$36,130,095 disclosed in the Judicial Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2019 cannot be determined.

As a result, we could not obtain the detailed breakdown listing of those beneficiaries and ascertain their respective balances being held by Department as trust as at 31 July 2019.

Root Cause/Implication

According to the Manager Finance, the backlog is mainly due to the limited staffs and resource constraints to browse through the old records and update the schedules from prior years.

In the absence of proper reconciliations, we were not able to ascertain the correctness of the balance reflected in the Judicial Trust Fund accounts.

If this issue is not addressed, there is a high risk of fraudulent payments being made as the detailed current listing of the beneficiaries and their respective balances as at year end are not available.

Recommendations

The Department should:

- **liaise with the Ministry of Economy to rectify the variances noted above;**
- **consider establishing a reconciliation team immediately to undertake the exercise of updating the backlog in the trust account detailed reconciliations; and**
- **ensure that trust fund account bank statement balance, trust fund cash at bank balance in FMIS general ledger and trust fund account balance in FMIS general ledger is reconciled on a monthly basis and any error or omissions are investigated and resolved.**

⁴ Date of audit report – 10/11/20

Agreed Management Action

The Department had a meeting with Ministry of Economy officials on 2nd September 2020 regarding the funds of \$784,441.00 which was adjusted by them in December 2013. We had provided them with copies of bank lodgments and cash analysis sheets whereby the monies were deposited in Revenue instead of Trust Fund. However, Ministry of Economy has now requested us to submit the details in station wise because it is difficult for them to verify against the bank statements. Thus we are in the process of doing this and once completed will submit to them and await their response.

A memo was written to Ministry of Economy on 25 February 2019 to adjust the variance which had been recurring from past years. No decision has been made by them and the variance has now increased to \$13,210.30. Department is in the process of writing a fresh memo for the adjustment of the variance since it has increased.

The Department understands the importance of the reconciliations but as advised earlier we have inherited this problem but are trying our best to update it. Since there are so many transactions and also the number of reconciliations to be carried out, it takes time to do the data entry and then reconcile.

However, after the engagement of Nine (9) staff on project who are doing night shift because of space shortage, we have managed to complete all Maintenance and Sundries reconciliation till April 2001. The staff have started with the data entry for May 2001.

The day shift staff who had started with the reconciliations from 2016 onwards have completed reconciliations for all stations till July 2020. They are currently working on August 2020 reconciliation.

Once they finished with the current reconciliations then they start with 2015 and some have completed reconciliations till March 2015 and started on Data Entry for April 2015.

Our staff are tirelessly trying to update the reconciliations which was not done in the prior years. At the current pace which the staff are working at, we expect to complete the reconciliations in the year 2023.

Officer Responsible

Senior Management

9.5 Presentation of Judicial Trust Fund Accounts

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from “public money” and “other money”.

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items must be investigated and resolved promptly.⁵

The Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor’s Trust, Maintenance Trust and Sundries Trust accounts. The audit noted that all funds related to the above trusts are deposited in one bank account and a consolidated statement of trust receipts and payments is prepared by the Department in its Agency Financial Statements.

⁵Finance Instructions 2010 – Section 58 (2& 3)

Currently, separate statements are not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. Instead, the current presentation in the Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one-line item on the Statement even though the nature of the trust receipt and payment may vary.

Moreover, we noted that the retention monies of \$1,531,357.78 for three capital projects were also kept in the Judicial Trust Fund bank account and therefore the amount is reflected in the Judicial Trust cash balance as at 31 July 2019.

Root Cause/Implication

With the various trust funds being deposited into one bank account, there is a risk of funds for a particular trust being utilized for the other trust funds exacerbated by the backlog in the reconciliation for each of the trust types.

With the current presentation, the trust fund accounts disclosures are deemed inadequate and does not provide adequate useful information to the users of the financial statements.

Recommendation

The Department should work towards maintaining separate bank accounts for all new trust accounts created and submit separate statements accordingly.

Agreed Management Action

As previously advised, once reconciliations are up to date and correct balances reflected in each allocation, then it would be appropriate to open separate bank accounts for Maintenance, Sundries and Sutors. With the current status the accounts are in, the correct balances might not be shown in each account, thus after all adjustments and once satisfied that the accounts are in order then consideration should be given for separate bank accounts to be opened. If there are any instances where funds for a particular trust account has been used for another trust account then it would be picked during the reconciliation and adjustment done then and there. After all reconciliations are done and adjustments as well if any, then the true and accurate balances will be reflected in each account. This would then be the most appropriate time to open separate Bank Accounts.

Consultation will then be made with Ministry of Economy on the 10% retention monies which is in the Trust Fund Account and we will then move forward from there.

Officer Responsible

Senior Management

9.6 Significant Time Taken to Execute and Complete Construction Projects

The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency.⁶

⁶ Financial Management Act 2004 – Section 28.1 (a)

Efficiency relates to the productivity of the resources used to conduct an activity in order to achieve the maximum value from the resources used.⁷

Physical assets provide a vital resource base that supports the delivery of outputs by the agency. Therefore, it is important to ensure that:

- assets are safeguarded and properly maintained;
- assets are used for official purposes only;
- all assets held by the agency are used efficiently.⁸

During the year, the Department incurred a total of \$5,425,636 for the Renovation of the Old Parliament Complex at Veiuoto and \$9,834,106 for the Construction of the New Nasinu Court House. We noted that after the finalisation of the tender and awarding of contracts for both the projects, it took a significant amount of time for the constructions phase to be completed. Refer to details below.

Old Parliament Complex in Veiuoto

- The tender for the construction was awarded on 25/10/17. The practical completion date for the project was 23/12/19. It took a total of 112 weeks for the project to be completed;
- The practical completion certificate for the new court premises in Veiuoto was issued on 23/12/19 with a defects liability period of 12 months. This is the 10th month⁹ into the defects liability period. However, the Department still has not occupied the premises;
- According to the SAO Assets, the major reason for not occupying the premises was that the loose furniture for the premises have not been purchased and installed. This was due to the delay in the tender for the supply and installation of loose furniture for the Complex;
- The tender for the supply and installation of loose furniture at Veiuoto complex have just been completed and awarded on 26/08/20;
- Also, IT Equipment for the Veiuoto complex have already been procured and supplied to the Department since 2019. The Department has already purchased the server and storage area network (SAN) for the FTR video/audio recording system and the Cisco switch. The equipment which have been purchased are still kept by the IT Section as they are waiting for the installation of furniture and relocation to be done before they complete installation of video/sound and IT equipment;
- The lead contractor as part of its contract purchased the audio/video system and CCTV equipment for the Complex. The wiring has been done and the sound/video system and the CCTV equipment have been partially installed while the rest of the equipment are stored in the filing room in Veiuoto Complex.

Nasinu Court House

The tender for the Construction was awarded on 14/03/18. The revised completion date for the project was 28/07/20. However, to date⁹, the construction is still ongoing and is at 90% completion. The project is into its 131st weeks since the award of tender.

Root Cause/Implications

⁷ Guide to the Procurement Policy Framework 2010 – Section 3.3.1

⁸ Judicial Department Finance Manual 2013 – Part 11

⁹ Date of Audit – 25/10/20

Delay in the execution of the project indicates absence of planning and coordination between the Department Assets Unit, the consultants and the Construction Implementation Unit in ensuring that the construction work is completed on time.

Delay in occupancy of premises and subsequently the delay in installation of IT and sound/video equipment was largely due to the CIU not carrying out the tender for the renovation works and the tender for the supply/installation of loose furniture simultaneously as initially proposed by the Department.

Since the defects liability period is nearing completion, there are risks that defects would be discovered once the premises is occupied and will be rectified at the Department's own cost.

The risk of loss and theft of assets is high given that valuable IT equipment are stored at the Veiuoto complex.

Also, machines and equipment which have been purchased could become inoperative after lying idle for a long period of time and would cost the Department to repair, should the warranty validity period of the machines and equipment lapse.

The delay in the execution of the construction work means a delay in benefits that will be derived by the Department/public from the constructed building.

Recommendations

The Department should:

- **Work closely with CIU and the consultants in all stages of the process of undertaking construction projects to ensure timely delivery of their projects and timely relocating of staffs to the new buildings;**
- **Attempt to identify and clarify on the reasons behind delays along the process and attempt to work with relevant authorities on how best these delays could be minimised to ensure the timely execution of projects;**
- **Ensure that the procurement of loose furniture and the machines and equipment for the Complex are properly planned out and executed on a timely manner to avoid the delay in occupying the building and the idling of equipment which could affect their operability; and**
- **Regularly keep stock of the video/sound system and IT equipment already purchased and check that they are in good working condition.**

Agreed Management Action

Old Parliament Complex

The recommendations of the Auditors are noted.

The Department is working closely with the Construction and Implementation Unit for all the capital projects. Moving forward the Department on a monthly basis is holding meetings with his lordship the Hon. Acting Chief Justice and the Chief Registrar together with the officials from the Construction Implementation Unit for update and progress with regards to the physical update of existing projects and the administrative processes of projects that will be implemented.

The Department has now reviewed its current status quo of managing a project from the initiation and planning stages. Moving forward with the leadership of his lordship, the Hon. Acting Chief Justice and the Chief Registrar together with the Capital Development Unit in the initiation and planning stages have reviewed the scope of works and architectural drawings of the entire projects so that it is in line with the Department standards.

New Nasinu Court House

Moving forward, a project committee headed by his lordship, the Hon. Acting Chief Justice and the Chief Registrar with the Capital Development and IT Unit is now intensively involved during the initiation stages of a project so that all aspect of the facilities are confirmed and finalized during the initial and execution stages. This is to ensure that the projects are completed in a timely manner i.e. from the new building including the respective courtroom furniture's, IT Equipment, loose furniture's and office equipment for the court facilities.

Officer Responsible

Senior Administration Officer – Assets

9.7 Anomalies noted in the Sundries Trust Fund – Suva

Every accused person has a right to be released on bail unless it is not in the interests of justice that bail should be granted.¹⁰

Bail may be granted unconditionally or subject to written conditions imposed by the police officer or the court, as the case may be. The accused person deposits with an authorised officer of the court a specified amount of money in cash and enters into an agreement to forfeit the amount deposited if the accused person fails to comply with his or her bail undertaking.¹¹

Within 5 days after the end of each month, the Assistant Accounts Officer (Ledgers) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹² Details of balances must be attached to the reconciliation statement.¹³

The Suva Criminal and Civil Magistrate Court Registry maintains Sundries Trust funds which contains from the Criminal and Civil cases awaiting the court judgement/court order or disposal. The closing balance as at 31/07/19 was \$1,777,168.

Following the review of the records maintained at the Registry, the following anomalies were noted:

- The Criminal Magistrate Court Registry has unclaimed funds dating back since 1995. These consist of cash bail bond and compensation totalling \$730,448.51 and administration cost unclaimed by Land Transport Authority, Small Claim Tribunal and Director of Public Prosecution amounting to \$103,428.42.
- Although the Registry maintains the register to record the case files, it does not maintain a detailed breakdown case listing of funds held in Trust as at 31/07/19.

¹⁰ Bail Act 2002, Section 3(1)

¹¹ Bail Act 2002, Section 22.1,22.2(g)

¹² Judicial Department Finance Manual 2013 – section 15.4.1

¹³ Judicial Department Finance Manual 2013 – section 15.4.2

Root Cause/Implication

The respective authorities and the respondents (plaintiff/defendants) are not following up actively with the Registry on their refund or status. Hence, the unclaimed funds have accumulated in the trust account.

Absence of the detailed breakdown and monitoring can limit the management's decision making in prioritising and disposing the cases, increases the risk of fraud and would result in further accumulation of balances.

Recommendations

The Suva Magistrate Court Registry should:

- **review the case files to ensure there was no breach of bail condition, compensation received and payable and administrative fees payable to the respective authorities are in order and take necessary measures to clear the balance and;**
- **prepare the detailed breakdown listing of the Trust Fund closing balance for its decision making, monitoring and meticulously settling/disposing the cases.**

Agreed Management Action

Criminal Registry

If one has breached the Bail conditions, it is the Police who will charge them and bring them to Court. When compensation is received and banking is prepared for that day, amount received is checked against the file on which compensation was ordered, therefore if there is any discrepancy it can be detected by the O/C.

When compensation/ Prosecution Cost/ Cash bail is paid out, files, receipt books and Cash Analysis books are always endorsed by O/C indicating that voucher has been raised. The Registry has maintained an updated list of unclaimed monies in our Trust Account and when monies are paid out this list is updated. This list has a, description- whether Cash Bail/Compensation or Cost, amount and the Case Number. Got all the necessary information that is on a particular receipt e.g. Receipt No. , date issued, Payees name.

The Criminal Registry has maintained a soft copy register for records of receipts issued monthly from 2019 in excel. Records of payments when vouchers are raised are recorded manually in a register (Payment voucher Register).

For Criminal Registry - refund of Cash Bails/Compensation/Prosecution Cost on recent disposed files are up to date, however, the Registry is also working on the unclaimed monies from 1995 so that refunds could be made to the payees. For Prosecution Cost, the registry is trying to call the payees (e.g. LTA, SCC, FNPF, FRCA) to get their bank details. For refund of Compensation and Cash Bails, the registry is seeking assistance from Prosecution if details of the payees could be provided.

Civil Registry

The Registry does not maintain any breakdown of case listing of the funds as most of the payments are made on SCT files and Payment Vouchers are raised by SCT and also some of the Travelling Expenses which are paid for Sheriff Officers are claimed by outer Court Sheriff Officers.

Registry can only confirm on all payments which are done in Civil Files if the Vouchers are raised or not. The registry can confirm all Sheriff Officers claim, claimed by the Sheriff Officer in Civil Registry.

The Registry does not have any database. Request for database was given to Judicial IT. There is no case management system in the Registry. Registry has always kept manual records and does manual calculation on individual files. Recommendation was made for the Database as this could help the registry in proper record keeping and effective and efficient service could be provided to the customers.

To conclude the Registry procedure is changed early this year and Registry can confirm looking at the Trust Receipts and can confirm which receipts are claimed and which are not. The Civil Registry is now raising all payment vouchers for SCT files as before it was sent to SCT, now it is done in Civil and this saves time and duplication of work, registry can keep proper records of all unclaimed trust receipt.

Officer Responsible

Senior Management

9.8 Anomalies noted in the Suitors Trust Fund – Suva

Within 5 days after the end of each month, the Assistant Accounts Officer (Ledgers) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹⁴ Details of balances must be attached to the reconciliation statement.¹⁵

The Suva High Court Criminal and Civil Registry maintains the Suitors Trust Fund which contains funds from the FNPF, Criminal and Civil cases awaiting the court judgement/court order or disposal. The closing balance as at 31/07/19 was \$22,879,372.

We noted that although the Registry was maintaining the register to record the case files, it did not maintain a detailed breakdown listing of funds held in Trust as at 31/07/19.

Root Cause/Implication

This was mainly attributed to absence of internal controls and monitoring and manual record keeping system.

Absence of the detailed breakdown listing of the funds held and stringent monitoring can limit the management's decision-making, increase the risk of fraud and would result in accumulation of the funds.

Recommendation

The Suva High Court Registry should review the case files and prepare the detailed breakdown listing of the funds held in Trust for its decision making, monitoring the trust bank balances and meticulously settling/disposing the cases.

Agreed Management Action

We do agree with the recommendation and agreed management action stated by the auditor. Action to be taken - we will set up group of 5 people during Legal Vacation to work on the breakdown of listings of the fund held in the Trust Fund for Civil cases.

¹⁴ Judicial Department Finance Manual – section 15.4.1

¹⁵ Judicial Department Finance Manual – section 15.4.2

Officer Responsible

Senior Management

9.9 Manual record keeping with no backups

An effective backup strategy minimises the potential impact of the loss of data and enables a return to normal operations as soon as practicable.¹⁶

Upon audit examination of the records in Suva Family Court registry, Suva Criminal and Civil Magistrate Court Registry and Suva High Court Registry, we noted that all three registries are using the manual system of record keeping. The case files called jacket similar to a manila file stores all the relevant documents of the case and the important details are documented on the jacket.

However, we noted that the condition of the files are deteriorating and the details recorded are fading away which could lead to loss of significant case information. The registries maintain the basic database, but do not contain all the documents maintained in the case file/ jacket and the financial records.

Root Cause/Implication

There is an absence of technological (ICT) investment to ease the administration of the respective trust funds and its case files maintained by the Department.

In absence of any backup of the vital case file records it exposes the Department to the risk of loss of information arising from natural disasters particularly fire/tsunami and staff errors/ collusion to destroy the records.

Recommendation

The Department should consider reviewing its business process and caseloads, and digitise critical aspects of its business operations.

Agreed Management Action

The Department is in the process of establishing e-filing system which will be a project from Donor Funds. This is in the initial stages of procurement.

Once the e-filing system is established then we will have backups for manual records.

Officer Responsible

Senior Management

¹⁶ The Fiji Government Information Technology Policies and Procedures – Appendix C: Section C7
Independent Body - Judiciary

9.10 Significant Arrears of Revenue

The credit officer must promptly follow up accounts that fall due. If the recovery is unsuccessful after one month, the following actions shall be taken:

- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month; and
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.¹⁷

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.¹⁸

The arrears of revenue comprise of arrears arising from court fees, fines and costs awarded to the state.

We noted that the Department's arrears of revenue as at 31 July 2019 amounted to \$13,431,984.

The breakdown aging details as at 31/07/19 are provided in Table 9.6.

Table 9.6 Arrears of Revenue for last 7 Financial Years

Year	Balance (\$)
31/07/19	13,431,984
31/07/18	13,337,274
31/07/17	13,450,691
31/07/16	13,461,155
2015	13,215,858
2014	13,345,569
2013	11,968,031

The Department has established a Fine Enforcement Unit in prior years to manage the arrears of revenue however, the arrears of revenue for the Department has remained substantial.

The breakdown aging details as at 31/07/19 are as follows:

Table 9.7 Aging of Debtors

Age of Debtors	Amount (\$)	% of Total
Less than 1 year	512,868	3.8%
1-2 years	489,200	3.6%
2-5 years	3,122,900	23.3%
More than 5 years	9,307,016	69.3%
Total	13,431,984	100%

¹⁷ Judicial Department Finance Manual 2013 - Section 9.2.1

¹⁸ Judicial Department Finance Manual 2013 - Section 9.2.4

Root Cause/Implication

The recovery measures warrant immediate review and collaborative actions with other government agencies.

Delays in collecting the outstanding revenue increases the risk of revenue not being collected which may require write-offs resulting in loss of revenue for government.

Recommendations

The Department should:

- **work closely with Fine Enforcement Unit in an effort to recover the arrears of revenue from the defaulters;**
- **consider seeking collaborative assistance in terms of recovery from FRCS, LTA, Immigration and FNPF before considering the write offs; and**
- **Upgrade its database information to capture information such as FNPF/Tin number, License and Passport Number in order to easily track the defaulters.**

Agreed Management Action

Even though the Department has increased the execution there seems to be not much decrease in the Arrears. As explained previously it is very difficult to locate the defaulters, especially for old cases since they have either changed their addresses, or migrated or may be have passed away.

We have been advised by Ministry of Economy that if we are unable to collect the Arrears because we have tried our best then we have to write to the Permanent Secretary Economy to have the Arrears for 5 years and over to be written off. This will be done in due course.

Officer Responsible

Senior Management

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

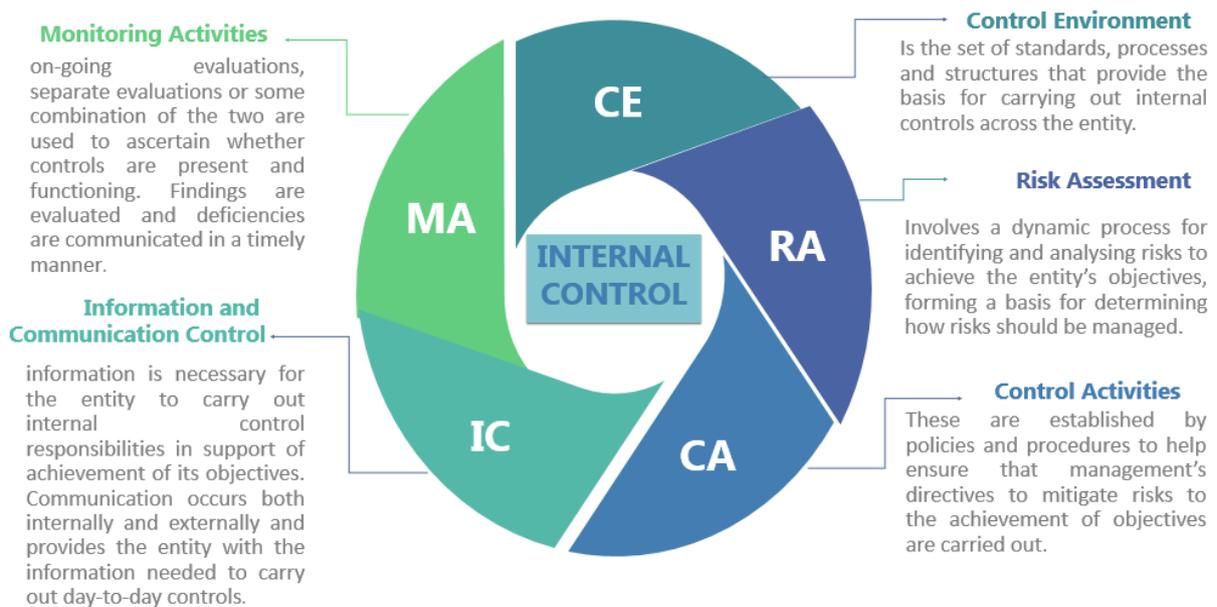
9.11 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

9.12 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019		Submission of arrears of revenue returns by 30 August 2019	

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

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

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

9.13 Quality of Draft Financial Statements by entities

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

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

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

9.14 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
• Effective	Acceptable draft financial statements received on or before 31 October 2019

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

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

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

Rating	Timeliness of Signed Financial Statements Received
• Effective	Within 15 days from issue of Financial Statements for signing

APPENDIX 9.1: JUDICIAL TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Suitors Fund	29,573,308	15,279,125
Maintenance Fund	5,394,588	5,716,751
Sundries	8,666,956	3,487,336
Deposit Retention for Project Funds	1,487,708	135,775
Total Receipts	45,122,560	24,618,987
Payments		
Suitors Fund	27,271,257	15,301,203
Maintenance Fund	5,095,147	6,192,021
Sundries	8,219,248	3,024,319
Retention paid for Project Funds	88,310	43,717
Total Payments	40,673,962	24,561,260
Net Surplus	4,448,598	57,727
Opening balance as at 1 August	31,681,497	31,623,770
Closing Balance as at 31 July	36,130,095	31,681,497

APPENDIX 9.2: JUDICIARY TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Judiciary Trust Fund Account	387,518	433,199
Total Receipts	387,518	433,199
Payments		
Judiciary Trust Fund Account	227,336	288,878
Total Payments	227,336	288,878
Net Surplus	160,182	144,321
Opening balance as at 1 August	727,892	583,571
Closing Balance as at 31 July	888,074	727,892

APPENDIX 9.3: LEGAL PRACTITIONERS UNIT TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Legal Practitioners Unit Fund	415,752	379,550
Total Receipts	415,752	379,550
Payments		
Legal Practitioners Unit Fund	97,475	22,399
Total Payments	97,475	22,399
Net Surplus	318,277	357,151
Opening balance as at 1 August	1,129,052	771,901
Closing Balance as at 31 July	1,447,329	1,129,052

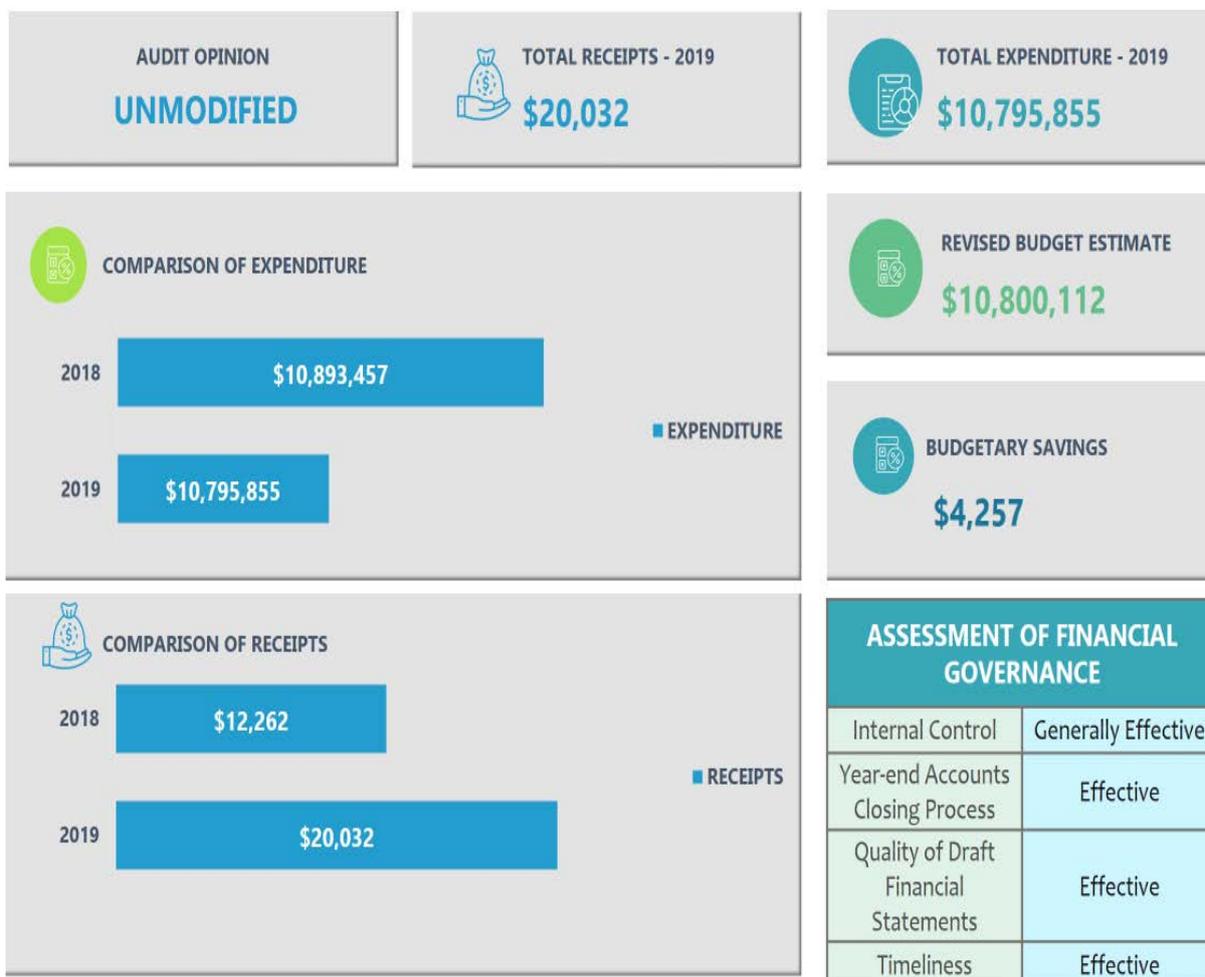
Section 9 Parliament Office

Roles and Responsibilities

The primary function of the Parliament is provided for under Section 46(1) of the Fijian Constitution, which states that, “the authority and power to make laws for the State is vested in Parliament”. The Parliament is the voice of the Fijian people, and it is responsible for ensuring representative government, openly debating relevant issues and providing oversight of government activities.

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PART A: FINANCIAL INFORMATION

9.1 Audit Opinion

The audit of the 2019 accounts of the Parliament Office resulted in an unmodified audit opinion.

9.2 Appropriation Statement

The Office collected revenue totalling \$20,032 in 2019 and incurred expenditure totalling \$10.7 million against a revised budget of \$10.8 million resulting in savings of \$4,257 or 0.04%.

Details of actual expenditure against the revised budget are provided in Table 9.1.

Table 9.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	---	---	---	---	---
2	Government Wage Earners	---	---	---	---	---

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communication	---	---	---	---	---
4	Maintenance & Operations	---	---	---	---	---
5	Purchase of Goods & Services	---	---	---	---	---
6	Operating Grants & Transfers	10,800,112	---	10,800,112	10,437,585	362,527
7	Special Expenditure	---	---	---	---	---
	Total Operating Costs	10,800,112	---	10,800,112	10,437,585	362,527
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	---	---	---	---	---
	Total Capital Costs	---	---	---	---	---
13	Value Added Tax	---	---	---	358,270	(358,270)
	TOTAL	10,800,112	---	10,800,112	10,795,855	4,257

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Office. These have been included in this report as they impacted on the overall system of control of the Office as at 31 July 2019.

9.3 Members of Parliament Accommodation Allowance

For meetings of Parliament or Committee, if the member permanently resides at any place more than 30 kilometres away from the place of the meeting of Parliament or Committee, then the member shall be entitled to an accommodation allowance of \$350.00 per day plus \$30 per meal.¹

We noted that the Office solely depends on the residential address given by the Members of Parliament in their claim forms to process the payment of the above allowance. There is no other confirmation obtained by the Office or given by MPs to substantiate the authenticity of the residential addresses given in the claim forms. Therefore, any change in residential address from the time members were sworn as members of parliament is not captured.

Root cause/Implication

This shows weakness in the internal control mechanisms to confirm the current residential address of the Members of Parliament claiming for accommodation allowances.

As a result, there is a high risk that accommodation allowances are paid to members who may not be eligible for such allowances.

Recommendations

The Office should review and strengthen the process for seeking confirmation of residential address from the Members of Parliament.

Agreed Management Action

The Parliament Office has referred the issue to the Fiji Independent Commission against Corruption for investigation

¹ Parliament of the Republic of Fiji Determination of Allowances and Benefits 2018 – Members of Parliament Section 1 & 2

The Parliament Office further explained that Members are required to fill the Subsistence form and Mileage claim form to facilitate payment towards the end of the meeting. Members who reside beyond 30km from meeting venue are paid a fixed rate of \$350 subsistence allowance irrespective if they book in a hotel or stay with relatives. Further to this the Office is reviewing the current statutory declaration form and the checklist for MPs to strengthen the process of submission of evidence to confirm residence beyond the 30km zone.

Officer Responsible

Manager Executive Support Services

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

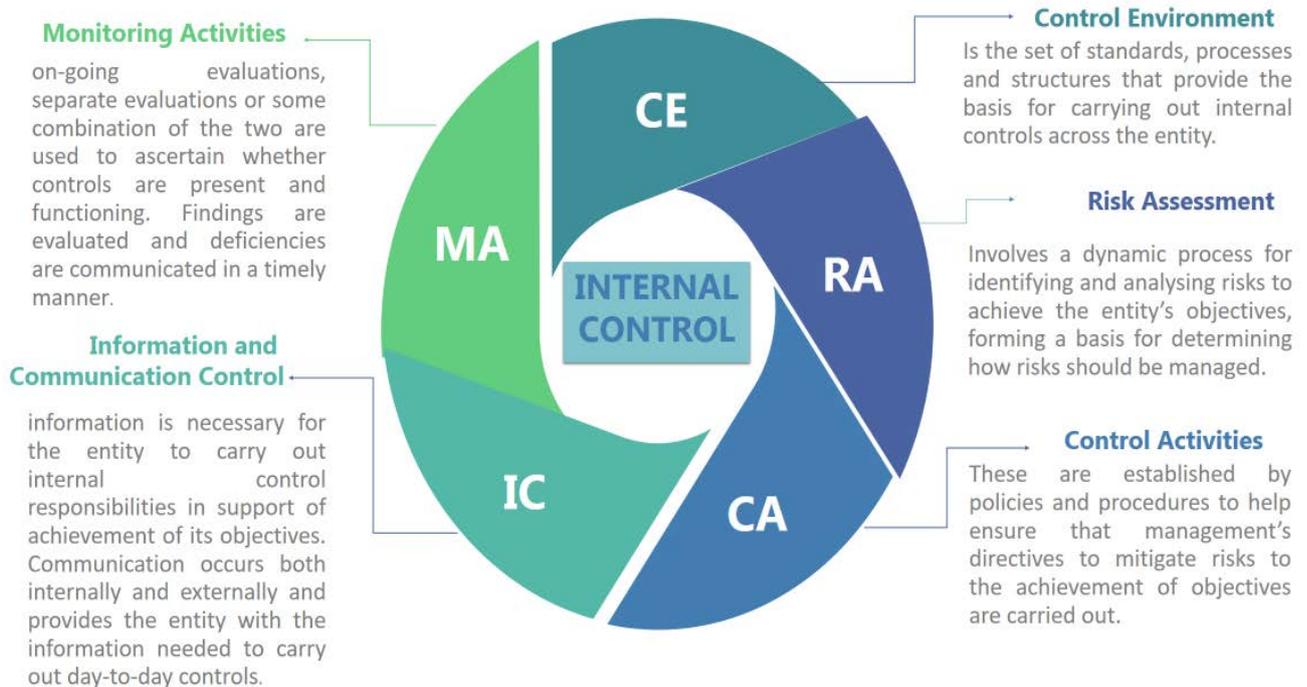
9.4 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Some deficiencies identified in internal controls

9.5 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019		Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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

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

Rating	Year-end close process assessment
Effective	Nine of Ten key processes completed within two weeks of due date

9.6 Quality of Draft Financial Statements by entities

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

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

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

9.7 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received on or before 15 October 2019

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

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

Accordingly, we have assessed timeliness as:

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

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

Section 14**Ministry of Disaster Management and Meteorological Services**

Roles and Responsibilities

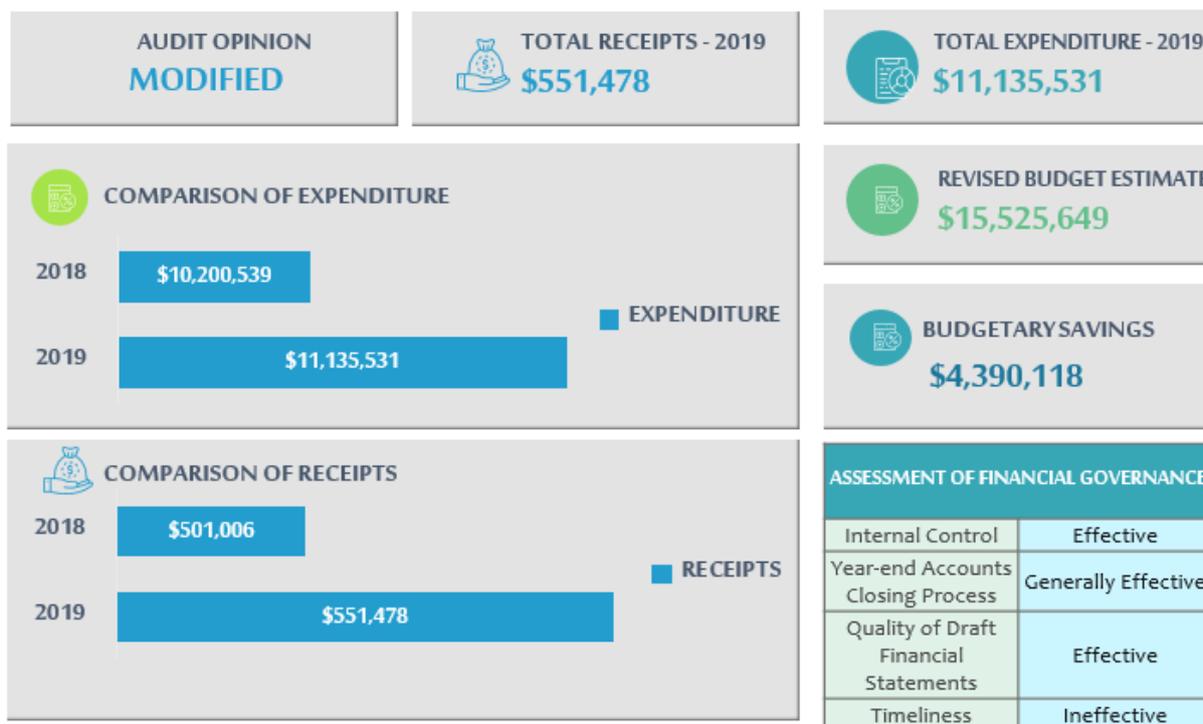
The Ministry of Disaster Management and Meteorological Services is responsible for the implementation of the National Disaster Management Strategy as required by the 1995 National Disaster Management Plan and the National Disaster Management Act 1998, covering disaster prevention, mitigation, preparedness, response, emergency operations, relief and rehabilitation. Correspondingly, the Ministry implements climate change mitigation programmes.

The Ministry also responsible for providing timely and reliable weather, hydrology and climate information directly to the public to improve Fijian's overall preparedness before a natural disaster strike.

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PART A: FINANCIAL STATEMENTS



14.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Disaster Management and Meteorological Office resulted in a modified audit opinion. The qualifications were as follows:

- There is an unreconciled variance of \$91,709 between the FMIS general ledger and the Ministry’s payroll report for Government Wage Earners. Consequently, the accuracy of Government Wage Earners balance of \$215,273 recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019 cannot be ascertained.
- The Ministry did not include as part of the Statement of Receipts and Expenditure, the grant for Building Safety and Resilience in the Pacific Project (BSRP) amounting to \$622,991 received from the Secretariat of the Pacific Community. The BSRP grant was not facilitated through Ministry of Economy’s Overseas Development Assistance Unit, thus not recorded in the FMIS General Ledger. As a result, grant funds received are kept in a bank account operated by the Permanent Secretary for Ministry of Disaster Management and Meteorological Services.

Furthermore, attention was drawn to the following matters:

- Internal controls relating to payments, journal vouchers, reconciliation for payroll, revolving fund account, operating trust fund account, inter departmental clearance account, main trust fund account, bank lodgement clearance account and drawing account were weak. This is in respect of non-preparation of monthly underline account reconciliations, non-certification of journal adjustment, delay in preparation of the payroll and underline accounts reconciliations, delay in clearance of stale cheques, payment vouchers not stamped “paid” and not supported

with source documents. These internal controls weakness, if not addressed promptly, may result in material misstatements and possible financial losses in the future.

- Policies and standard Operating Procedures (SOPs) for effective management of aid in kind was yet to be approved. These SOPs need to be approved for effective management of aid in kind received by the National Disaster Management Office.
- The Statement of Losses provides details of losses of money, revenue and assets. As at the date of the audit report¹, the Ministry of Disaster Management and Meteorological Services was still waiting for the approval from Permanent Secretary for Economy for the write off the unserviceable assets items valued at \$84,745.
- Cabinet decision (05) 310 of 2005 states that Civil Aviation Authority of Fiji and Fiji Airports Limited to reimburse the 50% cost to Fiji Meteorological Services relating to the Nadi and Nausori Terminal. In addition, it stated that review of the structure of the cost be carried out by the Fiji Meteorological Office. The Ministry is yet to enter into a contract agreement for the provisions of weather services to the aviation industry due to the lack of suitable consultants to undertake a review to determine the cost related to the aviation centre which is to be reimbursed by Fiji Airports Limited to the Ministry. Due to non-review of the cost structure, Fiji Airports Limited is only paying \$50,000 monthly.

14.2 Appropriation Statement

The Ministry collected revenue totalling \$551,478 in 2019 and incurred expenditure totalling \$11.1 million against a revised budget of \$15.5 million resulting in savings of \$4.3 million or 28%.

Details of expenditure against the revised budget are provided in Table 14.1.

Table 14.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	5,218,293	32,000	5,186,293	4,403,883	782,410
2	Government Wage Earners	321,875	-	321,875	215,273	106,602
3	Travel & Communication	834,089	-	834,089	730,613	103,476
4	Maintenance & Operations	1,221,251	(123,140)	1,344,391	1,199,835	144,556
5	Purchase of Goods & Services	982,710	53,245	929,465	878,573	50,892
6	Operating Grants & Transfers	30,000	-	30,000	29,261	739
7	Special expenditure	351,400	37,895	313,505	208,586	104,919
	Total Operating Expenditure	8,959,618	-	8,959,618	7,666,025	1,293,593
8	Capital Construction	640,000	-	640,000	400,220	239,780
9	Capital Purchase	1,893,034	-	1,893,034	818,886	1,074,148
10	Capital Grants & Transfers	3,500,000	-	3,500,000	1,784,953	1,715,047
	Total Capital Expenditure	6,033,034	-	6,033,034	3,004,059	3,028,975
13	Value Added Tax	532,997	-	532,997	465,448	67,549
	TOTAL	15,525,649	-	15,525,649	11,135,532	4,390,117

¹ 19/03/21

The budget savings were largely due to the following:

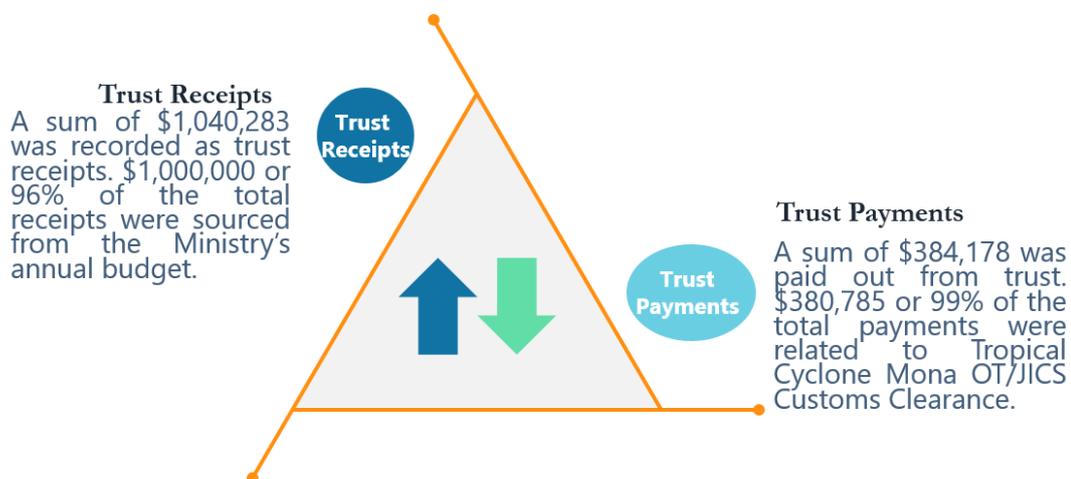
- Savings of \$782,410 under the Established Staff (SEG 1) resulted from seventeen (17) vacant positions for Department of Meteorology while four (4) positions were vacant in the National Disaster Management Office. The vacancies were due to increase in staff turnover caused by attractive remuneration packages offered to weather forecasters by other regional weather offices.
- Savings of \$106,602 under the Government Wage Earners (SEG 2) was due to delay in filling of six (6) vacant post in the Department of Meteorology due to changes in Ministerial portfolio for the two departments over the past three years.
- Savings of \$103,476 under the Travel and Communication (SEG 3) was due to decrease in travelling, subsistence allowance and telecommunication cost.
- Savings of \$144,556 under the Maintenance and Operations (SEG 4) was due to decrease in cost for fuel and oil, power supply and other maintenance of equipment and infrastructure.
- Savings of \$104,919 under the Special Expenditure (SEG 7) resulted from the unutilized funds of \$99,000 for the Multimedia Publication Awareness project due to the the Information Technology Centre Steering Committee not meeting regularly. As a result, the committee could not finalise the Multimedia Public Awareness project during the financial year.
- Savings of \$239,780 under the Capital Construction (SEG 8) was due to the non-implementation of the Meteorological Services Facilities project totalling \$180,000 and Upgrade of Outer Island Stations project totalling \$59,780. The project officer responsible for the two projects had resigned during the financial year. As a result, the projects were not implemented.
- Savings of \$1,074,148 under the Capital Purchase (SEG 9) was due to non-implementation of the Automated Weather Observation Station (AWOS) for Nadi and Nausori Airport. This was largely due to the new development plans submitted by the Fiji Airports for Nadi and Nausori Airport, which led to revision of the plans for the installation of the AWOS.
- Savings of \$1,715,047 under the Capital Grants and Transfers (SEG 10) was due to non-implementations of the Upgrade and Maintenance of Evacuation Centres for National Disaster Management Office. This was largely due to lack of staffs in National Disaster Management Office that led to delay in project preparatory works.

14.3 Main Trust Fund Account

The Trust Fund Account with the Ministry comprise of the Prime Minister's Office Disaster and Rehabilitation Trust Fund Account in which a total of \$1 million is transferred annually from the Ministry of National Disaster Management Budget Appropriation, and also donations from the public or other countries during time of disasters. The objective of the trust fund amount is to provide for emergency relief operations and the needs of victims affected by a disaster.

The fund is managed by the Permanent Secretary for Ministry of National Disaster Management responsible for Disaster Risk Management. As at 31 July 2019, there were funds amounting to \$4,171,052 in the Prime Minister's Office Disaster and Rehabilitation Trust Fund Account.

The Ministry collected trust revenue totalling \$1,040,283 in 2019 and incurred expenditure totalling \$384,178 resulting in a surplus of \$656,105 compared to a surplus of \$704,711 recorded in 2018.



Detailed statement for trust receipts and payments are provided in Appendix 14.1

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

14.4 Variance Between FMIS and Payroll Summary Report

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.²

We noted a variance of \$91,709 between the Financial Management Information System (FMIS) General Ledger (GL) and the Ministry's payroll report for Government Wage Earners (GWE) from Pay 32/2018 to Pay 31/2019. Refer to Table 14.2 for details.

Table 14.2: Variance between FMIS and Payroll Summary Report for Government Wage Earners Staff

DESCRIPTION	AMOUNT (\$)
Total Gross Wages as per approved reconciliations/payroll report - Pay 32/2018 to Pay 31/2019	286,634.35
Add 10% FNPF Employer Contribution	20,348.21
Total	306,982.56
Total GWE Amount as per Audit calculation	306,982.56
Total as per FMIS (GL)/AFS as at 31/07/2019	215,273.41
Total GWE Amount as per Audit calculation	306,982.56
Variance	(91,709.15)

Root Cause/Implication

Unidentified variances between the two sets of records indicate absence of effective reconciliation process for payroll expenditure. Ineffective reconciliation process can lead to untimely detection of errors and omission.

² Proforma Finance Manual 2013 – Part 4

Recommendations

The Ministry should ensure that:

- **monthly reconciliations between FMIS general ledger and Payroll Report are effectively performed and reviewed by the supervising officers; and**
- **variance noted should be investigated and adjusted accordingly.**

Agreed Management Action

We can confidently confirm here that the Housing allowances which form part of the Pay Summary but are actually paid for by Ministry of Economy is the reason for the variance. Housing Allowances are paid to selected eligible officers in the Fiji Meteorological Services. Funds are paid annually directly by the Ministry of Economy as housing allowances but is fed in the Payroll for Department which is why there is a variance. So these will not appear in our general ledger when the pay runs are executed. Hence understating general ledger figures when compared with Payroll.

The standard reconciliation template used by government does not go as far as to ascertain variances like these. We have amended our template to address this.

Officer Responsible

Senior Accounts Officer

14.5 Non-Disclosure of Donor Fund Account

Development assistance is received by Government in various ways – Aid in Kind, cash grants, technical assistance and loans. For cash, it has become imperative to reiterate the need for all cash grants as required by law to be deposited into Consolidated Revenue at the Ministry of Economy.³

All grant monies should be disbursed to the implementing agency by Ministry of Economy since funding from Non-Government Organisations are considered Official Development Assistance (ODA).

The Ministry of Disaster Management and Meteorological Services signed an agreement with Secretariat of the Pacific Community (SPC) for Building Safety and Resilience in the Pacific Project (BSRP). As at 31 July 2019, a total grant of \$622,991 was received from SPC.

We noted that BSRP grant was not facilitated through MOE's ODA unit and thus not being recorded in the Financial Management Information System (FMIS). A separate cheque account was maintained for which authority to incur expenditure is with the Permanent Secretary for Ministry of Disaster Management and Meteorological Services.

Root Cause/Implication

Discussion with the Senior Accounts Officer and verification of trail of emails revealed that recognition of grant through proper channels was communicated to authorities within the Ministry. However, necessary actions were not taken.

³ Finance Circular No. 12/2009

Non - recording of the grant shows that utilization have not been monitored through the Financial Management Information System (FMIS) for the financial year which creates high risk of misappropriation, fraud and error of the grant money.

Recommendations

The Ministry should:

- ensure all funds received during the financial year is recorded in the Financial Management Information System (FMIS) for ease of monitoring, accountability and supervisory checks; and
- ensure proper procedures are followed in recording grant monies.

Agreed Management Action

The Ministry agrees to the findings.

All Donor Funds from now shall follow the correct channel. All officers concerned have been made aware of the Overseas Development Assistance circular.

Officer Responsible

Senior Accounts Officer

14.6 Arrears of Revenue

Cabinet decision (05) 310 of 2005 ratified that Civil Aviation Authority of Fiji (CAAF) and Airports Fiji Limited (AFL) reimburse the Fiji Meteorological Services 50% of meteorological aviation costs in relation to the Nadi, Nausori terminal and the en-route only backdating the same to 1 July 1978.

The same cabinet decision also approved that a review of the structure of costs be carried out and funded by the Meteorological Office. Following which a contract be entered into between the Meteorological Office and the Airports Fiji Limited (AFL) for the provision of weather services to the aviation industry with effect from 1 January 2006.

The Airports Fiji Limited (AFL), since 2005 reimbursed the Meteorological Office at 50% of the total expenditure instead of aviation costs.

However, from 2008 the Airports Fiji Limited (AFL) commenced to reimburse a fixed amount of \$50,000 per month. According to a letter from Airports Fiji Limited (AFL) dated 15 April 2008, the Airports Fiji Limited (AFL) informed the Meteorological Office that until an independent study is carried out to determine the cost related to the aviation sector, the Airports Fiji Limited (AFL) will only reimburse a fixed amount of \$50,000 per month.

We noted that the Meteorological Office:

- Is yet to undertake a review of the structure of the aviation costs and enter into a contract with the Airports Fiji Limited (AFL) for the provision of weather services to the aviation industry;
- Is yet to collect the arrears of revenue of \$1,944,106 owed by Civil Aviation Authority of Fiji (CAAF) and Fiji Airports Limited as at 31/07/19; and
- Has not billed the Airports Fiji Limited (AFL) since 2008.

Root Cause/ Implication

While there were discussions between the entities, the Meteorological Office is yet to undertake the review of the cost structure on the provision of meteorological services to the aviation industry and resolve the differences with Airport Fiji Limited (AFL) and Civil Aviation Authority of Fiji (CAAF).

Additionally, the continuous changes in officers handling the issue over the years has resulted in lack of significant efforts towards the recovery of arrears of revenue owed to the Meteorological Office by Civil Aviation Authority of Fiji (CAAF).

Recommendations

Department of Meteorological Services should:

- **undertake a review of the cost structure on the provision of meteorological services to the aviation industry and resolve the issue with AFL and CAAF; and**
- **pursue recovery of the arrears of revenue owed by CAAF and AFL.**

Agreed Management Action

Cabinet Decision on engaging a Consultant:

- a) *Consultant: In order to ascertain an estimated cost of engaging a consultant for this work, the Fiji Met Services is already looking into finalizing the “scope of works” by liaising with, and looking into, established guidelines set by the World Meteorology Organization (WMO) as well as other Met Partners. This work will most probably require overseas assistance since there is no local expertise to carry out this task. Once we get the scope, it should be easy to advertise for bids to the exercise.*
- b) *Budget: We could not get a special budget for the engagement of a Consultant this financial year because of the meagre budget envelope we were given to work with. The Scope of Works should determine the cost which we should table as additional request in next financial year’s budget. We hope to finalise everything by next financial year as per the Cabinet decision. Pursuing Outstanding Arrears with Fiji Airports Limited (FAL). Going after Fiji Airports Limited (FAL) for the payment of the \$1.8m Arrears of Revenue (AOR) would not be easy at this point since they have already given Fiji Meteorological Service (FMS) the following:*
 - I. *An Ultimatum: They will continue to pay Fiji Meteorological Service (FMS) \$50,000 until a revision by an independent consultant is finalized.*
 - II. *A Demand: Fiji Airports Limited (FAL) formerly Airports Fiji Limited (AFL) had initiated the move to review the cost recovery rates FMS was charging them for aviation forecast services, which led to the \$1.8m Arrears of Revenue (AOR).*

Officer Responsible

Director Meteorological Department

14.7 Capital Projects Not Implemented

To ensure that objectives of the Ministry are achieved, it is imperative that the budget is utilized for the purpose it is provided for.

We noted that the department did not implement projects that were planned to be carried out during the year.

As a result, a total of \$2.7 million or 85% of the capital expenditure was not utilised during the year. Refer to the Table 14.3 below for details.

Table 14.3: Projects not implemented during the year

Project	Amount
Installations for the Automated Weather Observations Stations (AWOS) for Nadi and Nausori	\$1,009,537
NDMO Evacuation Centres – Upgrading and Maintenance	\$1,715,047
Total	\$2,724,584

Root Cause/Implication

The audit finding is indicative of lack of proper planning and management of capital projects by the Ministry.

As a result, the Ministry's capital budget was under-utilized and objective of the funds appropriated by Parliament has not been met.

Non implementation of Automated Weather Observations Stations (AWOS) projects can delay the improvement of the weather office infrastructure benefitting the weather office information system.

Recommendations

The Ministry should:

- properly plan, coordinate and manage its capital projects to ensure it is implemented on time to ensure timely infrastructural development; and
- ensure that proper planning is done prior to budget submissions so that planned outputs are achieved during the financial year.

Agreed Management Action

Management acknowledges the findings and accept the audit recommendations.

Nadi Automated Weather Observations Stations (AWOS)

The Installations for the Automated Weather Observations Stations (AWOS) for Nadi was delayed due the project officers (two) handling the project left Fiji Meteorological Service (FMS). Civil works for the Automated Weather Observations Stations (AWOS) was not included and the Department was further involved in the United Nations Development Program for Disaster Resilience for Pacific Small Island Developing State (UNDP/RESPA). Hence the involvement of the Department for the UNDP/RESPAC further delayed the implementation of the project.

Nausori Automated Weather Observations Stations (AWOS)

This could not be implemented because of the plans to upgrade the runaway which delayed the implementation of the project while the two project officers left Fiji Meteorological Service (FMS). The budget was not requested

for rollover since. Fiji Meteorological Service (FMS) management has put in place that all projects are discussed in management and approved prior to budget requests so proper planning is conducted.

National Disaster Management Office (NDMO) Evacuation Centers

The officer responsible for projects was on a secondment arrangement with the Min of Rural & Maritime Development. This arrangement was terminated immediately after the change in Ministerial portfolios. There was therefore no project officer when National Disaster Management Office (NDMO) shifted office from Knolly Street to Nasilivata House in Samabula in November 2018.

Officer Responsible

Director Fiji Meteorological Service (FMS) and Director National Disaster Management Office (NDMO)

14.8 Absence of Approved Framework for Effective Aid Management

Effective aid management includes proper planning, recording, controlling, distributions and monitoring of aid received during natural disaster.

Audit review of the processes in place for effective aid management revealed that:

- An approved framework and proper standard operating procedure for the logistic process of aid in kind received during disasters is not in place;
- The logistic manual was still in draft format at the end of the financial year; and
- Proper recording of aid in kind received and stored in the new warehouse at Walu Bay for DISMAC store was not done.

Root Cause/Implication

The anomaly was due to the inability of the National Disaster Management Office (NDMO) to have an Aid Management Framework in place to effectively manage all aid in kind received locally and abroad during disasters.

In absence of an approved aid management framework, the National Disaster Management Office is exposed to high risk of loss of aid in kind received through theft which may not be detected in a timely manner.

Ineffective aid management could result in incorrect quantity of goods released, incorrect data recorded, poor decisions, excessive inventory levels, inefficient use of aid in kind, damage and loss.

Recommendation

The National Disaster Management Office (NDMO) should ensure that an Aid Management Framework with standard operating procedure is developed immediately to effectively manage all aid in kind received locally and abroad during disasters.

Agreed Management Action

Management agrees with the recommendations and findings. We are working at improving this.

The National Disaster Management Office (NDMO) now has a draft logistic manual that contains stock management Standard Operating Procedure (SOP) and logistic process. This manual is nearing its final stages of drafting.

Officer Responsible

Director National Disaster Management Office

14.9 Inadequate Management of Aid Received (Items at Walu Bay-mechanical yard)

Inventory purchasing, storage and recording should be efficiently managed to ensure that there is a sufficient level of inventories when needed, while minimizing the cost of holding inventory and the risk of stock becoming obsolete or damaged. These responsibilities are assigned to the Accounting Head, the storekeeper, the inventory book keeper, and stock take officers.⁴

We noted the following anomalies in the management of inventory received as aid for Tropical Cyclone Harold which impacted Fiji in April 2020. The anomalies noted below were noted upon our visit to the warehouse in Walu Bay (mechanical yard) on 05/06/2020:

- All items received from the public and from the overseas donors were stored in the Mechanical Building warehouse of Ministry of Infrastructure at Walu Bay;
- The Mechanical Building warehouse was not fully secured as Ministry of Works staff around the area can easily enter the warehouse;
- Stock records of all the items that were stored in the warehouse upon inquiry were not maintained; and
- Some semi-perishable goods such as flour, rice, biscuits were not distributed and were still kept at the warehouse.

Refer to Appendix 14.2 for details.

We also noted that some equipment which were received for Tropical Cyclone Winston that impacted Fiji in March 2016 were still held at the Top Yard store. Refer to Table 14.4 for details.

Table 14.4: TC Winston Aid Still Held at Top Yard Store

Cheque/EFT Number	Balance at NDMO Storehouse
Tool Kit (Green)	28
Outboard Engine Hideo	3
Water Container (10 liters)	210
Digging Spade	39
Panasonic Led Light (Battery)	108
Tool Kit Green Bag	28
Hoe	10
Plastic Wheelbarrow	5
Generator	20
Gene lite Diesel Generator	5

⁴ Proforma Finance Manual 2013 - Part 8-Inventory Management
Ministry of Disaster Management and Meteorological Office

Cheque/EFT Number	Balance at NDMO Storehouse
Yanan Generator	6
Portable Solar Generator	5
Firman Generator (Unleaded)	4

Root Cause/implication

The audit findings were attributed to lack of proper administration of the donated equipment and items received.

The semi-perishable goods are vulnerable to pests entering the warehouse stealing and eating due to lack of proper storage space.

Inability to distribute tropical cyclone assistance received in a timely manner denies citizens of the much needed assistance which has been already donated.

Improper management of aid in-kind received also increases risk of mismanagement, theft and fraudulent activity.

Recommendations

The Ministry should ensure that:

- **Items are dispatched in a timely manner before expiry date of the semi-perishable goods;**
- **Proper storage space is constructed for all relief items received by way of donations or procured by the Government;**
- **Proper record to track the movement of the items are maintained at the stores; and**
- **Items received for tropical cyclone relief are distributed in a timely manner.**

Agreed Management Action

Management agrees with the recommendations. National Disaster Management Office (NDMO) is currently finalizing our Logistic manual, which contains stock management standard operating procedures (SOP) and logistic process. This will guide the deployments of donated goods in a timely manner.

Officer Responsible

Director National Disaster Management Office

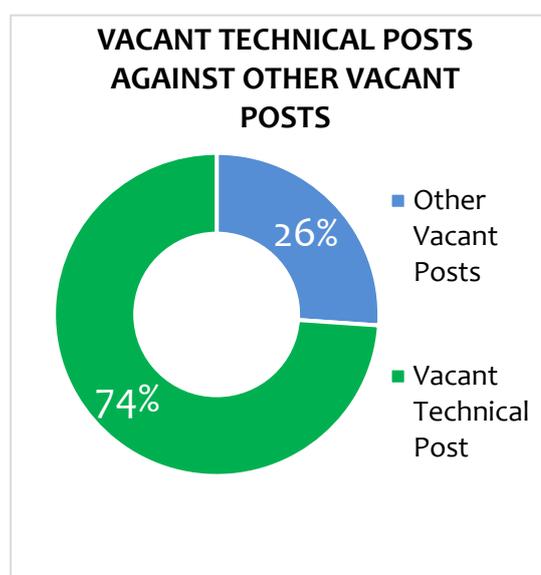
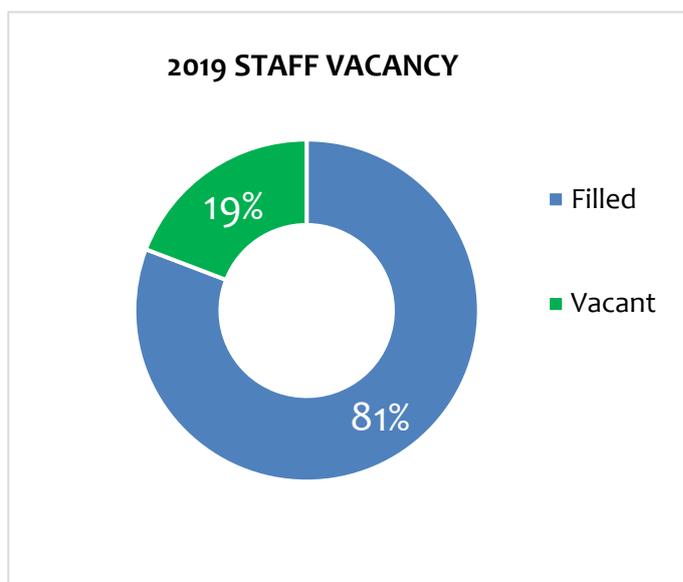
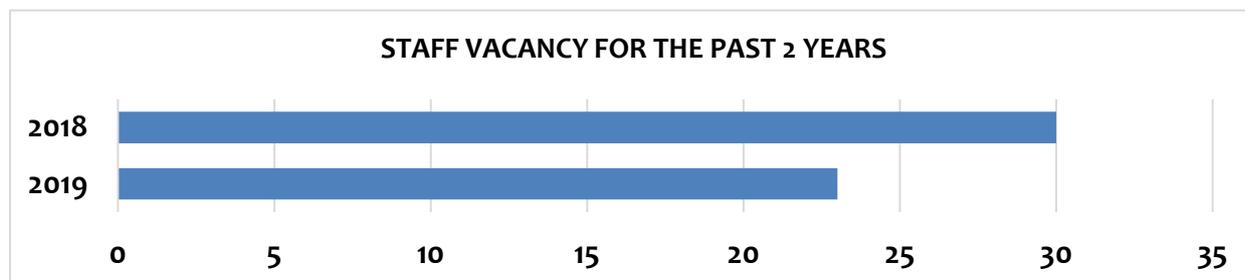
14.10 Vacant Staff Post – Department of Meteorological Services

Audit review of the Department's person to post listing indicated that 23 positions or 19% of the total establishment of 120 positions of the Department for the financial year 2018-2019 were vacant.

Further analysis showed that 17 (74%) out of the 23 vacant staff posts were technical positions which require personnel to fill positions that directly attributes to the core functions of the Department.

The Department was allocated a budget of \$5.5 million for all the 120 positions where it only utilized \$4.6 million or 83% of the total allocation. As a result, budget of \$889,012 (17%) was not utilised due to vacant positions recorded during the year.

The analysis of vacant staff positions are provided below:



Root Cause/Implication

The finding is attributed to the slow process in place at the Ministry to fill vacant positions. It also indicates the inability of the Ministry to enforce that processing of vacant positions is efficiently done.

Prolonged delay in filling the vacant posts could compromise the service delivery of the Ministry.

Recommendation

To warrant efficient and effective service delivery, the Ministry should ensure that vacant positions are advertised and filled in a timely manner.

Agreed Management Action

Management agrees with the recommendations and findings. We are working at improving this.

Officer Responsible

Director Meteorological Department

14.11 Variance for Employer Contributions – Established Staff

The Senior Accounts Officer, Accounts Officer and Assistant Accounts Officer is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.⁵

We noted the following anomalies for the Fiji National Provident Fund employer contributions recorded in the Operating Trust Fund Account.

- A variance of \$26,288 exists between the general ledger amount of \$375,254 and the expected employer contribution of \$401,542 for established staff. Refer to Table 14.5 for details.

Table 14.5: Variance for the Employer Contributions

Particulars	Amount
Total Salaries as per GL – SEG 1	4,403,883.43
Less: FNPF	375,254.16
: Meal Allowance	13,201.64
Total Salaries and Taxable Allowance paid as per GL	4,015,427.63
Expected FNPF – Employer Contribution (10%)	401,542.76
FNPF expense as per GL	375,254.16
Variance	26,288.60

- A negative amount \$36,154.37 was posted in the general ledger account for Fiji National Provident Fund employer contributions resulting in the understatement of the general ledger amount.
- Operating Trust Fund Reconciliation was not prepared from March 2019 to July 2019.

Root Cause/Implication

The finding is a result of non-preparation of timely reconciliations, ineffective supervision and monitoring by the supervisors.

Absence of monthly reconciliations on a timely basis increases the risk of errors, omissions and mispostings not being detected and rectified on a timely manner.

Recommendation

The Ministry should ensure that salaries and wages reconciliations are prepared in a timely manner and supervisory role is strengthen in accounts section.

⁵ Proforma Finance Manual 2013, Part 16 – Ledger Accounts

Agreed Management Action

Management agrees with the recommendations and findings. We are working at improving this by making improvements to the government standard salary reconciliation template so that it also takes into account the all salary related issues.

Officer Responsible

Salary Clerks/Assistant Accounts Officer/Accounts Officer/Senior Accounts Officer.

14.12 Variances for Main Trust Fund Accounts

The Senior Accounts Officer, Accounts Officer and Assistant Accounts Officer is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.⁶

We noted that there was variance of \$4,299 between the general ledger balance of \$4,175,280 and the financial statement balance of \$4,171,051 for the Prime Ministers Relief and Rehabilitation Trust Fund general ledger account number 9-14501-69108-520401.

It was further noted that the Ministry did not prepare reconciliations for the Prime Ministers Relief and Rehabilitation Trust Fund during the year.

Root Cause/Implication

The variance noted was due to the non-preparation of monthly reconciliation.

The anomaly is also attributed to the absence of adequate supervision, review and proper checking by the supervising officer.

Absence of monthly reconciliations increases the risk of errors, omissions and mispostings not being detected and rectified on a timely manner.

Recommendations

The Ministry should:

- **ensure that all reconciliations are prepared and strengthen supervision in the Accounts Section; and**
- **investigate and rectify the variance noted.**

Agreed Management Action

Management agrees with the recommendations and findings. We are working at improving this.

The balance variance was noted from the time the Trust Account was with another Ministry and not the current team. There is not enough staffing to carry out all that is required. But we were working at getting the right positions in to mitigate these issues but unfortunately, the split in the two departments has been made.

⁶ Proforma Finance Manual 2013, Part 16 – Ledger Accounts
Ministry of Disaster Management and Meteorological Office

Officer Responsible

Ledger Clerks, Accounting Heads & Senior Accounts Officer

14.13 Procurement to Payment Cycle Anomalies

All payment must be processed through payment vouchers prepared by the accounts officer. Separate vouchers are to be used for separate payees and for the payment of different services.⁷

The accounts officer preparing a payment voucher must ensure that all information required under Finance Instruction 14(1) has been included on the payment voucher or attached to it, before passing it to the Accounting Head of accounts supervisor for certification.⁸

Immediately after payment has been effected, the Accounts Officer must stamp “paid” on all vouchers and supporting documentation to avoid double payments.

Audit review of payments relating to procurements noted the following anomalies:

- Payment vouchers and supporting documents were not always stamped “paid”;
- Missing supporting documents; and
- VAT was not recorded in correct segmented expenditure group.

Refer to Appendix 14.3 for details.

Root Cause/Implication

The anomalies noted above indicate that proper procurement and payment procedures were not applied consistently which can increase risk of double payments and fraudulent activities relating to payments.

Recommendations

The Ministry should ensure that:

- **Stipulated procurement procedures in place are adhered to at all times;**
- **Proper oversight and supervisory checks are in place and properly functioning; and**
- **Appropriate disciplinary action is taken against officers failing to comply with procurement regulations**

Agreed Management Action

So far, the Ministry has been relying on the pro-forma Finance Manual 2011.

The Ministry, will issue its first Finance Manual this year, by October 2019. Additionally, it is our intention that Standard Operating Procedures for both departments under the Ministry be developed speedily once the Finance Manual is confirmed and this is set to be implemented no later than November 2019. Training on the same will be provided to the Accounts team as part of the plan in Point 2 raised above.

⁷ Proforma Finance Manual 2013 – Section 2.8.2

⁸ Proforma Finance Manual 2013– Section 2.8.3

Finance Manual for Head 14 was drafted but could not be finalized when disaster events occurred. Ministry was in essence dissolved in the midst of operations. So we dropped this exercise.

Officer Responsible

Senior Accounts Officer

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

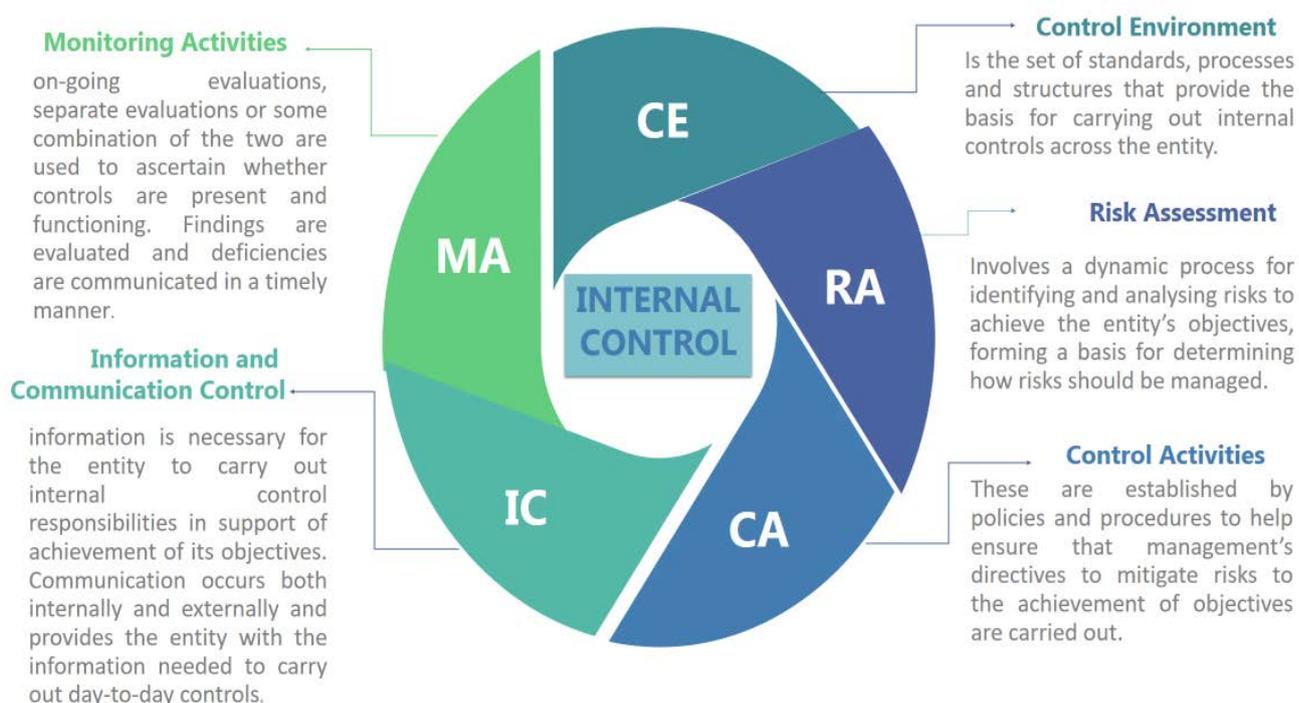
14.14 Internal Controls

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

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

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

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



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

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
🌱	🔴	🌟	🌱	🌱

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

14.15 Submission of FY 2018-2019 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions detailing the procedures and timelines for closing of the 2019 accounts.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✗	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✗
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	✓

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

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

Rating	Year-end close process assessment
☀ Generally effective	2 of 10 key processes were not completed within the timeline specified above.

14.16 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
☀ Effective	Adjustments on operating results/net assets were not required

14.17 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
 Ineffective	Acceptable draft financial statements received after 31 October 2019

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

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

Rating	Timeliness of Management Comments Received
 Ineffective	Management response received after 21 days

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

APPENDIX 14.1: PRIME MINISTER’S OFFICE DISASTER AND REHABILITATION TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Budget transfer	1,000,000	1,000,000
Donations	6,951	223,181
Bank interest	33,332	2,700
Total Receipts	1,040,283	1,225,881
Payments		
Tropical Cyclone Gita DISMAC operations	-	100,000
Tropical Cyclone Keni DISMAC operations	-	420,860
Tropical Cyclone Mona OT/JICS Customs Clearance	380,785	---
Withholding Tax on Interest Earned (10%)	3,333	---
Bank fees	60	310
Total Payments	384,178	521,170
Net Surplus	656,105	704,711
Opening balance as at 1 August	3,514,947	2,810,236
Closing Balance as at 31 July	4,171,051	3,514,947

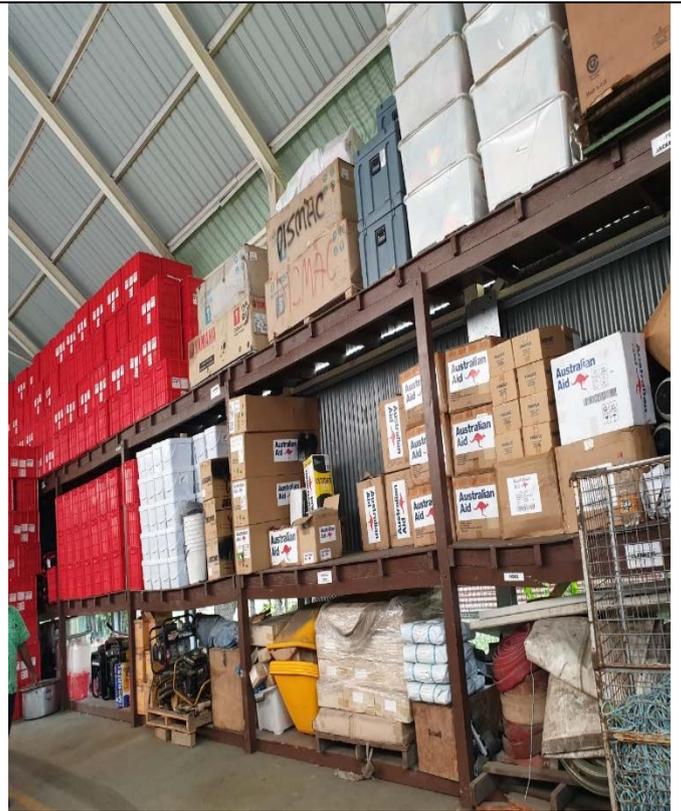
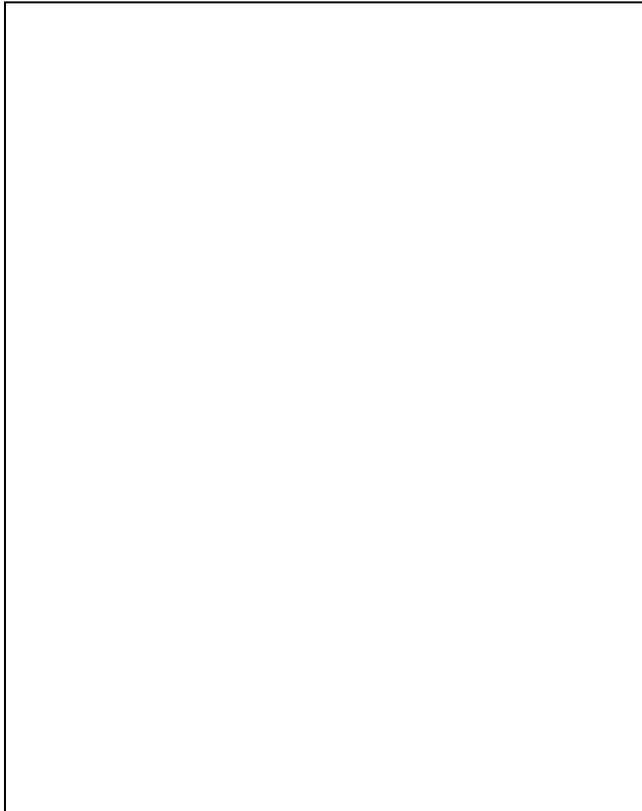
APPENDIX 14.2: AID IN KIND ANOMALIES AT MECHANICAL BUILDING STORE HOUSE

Sealed Package item for Aid in Kind were opened and items have been removed

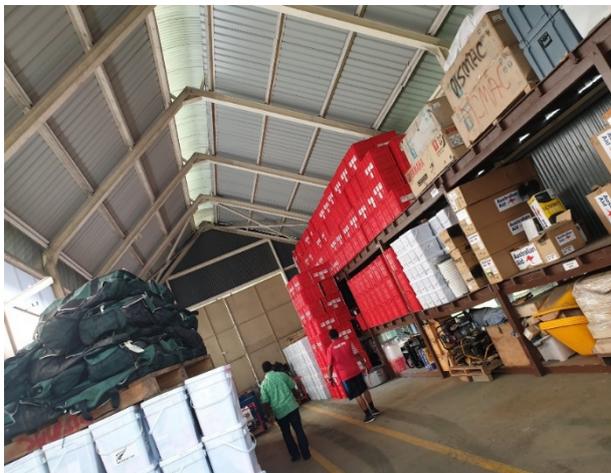


Sealed Package item for Aid in Kind were opened and items have been removed





Perishable goods inside the warehouse





Unsecured Warehouse





Appendix 14.3 Details of Payment Anomalies

Date	Cheque/EFT No.	Amount VIP (\$)	Anomalies
20/11/2018	4012	1,192.66	Three quotations not attached, LPO not attached and payment voucher not stamped paid
03/09/2018	3266	2,146.78	Payment voucher not stamped paid.
20/09/2018	3427	264.20	Payment voucher not stamped paid.
10/01/2019	4449/4450/4451	2,118.35	Payment voucher not stamped paid.
10/12/2018	4128	183.49	Payment voucher not stamped paid.
05/03/2019	4995	8,804.28	Payment voucher not stamped paid. Asset could not be traced to fixed asset register as none maintained
11/02/2019	4769	343.35	Three quotes not obtained and payment voucher not stamped paid
31/08/2018	3243	3,018.12	Payment voucher not stamped paid.
31/08/2018	3245	2,467.89	Payment voucher not stamped paid.
25/03/2019	4258	2,210	Payment voucher not stamped paid.
25/07/2019	6453	1,143	Payment voucher not stamped paid.
02/05/2019	5620	335.73	Payment voucher not stamped paid.

Date	Cheque/EFT No.	Amount VIP (\$)	Anomalies
23/04/2019	5553	909.72	Payment voucher not stamped paid.
28/05/2019	5871	1,129.82	Payment voucher not stamp "paid"
25/10/2018	3822	2,674.31	Payment voucher not stamp "paid"
25/10/2018	3818	590	Payment voucher not stamp "paid"
28/09/2018	7365	5,762.99	Payment voucher not stamp "paid"
22/03/2019	93	2,361.47	Payment voucher not stamp "paid"
09/01/2019	19	5,082.57	Payment voucher not stamp "paid"
13/12/2018	6	15,000	Three quotations not attached
06/08/2018	194- BSRP	10,238.44	Payment voucher not endorsed by preparer
06/08/2018	195- BSRP	10,148.64	Payment voucher not endorsed by preparer
19/12/2018	272- BSRP	18,092	Payment voucher not endorsed by preparer and Senior Accounts Officer
12/12/2018	7871	75,886.19	Supporting's not stamp "paid"
03/05/2019	8742	80,078	Supporting's not stamp "paid"
23/07/2019	23275	38,418.65	No invoice was attached

Section 15 A **Fiji Corrections Service**

Roles and Responsibilities

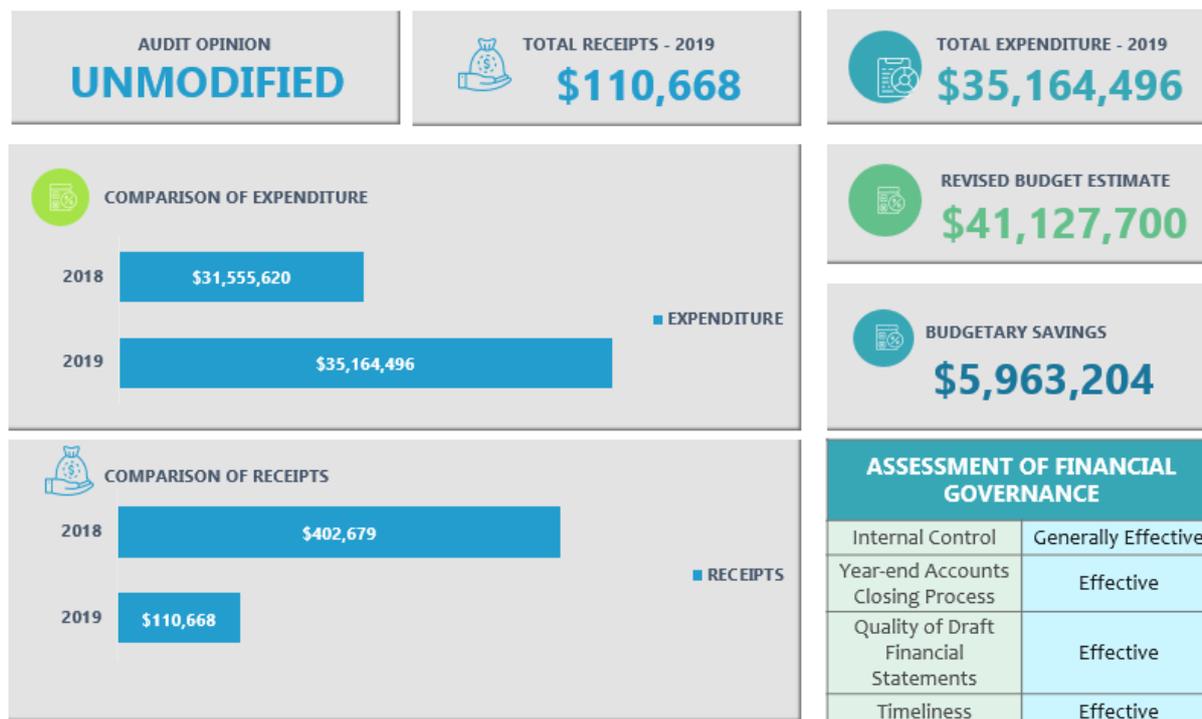
The Fiji Corrections Service [FCS] is responsible for properly and safely detaining and rehabilitating persons sentenced to a term of imprisonment or placed on remand pending trial by the courts at its correctional centres.

The FCS upholds Government’s obligation to meet international standards and best practices in its custody of inmates. One of its main responsibilities is to reduce overcrowding in correction centres to ensure that the human dignity of all inmates is respected.

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PART A: FINANCIAL INFORMATION



15A.1 Audit Opinion

The audit of the 2019 accounts of the Fiji Corrections Service resulted in an unmodified audit opinion. However, the following Emphasis of Matters were raised in the audit report:

- As at the date of this report, the Fiji Corrections Service was still in the process of updating the beneficiaries listing prior to 2015 which details the actual cash earned by the prisoners during imprisonment.
- Internal controls over revenue were generally found to be weak. These relate to receipting of direct deposits, unsigned cash analysis sheets, delay in banking and using more than one receipt book to record revenue received on consecutive days. These weakness in controls, if not addressed on a monthly basis, can result in material misstatements and possible financial losses in the future.

15A.2 Appropriation Statement

The Department collected revenue totalling \$110,668 in 2019 and incurred expenditure totalling \$35.1 million against a revised budget of \$41.1 million in savings of \$5.9 million or 14.5%.

Details of expenditure against the revised budget are provided in Table 15A.1.

Table 15A.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	24,249,368	(2,958,842)	21,290,526	18,353,179	2,937,347
2	Government Wage Earners	34,656	--	34,656	17,085	17,571
3	Travel & Communication	640,670	258,000	898,670	885,844	12,826
4	Maintenance & Operations	2,223,000	428,325	2,651,325	2,525,628	125,697
5	Purchase of Goods & Services	4,096,232	1,851,720	5,947,952	5,609,799	338,153
6	Operating Grants & Transfers	46,260	--	46,260	12,885	33,375
7	Special Expenditure	605,650	--	605,650	445,989	159,661
	Total Operating Costs	31,895,836	(420,797)	31,475,039	27,850,409	3,624,630
8	Capital Construction	7,170,000	178,475	7,348,475	5,403,436	1,945,039
9	Capital Purchase	675,000	--	675,000	567,698	107,302
	Total Capital Expenditure	7,845,000	178,475	8,023,475	5,971,134	2,052,341
13	Value Added Tax	1,386,864	242,322	1,629,186	1,342,953	286,233
	TOTAL	41,127,700	--	41,127,700	35,164,496	5,963,204

Budget savings were largely due to the following:

1. Savings in established staff and government wage earners is due to the vacant positions resulting from resignations, non-renewal of contracts and retirement of officers. Savings noted in operating grants and transfers is due to payment depending on discharge of inmates. Special expenditure savings was due to the reduction in applications for poverty alleviation programme as opposed to the numbers budgeted.
2. Savings in capital construction is due to the delay in the tender process, vetting and finalization of contract documents and the weather condition which delayed the implementation of capital projects such as the construction of Lautoka Remand Centre, Institutional boundary fence and civil works that were planned and budgeted for to be carried out during the year. Capital purchase savings is attributed to the non-installation of the local and wide area network as budgeted funds were not released due to the tight cash flow experienced across government.

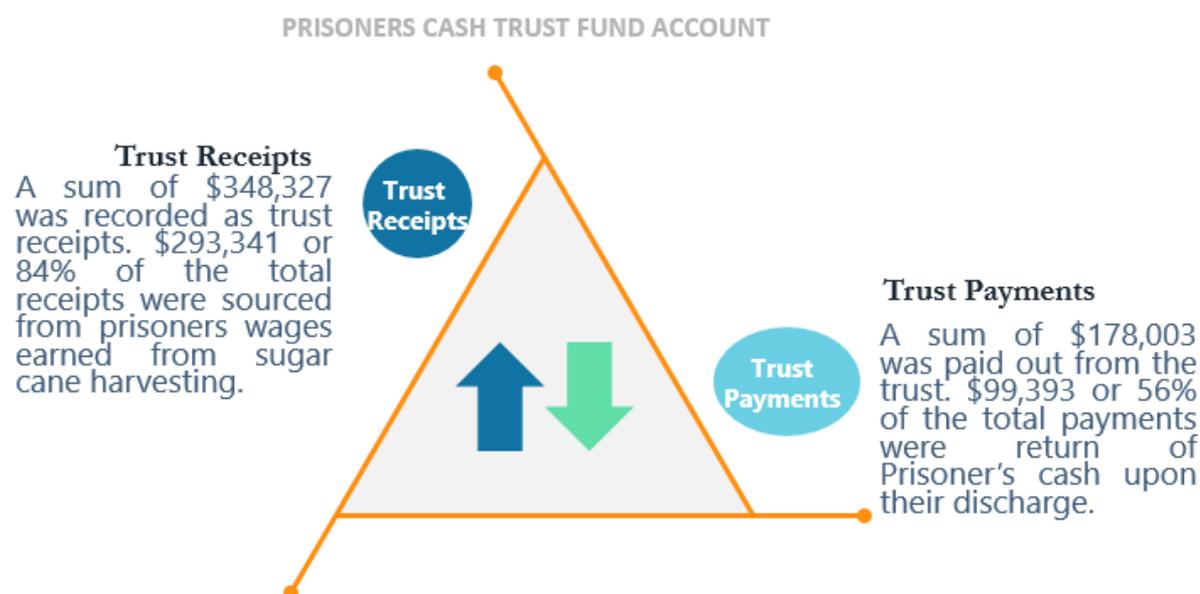
15A.3 Trust Fund Account

The Fiji Corrections Service maintains a Prisoners Cash Trust Fund Account.

Money held in trust consist of confiscated cash from prisoners upon convictions, engagement in the Trading and Manufacturing Small Business Units (TMA SBUs), engagement in the art gallery and commercial wage job placements. For the TMA SBUs, the wage rate depends on the job cost, skill of the prisoner and years of experience in the trade. The more skillful the prisoner the more the wage rate is charged. For commercial wage job placements, the wage rate depends on the rate offered by the company. For the art gallery, 60% of sale goes to the prisoner while 40% is used to purchase gallery items. The hours worked by the Prisoners are recorded in the timesheets and receipted when deposited into the Prisoners Trust Account.

Any pay out for prisoners upon discharge is taken out from this same Trust Account upon producing receipts. Pay outs are based on actual cash earned by the prisoners during incarceration. If there are discipline issues during incarceration these are accounted for when making payments to prisoners during release upon Commissioner’s discretion. All payments are supported by receipts and approved by the Commissioner before being paid.

The Prisoners Cash Trust Fund Account collected trust revenue totalling \$348,327 in 2019 and incurred expenditure totalling \$178,003 resulting in a surplus of \$170,324 compared to a surplus of \$106,143 in 2018.



Detailed statement for trust receipts and payments are provided in Appendix 15A.1.

15A.4 Trading and Manufacturing Account

The Fiji Corrections Service operates the Trading and Manufacturing Account (TMA) and is guided by its legal mandate to operate its Commercial Enterprises Unit as stipulated under the Fiji Corrections Act 2006 under Part 10 Clause 45 (a) to (d).

The Department’s TMA consists of six Small Business Units (SBUs) namely the Bakery, Joinery, Piggery, Poultry, Tailor and Crops. The summary of the activities are presented in a consolidated form as there is only one bank account for all the SBUs.

The operation of these TMA helps in the rehabilitative work programs with key objective of teaching and developing inmates with basic industrial and agricultural skills. The TMA also generates much needed revenue through the sale of agricultural products, joinery, tailor and bakery materials.

The activities for the TMA are as follows:

Bakery

The Bakery Unit is responsible for baking long loaves and sliced bread. Bakery unit is located within the Maximum Correction facility. This is the only product currently produced at the bakery. The production is to cater for the demand from the corrections institution and two main external customers which are the Fiji Military Forces and Fiji Navy. It also includes supply for special events like the Hibiscus Festival and Show Case when need arises.

Crops

This business unit does farming of crops and vegetables such as ginger, cassava, dalo and many other products according to seasons. The produce is mostly used to cater for institutional needs and also for sale to local buyers.

Joinery

The joinery team comprises of inmates who are involved with the construction of furniture items for institutional and commercial use. The furniture items include construction of tables, desks, chairs, coffin boxes and wardrobes.

Piggery

This business unit is responsible for breeding pigs and supplying pig meat to buyers along the Navua to Nausori corridor. The unit breeds pigs from weaner to baconer. Although it's not part of the major supplies of pig meat in Fiji, the unit is aiming to improve its breeding numbers.

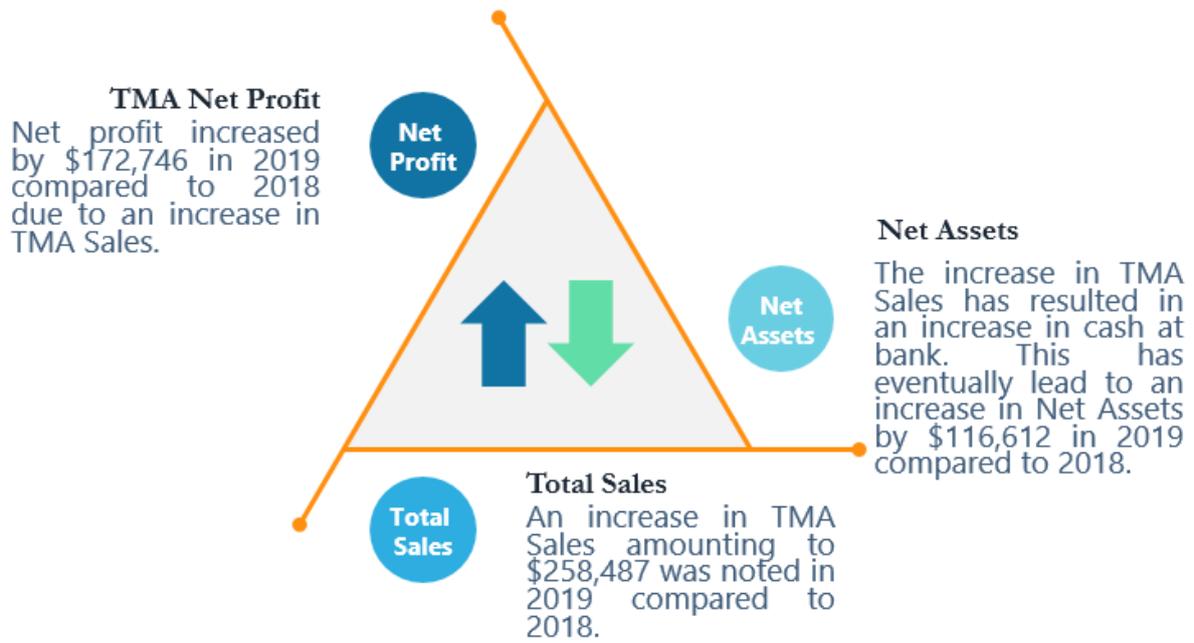
Poultry

This business unit is responsible for breeding live chickens for supply of fresh eggs which are then retailed in the local market. The eggs produced are of high quality with affordable prices compared to other suppliers of fresh eggs and is mostly bought by households and businesses around the greater Suva area. Additionally the unit also sells live chicken.

Tailor

The tailor unit is responsible for making garments such as school uniforms, beddings, government uniforms, health workers uniforms/coats and many more. Garments are mostly bought by clothing retail shops around Fiji. The unit also specializes in custom made designs and modifies the designs according to customer needs.

The financial analysis of TMA for the year ended 31 July 2019 is provided below. Detailed Statements for the TMA are provided in Appendix 15A.2.



PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Department. These have been included in this report as they impacted on the overall system of control of the Department as at 31 July 2019.

15A.5 Weaknesses in revenue controls

When cash or bank cheques are received, the revenue collector shall immediately issue an official receipt.¹

The lodgement forms shall be checked and signed by the Senior Accounts Officer, Accounts Officer and Assistant Accounts Officer (who must not also be responsible for collecting revenue). Cash to be deposited shall be counted before the Senior Accounts Officer, Accounts Officer and Assistant Accounts Officer who signs the lodgement forms.²

The banking officers shall bank money received on a daily basis at least. The lodgement form shall be prepared in triplicate detailing the deposits to be made.³

Receipt books must be issued in sequential order.⁴ Under no circumstance shall any receipt book be transferred between Revenue collectors unless the Senior Accounts Officer has given approval.⁵

Audit review of revenue receipts and related records noted the following control weaknesses:

- (i) Direct deposits of miscellaneous revenue amounting to \$13,080 were not receipted;
- (ii) The cash analysis sheets were not signed by the responsible officers;
- (iii) Cash receipts were not banked daily or the next day; and
- (iv) Revenue receipts were not issued in sequential order.

Refer to Appendix 15A.3 for details.

Although the above issue was raised in the previous year, corrective action has not been taken to address it.

¹ Fiji Corrections Service Finance Manual 2019, Part 5, Section 5 – Revenue Management: paragraph 5.3.1

² Fiji Corrections Service Finance Manual 2019, Part 5, Section 5 – Revenue Management: paragraph 5.4.3

³ Fiji Corrections Service Finance Manual 2019, Part 5, Section 5 – Revenue Management: paragraph 5.4.2

⁴ Fiji Corrections Service Finance Manual 2019, Part 5, Section 5 – Revenue Management: paragraph 5.2.13

⁵ Fiji Corrections Service Finance Manual 2019, Part 5, Section 5 – Revenue Management: paragraph 5.2.19

Root cause/Implication

This indicates the lack of oversight and adequate supervisory checks. These internal controls weakness, if not addressed on a monthly basis, may result in material misstatements and possible financial losses in the future.

Recommendations

The Department should ensure that:

- All direct bank deposits are receipted.
- Cash analysis sheets are signed by responsible officers and banking of money is done on a daily basis.
- Revenue collectors to issue one receipt book at a time to ensure that revenue receipts are issued in sequential order.

Agreed Management Action

FCS control mechanism is to restrict and control revenue collectors (RC).

With the endorsing of receipts analysis by revenue collectors, lodgements are done by their individual clerks and brought back to RC to endorse the lodgement form. This minimises the handling of cash as OCs (Revenue Collector) are responsible for signing the receipts. This will be checked by the AAO at NHQ before posting into the FMIS system. All Direct deposits are accounted for and receipted on the receiving dates.

Cash receipts are receipted daily. Receipts that are processed after the closure of banks are dated the day received but lodged in the next working day.

Officer Responsible

Senior Accounts Officer

15A.6 Beneficiaries Listing of Prisoner's Trust Fund Account

The Assistant Accounts Officer shall properly file correspondences, reports, trust agreements and other relevant trust documents. Each trust account shall have its own file.⁶ The Assistant Accounts Officer shall keep a trust ledger to record movement of trust money. The ledger shall record the following information:

- i. name of trust account;
- ii. date and amount of receipts and payee;
- iii. date, amount paid and payer including reference number; and
- iv. balance to date.⁷

Review of the Prisoner's trust fund account revealed that the beneficiaries listing was not updated whereby the listing entailed unidentified beneficiaries.

⁶ Fiji Corrections Service Finance Manual 2019, Part 15, Section 15 – Trust Accounts: paragraph 15.3.1

⁷ Fiji Corrections Service Finance Manual 2019, Part 15, Section 15 – Trust Accounts: paragraph 15.3.2

Root cause/Implication

This indicates the lack of proper controls and supervisory checks for record keeping and administration of Prisoner's Cash Trust Account.

In the absence of updated beneficiaries' listings, it will be difficult for the Department to verify claims made by beneficiaries.

Recommendation

The Department should identify all the beneficiaries and reconcile their record against the general ledger (FMIS) balance.

Agreed Management Action

We confirm that receipt documents prior to 2015 cannot be located in our archives room and stores. FCS confirms that the current records are properly maintained to confirm the release of prisoners' funds upon discharge.

As way forward, to release funds to an inmate being discharged that was incarcerated prior to 2015, the original receipt is requested from the supervisor and OC in which the inmate is detained. This is checked with the FMIS system for any payments processed for this bearer if not, then a payment is processed upon the approval of the commissioner and released to the inmate. If original is misplaced, a statutory declaration is made and system checked also.

We also ensure that this documentations and receipts are kept safely for refunding on discharge.

Officer Responsible

Senior Accounts Officer

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

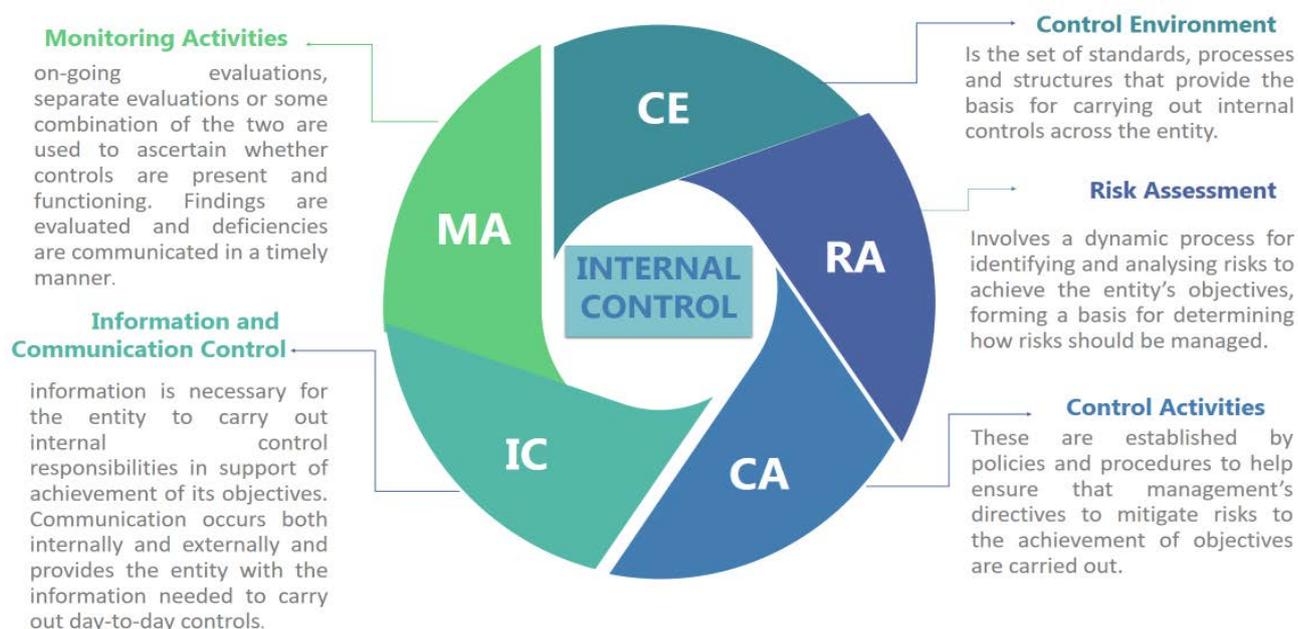
15A.7 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Some deficiencies identified in internal controls.

15A.8 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREA	ACHIEVEMENT	KEY FOCUS AREA	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	N/A

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

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

Rating	Year-end close process assessment
Effective	All key processes completed within two weeks of due date.

15A.9 Quality of Draft Financial Statements by entities

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

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

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

15A.10 Timeliness of draft financial statements

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

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

15A.11 Timeliness of Provision of Management Comments and Signing of Financial Statements

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

Accordingly, we have assessed timeliness as:

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

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

APPENDIX 15A.1: PRISONERS CASH TRUST FUND

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Prisoner's cash	13,434	27,969
Job placement	3,360	7,399
Sale of Art gallery	34,559	14,730
Sugar cane harvesting	293,341	173,861
Commercial wages	3,633	1,758
Total Receipts	348,327	225,717
Payments		
Return of Prisoner's cash	99,393	81,042
Job placement	3,355	558
Art gallery	2,880	3,320
Sugar cane harvesting	72,375	34,654
Total Payments	178,003	119,574
Surplus	170,324	106,143
Opening balance as at 1 August	767,466	661,323
Closing Balance as at 31 July	937,790	767,466

APPENDIX 15A.2: CONSOLIDATED TRADING AND MANUFACTURING ACCOUNT**Table 15A.2: Manufacturing Account**

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Raw Materials	72,841	44,019
Add: Purchases	999,923	882,043
	1,072,764	926,062
Less: Closing Raw materials	78,611	72,841
Raw Materials Used	994,153	853,221
Add: Opening Work In Progress	357,243	95,424
Add: Direct Cost – Labour	31,399	31,423
Less: Closing Work in Progress	14,269	357,243
Cost of Manufactured Goods Transferred to Trading Account	1,368,526	622,825

Table 15A.3: Trading Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Sales	1,745,677	1,487,190
Opening Stock	17,570	354,541
Add: Cost of Manufactured Goods transferred from Manufacturing Account	1,368,526	622,825
Less: Closing Stock of Finished Goods	423,365	17,570
Cost of Goods Sold	962,731	959,796
Gross Profit transferred to Profit & Loss Account	782,946	527,394

Table 15A.4: Profit and Loss Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Income		
Gross Profit Transferred from Trading Account	782,946	527,394
Total Income	782,946	527,394
Expenses		
Maintenance and Operations	157,109	74,303
Total Payments	157,109	74,303
Net Profit	625,837	453,091

Table 15A.5: Balance Sheet – Engineers Plant Pool Trading Activity

Description	31 July 2019 (\$)	31 July 2018 (\$)
Assets		
Cash at Bank	747,469	702,424
Raw Materials	78,611	72,841
Works in Progress	14,269	357,243
Finished Goods	423,364	17,570
VAT Receivable	15,741	8,064
Total Assets	1,279,454	1,158,142
Liabilities		
Deferred income	4,700	-
Total Liabilities	4,700	-
Net Assets	1,274,754	1,158,142
Equity		
TMA Surplus transferred to Consolidated Fund	(502,328)	6,896
TMA Accumulated Surplus	1,151,245	698,155
Net Profit	625,837	453,091
Total Equity	1,274,754	1,158,142

APPENDIX 15A.3: EXAMPLES OF WEAKNESSES IN REVENUE CONTROLS

JV No	Station	Details	VIP Amount (\$)	Comments
152151	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of Aug to October 2018.	3,270.00	Direct deposit was not receipted.
152164	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of Nov 2018.	1,090.00	Direct deposit was not receipted.
152218	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of Feb 2019.	1,090.00	Direct deposit was not receipted.
152268	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of Dec 2018 and Jan 2019.	2,180.00	Direct deposit was not receipted.
152329	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of March 2019.	1,090.00	Direct deposit was not receipted.
152376	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of May 2019.	2,180.00	Direct deposit was not receipted.
152434	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of June 2019.	1,090.00	Direct deposit was not receipted.
152344	Naboro Prison	Being payment of minimum CC Lamp post (Scrap metal - 9546kg steel)	477.30	Cash analysis sheet and the lodgement form was signed by the revenue collector himself.
152532	NHQ	Direct deposit for payment of using Billboard at Korovou station during the month of July 2019.	1,090.00	Direct deposit was not receipted.

APPENDIX 15A.3: EXAMPLES OF WEAKNESSES IN REVENUE CONTROLS (Con't)

JV No	Station	Receipt no.	Details	VIP Amount (\$)	Comments
152006	Lautoka	114804-114834	Being burial fees received for burial spots at Balawa and Tavakubu during the month of August 2018.	1,131.50	Cash analysis sheet and the lodgment form was signed by the revenue collector himself.
152058	Nasinu	115675-115688	Being burial fees received for burial spots at Nasinu Cemetery during the month of September 2018.	511.00	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor. Lodgment delayed by 2 days. i.e revenue received on 31/08-01/09/18 was lodged on 04/09/18
152070	Suva	115693-115700-115611-115618-115701-115723	Being burial fees received for burial spots at Nasinu Cemetery during the month of September 2018.	1,376.80	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor. Lodgment delayed by 2 days. i.e revenue received on 06/09 & 7/09/18 was lodged on 10/09/18 More than one receipt books were used to record revenues received on consecutive days.
152071	Suva	115724-115741	Being burial fees received for burial spots at Nasinu Cemetery during the month of September 2018.	642.45	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor.
152107	Lautoka	114862-114877	Being burial fees received for burial spots at Tavakubu during the month of October 2018.	584.00	Cash analysis sheet and the lodgment form was signed by the revenue collector himself.
152111	Suva	115800-115640-115851-115889	Being burial fees received for burial spots at Nasinu Cemetery during the month of October 2018.	1,443.85	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues on consecutive days.
152112	Suva	115758-115799	Being burial fess received for burial spots at Nasinu Cemetery during the month of October 2018.	1,498.30	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor.

APPENDIX 15A.3: EXAMPLES OF WEAKNESSES IN REVENUE CONTROLS (Con't)

JV No	Station	Receipt no.	Details	VIP Amount (\$)	Comments
152153	Suva	115904-115926-115928-115934	Being burial fees received for burial spots at Nasinu Cemetery during the month of October & Nov 2018.	1,055.90	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor.
152160	Suva	115935-115950-115954-783001-783012	Being burial fees received for burial spots at Nasinu Cemetery during the month of Nov 2018.	1,014.85	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues received on consecutive days.
152160	Labasa	395859-395860	Being burial fees received during the month of October & Nov 2018.	73.00	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor.
152187	Lautoka	114919-114932	Being burial fees received for burial spots at Balawa and Tavakubu during the month of December 2018.	501.30	Cash analysis sheet and the lodgment form was signed by the revenue collector.
152201	Suva	783170-783199	Being burial fees received for burial spots at Nasinu Cemetery during the month of Dec 2018.	1,068.85	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor.
152210	Suva	115983-115987-783200-783240	Being burial fees received for burial spots at Nasinu Cemetery during the month of Dec 2018.	1,488.00	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor. Delay in bank lodgment i.e revenue received on 21/12, 22/12, 24/12 & 25/12 were lodged on 28/12/18.
152226	Lautoka	114962-114977	Being burial fees received for burial spots at Balawa and Tavakubu during the month of Jan 2019.	584.00	Cash analysis sheet and the lodgment form was signed by the revenue collector.
152251	NHQ	783309-783314-783366-783390	Being burial fees received for burial spots at Nasinu Cemetery during the month of January 2019.	1,046.15	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues received on consecutive days.

APPENDIX 15A.3: EXAMPLES OF WEAKNESSES IN REVENUE CONTROLS (Con't)

JV No	Station	Receipt no.	Details	VIP Amount (\$)	Comments
152007	Nasinu CC	115516-115600, 115651-115669, 115605	Being burial fess received for burial spots at Nasinu Cemetery during the month of August 2018.	3,732.60	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues on consecutive days.
152185	Suva	783041-783050 115959 783101-783169	Being burial fees received for burial spots at Nasinu Cemetery during the month of Nov & Dec 2018.	2,854.40	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor.
152223	Suva	783241-783246 783255-783300 783352-783357	Being burial fees received for burial spots at Nasinu Cemetery during the month of Jan 2019.	2,066.10	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues received on consecutive days.
152277	Suva	783406-783450	Being burial fees received for burial spots at Nasinu Cemetery during the month of Feb 2019.	1,584.30	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor.
152299	Suva	784028-784059	Being burial fees received for burial spots at Nasinu Cemetery during the month of Feb 2019.	1,102.40	Bank lodgment form was not signed by the supervisor.
152342	Suva	784199-784200 783951-784000 784132-784142 784201-784250 784301-784310	Being burial fees received for burial spots at Nasinu Cemetery during the month of April 2019.	4,366.65	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues on consecutive days. Lodgment delayed by 2 days. i.e revenue received on 18/04 & 20/04 was lodged on 23/04/19.
152367	Suva	784324-784350 784268 784270-784271 784274-784277 784401-784411	Being burial fees received for burial spots at Nasinu Cemetery during the month of May 2019.	1,576.70	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor.

APPENDIX 15A.3: EXAMPLES OF WEAKNESSES IN REVENUE CONTROLS (Con't)

JV No	Station	Receipt Number	Details	VIP Amount (\$)	Comments
152398	Suva	784412-784439	Being burial fees received for burial spots at Nasinu Cemetery during the month of May 2019.	1,022.00	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor.
152399	Suva	784440-784464	Being burial fees received for burial spots at Nasinu Cemetery during the month of May 2019.	912.50	Bank lodgment form was not signed by the supervisor.
152515	Suva	784975-785000	Being burial fees received for burial spots at Nasinu Cemetery during the month of July 2019.	934.45	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor.
152536	Suva	963001-963021-784576-784579	Being burial fees received for burial spots at Nasinu Cemetery during the month of July 2019.	892.20	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor. 2 receipt books used to record revenues received on consecutive days.
	Suva	784509-784297-784300-784551-784519-784537	Being burial fees received for burial spots at Nasinu Cemetery during the month of Julne 2019.	846.30	Cash analysis sheet was signed by the revenue collector and the lodgment form was not signed by the supervisor. 2 receipt books used to record revenues received on consecutive days.
152494	Suva	784540-784550-784561-784951-784974-784566	Being burial fees received for burial spots at Nasinu Cemetery during the month of July 2019.	1,309.00	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues received on consecutive days.
152118	Suva	115890-115897-115899-115900-115643-115646-115901-115903	Being burial fess received for burial spots at Nasinu Cemetery during the month of October 2018.	591.40	Cash analysis sheet was signed by the revenue collector himself and the lodgment form was not signed by the supervisor. More than one receipt books were used to record revenues on consecutive days.

Section 15 Ministry of Justice

Roles and Responsibilities

The Ministry of Justice is responsible for the administration of law and justice in Fiji. The Ministry delivers judicial services through registries established by the law to maintain official records of legal documents.

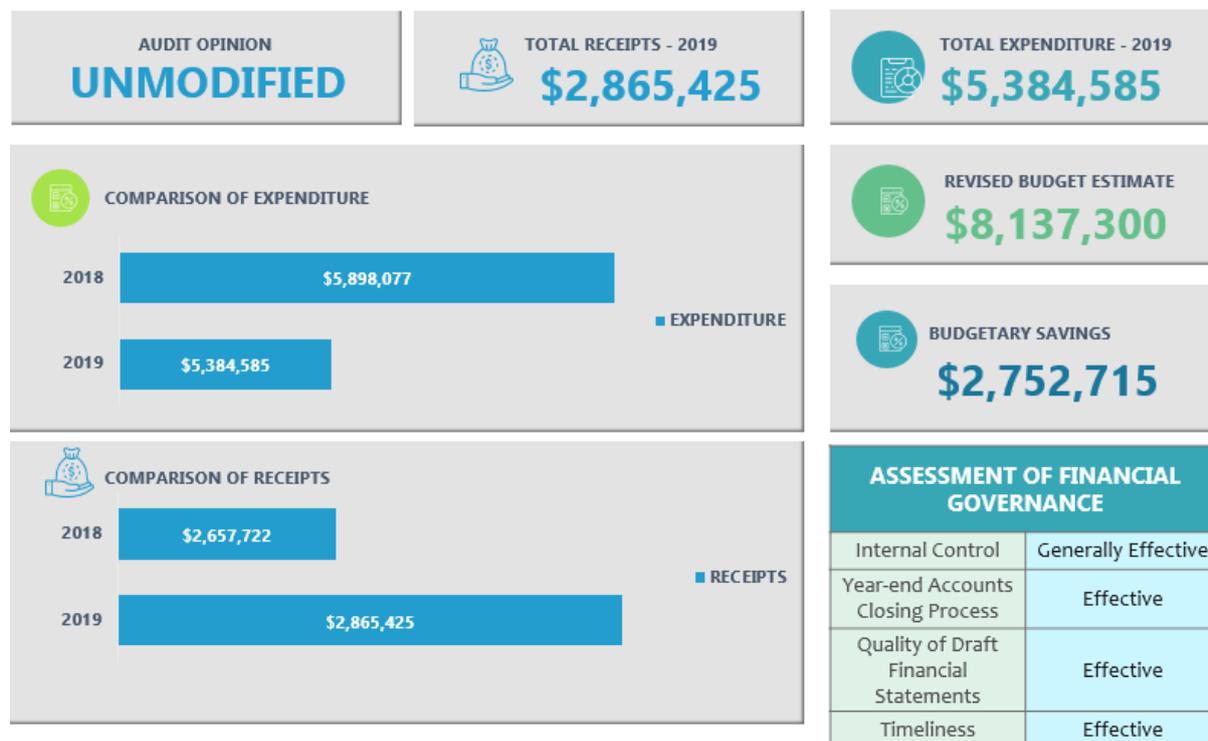
The Office of the Registrar of Companies registers companies, businesses, credit unions and money lenders. The Office of the Registrar of Titles registers titles and deeds. The Office of the Registrar-General registers births, deaths and marriages.

The Office of the Official Receiver is responsible for the administration of the winding-up of companies and bankruptcy matters, whereas the Office of the Administrator General is responsible for the administration of the Justices of the Peace.

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PART A: FINANCIAL INFORMATION



15.1 Audit Opinion

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

However, attention was drawn to the following matters:

- Miscellaneous fees, registration fees and license money lenders revenue are reported in the statement of receipts and expenditure. These balances which are derived from the general ledger (FMIS) did not reconcile to the balance in the Ministry’s standalone receipting system report. A variance of \$893,620 exists between the revenue recorded in the Ministry’s standalone receipting system and general ledger (FMIS) for registration fees, miscellaneous revenue and license money lenders revenue.

These variances are largely due to manual receipting and direct deposits which are not captured in the standalone receipting system. If this is not addressed promptly, it may result in material misstatements and possible financial losses in the future.

- Internal controls over the preparation of payroll and underline accounts reconciliations which were generally weak. This is in respect of closing balances not reconciling to the general ledger and revised reconciliations not being checked and certified correct. These internal controls weakness, if not addressed promptly, may also result in material misstatements and possible financial losses in the future.

15.2 Appropriation Statement

The Ministry collected revenue totalling \$2,865,425 in 2019 and incurred expenditure totalling \$5.3 million against a revised budget of \$8.1 million in savings of \$2.7 million or 33.8%.

Details of expenditure against the revised budget are provided in Table 15.1.

Table 15.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,914,169	(29,100)	3,885,069	2,904,081	980,988
2	Government Wage Earners	193,685	---	193,685	142,227	51,458
3	Travel & Communication	343,000	(35,000)	308,000	171,111	136,889
4	Maintenance & Operations	713,000	57,968	770,968	609,258	161,710
5	Purchase of Goods & Services	227,406	(3,868)	223,538	138,160	85,378
6	Operating Grants & Transfers	11,500	10,000	21,500	11,500	10,000
7	Special Expenditure	1,703,318	---	1,703,318	714,368	988,950
	Total Operating Costs	7,106,078	---	7,106,078	4,690,705	2,415,373
8	Capital Construction	600,000	---	600,000	462,523	137,477
9	Capital Purchase	100,000	---	100,000	96,621	3,379
	Total Capital Expenditure	700,000	---	700,000	559,144	140,856
13	Value Added Tax	331,222	---	331,222	134,736	196,486
	TOTAL	8,137,300	---	8,137,300	5,384,585	2,752,715

The budget savings were largely due to the following:

1. Savings in Established Staff and Government Wage Earners is due to the 42 vacant positions that were not filled as a result of budget constraint.
2. Decrease in travel and subsistence claim resulted in savings in the Travel and Communication allocation while savings in Maintenance and Operations is attributed to the decrease in the expenses for office pest control and repair and maintenance. Savings in Purchase of Goods and Services is attributed to decrease in the expenses for OHS and meeting expenses.
3. Savings noted for Operating Grants and Transfers is due to less payment made for annual subscription fees. Special Expenditure savings is mainly attributed to the non-utilization of the official receiver budget as no claim was made for payment. The savings in Capital Construction is a result of strict monitoring of expenses incurred for refurbishment for Titles Office.

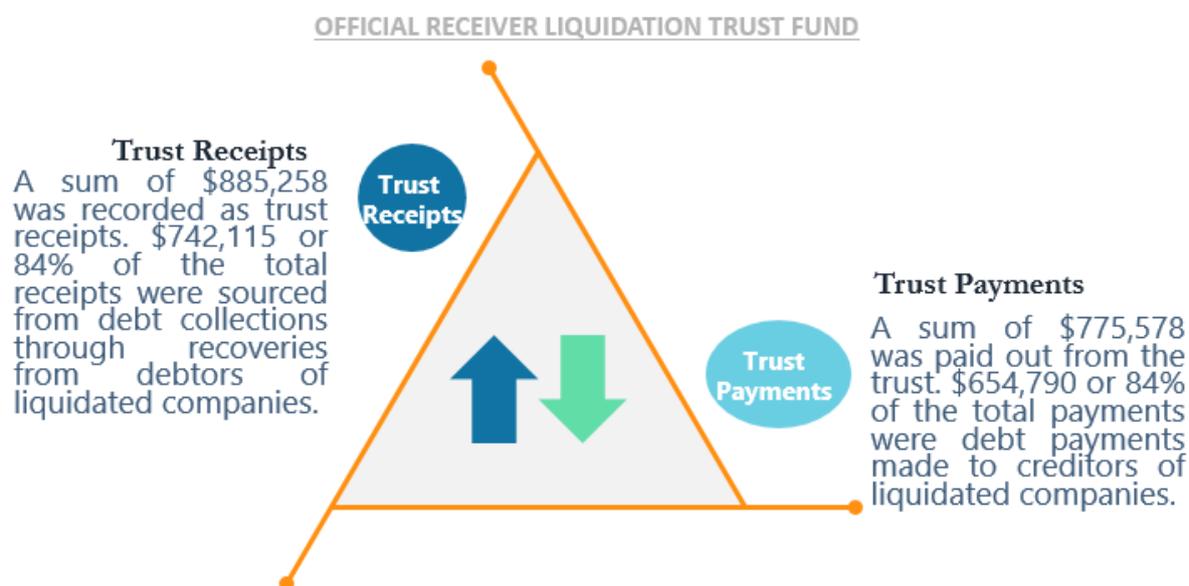
15.3 Trust Fund Account

The Ministry of Justice maintains two main trust fund accounts. These are the Official Receiver Liquidation and Official Receiver Bankruptcy Trust Fund Accounts.

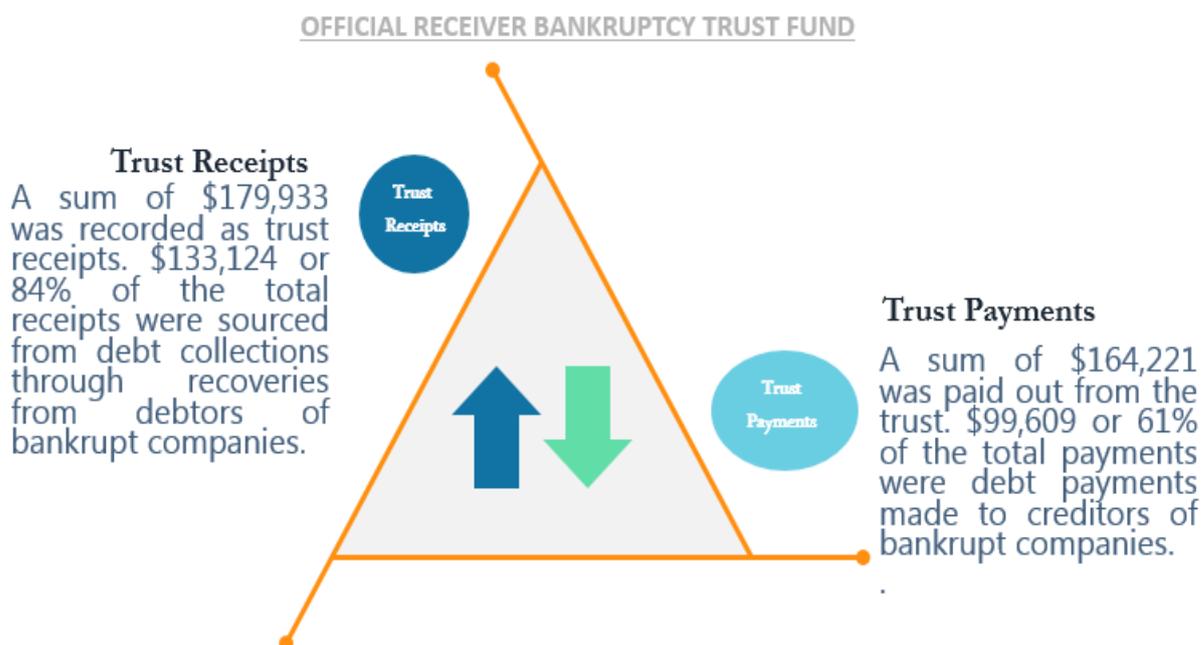
The Official Receiver administers Liquidation and Bankruptcy Accounts in accordance to the Companies Act 2015 and Bankruptcy Act 1944, respectively. The creditor files the petition against the debtor by paying a sum of \$109 for individual debtors and \$763 for Companies.

The petitions are then lodged with the Magistrates’ Court or High Court which then appoints the Official Receiver as the Official Receiver of a debtor’s estate for individuals or as the Provisional Liquidator for a company. The Official Receiver then would have to take necessary steps as required under the Companies Act 2015 and the Bankruptcy Act 1944 to ensure recoveries are made from the debtors to pay off the creditors. Money received from Liquidated Companies on the other hand is deposited into the Liquidation Trust Bank Account for payment to creditors.

The Official Receiver Liquidation Trust Fund account collected trust revenue totalling \$885,258 in 2019 and incurred expenditure totalling \$775,578 resulting in a surplus of \$109,680 compared to a surplus of \$2,216 in 2018.



The Official Receiver Bankruptcy Trust Fund collected trust revenue totalling \$179,933 in 2019 and incurred expenditure totalling \$164,221 resulting in a surplus of \$15,712 compared to a surplus of \$18,657 in 2018.



Detailed statement for trust receipts and payments are provided in Appendix 15.1 and 15.2.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

15.4 Variance in revenue records

At the end of each month, the Principal Accounts Officer shall prepare a Statement of Revenue comparing the types of revenue collected during the month against the forecasted revenue. Explanations for variances between the actual and forecasted revenue must be obtained from the officers responsible for revenue collection.¹ The Revenue Statement shall be included as part of the monthly management report.²

Audit review of the Ministry's revenue records revealed the following anomalies:

- A variance of \$137,339.31 existed between the registration revenue recorded in the system generated report and the amount recorded in the general ledger (FMIS).
- A variance of \$738,342.05 existed between the miscellaneous revenue recorded in the system generated report and the amount recorded in the general ledger (FMIS).
- A variance of \$17,939.03 existed between the money lenders revenue recorded in the system generated report and the amount recorded in the general ledger (FMIS).

According to the Ministry, the variances were due to:

- System report not capturing direct bank deposits.
- Fiji Embassies collects fees and deposits directly to the Consolidated Fund Account.
- System report does not capture manual receipts.
- Post Fiji revenue, ANZ online and M-Paisa transaction are posted in the general ledger but are not captured in the system generated report.

However, evidence was not provided to substantiate these explanations as:

- A register or listing of manual receipts issued was not maintained.

¹ Justice Finance Manual 2013, Part 5, Section 5 – Revenue Management: paragraph 5.5.10

² Justice Finance Manual 2013, Part 5, Section 5 – Revenue Management: paragraph 5.5.11

- Revenue received through direct deposits were not receipted and instances were noted whereby the details of the receipts were not properly maintained that would assist in identifying the type of revenue and the person or entity from whom the revenue is received.
- No reconciliation between the Ministry's standalone receipting system report and the general ledger were maintained by the Ministry.

Root cause/Implication

These variances are largely due to manual receipting and direct deposits which are not captured in the standalone receipting system. If this is not addressed promptly, it may result in material misstatements and possible financial losses in the future.

Recommendations

The Ministry must ensure that:

- **Given the magnitude of revenue it receives and the risks involved, revenue reconciliations should be properly prepared and maintained;**
- **Supervisory checks and due diligence are strengthened so that revenue records are regularly updated and properly maintained;**
- **A register or listing is maintained for all manual receipts issued; and**
- **Receipting should be done for all revenue deposited directly into the bank and proper records are maintained.**

Agreed Management Action

As the way forward we have implemented a register to keep a track for the direct deposit and manual receipts as and when notice is given to the Ministry of Justice by the Ministry of Economy. We are now issuing manual receipt for the direct deposit to keep a track of direct deposit where possible but given the nature of transactions, this would be difficult as such reporting/recording is done by the Ministry of Economy. There may be variance in the recording process, but as far as receipt of revenue is concerned, there is no variance in the actual revenue received. The reporting process needs to be tied to the reporting and recording done at the Ministry of Economy for a clearer picture.

Officer Responsible

Principal Accounts Officer

15.5 Absence of detailed listings for Official Receiver Trust Fund Accounts balance

The Clerical Officer Revenue shall properly file correspondences, reports, trust agreements and other relevant trust documents. Each trust account shall have its own file.³ The Clerical Officer Revenue shall keep a trust ledger to record movement of trust money. The ledger shall record the following information:

- i. name of trust account;
- ii. date and amount of receipts and payee;

³ Justice Finance Manual 2013, Part 14, Section 3 – Trust Accounts paragraph 14.3.1

- iii. date, amount paid and payer including reference number;
- iv. balance to date.⁴

The Ministry maintains two separate Bank Accounts for the Official Receiver Bankruptcy Accounts and the Official Receiver Liquidation Accounts.

For Bankruptcy Accounts, the Ministry maintains records of receipts and payments for individuals under receivership whilst for the Liquidation Accounts it maintains records of receipts and payments for companies under provisional liquidations.

We noted that there were no detailed accounts listing of the balances for companies and individuals under provisional liquidation and receivership as at 31 July 2019.

Root cause/Implication

In the absence of detailed listings, it was not possible to ascertain the correctness of the balanced reflected in the Liquidation and Bankruptcy Trust Fund accounts.

Recommendation

The Ministry should ensure that the manual records of individuals under receivership and companies under provisional liquidations are updated, consolidated and reconciled with the respective Trust Fund Account balances.

Agreed Management Action

The software developed for maintaining these two trust funds is under process. During data migration, all the manual records will be verified and inputted into the system. Thus the system will capture all the details for recording purpose.

Officer Responsible

Principal Accounts Officer

⁴ Justice Finance Manual 2013, Part 14, Section 3 – Trust Accounts paragraph 14.3.2

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

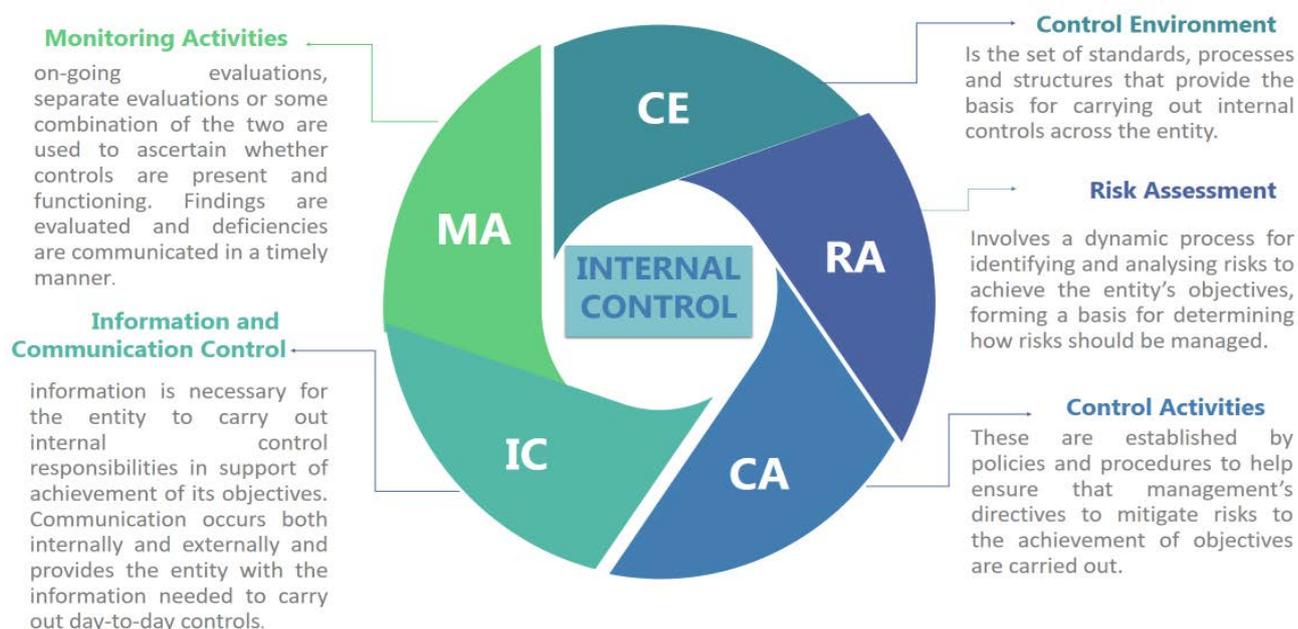
15.6 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Some deficiencies identified in internal controls.

15.7 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREA	ACHIEVEMENT	KEY FOCUS AREA	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of <u>virement</u> by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of <u>impres</u> by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	N/A

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

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

Rating	Year-end close process assessment
● Effective	All key processes completed within two weeks of due date.

15.8 Quality of Draft Financial Statements by entities

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

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

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

15.9 Timeliness of draft financial statements

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

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

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
• Generally effective	Within 15 days from issue of Financial Statements for signing

APPENDIX 15.1: OFFICIAL RECEIVER LIQUIDATION TRUST FUND

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Debt Collected	742,115	1,281,951
Petition	64,092	38,213
Search Fees	8,044	6,714
Proof of Debt	3,870	2,453
Fees and Costs	67,137	-
Total Receipts	885,258	1,329,331
Payments		
Debt Payment	654,790	834,767
Company Operational Expenditures	-	55,116
Debtor Refund	-	291,088
Petition Refund	3,052	5,604
Valuation Costs	-	1,500
Publication Costs	4,518	3,664
Bank Fees & Charges	233	336
Payment to CFA	112,925	108,840
Accounting Fee	60	26,200
Total Payments	775,578	1,327,115
Surplus	109,680	2,216
Opening balance as at 1 August	589,653	587,437
Closing Balance as at 31 July	699,333	589,653

APPENDIX 15.2: OFFICIAL RECEIVER BANKRUPTCY TRUST FUND

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Debt Collected	133,124	105,501
Search Fees	34,401	37,475
OR Fees & Costs	8,319	-
Petition	2,848	4,456
Proof of Debt	1,241	18
Total Receipts	179,933	147,450
Payments		
Debt Payment	99,609	59,788
Debtor Refund	24,279	673
Publication Costs	501	4,733
Petition Refund	-	-
Bank Fees & Charges	294	513
Payment to CFA	39,538	63,086
Total Payments	164,221	128,793
Surplus	15,712	18,657
Opening balance as at 1 August	274,260	255,603
Closing Balance as at 31 July	289,972	274,260

	Month	Previous Months Closing Balance	Opening Balance	Variance in Opening Balance	Observation
Drawings	Aug 2018	279,333.17	259,055.56	20,277.61	Opening reconciliation balance did not match to closing reconciliation balance of July 2018. Reconciliation was prepared as follows: <ul style="list-style-type: none"> • Initial reconciliations prepared on 18/09/18 and approved on 19/09/18 • Reconciliation revised on 08/11/18 and approved on 13/11/18 • After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials dated December 2018 was attached to the reconciliation.
Drawings	Sep 2018	224,056.05	224,056.05	0.00	Reconciliation was prepared as follows: <ul style="list-style-type: none"> • Initial reconciliation prepared on 09/10/18 and approved on 19/10/18. • Reconciliation revised on 08/11/18 and approved on 13/11/18 • Reconciliation revised on 11/12/18 and approved on 13/12/18.
Drawings	Oct 2018	130,563.98	130,563.98	0.00	Reconciliation was prepared as follows: <ul style="list-style-type: none"> • Initial reconciliation prepared on 09/11/18 and approved on 13/11/18. • Reconciliation revised on 11/12/18 and approved on 13/12/18.
Drawings	Jul 2019	16,382.66	16,382.66	0.00	Reconciliation was prepared as follows: <ul style="list-style-type: none"> • Initial reconciliation was prepared on 21/08/19 and approved on 23/08/19 • Reconciliation revised on 30/08/19 and approved on 03/09/19.

Account	Month	Opening Balance	Closing Balance Reconciliations	Closing Balance GL	Variance in Closing Balance	Observation
Revolving Fund Account	Jul 2019	1,744.5	698.75	670.85	27.90	<ul style="list-style-type: none"> • Closing reconciliation balance did not reconcile to GL closing balance. • After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials dated November 2019 was attached to the reconciliation.
Operating Trust Account	Sep 2018	-310,362.53	-304,010.95	-304,018.18	7.23	<ul style="list-style-type: none"> • Closing reconciliation balance did not reconcile to GL closing balance. • After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials of the original reconciliation was attached to the updated reconciliation.
Operating Trust Account	Dec 2018	-310,247.00	-308,450.22	-308,465.70	15.48	<ul style="list-style-type: none"> • Closing reconciliation balance did not reconcile to GL closing balance. • After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials of the original reconciliation was attached to the updated reconciliation.
Operating Trust Account	Jul 2019	-289,101.28	-316,134.87	-319,624.23	3,489.36	<ul style="list-style-type: none"> • Closing reconciliation balance did not reconcile to GL closing balance. • After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials of the original reconciliation was attached to the updated reconciliation.

Salaries Reconciliation

Wages Reconciliation

PAY NO.	Opening Balance Reconciliations	Increase	Decrease	Closing Balance as per Payroll Report	Closing Balance as per Reconciliations	Variance between Closing Balances	Audit Comments
Pay 13/2019	96,182.18	1,777.27	2,586.74	95,552.66	95,372.71	(179.95)	<ul style="list-style-type: none"> Closing balance of reconciliation did not tie up with the closing balance of pay report. After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials dated December 2018 was attached to the reconciliation.
Pay 14/2019	95,372.71	1,232.69	-	97,166.05	96,605.40	(560.65)	<ul style="list-style-type: none"> Closing balance of reconciliation did not tie up with the closing balance of pay report. After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials dated December 2018 was attached to the reconciliation.
Pay 15/2019	96,605.40	284.02	-	99,670.22	96,889.42	(2,780.80)	<ul style="list-style-type: none"> Closing balance of reconciliation did not tie up with the closing balance of pay report. After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials dated December 2018 was attached to the reconciliation.
PAY NO.	Opening Balance Reconciliations	Increase	Decrease	Closing Balance as per Pay Report	Closing Balance as per Reconciliations	Variance between Closing Balances	Audit Comments
26/19	12,489.93	42.12	2,809.37	12,073.83	9,722.68	2,351.15	<ul style="list-style-type: none"> Closing reconciliation balances did not reconcile to closing balance of pay reports. After errors were identified during audit, PAO provided the updated reconciliations. However, noted the reconciliations were not submitted to PS for his endorsement rather the initials dated November 2019 was attached to the reconciliations.
27/19	9,722.68	60.47	308.60	10,606.71	9,474.55	1,132.16	
29/19	9,677.72	60.99	477.02	11,636.29	9,261.69	2,374.60	

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI – 31 JULY 2019 – GENERAL ADMINISTRATION SECTOR

PAY NO.	Opening Balance Reconciliations	Increase	Decrease	Closing Balance as per Pay Report	Closing Balance as per Reconciliations	Variance between Closing Balances	Audit Comments
30/19	9,261.69	167.80	104.27	17,855.67	9,325.22	8,530.45	
31/19	9,325.22	207.76	4.41	12,382.01	9,528.57	2,853.44	

Head 16

Department of Information and Communications

Roles and Responsibilities

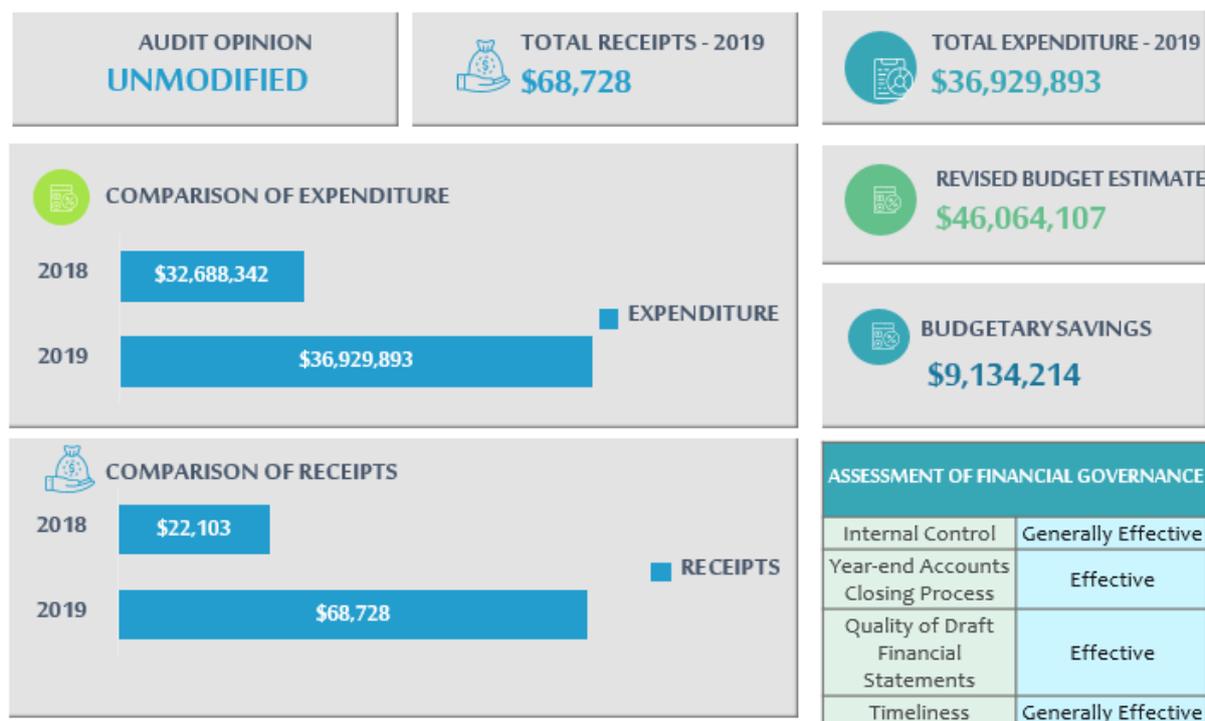
The Department of Communications is spearheading the digital FIJI Program, a digital government transformation initiative which is intended to focus on the release of software and mobile applications to make Government's services more accessible.

The Department of Information engages with the general public over radio, and in print and online media to keep the Fijian people updated on Government's plans and policies, and to quickly alert the public to important information relating to public safety and security.

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PART A: FINANCIAL INFORMATION



16.1 Audit Opinion

The audit of the 2019 accounts of the Department of Information and Communications resulted in an unmodified audit opinion.

16.2 Appropriation Statement for 2019

The Department of Information and Communications in 2019 collected revenue totalling \$68,728 and incurred expenditure totalling \$36.9 million against a revised budget of \$46 million resulting in savings of \$9.1 million or 20%.

Details of expenditure against the revised budget are provided in Table 16.1 below.

Table 16.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,889,990	-	1,889,990	1,431,975	458,015
2	Government Wage Earners	210,610	-	210,610	179,984	30,626
3	Travel & Communication	396,458	-	396,458	316,644	79,814
4	Maintenance & Operations	197,520	-	197,520	128,502	69,018
5	Purchase of Goods & Services	2,338,203	60,000	2,398,203	1,950,009	448,194
6	Operating Grants & Transfers	954,690	-	954,690	573,439	381,251
7	Special Expenditure	3,500,000	(330,000)	3,170,000	2,599,746	570,254
	Total Operating Expenditure	9,487,471	(270,000)	9,217,471	7,180,299	2,037,172

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital Construction	950,000	270,000	1,220,000	1,029,568	190,432
9	Capital Purchases	14,644,257	-	14,644,257	8,545,258	6,098,999
10	Capital Grants and Transfers	19,000,000	-	19,000,000	19,000,000	-
	Total Capital Expenditure	34,594,257	270,000	34,864,257	28,574,826	6,289,431
13	Value Added Tax	1,982,379	-	1,982,379	1,174,768	807,611
	TOTAL	46,064,107	-	46,064,107	36,929,893	9,134,214

The budget savings were largely due to the following:

1. The savings for established staff and government wage earners is due to vacant positions not being filled.
2. The savings in travel and communication, maintenance and operations is due to implementation of controls to reduce expenditure for the respective expenditure allocations.
3. The savings in purchases of goods and services was as a result of changes in Financial Management policy in line with the directive from Ministry of Economy for whole of Government. These included cut off dates for purchasing, access limit for Permanent Secretaries and restriction on purchasing of non-essential items.

Furthermore, the Ministry had budgeted for the consultants to develop the Computer Emergency Response Team for Fiji. However, due to various negotiations the selection of consultants was finalized late last year (2019). As a result, funds were unutilized.

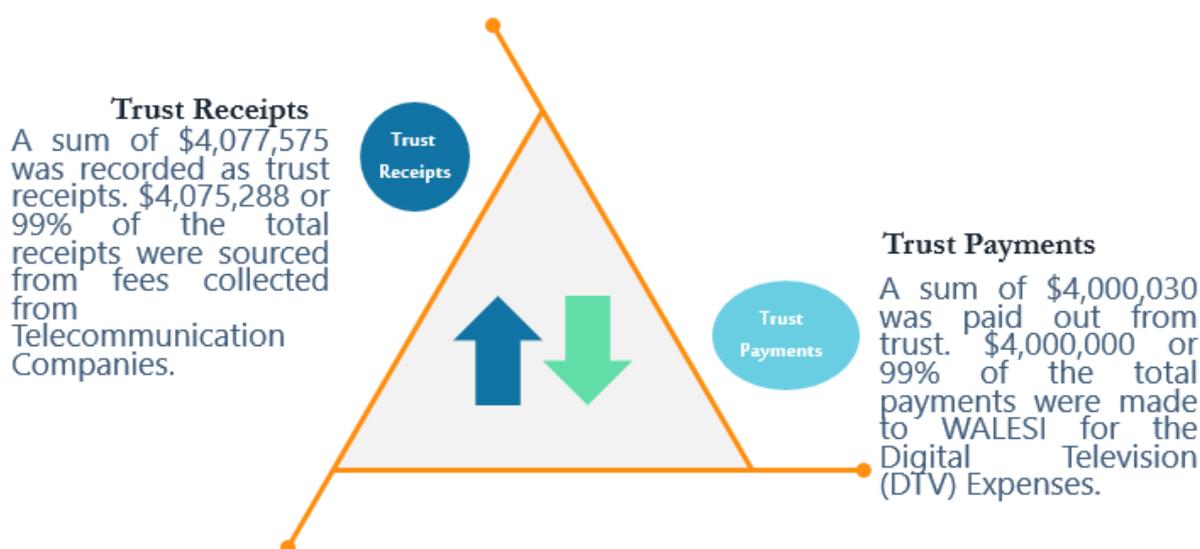
4. The savings in operating grants and transfers is due to the non-release of the 4th quarter grant to Telecommunication Authority of Fiji as the Authority had sufficient savings to cater for the fourth quarter operations.
5. The savings in special expenditure is attributed to the subsequent successful negotiations to conduct the consultation free of charge for the International Telecommunications Union for Frequency Management. The other savings were due to the non-implementation of the satellite based concept for school's internet connectivity as there was insufficient staff in the department. The savings was also due to the non-finalisation of the commercial agreements between the satellite providers and local service providers. The project has commenced in the 2020 financial year. Additionally, the Ministry did not receive any subsidy request from the public and therefore no payment was made for subsidies to local movies and literacy production.
6. The savings in capital constructions is due to less post-completion payment to the consultant engaged for the cable project, as the contracted amount was less than the appropriated amount as per the World Bank loan agreement.
7. The savings in capital purchases is due to the less payments made for the Digital Government Transformation Project as some work were delayed and not completed within the year. Reasons are further discussed in section 16.5 of this report.

16.3 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Department operates and maintain a main trust fund bank account which was established under the Telecommunication Act 2008 and the Telecommunication (Trust Fund) Regulations 2016 for the purpose of imposing a levy on the interconnections to fund national developments in telecommunications.

Money that is accumulated in the Telecommunication Development Trust Fund may be invested or utilised for national development in relation to information, communication and technology projects approved by the Minister.

The Telecommunication Trust Fund Account, in 2019, collected trust revenue totalling \$4,077,575 and incurred expenditure totalling \$4,000,030 resulting in a surplus of \$77,545 during the year.



Detailed statement for trust receipts and payments are provided in Appendix 16.1.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Department. These have been included in this report as they impacted on the overall system of control of the Department as at 31 July 2019.

16.4 Delay in Submission of TAF Financial Statement to Audit

A total grant of \$238,664 was paid out to Telecom Authority of Fiji (TAF) in financial year 2018 – 2019.

We noted that the Telecommunication Authority of Fiji draft financial statements and relevant supporting documents for the years 2015 to 2019 are yet to be submitted to the Office of the Auditor General for audit purpose.

Root Cause/Implication

The findings indicate that the Department of Communications did not implement stringent monitoring on the grant paid to the TAF.

The Department of Communication would not be able to determine the services delivered and the achieved outcome by Telecom Authority of Fiji (TAF).

Recommendation

The Department of Communication must enforce the requirements of the agreement to ensure that Financial statement and supporting's documents are submitted for audit.

Agreed Management Action

The Department of Communication has also made several follow ups with Telecom Authority of Fiji (TAF) for the outstanding audited reports. Telecom Authority of Fiji (TAF) has confirmed through email that due to absence of Finance Officer they were not in position to provide the reports to Auditors in the past years. The recruitment has been finalised and Telecom Authority of Fiji (TAF) is currently in the process of preparing the pending reports.

Officer responsible

Director Communication

16.5 Significant Savings for Digital Government Transformation Program

The programme schedule timeline is forty eights (48) months and commences on the date when the agreement is signed. The agreement between the Government of Fiji and the Contractor for the Digital Government Transformation Programme was signed on 23 November 2017.¹

A total of \$16,264,180 was paid for the Digital Government Transformation Program from 2018 to 2019 being the first two years of implementation.

The Department was allocated a budget of \$14.6 million where it only utilized \$8.5 million or 59% of the total allocation during the financial year 2019².

As a result, a total of \$6,098,999 (41%) was not utilised due to delay in the implementation of the Digital Government Transformation Program during the year. Table 16.2 provides detailed update status of the Digital Government Transformation Program as compared to the agreed schedule timeline stated in the contract agreement.

Table 16.2: Detail Status of Digital Government Transformation Program

Government Projects	Project TimeLine of Completion as per Program Schedule	Digital Government Transformation Office Comments
<p>Transformation Initiatives which consist of the below</p> <ul style="list-style-type: none"> • Business Process Re-engineering (BPR) and Implementation of BDM Solutions. • BPR and Implementation of ROC Solutions. • Fiji Government Data Hubs and Data Exchange Platform. • Data Harmonisation – People and Business. 	<p>Quarter 3 of Year 2 – September 2019</p>	<ul style="list-style-type: none"> • Data Harmonisation – People and Business was successfully completed and based on the Data Harmonisation Study (DHS), the Data Exchange Platform was successfully developed and launched. The Data Harmonisation Study (DHS) was prolonged due to its interdependence on the Births Death Marriage (BDM) and Registrar of Companies Business Process Re-engineering (BPR) as the Data Harmonisation Study (DHS) was dealing with people and business data which is being administered through the BDM and Registrar of Companies (ROC) systems. The delay is not very significant and the deliverable was not affected in any way. <p>Another contributing factor was the back and forth discussions done with the consultants to ensure that the report was of a high quality and suited the Fijian domain. We did not take the study just as a contractual obligation but as a base framework to improve data collection, integrity, currency and sharing across the Fijian Government.</p> <ul style="list-style-type: none"> • Births Death Marriage (BDM) and Registrar of Companies (ROC) Business Process Re-engineering (BPR) and solution has also been successfully completed and deployed in

¹Signed Contract Agreement between the Government of Fiji and the Digital Government Transformation Program Contractor

²Extraction from the General Ledger Account Number – 1-16301-73999-090172 – Digital Government Transformation

Government Projects	Project TimeLine of Completion as per Program Schedule	Digital Government Transformation Office Comments
		<p>production. The Births Death Marriage (BDM) system is in the support and maintenance phase while the Registrar of Companies (ROC) system is awaiting system commissioning, which will kick off the warranty phase. There was an extension of timeline in the Registrar of Companies (ROC) system to implement the subsequent policy decision to conduct a digital registration exercise (re-registration) for businesses and companies registered in Fiji prior to 14 June 2019. This exercise is still in progress. The client, Ministry of Justice, together with their major stakeholders, identified many ways the system could be further improved and the team was working on implementing those recommendations.</p> <p>The transformation initiatives need to be looked at from a perspective of project management and deliverable based implementation and payment.</p>
<p>Programme Management Office which includes:</p> <ul style="list-style-type: none"> • Government Data Centre Review and Annual Audit. • Network and security Review and Annual Audit. • IT DR Review and Annual DR Exercise. • IT Infrastructure Enhancements. 	<p>To be done every year for the four years</p>	<ul style="list-style-type: none"> • The Government Data Center and Security audits have been completed for year 2018 and 2019 by independent international security experts from a reputable network and security auditing company. • The audit recommendations identified in 2018 and 2019 are currently being implemented by Department of Information Technology and Computing Services. Furthermore, capacity has been built within Department of Information Technology and Computing Services, via the security audits, to carry out internal audits periodically. It would be premature to have another audit done until recommendations from the previous audit is not implemented as the pending implemented items will be identified again. It is important that recommendations are completed and then another audit is conducted to ascertain further anomalies.
<p>Management of Digital Government:</p> <ul style="list-style-type: none"> • Chief Information Office (CIO) Governance Programme - Chief Information Office (CIO) Competency Development roadmap 	<p>Year 1 – Quarter 3 – September 2018</p>	<ul style="list-style-type: none"> • The Chief Information Office training program's key deliverable is to develop a pool of internal talents who will be key roles in the management of Information, Communication and Technology (ICT). • With the agreement of the Contractor, this activity had been deferred due to limited staff within the Digital Government Transformation program and key staff from other Ministries who would be part of the course had not been identified. It is critical that the activity is executed with key stakeholders and

Government Projects	Project TimeLine of Completion as per Program Schedule	Digital Government Transformation Office Comments
<ul style="list-style-type: none"> CIO Training Course (optional study visit to Singapore) 		participants to ensure that government funds are utilised in a financially prudent manner.

Root cause/implication

The anomalies are attributed to the changes in scope and policies which resulted from the Business Process Re-engineering (BPR) reports that were undertaken and policy changes. These required extended timeline in the implementation.

Recommendations

- **The Department of Communications should document changes to the milestone and ensure that that projects are delivered as planned and within the agreed timeline of four years.**
- **The Department should consider performing a post-review process on the work undertaken by the overseas-based contractor and ensure that all contract works are completed by the end of the contract term.**

Agreed Management Action

We note the audit concerns however the Ministry once again reaffirms that a proper planning and monitoring is done for the all its digital FIJI projects to ensure valuable software implementation and payments are also made upon completion of the milestones. The Program was scoped in 2017 and based on an agile implementation model which provides flexibility for changes to the product as it continues to be developed and deferrals in the time frames have been agreed by both parties.

As common in all project management, changes in scope, timeframe, budget and policies have an impact in the implementation of a Project. For digital FIJI, changes in scope and policies were a result of the Business Process Re-engineering (BPR) reports that were undertaken and policy changes. These required an extended timeline in the implementation which was agreed by both parties. However, these did not have budgetary implications and is a result of the effective monitoring and prudent financial management on the part of the Ministry.

With regard to the recommendation on the post review process on the work undertaken by foreign a company, a post implementation user survey is being carried out which will be considered with a view of improving service delivery and user experience.

Officer responsible

Digital Transformation Office

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

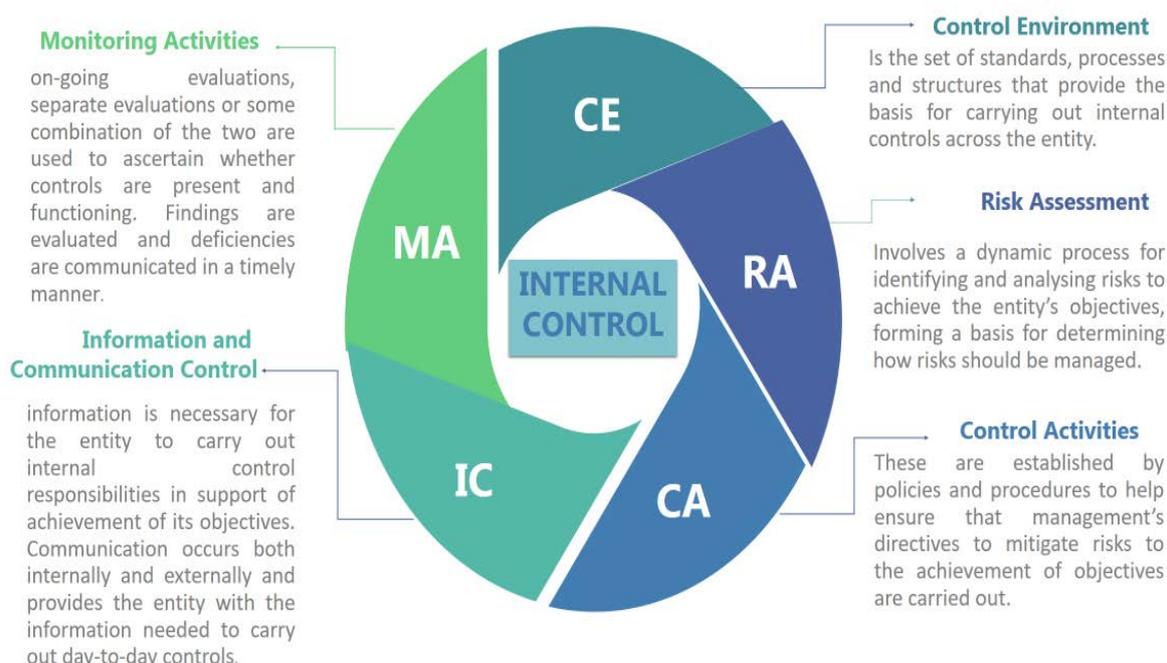
16.6 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

16.7 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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

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

Rating	Year-end close process assessment
• Effective	All key processes completed by due date

16.8 Quality of Draft Financial Statements by entities

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

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

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

16.9 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
☀ Generally Effective	Acceptable draft financial statements received on or before 31 October 2019

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

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

Rating	Timeliness of Management Comments Received
☠ Ineffective	Management response received after 14 days

Rating	Timeliness of Signed Financial Statements Received
☠ Ineffective	Signed accounts was received after 5 days

APPENDIX 16.1: DETAILS OF TELECOMMUNICATION TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Levy Fees from Telecommunication Companies	4,075,288	5,404,944
Interest	2,287	2,355
Total Receipts	4,077,575	5,407,299
Payments		
Digital Television (DTV) Expenses – WALESI	4,000,000	6,224,425
Tele-centre Expenses	-	544,159
Bank Fee	30	229
VAT payment for JICA Project	-	35,818
Government Digital Transformation	-	1,522,474
Total Payments	4,000,030	8,327,105
Net Surplus/(Deficit)	77,545	(2,919,806)
Balance as at 1 August	682,617	3,602,423
Closing Balance as at 31 July	760,162	682,617

Head 16A

Department of Information Technology and Computing Services

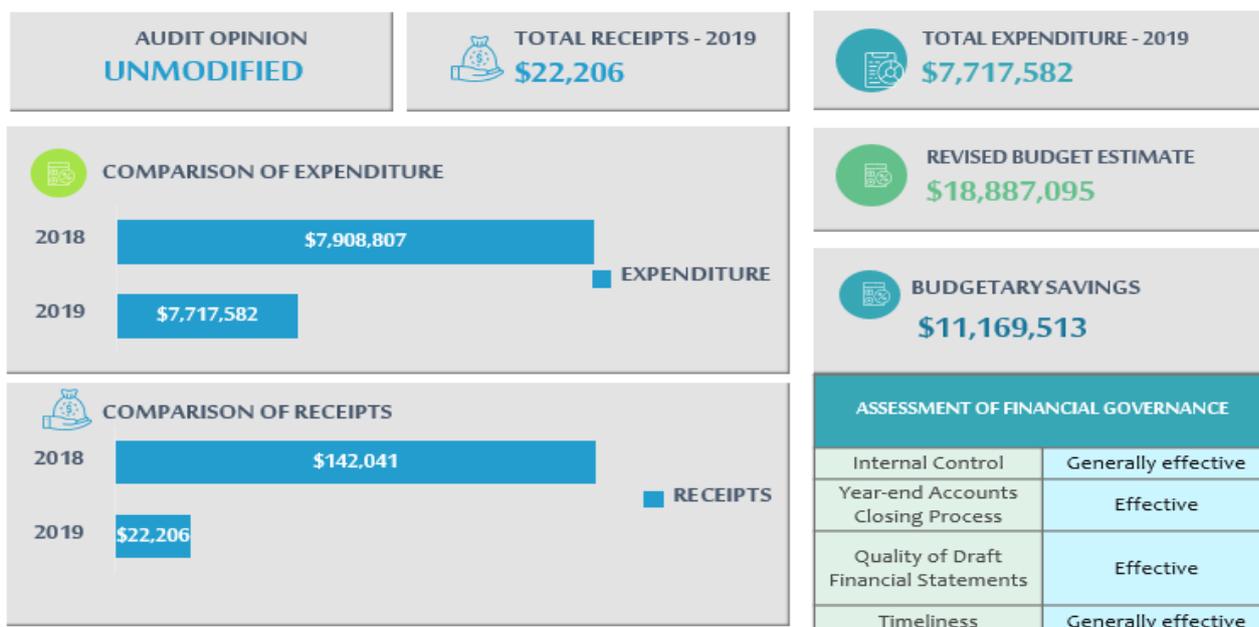
Role and Responsibilities

The Department of Information Technology and Computing Services (ITC) are responsible for providing technology services and policy planning for the Fijian Government departments & employees.

The Department of Information Technology and Computing Services (ITC) is also responsible for the development of various online e-applications under the e-Government program, implementing cost effective business solutions for the Fijian government and other stakeholders, developed websites for various government agencies, and with more developments to come in the near future. The Department of Information Technology and Computing Services (ITC) services is committed to using ICT as a tool making government services more easily accessible to communities.

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PART A: FINANCIAL INFORMATION

16A.1 Audit Opinion

The audit of the 2019 accounts of the Department of Information Technology and Computing Services resulted in an unmodified audit opinion.

16A.2 Appropriation Statement

The Department of Information Technology and Computing Services collected revenue totalling \$22,206 in 2019 and incurred expenditure totalling \$7.7 million in 2019 against a revised budget of \$18.8 million resulting in budget savings of \$11.1 million or 59%.

Details of expenditure against the budget estimate are provided in Table 16A.1 below.

Table 16A.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,641,042	-	3,641,042	1,212,451	2,428,591
2	Government Wage Earners	41,501	-	41,501	21,047	20,454
3	Travel & Communications	1,614,392	-	1,614,392	1,411,895	202,497
4	Maintenance & Operations	2,186,000	-	2,186,000	1,014,267	1,171,733
5	Purchase of Goods & Services	4,804,760	-	4,804,760	2,611,435	2,193,325
7	Special Expenditure	2,000,000	-	2,000,000	395,988	1,604,012
	Total Operating Cost	14,287,695	-	14,287,695	6,667,083	7,620,612

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital Construction	360,000	-	360,000	-	360,000
9	Capital Purchase	2,250,000	-	2,250,000	510,663	1,739,337
10	Capital Grants & Transfers	800,000	-	800,000	-	800,000
	Total Capital Expenditure	3,410,000	-	3,410,000	510,663	2,899,337
13	Value Added Tax	1,189,400	-	1,189,400	539,836	649,564
	TOTAL	18,887,095	-	18,887,095	7,717,582	11,169,513

The budget savings were largely due to the following:

1. Savings for payroll is due to 71 vacant positions.
2. Savings in travel and communication, maintenance and operations is due to implementation of controls to reduce expenditure for the respective expenditure allocations.
3. Savings in purchases of goods and services is due to the changes in contractual arrangement requirement by the vendor for Microsoft licensing payment. The payment was made on 9th January 2020 which is the next financial year. The vendor has established their operations in Fiji during the financial year, hence there was a change in the mode of payment to the vendor's Fiji operations. The Department sought legal opinion on the matter and Solicitor General's opinion was received on 19 December 2019 following which payment was made in January 2020.
4. Savings in special expenditure is due to reduction in consultancy payments as less work were done by the consultants for the software development for various government agencies.
5. Savings in capital constructions is due to the non-implementations of the Disaster Recovery project as the tender continued to be re-advertised due to lack of interest and difficulty in identifying a suitable vendor.
6. Savings in capital purchase is due to the non-implementations of the project for Storage System Capacity and Data Centre Infrastructure Upgrade as the Department was awaiting for the completion of the Data Centre Audit. The data centre audit was carried out in the financial year 2018-2019 for the systems, facility and network infrastructure including security to identify all the devices that need to be upgraded. The Department had opted to finalize the audit findings first and strategically work on the key components that would address most of the issues. The data centre audit was completed in 2019 and funds have been budgeted in the FY 2020-2021 budget estimates.
7. Savings in capital grants and transfers is due to the non-implementations of the Fiji Pay and National Switch project as the project product proposals from the vendor was not received for both projects.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Department. These have been included in this report as they impacted on the overall system of control of the Department as at 31 July 2019.

16A.2 Capital Project Not Implemented

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency¹.

To achieve objectives of the Department, it is imperative that the budget is utilized for the purpose it is provided for.

We noted that the department did not implement projects that were planned to be carried out during the year.

As a result, a total of \$2.8 million or 85% of the capital expenditure budget was not utilised during the year. Refer to Table 16A.5 for projects that were not implemented during the year.

Table 16A.5: Capital Projects not Implemented

Project	Revised Budget Amount (\$)
Disaster Recovery Site	360,000
Digitisation BDM	533,561
Storage System Capacity	250,000
Data Centre Infrastructure Upgrade	500,000
Government Fiber Network	455,778
National Switch	400,000
Fiji Pay Project	400,000
Total	2,899,339

Root cause/implication

The non-implementation of projects is attributed to the continuous re-advertisement of tender due to lack of interest and difficulty in identifying a suitable vendor.

¹ Finance Instruction 2010 Appropriations

It is most likely that the incomplete projects will be carried forward over to the next financial year which can put pressure on the limited resources available as there will be projects for other agencies which will be budgeted for in FY 2019/2020.

Recommendation

The Department should properly plan, coordinate and manage its capital projects to ensure it is implemented on time so budget allocated for the stated purpose is utilized in the same financial year.

Agreed Management Action

The capital projects which are for whole of government have been managed and in fact, the variation in the implementation dates were to facilitate for audit findings that were being carried out by an independent and international specialist firm as part of the Government to Government engagement.

This demonstrates the holistic and agile approach that was undertaken for the successful delivery of the projects. Also, the change in policies and scope have impacted on the planned projects however, it has not adversely affected the implementation of government Information Technology services nor does it deny the implementation of an efficient government network infrastructure. There has never been an issue on the security of the Government Information Technology infrastructure and the Department hosting various websites, applications and database for ministries, statutory entities and independent bodies. Furthermore, it is emphasized that Department of Information Technology and Computing Services works very closely with government ministries, statutory entities and independent bodies to ensure that the Government Information Technology infrastructure is resilient and secure and that Government Information Technology projects are successfully delivered.

Preparatory works had begun for the planned projects. For example, for the Disaster Recovery site, the tender has been awarded and awaiting delivery from the approved supplier. A tabletop exercise which is a drill of the Information, Communication and technologies (ICT) Disaster Recovery Plan (DR) from start of incident to completion of systems recovery was carried out over 1.5 days within the audit period. For the Data Centre Infrastructure Upgrade, a tender has been advertised for a Building Management System solution. The tender continued to be re-advertised due to lack of interest and difficulty in identifying a suitable vendor. As a continuing readiness measure, Department of Information Technology and Computing Services will, inter alia, conduct periodical tabletop exercise as this will increase its disaster recovery efforts. The Recover Time Objective (RTO) achieved from the first tabletop exercise is 5 hours and 30 minutes measured against a target of 6 hours

Officer responsible

Manager Information Technology and Computing Services (ITC) and Senior Accounts Officer

16A.3 Discontinued Software Project

The functions of the System Developer was to facilitate consolidation and centralisation of the various government agencies Information Technology requirements, data storage systems and third party software licensing.²

A total of \$2,154,426 was paid to the System Developer from 2015 to 2017 as cost of software development for various government agencies.

² Management Contract between Ministry of Communication and system developer clause (4) – 4.3

We noted that software project developed by the System Developer were discontinued and were taken over by the Digital Government Transformation Office under the Digital Government Transformation Programme. Refer below for the project that were not implemented during the year.

Table 16A.6: Status of Information Technology Projects undertaken by the System Developer

Government Projects	Project Update as per Manager Information Technology and Computing Services (ITC).
1. Fiji Pay Hotel Data Collection System for Dept. of Tourism	Pending User Acceptance Testing (UAT) sign off.
2. Social Welfare Application	Phase 1 developed and deployed on 01-04-2016. Department of Social Welfare have stated that application usage was discontinued as the system did not fully meet their operational requirements.
3. Registrar of Lands, Title and Deeds Application	The Registrar of Lands, Title and Deeds Application system was deployed on 23-03-2016. However, it was not used due to pending digitalisation of documents. There is dependency on Registrar of Lands, Title and Deeds (ROLTD) to complete the digitisation of documents in order to use the system to operate. The implementation of Registrar of Lands, Title and Deeds (ROLTD) application system since November 2017 has been taken up by the Digital Government Transformation (DGT) Office under the Digital Government Transformation Programme and a Business Process Re-engineering task is currently underway.
4. Registrar of Lands, Title and Deeds (ROLTD) Digitization	The Registrar of Lands, Title and Deeds (ROLTD) application system since November 2017 has been taken up by the Digital Government Transformation (DGT) Office under the Digital Government Transformation Programme and a Business Process Re-engineering task is currently underway.
5. Registrar of Companies Application	The application developed by System Developer has been discontinued. New Registrar of Companies (ROC) system has been implemented under the Digital Government Transformation (DGT) programme by the Digital Government Transformation Office (DGTO).
6. Registrar of Companies Application Digitization	The system develop by the System Developer has been discontinued. New Registrar of Companies (ROC) system has been implemented under the Digital Government Transformation (DGT) Programme.
7. Investment Application Fiji	The system development was completed on 13/03/2015. User Acceptance Testing (UAT) sign off was pending. The system was never used.
8. iTLTB application and digitization –	Implemented on 05/12/2014. Application is in production and support services are being provided by the Company 1 support team through the Digital Government Transformation Office (DGTO).

As a result of incomplete projects, value from expenditures incurred was not fully realized.

Root cause/implication

The anomalies is attributed to the lack of coordination between the system developers and agencies to capture the user and relevant policy requirements.

Software application developed for Ministry of Social Welfare and Registrar of Companies was discontinued as the system did not fully meet the operational requirements.

Recommendation

The Department should strengthen the system planning phase in order to fully capture the end user and all relevant policy requirements before for an effective system.

Agreed Management Action

The endorsed Software Projects highlighted by the Office of the Auditor General as being discontinued were in fact deployed. The systems were deployed based on operational requirements given at the time the project was being implemented. It is noted that the Registrar of Companies system had to mirror the policy requirements under the Companies Act 2015 as commenced from 2016 to 2019. These system requirements were then incorporated under the digital FIJI initiative and are being rolled out. The Social Welfare application is also being reviewed by the Ministry of Communications under the digital FIJI banner with the Ministry of Women, Children and Poverty Alleviation. The Department of Information Technology and Computing Services is working closely with Digital Government Transformation Office regarding Information, Communication and technologies (ICT) projects and that it be under the digital FIJI banner.

Officer responsible

Manager Department of Information Technology and Computing Services

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

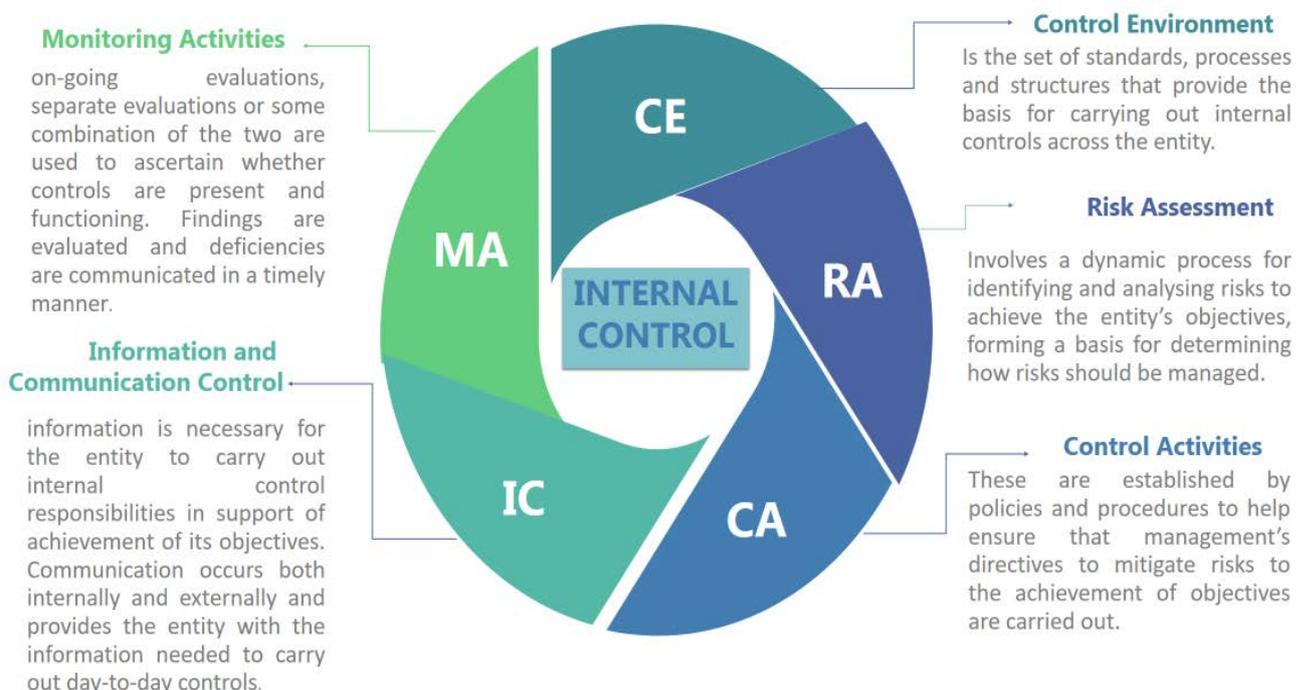
16A.4 Internal Controls

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

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

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

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



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

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

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

Ratings	Internal control assessment
☀ Generally Effective	Deficiencies identified in internal controls

16A.5 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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

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

Ratings	Year-end close process assessment
• Effective	All 9 key processes required was completed by due date

16A.6 Quality of draft financial statements by entities

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

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

Ratings	Quality of draft financial statements assessment
• Effective	No adjustments were required

16A.7 Timeliness of Draft Financial Statements

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

Ratings	Timeliness of draft financial statements assessment
☀ Generally effective	Acceptable draft financial statements received on or before 31 October 2019

16A.8 Timeliness of Provision of Management Comments and Signing of Financial Statements

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

Rating	Timeliness of Management Comments Received
☀ Ineffective	Management response received after 14 days

Rating	Timeliness of Signed Financial Statements Received
☀ Ineffective	Signed accounts was received after 5 days

Section 17**Ministry of Civil Service****Roles and Responsibilities**

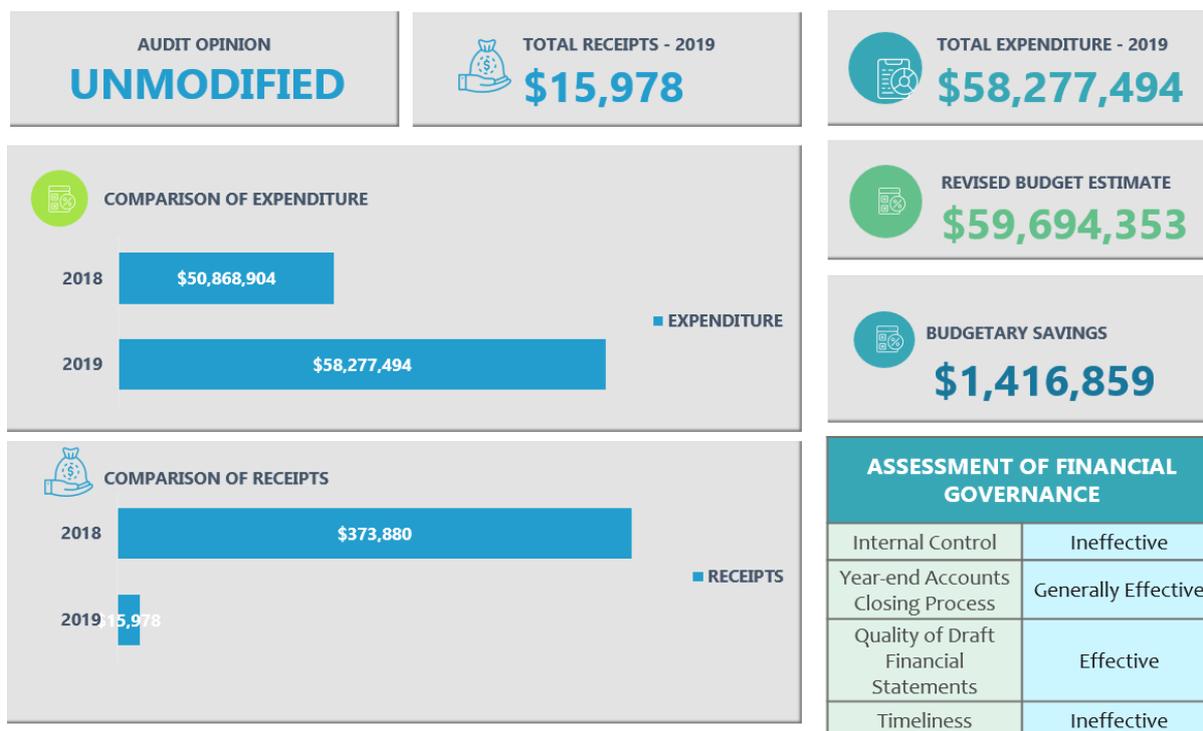
The Ministry of Civil Service has been created to oversee and implement the necessary central guidelines in line with the Government’s view of Civil Sector Reform, which was undertaken to produce a more accountable, effective and professional Civil Service with the ultimate aim of improving service delivery to the public.

The Ministry comprises of six main divisions: Public Service Commission (PSC) Secretariat – responsible for providing administrative and analytical support to PSC and for the administration of Permanent Secretaries terms and conditions of service; Policy Analysis Division – responsible for the analysis and assessment of ministries’ human resource policies to ensure consistency and fairness across the Civil Service; Training Division – responsible for coordinating local and international central training programmes focused on the up skilling and capacity-building of civil servants; Recruitment Division – facilitates recruitment, contracting, administration and posting of staff and Government doctors; Business Management Division – responsible for financial management, procurement and contract management of the Customer Care Call Centre and the Government Service Centre; and Major Events Division – coordinates and provides advice on the organisational aspects of major international meetings on behalf of the Government.

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PART A: FINANCIAL STATEMENTS



17.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Civil Service resulted in an unmodified audit report.

However, attention was drawn to the following matters:

1. The mass voiding of payments on 23 June 2019 resulted in debit balance of \$64,880 relating to Established Staff and credit balances of \$14,277 relating to Government Wage Earners, \$5,032 relating to Travel & Communication, \$10,040 relating to Maintenance & Operations, \$19,064 relating to Purchase of Goods & Services and \$3,701 relating to Value Added Tax allocations. The debit and credit balances relates to prior year payments being reflected in the general ledger of the Ministry for the year ended 31 July 2019.

The mass voiding of payment incident also resulted in the activation of open payables in the general ledger from financial years 2015 to 2018.

2. Unreconciled variances of \$325,047 and \$2,030 exists, between the established staffs and government wage earners payroll report balance respectively and the general ledger balances.

Additionally, internal controls over procurements and payroll processes were generally found to be weak, and if not addressed promptly may result in material misstatements and possible financial losses in the near future. The weak procurement controls resulted in procurement without the filling and approval of procurement requisition form, difference in payment ID between the payment vouchers and that in the system, use of prior year and undated competitive quotes to facilitate payments, payment vouchers not passed for payments, procurements made without

issuance of Local Purchase Orders, payments based on photocopied documentations, and payment vouchers not stamped “Paid”. The weak controls around the payroll process resulted in the delay in preparation of payroll reconciliations and improper maintenance of payroll records.

17.2 Appropriation Statement – Head 17 – Ministry of Civil Service

The Ministry incurred expenditure totalling \$58.3 million in 2019 against a revised budget of \$59.7 million in accordance with Section 19 of the Financial Management Act 2004, resulting in significant saving of \$1.4 million or 2% which was largely attributed to the following:

- The savings for the Maintenance and Operations expenditure was mainly attributed to the savings of \$207,309 under the Customer Care Centre allocation. Funds were allocated for the rolling out of Customer Care Centre for Ministry of Health and Ministry of Education, Heritage and Arts. The Ministry only managed to roll out the Ministry of Health Call Centre.
- The savings for the Purchase of Goods and Services expenditure was mainly attributed to the savings in the training budget as the tender works for the Leadership Training Programme was still in progress and funding was not utilized. Also for the website, the Ministry was able to develop their website internally, therefore this was also reflected as savings for the Ministry.

Details of expenditure against the revised budget are provided in Table 17.1.

Table 17.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	48,797,718	7,665,976	56,463,694	55,984,011	479,683
2	Government Wage Earners	70,482	34,024	104,506	92,644	11,862
3	Travel & Communication	160,000	-	160,000	136,420	23,580
4	Maintenance & Operations	491,300	(15,000)	476,300	221,707	254,593
5	Purchase of goods & services	2,215,853	15,000	2,230,853	1,677,693	553,160
6	Operating grants & transfers	1,000	-	1,000	-	1,000
7	Special expenditure	-	-	-	-	-
	Total Operating Expenditure	51,736,353	7,700,000	59,436,353	58,112,475	1,323,878
13	Value added tax	258,000	-	258,000	165,019	92,981
	TOTAL	51,994,353	7,700,000	59,694,353	58,277,494	1,416,859

17.3 Appropriation Statement – Head 13 – Public Service Commission

The Public Service Commission incurred expenditure totalling \$6.0 million in 2019 against a revised budget of \$7.2 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$1.2 million or 17%.

The significant savings in the Commission's expenditure was mainly attributed due to four Permanent Secretaries' positions that were vacant during the period. In addition, eight Permanent Secretaries' were appointed during second half of the financial year thus resulting in savings in salaries and related payments for the first six months.

Details of expenditure against the revised budget are provided in Table 17.2.

Table 17.2: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	7,267,272	-	7,267,272	6,045,175	1,222,097
	Total Operating Expenditure	7,267,272	-	7,267,272	6,045,175	1,222,097
	TOTAL	7,267,272	-	7,267,272	6,045,175	1,222,097

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

17.4 Misstatements in the Ministry's Expenditure

The Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹

The preparation of management reports allows senior management to analyze the standing of the agency for a particular period and assists in meeting the management responsibilities imposed by the Act. Timely and accurate management are necessary for effective management decisions.²

Any errors or misallocations must be immediately adjusted by way of journal vouchers.³

The incorrect voiding of payments incident for the Ministry on 23/06/19 resulted in the activation of open payables for payments relating to 2015 to 2018 financial year.

Although the Ministry and the FMIS Division of the Ministry of Economy attempted to rectify the errors arising from the voiding incident, it was noted that debit balances of \$64,880.23 and credit balances of \$52,115.76 relating to prior year payments were still part of the expenditures that made up the general ledger (GL) balances of the Ministry for the period ended 31 July 2019. Refer to Table 17.3 for details

Table 17.3: Details for Debit and Credit balances

SEG	Debit (\$)	Credit (\$)
SEG 1 - Established Staff	64,880.23	---
SEG 2 - Govt Wage Earners	---	14,277.60
SEG 3 - Travel & Communications	---	5,032.21
SEG 4 - Maintenance & Operations	---	10,040.34
SEG 5 - Purchase of Goods & Services	---	19,064.22
SEG 13 - Value Added Tax	---	3,701.39

¹ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Part 15

² Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Part 17

³ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 15.3.4

SEG	Debit (\$)	Credit (\$)
Total	64,880.23	52,115.76

Root cause/Implication

The anomaly indicates the lack of evidence regarding the full perimeter of the voiding incident (due to the removal/deletion of control report from the spool folder) to ensure that all the errors arising from the incident are fully rectified.

Recommendations

The Ministry should:

- ensure that if similar incidents, such as voiding of payments occurs in future, the control report generated is not deleted or removed from the spool folder as it is the only report that can determine the full perimeters of the voiding process which will also permit the full rectification of errors;
- liaise with Ministry of Economy to rectify the abnormal posting of prior years' charges into the general ledger for the year ended 31 July 2019; and
- take appropriate disciplinary action should be taken against the officer responsible for deliberately deleting financial information from the spool folder.

Agreed Management Action

The audit observation and recommendations is duly noted. In relation to the voiding of payments, the Ministry of Civil Service was tasked to rectify/adjust and update the general ledger for the voided cheques payment for the 2018-19 financial years.

However, for the prior years, the FMIS unit of the Ministry of Economy was tasked to correct it.

Officer Responsible

Business Manager

17.5 Control weaknesses over payment of Goods and Services

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur.⁴

A local purchase order shall be issued when procuring any goods, services or works from an organization within Fiji, unless a contract or agreement has been entered into.⁵

Section 14 (8) of the Finance Instructions gives the authority to the Chief Accountant (Treasury) to approve advance payment in circumstances where it is necessary for goods received through shipment from overseas, and for contractual agreements if stated as such.⁶

⁴ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Part 16

⁵ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.6.1

⁶ Advance Payment Policy 2013 – Section 5.1

Immediately after payment has been effected, the cashier must stamp “Paid” on all vouchers and supporting documentation to avoid any double payments.⁷

Audit review of payments made for the Ministry during the period revealed the following anomalies:

- Invoice forms were not filled;
- Procurement request/requisition form were not filled;
- Payment ID on the payment vouchers were different from the payment ID in the system;
- Advances payments amounting to \$5,000 was paid;
- Photocopied delivery docket used;
- Difference between invoice number provided for the goods supplied and the invoice number provided in the delivery docket;
- Photocopied documents used to process payments;
- Procurement request forms were not approved;
- Payment vouchers were not stamped “Paid”;
- Local Purchase Orders (LPOs) were not issued for the procurement of goods and services; and
- Payment vouchers were not signed “Passed for Payment”.

Refer to *Appendix 17.1* for details.

Root cause/Implication

The findings indicate noncompliance to stated rules and regulations. They also indicates the lack of oversight and supervisory checks.

Non-compliance to payment processes can result in loss of public funds through theft or misappropriation.

Recommendations

The Ministry should ensure that:

- **Stipulated procurement procedures in place are adhered to at all times;**
- **Proper oversight and supervisory checks are in place over procurement processes and these are properly functioning; and**
- **Appropriate disciplinary action is taken against officers not complying with procurement regulations.**

Agreed Management Action

The audit observations and recommendations are duly noted. The Ministry of Civil Service takes responsibility of the control weaknesses over payment of goods and services.

However, going forward, the Ministry of Civil Service has implemented the following improvements:

1. *Removal of shared services with the Ministry of Employment effective from 01/08/19. All the MCS financial function is now managed by the MCS Finance Team*

⁷ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.8.9

2. Appointment of Support Officer Finance – March 2020
3. Appointment of Admin Finance Officer – August 2020
4. There is appropriate separation of duties
5. Agency Finance Manual 2020 finalised
6. Development of Finance SOP by quarter 2 of 2020 – 21 FY

The Ministry is committed in streamlining its financial processes and the appointment of Finance staffs is an indication of our commitment to improving our internal control mechanisms.

Officer Responsible

Permanent Secretary, Business Manager.

17.6 Anomalies in obtaining Quotes

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur.⁸

Audit review of payments made to Company A during the year revealed the following anomalies:

- Competitive quotes obtained from prior year from Company A were used to facilitate payments totalling \$17,128.50;
- Competitive quotes used in prior purchases of the current year were re-used to facilitate payments for catering; and
- Competitive quotes were not dated.

Refer to Appendix 17.2 for details.

Root cause/Implication

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

Failure to procure goods and services from the most economical or cost effective supplier and manipulating the competitive quotations process could result in loss of public funds.

Recommendations

The Ministry should ensure that:

- **Stipulated procurement procedures in place are adhered to at all times;**
- **Competitive quotes processes are strictly adhered to; and**
- **Appropriate disciplinary action is instigated against officers not complying with procurement regulations.**

Agreed Management Action

The audit observation and recommendations provided is duly noted.

⁸ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Part 16
Ministry of Civil Service

Company A was selected due to their competitive price. Their prices didn't change and they had a consistent quality of service.

Officer Responsible

Business Manager

17.7 Anomalies in Payroll Reconciliations

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at Ministry/Department level and/but most importantly at Whole of Government level.⁹

The salary reconciliation shall be signed by the Accountant and forwarded to the Senior Accountant and endorsed by PS (LIR&E) or DS (LIR&E) with a copy to the Ministry of Finance, within one week from the pay date.¹⁰

Audit review of payroll reconciliations revealed the following control weaknesses:

- Majority of the salary and wages reconciliations were not prepared on a timely manner. The delays in preparation of reconciliation were noted to be as long as more than a year after the pay date in some instances.
- Gross salaries and wages as per the salaries and wages reconciliations did not reconcile with the general ledger balance. Refer to Table 17.4 and 17.5 for details.

Table 17.4: Variance in Salaries

Description	Amount (\$)
Gross salaries as per recon	51,386,595
Total as per FMIS	51,061,549
Variance	325,046

Table 17.5: Variance in Wages

Description	Amount (\$)
Gross wages as per recon	102,405
Total as per FMIS	100,375
Variance	2,030

Root cause/Implication

The variances are attributed to variances and errors detected during monthly reconciliation which were not corrected on a timely manner.

⁹ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – 16.2.4

¹⁰ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – 4.1.5

Also, the monthly payroll reconciliations reconciles the differences in gross salaries and related allowances between pays but does not reconcile between the General Ledger (Expenditure Ledger) and the payroll system. Thus, monthly reconciliations is rendered ineffective as it failed to reconcile the two records.

Delay in preparing reconciliations could result in untimely detection of errors and loss of public funds through fraudulent or erroneous payments.

Recommendations

The Ministry should ensure that:

- **Regular payroll reconciliations are carried out between the payroll report and general ledger and reconciliations are checked by supervising officers; and**
- **Identified errors and variances arising from monthly reconciliations are verified and resolved immediately.**

Agreed Management Action

The audit observation and recommendations provided is duly noted.

Officer Responsible

Business Manager

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

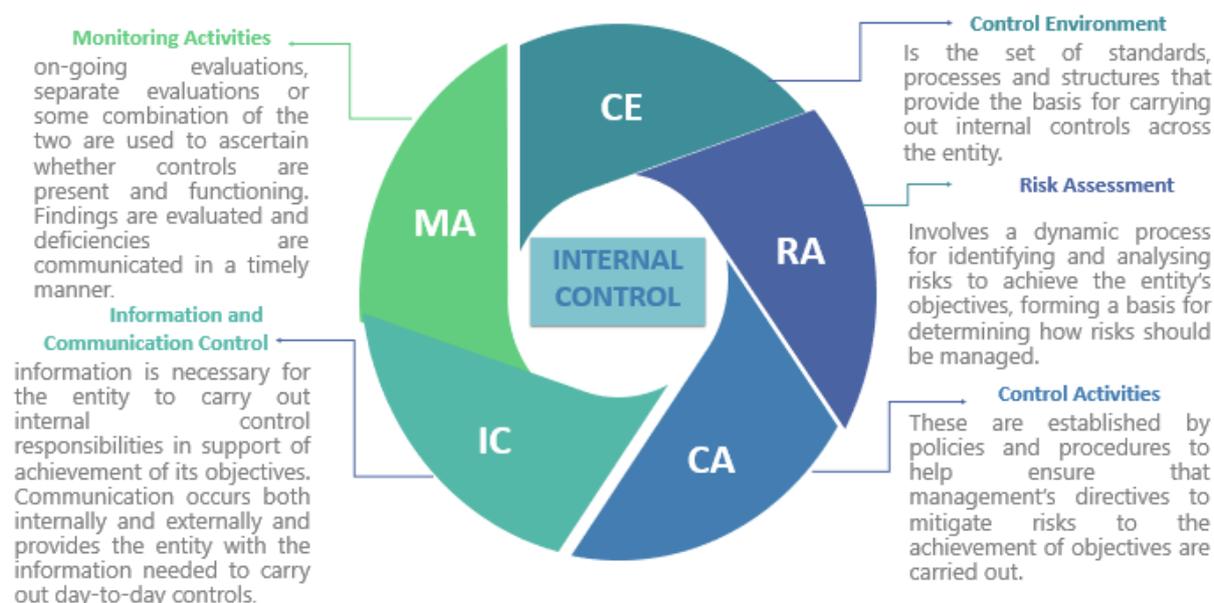
17.8 Internal Controls

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

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

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

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



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

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

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

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

17.9 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019			

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

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

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

17.10 Quality of Draft Financial Statements by entities

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

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

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

17.11 Timeliness of draft financial statements

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

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

17.12 Timeliness of Provision of Management Comments and signing of Financial Statements

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

Rating	Timeliness of Management Comments Received
 Ineffective	After 14 days from issue of Draft Management Letter

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

APPENDIX 17.1: CONTROL WEAKNESSES OVER PAYMENT OF GOODS AND SERVICES

Date	EFT Number	Description	Amount (\$)	Audit Remarks
01/07/2019	38834	For the government visa card payment for PS for May.	2,184.49	Invoice receiving form were not filled
16/04/2019	5965	Purchase of 10 cartons of 600ml bottled water.	250.00	Procurement request were not made
24/04/2019	6002	Purchase stationery items for the Offices and meeting rooms.	1,081.96	<ul style="list-style-type: none"> Payment voucher no. recorded as EFT no. 6001 contrary to system recording EFT no. 6002 Invoice receiving form was not filled
28/04/2019	6078	Purchase of Stationery for MACC	1,082.63	<ul style="list-style-type: none"> Procurement requisition form were not filled Invoice receiving form were not filled
02/04/2019	5900	Catering services on the 26/03/2019	210.00	Invoice receiving form were not filled
27/04/2019	6077	Hire of 4 buses to transfer delegates - 52nd ADB Annual Meeting, 2019.	5,000.00	This payment was made on Sunday 28/04/19 prior to the ADB meeting. Service required to be carried out on 30/04/19 - 01/05/19. Therefore this is an advance payment made to vendor
24/04/2019	6001	Purchase of 200 Executive Pens for the Governors - 52nd ADB Annual Meeting, 2019.	5,200.00	Payment voucher no. recorded as EFT no. 6002 contrary to system recording EFT no. 6001
08/07/2019	6399	Purchase of stationeries for 52nd ADB Annual Meeting, 2019.	780	<ul style="list-style-type: none"> Delivery docket attached are photocopied. There was a difference between invoice no. provided for the goods supplied and the invoice no. provided in the delivery docket
01/05/2019	6111	For printing the ADB Magazine - 52nd ADB Annual Meeting, 2019.	16,094.94	All supporting documents were noted to be photocopied
26/07/2019	6477	Host Country Reception	1,300.00	Procurement request form was not signed/approved.
30/04/2019	6094	Officers recharge card - 52nd ADB Annual Meeting, 2019.	6,250.00	<ul style="list-style-type: none"> Invoice receiving form were not filled All supporting documents were noted to be photocopied
3/05/2019	38762	ADB volunteers meal allowance	13,660.00	<ul style="list-style-type: none"> Procurement requisition form were not filled Invoice receiving form were not filled
29/04/2019	6089		7,095.00	Invoice receiving form were not filled

Date	EFT Number	Description	Amount (\$)	Audit Remarks
		For the Indian cultural performance - 52nd ADB Annual Meeting, 2019.		
01/08/18	5472	Payment made for the in-house training charges on Project Management and Project Management Fundamentals on the 14th - 15th June, 2018.	4,930.00	Invoice, minute, training requisition form and procurement requisition form not stamped "Paid" to confirm the payment.
01/08/18	5473	Payment for the printing of 1000 copies of 3 training manual - OMRS, Investigation & Effective Job Application.	9,900.00	Quotation, invoice, invoice receiving form and procurement requisition form not stamped "Paid" to confirm the payment.
07/08/18	5484	Project Module 2 training conducted on the 19th and 10th of July, 2018.	5,000.00	Invoice, minute, training requisition form and procurement requisition form not stamped "Paid" to confirm the payment.
10/08/18	5486	Accommodation from the 10th to the 13th of August and for EA - ADB mission meeting and site visit for the ADB Annual Meeting.	343.95	Invoice, invoice receiving form and procurement request form not stamped "Paid" to evidence payment.
10/08/18	5487	Accommodation for Director Major Events from 10th-13th August and for EA on the 13th of August, 2018. ADB mission meeting and site visit for the ADB Annual Meeting.	918.75	Invoice receiving form and quotes not stamped "Paid" to evidence payment.
05/09/18	5521	Registration fees for PS to attend FMA conference at Pearl resort.	550.00	Documents not stamped "Paid"
20/09/18	5542	Grass cutting at CTD Nasese for the Month of August 2018.	760.00	Documents not stamped "Paid"
14/06/19	6320	MCS entry into government Ministry & Department and Other entries.	3,029.11	Payment Voucher and attached documents not stamped "Paid" to evidence payment.
14/06/19	6330	Purchase of 8 toners.	3,412.01	<ul style="list-style-type: none"> • Payment Voucher and attached documents not stamped "Paid" to evidence payment. • Only one quotation obtained.
18/06/19	6321	Conference fees at the National Trainers Conference.	800.00	<ul style="list-style-type: none"> • Payment Voucher and attached documents not stamped "Paid" to evidence payment.
18/07/19	6430	Hiring of venue for the Leadership Development Programme from the 25th to the 30th of August 2019.	34,870.00	<ul style="list-style-type: none"> • Payment Voucher and attached documents not stamped "Paid" to evidence payment.
24/07/19	6460	Advertisement charges for the recruitment of doctors.	1,895.00	<ul style="list-style-type: none"> • Payment Voucher and attached documents not stamped "Paid" to evidence payment.

Date	EFT Number	Description	Amount (\$)	Audit Remarks
24/07/19	6463	Catering services for Investigator's training at CTD from 17th - 19th July 2019.	1,032.00	<ul style="list-style-type: none"> • Payment Voucher and attached documents not stamped "Paid" to evidence payment. • New competitive quotations were not obtained.
03/04/19	5912	Leadership development training conference package from the 7th to 11th of April 2019.	36,670.00	<ul style="list-style-type: none"> • LPO was not raised. • There was no formal agreement with Pearl Resort. Only Event estimate was provided to confirm the booking.
29/04/19	6082	Advertisement of Permanent Secretaries' roles and medical doctors advertised on 02.03.19.	513.34	<ul style="list-style-type: none"> • LPO was not raised.
18/07/19	6430	Hiring of venue for the Leadership Development Programme from the 25th to the 30th of August 2019.	34,870.00	<ul style="list-style-type: none"> • LPO not raised for payment.

APPENDIX 17.2 COMPETITIVE QUOTES ANOMALIES

Date	EFT No.	Amount (\$)	Quotation 1 – Company A	Quotation 2 – Company B	Quotation 3 – Company C
12/2/19	5806	1,450.01	<ul style="list-style-type: none"> Date on Quote: 22/1/19 Quotation for: Morning Tea, Lunch, Afternoon Tea Cost: \$20 per person. 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: \$30 per head 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: Menus \$27.50 per Person Package.
19/2/19	5811	1,428.00	<ul style="list-style-type: none"> Date on Quote: 22/1/19 Quotation for: Morning Tea, Lunch, Afternoon Tea Cost: \$20 per person. 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: \$30 per head 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: Menus \$27.50 per Person Package.
26/2/19	5831	1,069.10	<ul style="list-style-type: none"> Date on Quote: 22/1/19 Quotation For: Morning Tea, Lunch, Afternoon Tea Cost: \$20 per person. 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: \$30 per head 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: Menus \$27.50 per Person Package.
1/3/19	5835	400.00	<ul style="list-style-type: none"> Date on Quote: 22/1/19 Quotation For: Morning Tea, Lunch, Afternoon Tea Cost: \$20 per person. 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: \$30 per head 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, Lunch, And Afternoon Tea. Cost: Menus \$27.50 per Person Package.
5/3/19	5843	528.00	<ul style="list-style-type: none"> Date on Quote: 22/1/19 Quotation for: Morning Tea, Lunch, Afternoon Tea Cost: \$20 per person. 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea, 	<ul style="list-style-type: none"> Date on Quote: No Date Quote For: Morning Tea,

Date	EFT No.	Amount (\$)	Quotation 1 – Company A	Quotation 2 – Company B	Quotation 3 – Company C
				Lunch, And Afternoon Tea. • Cost: \$30 per head	Lunch, And Afternoon Tea. • Cost: Menus \$27.50 per Person Package.
18/3/19	5870	1,420.00	<ul style="list-style-type: none"> • Date on Quote: 22/1/19 • Quotation For: Morning Tea, Lunch, Afternoon Tea • Cost: \$20 per person. 	<ul style="list-style-type: none"> • Date on Quote: No Date • Quote For: Morning Tea, Lunch, And Afternoon Tea. • Cost: \$30 per head 	<ul style="list-style-type: none"> • Date on Quote: No Date • Quote For: Morning Tea, Lunch, And Afternoon Tea. • Cost: Menus \$27.50 per Person Package.

Section 18**Ministry of Rural and Maritime Development****Roles and Responsibilities**

The Ministry of Rural and Maritime Development manages and coordinates Government's rural and maritime development programs. Guided by the socioeconomic rights enshrined in the Fijian Constitution, the Ministry is focused on providing Fijians with the things they need to empower themselves and support their families.

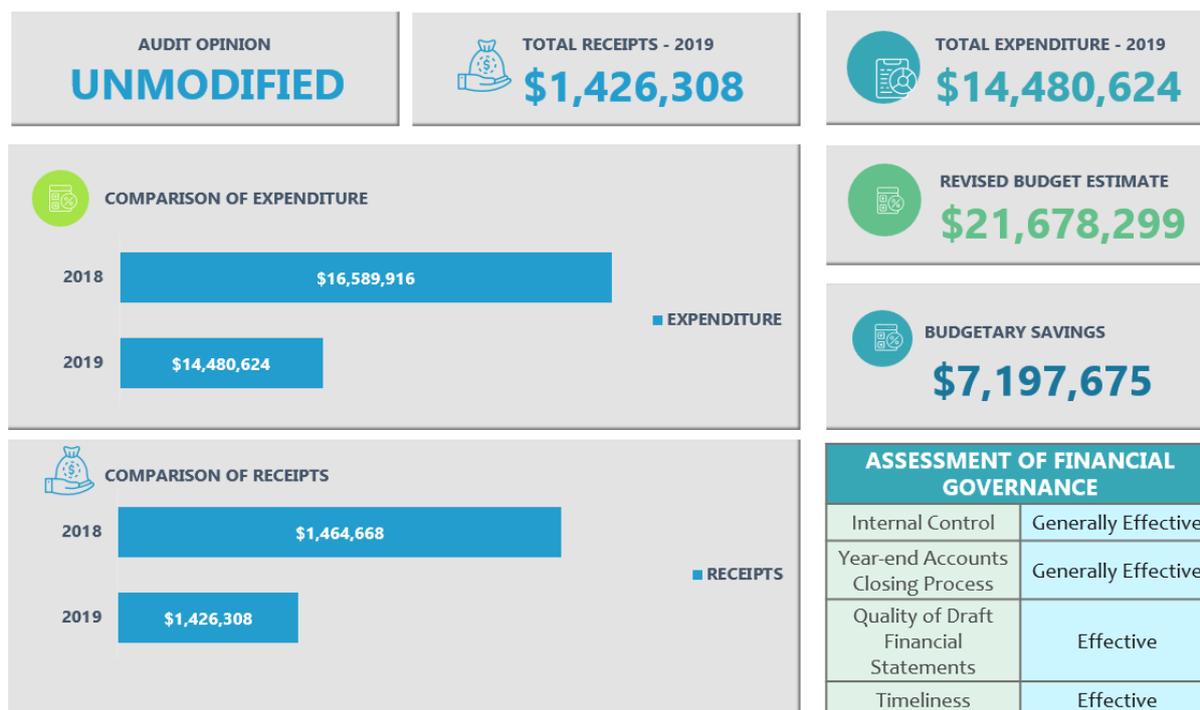
The Ministry's programs are targeted at generating economic growth and improving living standards in Fiji's rural and maritime communities. This includes Self-Help Programme, Emergency Water and Community Access Roads, Footpaths and Footbridges.

The Ministry also provides support services to rural, peri-urban and maritime communities such as issuing licences and collecting licence and permit fees.

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PART A: FINANCIAL STATEMENTS



18.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Rural and Maritime Development resulted in an unmodified audit opinion. However, attention was drawn to the following matters:

1. Internal controls over procurements were generally found to be weak, and if not addressed promptly may result in material misstatements and possible financial losses in the near future. The weak procurement controls resulted in payments made on the strength of photocopied invoices, invoices and delivery dockets for project materials were not verified and signed-off by representative from the District Offices, payment vouchers not stamped paid; Local Purchase Orders not raised; Invoices not attached and competitive quotes not obtained.
2. The financial statements present the Provincial Development Trust Fund Account that included tender deposits, self-help one-third deposits and Rural Housing Scheme Trust Fund Accounts. The current presentation of trust receipts and expenditure provides limited information on the nature of receipts and expenditures incurred under the respective trust fund account as the trust receipts and payments are classified as a one-line item by Trust type.
3. Unreconciled variances of \$15,991 and \$38,696 exist between the established staffs and government wage earners payroll report balances, respectively and the general ledger balances.

18.2 Appropriation Statement

The Ministry incurred expenditure totalling \$14.5 million against a revised budget of \$21.7 million resulting in savings of \$7.2 million or 33%.

- Savings of \$5,749,148 under the Capital Construction expenditure was mainly due to the Public Sector Investment Programme (PSIP) projects that were not implemented during the period. Moreover, the projects planned for Namarai, Korolevu ADO's Office, Kavala, Vanua Balavu DO's Office, Vunidawa quarters and Wainua Government Station could not be implemented due to the delay in finalisation of tender process until the 4th quarter and by when Ministry of Economy had implemented budgetary control and funds could not be released. For Wainikoro and Kubulau Government Stations, there were delays in the project preparatory works that involved boundary survey and leasing arrangements, geo tech survey, preparation of drawings and master plan.
- Savings of \$312,619 under the Capital Grants & Transfers (SEG 10) expenditure was mainly due to the savings under Project Preparatory Works (PPW) allocations for Commissioner Central, Western and Eastern Division. The reason was that the government agencies responsible for Project Preparatory Works such as boundary survey and leasing arrangements, topography survey and geo-tech survey were not available on dates scheduled by the Ministry. These planned Project Preparatory Works were carried forward to the 2019-2020 financial year

Details of expenditure against the revised budget are provided in *Table 18.1*.

Table 18.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	5,678,021	(193,068)	5,484,953	5,476,521	8,432
2	Government Wage Earners	1,196,355	193,068	1,389,423	1,382,832	6,591
3	Travel & Communication	483,860	49,500	533,360	493,927	39,433
4	Maintenance & Operations	1,077,800	9,200	1,087,000	1,011,113	75,887
5	Purchase of Goods & Services	682,572	(23,000)	659,572	619,174	40,398
6	Operating Grants & Transfers	780,030	(26,700)	753,330	620,899	132,431
7	Special Expenditure	1,284,000	(9,000)	1,275,000	1,028,532	246,468
	Total Operating Expenditure	11,182,638	-	11,182,638	10,632,998	549,640
8	Capital Construction	7,027,526	-	7,027,526	1,278,378	5,749,148
9	Capital Purchase	200,000	-	200,000	193,706	6,294
10	Capital Grants & Transfers	2,300,000	-	2,300,000	1,987,381	312,619
	Total Capital Expenditure	9,527,526	-	9,527,526	3,459,465	6,068,061
13	Value Added Tax	968,135	-	968,135	388,161	579,974
	TOTAL	21,678,299	-	21,678,299	14,480,624	7,197,675

18.3 Main Trust Fund Account

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

18.3.1 Provincial Development Trust Fund Account

The Provincial Development Trust Fund Account comprise the following funds which are all kept in one bank account. Although one bank account is used for the trust funds, the records are maintained in separate general ledger allocations:

- **Tender Deposit Trust Fund:** for tender deposits which are refunded to unsuccessful tenderers or at the expiry of the contracted tender;
- **Rural Housing Deposit Scheme II Trust Fund Account:** a scheme where rural dwellers are assisted by Government in the building of their homes and they are required to meet one-third of the cost;
- **Unclaimed Wages Trust Fund Account:** for the death of a civil servant in the rural areas, his/her last pay is kept in this account and is then paid to the legal beneficiaries through the DO's offices;
- **Rural Housing Scheme I/PM Relief and Rehabilitation Trust Fund Account:** is where the rural dwellers deposit the full cost of building materials for their houses. Government would negotiate and get cheaper quotes for materials and also provide free transportation for the delivery of the materials;
- **Special Purpose Trust Account – Vatukoula:** is to cater for Vatukoula Housing Clients Assistance which consists of the 2/3 Government Contribution; and
- **One-Third Self Help Trust Fund Account:** the Ministry assist communities or individuals in their self-help projects which consist of the Government contributing two-third of the cost whilst the community or individuals provide one third contribution.

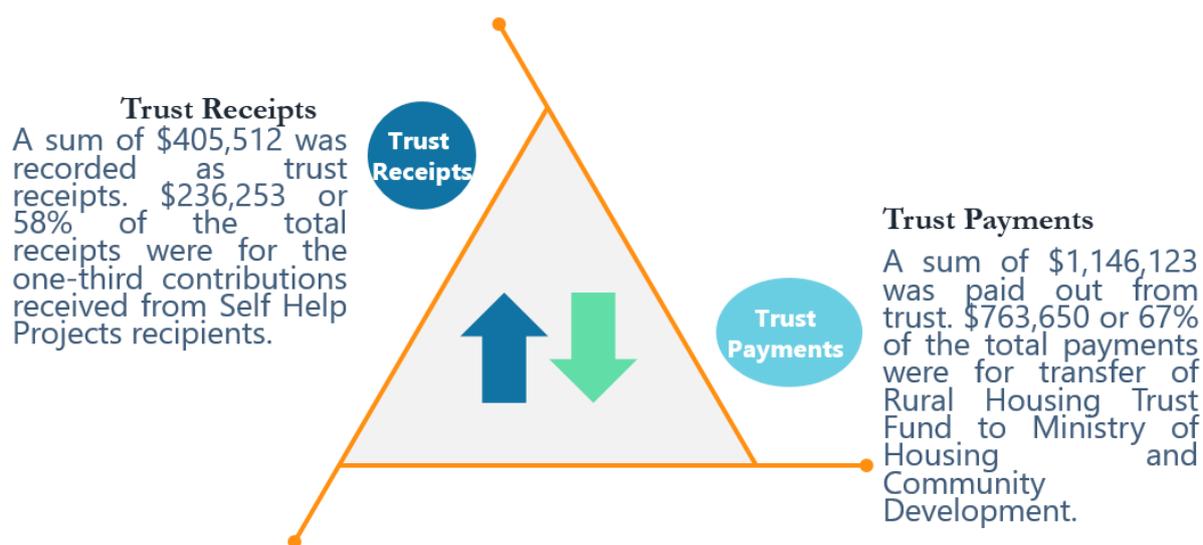
The Rural Housing Deposit Scheme II Trust Fund Account and Vatukoula Special Purpose Trust Fund Account have been fully transferred to Head 23 – Ministry of Housing and Community Development during the period.

The Ministry is liaising with the Ministry of Housing and Community Development on the full transfer of the remaining Rural Housing Trust Funds still held by the Ministry, which includes tender deposit and the Rural Housing Scheme I/PM Relief and Rehabilitation Trust Fund Accounts. As at 31 July 2019, a total sum of \$763,650 was transferred. Refer to *Table 18.2* for details.

Table 18.2: Trust Fund Accounts transferred to Head 23

Trust Fund Account	Amount (\$)
Transfer – Rural Housing Deposits Scheme II	278,441
Transfer – Rural Housing Deposits Scheme I	371,453
Transfer – Special Purpose Trust Account - Vatukoula	113,756
Total Transfer to Ministry of Housing	763,650

As at 31 July 2019, the Provincial Development Trust Fund Account had a balance of \$1,551,187.



The detailed trust fund account statement for receipts and payments is provided in *Appendix 18.1*.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2019.

18.4 Non-implementation of PSIP Projects

Divisional Development Project (PSIP) Scheme is granted to capital projects that benefits a wider section of the community and determined by relevant ministries in consultation with the Provincial Development Board and Divisional Development Board.¹

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

Efficiency relates to the productivity of the resources used to conduct an activity in order to achieve the maximum value from the resources used.³

A total budget of \$5,027,526 was allocated to the Ministry's Public Sector Investment Programme (PSIP) Projects to be carried out in the 2019 financial year. Review of the PSIP projects noted that all the projects earmarked for the 2019 financial year were not implemented. Refer to *Appendix 18.2* for details.

For the Wainua Government Station and Vunidawa Government Station projects, the projects preparatory works (PPWs) and tender process for the two projects were completed. However, both the projects were not carried forward to the 2019/2020 and 2020/2021 financial year as were budget was not appropriated for the projects. Funds totalling \$237,887 and \$141,221 have been utilised on PPWs for Wainua and Vunidawa Government Station, respectively.

During the site visit on 28/07/20, it was noted that overgrown grass and degradation in the earthworks initially carried out on both projects as part of PPW. Refer to *Appendix 18.3* for details.

Root Cause/Implication

Non-implementation of PSIP projects indicates inadequate planning and untimely completion of preparatory work; lack of coordination and oversight controls within the Ministry; untimely

¹ Capital Programme Standard Operating Procedures 2011 Part 4 Section 2.1

² Financial Management Act 2004 – Section 28.1 (a)

³ Guide to the Procurement Policy Framework 2010 – Section 3.3.1

completion of tender documents; and lack of coordination between the Commissioner's Offices and MOIT and CIU.

Withdrawal of projects indicates the lack of consultation with the Ministry of Economy to seek additional funding and roll-over approval for continuing projects on a timely manner.

Inability to fully utilize the PSIP project funds is deemed as a lost opportunity particularly considering the current operational needs of the Ministry.

Recommendations

The Ministry should:

- **Improve its planning process and coordination within the Ministry and with relevant stakeholders such as MOIT and CIU to ensure that projects are executed as planned; and**
- **Improve consultation with the Ministry of Economy and seek additional funding and approval to roll-over continuing projects on a timely manner.**

Agreed Management Action

The work for Namarai, which commenced in 2019-2020, is progressing well. This should be completed within this financial year while Korolevu District Office has been withheld because of land issue surrounding its proposed location. The Office of the Commissioner Western Division is now consulting the Ministry of Lands in Lautoka of a suitable place within the government land at Korolevu to build the office. The initial proposed site for the Korolevu office was given to the National Fire Authority by one of the former Commissioner Western Divisions and the current proposed site would appear to obstruct the future expansion of the Korolevu Police Post to Station.

For the Wainua Government Station and Vunidawa quarters, the Ministry will continue with the project as all their project preparatory works have been completed. The only reason they were not executed was that the budget for the projects did not come. Moving forward, the Ministry will improve its coordination with the CIU and MOIT so that the two agencies are aware of the Ministry's projects that are ready for execution, hence will assist in the approval of their capital projects budget

Officer Responsible

Senior Economic Planning Officer for Divisions

18.5 Income Generating Projects (Self-Help Programme) not sustainable

The self-help scheme is to promote and assist rural dwellers in the construction of small infrastructural and/or other projects and provision of income generating projects on a cost sharing basis where the community provides 1/3 contribution whilst Government provides 2/3 of the total project cost.⁴ There are two categories of projects which can be funded under this Scheme. Category 2 are income generating projects which benefit the individuals, groups and community to improve their sources of livelihood. Such projects include resource based and other cottage and niche market activities which utilize local resources and provide the needs of the local communities.⁵

⁴ Ministry of Rural and Maritime Development Capital Programme Standard Operating Procedures – Part IV, Section 1.1

⁵ Ministry of Rural and Maritime Development Capital Programme Standard Operating Procedures – Part IV, Section 2.0

Physical verification of Income Generating Projects (IGPs) under Self Help Programme carried out from 26/07/20 to 29/07/20 in the Central Division noted that a number of projects have not achieved the objective of the programme of improving the livelihoods of rural communities by making them economically and socially capable.

These projects were either unsustainable or were not successful in their implementations. Refer to *Appendix 18.4* for details.

Root Cause/Implication

The anomalies indicate the lack of vetting and appraisal mechanism in place at the District, Divisional and Ministerial level during the project identification stage to confirm the viability of the projects. Also, the current SOP does not include procedures on effective risk profiling during the project identification stage to ensure that all risks associated with each projects such as lack of experience and business skills are considered during appraisal of projects. Furthermore, there is no follow up or guidance provided after implementation of projects to ensure that they become sustainable in the long run.

The objective of the projects has not been achieved as the projects have failed. As a result, public funds invested in these projects have not derived economic value and benefits for the communities.

Recommendations

The Ministry should:

- **ensure that all Income Generating Projects (IGPs) are properly vetted and appraised to confirm their viability prior to being approved for assistance;**
- **revise SOP to include risk profiling of each projects to ensure that all risks such as lack of experience, business skills and access to market are considered during appraisal of projects; and**
- **provide ongoing monitoring and guidance on the performances of their IGPs as well as provide an evaluation exercise on the sustainability of past projects.**

Agreed Management Action

In terms of project viability and risk management the Ministry is currently embarking with the UNDP 'Governance for Resilience' team on the impact assessment of a number of SHP and CARFF Projects that were implemented in the 2017/2018 and 2018/2019 Financial Year and risk informing projects that have been planned for the next Financial Year.

The outcome of the impact assessment will further improve the Ministry's SOP in terms of project viability and associated risks.

The Ministry is also liaising with the Reserve Bank of Fiji, the Ministry of Commerce, and SME Section on ways it can further improve SHP.

There are plans underway to further improve identification and implementation of the Ministry's Self Help Programme.

Officer Responsible

- Divisional Planning Officers
- Provincial Administrators/District Officers

18.6 Duplication of Assistance

The self-help scheme is to promote and assist rural dwellers in the construction of small infrastructural and/or other projects and provision of income generating projects on a cost sharing basis where the community provides 1/3 contribution whilst Government provides 2/3 of the total project cost.⁶ The Community Access Roads, Footpaths and Footbridges focused on construction and upgrade of community access roads, footpaths and footbridges to improve access within communities. Farm roads which are deemed as community access roads are also considered for upgrading under the programme. The CARFF programme is fully funded by government.⁷

Verification of the projects carried out under the Self-Help Programme and the Community Access Roads, Footpaths and Footbridges (CARFF) during the 2019 financial year indicated that a number of projects implemented by the Ministry had funding or budget available under other Government Agencies' Capital Programmes. Refer to *Appendix 18.5* for details.

Furthermore, while these projects had support letters from respective government agencies, there were no confirmation obtained to substantiate that:

- The recipients have been assisted by other government agencies in the past; and
- The recipients' projects could not be funded under relevant capital programmes thus the reason for seeking funding from the Ministry.

Root Cause/Implication

The above finding indicates that the current policies and guidelines for the Ministry's Capital Programmes have not been refined to ensure that assistance offered by the Ministry are not offered by other government agencies.

In addition, there is no government assistance national database to consolidate and capture information on the types of assistance provided to individuals, groups, villages or communities under each Government capital programmes. Moreover, there is lack of coordination with other government agencies for double-checking and verification of past assistance received by applicants and confirming availability of funding.

Funding of projects for assistance that are provided by other government agencies increases the risk of double-dipping by applicants.

Recommendations

The Ministry should:

⁶ Ministry of Rural and Maritime Development Capital Programme Standard Operating Procedures – Part IV, Section 1.1

⁷ Ministry of Rural and Maritime Development Strategic Plan (Draft) 2018 – 2023 – Capital Programmes

- consider revising and refining the scope and the type of assistance given under the CARFF and SHPs to avoid duplication of assistances already offered by other government agencies;
- in consultation with other government agencies establish a national database to consolidate and capture information on the types of assistance provided to individuals, groups, villages or communities under each government capital programmes; and
- formulate, in the absence of database, a checklist that fully captures past assistance received by applicants which needs to be verified with other government agencies.

Agreed Management Action

Under the Letter of Agreement signed between the Ministry and the UNDP Pacific Resilience ‘Governance for Resilience’ Programme, A GIS Officer will be recruited to assist the Ministry with the mapping of projects. Consultation with line agencies will be further strengthened in terms of sharing of information and data on projects.

The Ministry has also since the 2019/2020 Financial Year started to write to line agencies Permanent Secretaries with regard to some applications received including farm roads and farming projects requested to be funded under both the CARFF and the SHP.

Officer Responsible

- Divisional Planning Officers
- Principal Administration Officer – Development

18.7 Anomalies Noted in CARFF Projects

The Community Access Roads, Footpaths and Footbridges (CARFF) programme focused on construction and upgrade of community access roads, footpaths and footbridges to improve access within communities. Farm roads which are deemed as community access roads are also considered for upgrading under the programme. The CARFF programme is fully funded by government.⁸

Efficiency relates to the productivity of the resources used to conduct an activity in order to achieve the maximum value from the resources used.⁹

A Contractual Agreement is to be developed and signed between the Divisional Commissioners Office and the Contractors on road works where necessary.¹⁰

Review of the capital projects under the Community Access Roads, Footpaths and Footbridges (CARFF) programme revealed the following anomalies:

- Site visit of CARFF projects implemented during the year that was carried out in the Central Division from 26/07/20 to 29/07/20; revealed discrepancies in the implementation of a number of projects. Refer to *Appendix 18.6* for details;
- Significant savings of \$721,622 or 36% was noted under CARFF projects expenditure during the year. Majority of this savings were under CARFF Headquarters allocation (1-18301-68999-080103), and were not redistributed to the four Divisions; and

⁸ Ministry of Rural and Maritime Development Strategic Plan (Draft) 2018 – 2023 – Capital Programmes

⁹ Guide to the Procurement Policy Framework 2010 – Section 3.3.1

¹⁰ Capital Programme Standard Operating Procedures 2011 - Part VI, Section 7.1

- The current Memorandum of Agreements (MOA) used by the Ministry for capital projects has not been legally vetted by the Solicitor-General’s Office. The MOA used by the Ministry does not include important contract clauses such as retention funds for defects, defects liability period, bill of quantities, scope of works, specifications, drawings, payment structure, commencement and completion date and clauses on delay of work. The Ministry did not retain a portion of the contractual funds for defects.

Root Cause/Implication

The anomalies noted in the CARFF projects indicates the lack of appraisal and site preliminary investigations such as geotechnical survey conducted during the project identification stage and the absence of effective risk profiling of projects to ensure the feasibility and sustainability of the projects. Substandard quality of works will continue to persist in the absence of proper preliminary investigations.

The interests of the Ministry are not adequately protected in the absence of a Memorandum of Agreement with all relevant clauses pertaining to capital works. Significant savings indicates ineffective planning and management reviews. As a result, the objectives of programme from funds appropriated by parliament might have not been fully realised..

Recommendations

The Ministry should:

- **carry out appraisal, preliminary investigation and risk profiling for each project to ensure that the projects are feasible and sustainable after implementation;**
- **ensure that the necessary planning and reviews are in place to ensure the CARFF project funds are fully utilised before the end of the financial year; and**
- **a legally binding contract which has been vetted by the Solicitor-General’s Office is entered between the Ministry and a contractor to protect the interest of government.**

Agreed Management Action

Application for RIE to the Ministry of Economy is done in two (2) Quarters, the first of which is for 70% of the total budget of \$2 million and the second is for the 30%. CARFF Headquarters allocation only comprise of 10% of each quarters budget. In this case the amount for the 1st quarter that was released was \$1,400,000 with PS Reserve being allocated \$140,000.

The table below shows the breakdown of projects under CARFF that were implemented in the 2018-2019 Financial Year derived from Divisional Acquittals.

<i>Division</i>	<i>No. of CARFF Projects</i>
<i>Central</i>	<i>13</i>
<i>Eastern</i>	<i>4</i>
<i>Northern</i>	<i>10</i>
<i>Western</i>	<i>24</i>
<i>TOTAL</i>	<i>51</i>

The Ministry only received funding for the first Quarter as the Ministry of Economy did not release 2nd quarter funding.

The Ministry will consult again with the SG's Office with regard to the Contract Agreement under CARFF and will follow a more transparent method as stipulated in the Guide to Procurement Process for Purchase up to \$50,000 Policy of Government.

Officer Responsible

- Divisional Planning Officers
- Principal Administrative Officer - Development

18.8 Anomalies in Procurement of Goods and Services

The Manager Finance or Accounts Officer must not certify a payment as correct unless they are satisfied that it is in accordance with an LPO, indent, contract, invoice, statement or other authorisation; there is documentation that the goods, services or works have been received; sufficient uncommitted funds are available for payment of the account; the account is not fraudulent and has not been previously paid and the expenditure account it is charged to is correct.¹¹

A local purchase order shall be issued when procuring any goods, services or works from an organisation within Fiji, unless a contract or agreement has been entered into.¹²

Competitive quotes, instead of public tenders, may be called for procurements \$50,000 and less unless, the PS has approved an exemption in accordance with Procurement Regulation 29-(3).¹³

Audit review of the expenditures noted the following anomalies:

- Payments were made on the strength of photocopied invoices;
- Invoices and delivery dockets for project materials were not verified and signed off by the District Officer (DO) or the Assistant District Officer (ADO);
- Payment vouchers were not stamped "Paid";
- Local Purchase Orders were not raised;
- Invoices were not attached; and
- three competitive quotations not obtained.

Refer to Appendix 18.8 for examples

Root Cause/Implication

The findings indicate the lack of adequate supervision and non-compliance to procedures stipulated in the Finance Manual (2013) and the Capital Programme SOPs.

Photocopied invoices and payments not stamped "Paid" increase the risk of double payments based on the same set of documentations while processing payments without supporting

¹¹ Ministry of Rural and Maritime Development Finance Manual 2013 – section 2.8.4

¹² Ministry of Rural and Maritime Development Finance Manual 2013 – section 2.5.1

¹³ Ministry of Rural and Maritime Development Finance Manual 2013 – section 2.3.1

documents increases the risk of improper payments such as duplicate payments and miscalculations and payments for works/services not rendered. Also, the risk of fraudulent payments is rated highly which can be catalyst to abuse, misappropriation and wastage of taxpayer’s funds.

Recommendations

The Ministry should ensure that:

- the full compliance is made with its Finance Manual, procurement and capital programme procedures and Finance Instructions at all times;
- all payments are authorised if they are substantiated with adequate supporting documents as required by the Finance Manual and procedures; and
- building materials supplied to recipients are verified and signed-off by DOs or ADOs; and
- necessary disciplinary actions is taken against officers that continue to breach financial regulations.

Agreed Management Action

The Ministry’s Capital Programme Policy is clear in that offices of the PA, DO or ADO must receive items and keep original copies of invoices. These Officers or their representative must verify that items procured are delivered.

The headquarters accounts team will be making regular inspections at Divisions Office to ensure that the requirements of the Finance Manual and Finance Instructions are adhered to. The Permanent Secretary will be issuing an internal circular for improvements on the procurements issues highlighted.

Officer Responsible

- Manager Finance and Divisional Accounts Officers
- District Officers (DO) and Assistant District Officers (ADO)

18.9 Impact and Sustainability Assessment

The Ministry under its Rural and Maritime assistance program provides community access roads, footpaths, footbridges and Self-Help Scheme to bring Fijians living in rural and maritime regions the same level of access to essential services and economic opportunity as anywhere else in the country.

For the past five years, the Ministry has provided combined assistance amounting \$14.3 million under its two programs. Refer to *Table 18.3* for details.

Table 18.3: Details of Capital Projects Expenditure for the last five years

Programme	2019 (\$)	2018 (\$)	2017 (\$)	2016 (\$)	2015 (\$)	TOTAL (\$)
Community Access Roads, Footpaths & Footbridges	1,278,378	1,810,469	1,323,519	797,914	1,468,869	6,679,149

Programme	2019 (\$)	2018 (\$)	2017 (\$)	2016 (\$)	2015 (\$)	TOTAL (\$)
Self Help Programme	1,475,492	1,426,683	2,393,647	823,707	1,483,532	7,603,061
TOTAL	2,753,870	3,237,152	3,717,166	1,621,621	2,952,401	14,282,210

The Ministry has a Development Unit whose role is to perform oversight function and monitoring of the capital programmes. The Development Unit had carried out monitoring of projects implemented under these Programme during the year. The Divisional Planning Cells based at the Divisional Offices also carry out their own monitoring during implementation of projects.

However, it was noted that the Ministry's Development Unit did not carry out any evaluation or assessment on the impact and sustainability of its assistance through community access roads, footpaths and footbridges and self-help scheme assistance program.

Root-Cause/implication

Not carrying out the impact and sustainability assessment at a regular interval would deny the Ministry the opportunity to gauge the effectiveness of its assistance programs and the opportunity to replicate its successes and learn from mistakes or failures.

Recommendation

The Ministry should carry out the impact and sustainability assessment of its assistance programs at a regular intervals of 3 to 5 years in order to gauge its effectiveness, suitability, impact and sustainability.

Agreed Management Action

CARFF

The Community Access Road Footpaths and Footbridges (CARFF) Programme, formerly known as the Non-Cane Access Road Programme (NCAR), is part of the newly reviewed Ministry's Capital Programmes SOP. The programme has been expanded to include footpaths and footbridges instead of only farm access roads or community access roads. These changes have been included in the revised SOP.

The improvements in the revised SOP include monthly monitoring of projects by the PAs/DOs and the Divisional Planning Cells with the road engineers currently deployed in the Divisions (West, North and Central). The Development team at Headquarters have also formed a Committee with the Accounts Section to scrutinise and vet RIE submissions and Acquittals on the Ministry's Capital Programmes. This is a new initiative taken to ensure that submission of CARFF projects are in compliance to the SOP.

Stringent measures will also be undertaken by the Development Monitoring and Evaluation Team to ensure that physical implementation is undertaken according to work plan and timeline provided in the project proposals.

Self Help Projects (SHP)

The current review of the SOP requires monthly monitoring by the PAs, DOs and the Divisional Planning Cells. Headquarters Monitoring and Evaluation team is also required to conduct constant monitoring on projects. Impact Assessments has also been considered for duration of 3 years from the completion date of the project to ascertain the sustainability of the project and to wean it off to the recipient.

Ministry is currently working with the UNDP ‘Governance for Resilience’ team on the impact assessment of a number of SHP and CARFF Projects that were implemented in the 2017/2018 and 2018/2019 Financial Year.

Officer Responsible

- Director Development Services
- Divisional Planning Officers

18.10 Quarters Management

Once the officers are transferred to Divisions, they fill in the Quarters Application form and submit the form to their Provincial Administrator or District Officer for quarters allocation. The PA/DO assess applications based on eligibility criteria with status of quarters occupancy. If there is quarters available, the officer is allocated a quarters through the Divisional Board’s approval and Memorandum is issued to deduct bond and rent of either 4% or 8% of the salary based on the PSC Circular for eligibility criteria.¹⁴ All tenants residing in Quarters will be signing the Tenancy Agreement under market rent while Occupation and Vacation Slips are used for tenants in Divisions.¹⁵

The Commissioner Central’s Office administers the government quarters in the Central Division. The Commissioner Central is the chairman of the Nausori Housing Board. There are a total of 276 quarters under the Nausori Housing Board.

Audit review of the quarters’ records available, the following anomalies were noted:

- (i) The site visit conducted in the Central Division revealed poor condition of quarters and serious structural defects requiring urgent maintenance and upgrading works. The last refurbishment carried out for the Central Division quarters was done in 2010 by the Ministry of Works. Refer to *Appendix 18.13* for details;
- (ii) No tenancy agreements were signed with the occupants of the quarters;
- (iii) No bond deposit was taken from the occupants to cover the damages and outstanding bills; and
- (iv) As a proactive measure and the lesson learnt from previous years, no regular follow ups were done with the Water Authority of Fiji and the Fiji Electricity Authority on the status of utility bill clearance by the occupants.

Root-Cause/implication

Poor quarters conditions indicate the lack of prioritisation on the welfare of civil servants living in the quarters, lack of coordination between the Board/Ministry and CIU concerning timely refurbishment of the Division’s quarters and the lack of monitoring by the Divisional secretaries on bond deposits deduction and clearance of utility bills by occupants.

This has resulted in continued poor condition of Government quarters and deprived good standard living conditions for civil servants occupying them.

¹⁴ Construction Implementation Unit Standard Operating Procedures – Part B (I) (b)

¹⁵ Construction Implementation Unit Standard Operating Procedures – Part B (III)

Recommendations

The Housing Board should ensure that:

- **The welfare of civil servants occupying the quarters are given adequate attention and priority;**
- **Proper level of coordination is undertaken between the Ministry and CIU on seeking adequate funding to refurbish the quarters;**
- **Tenancy agreement are signed with all the quarters occupants; and**
- **Bond deposits are deducted from occupants to cover damages and outstanding bills.**

Agreed Management Action

The Ministry has noted the audit comments on the anomalies. The Ministry was appropriated \$400,000 for upgrade/renovation of Ministry's quarters in the 2020/2021 FY and \$100,000 has been allocated for each Divisions. The Divisions have identified quarters in urgent need of repairs. Most highlighted in the issue have been identified by the CCD Office. The upgrade/renovation works for the quarters is expected to be completed by 2020/2021 FY end.

The CIU Unit, MoE is responsible for the maintenance of government quarters. The memorandum issued to the approved tenants by the Divisional Secretary act as tenancy agreement. The CCD Office is not charging bond deposit anymore as the condition of the quarters are already too poor. When officers vacate government quarters they are required to clear all utility bills and submit evidence to MoE.

Officer Responsible

- Divisional Secretaries
- Quarters Clerk

18.11 Information Management Database

The Government is committed to improving the lives of the rural people and is adamant to achieve this by putting in place key rural development policies and strategies. A key part of this strategy is the adoption of the Integrated Rural Development approach where Divisional Commissioners are empowered to coordinate all development activities in their Divisions and the need for all the line Ministries to strengthen their programmes in terms of planning, implementation, monitoring and evaluation.¹⁶

The Ministry under its Rural and Maritime assistance program provides rural housing assistance, community access roads, footpaths and footbridges and self-help scheme assistance. For the past five years, \$14.3 million have been utilised for such programs.

From our review of records for rural and maritime assistance programmes, we noted that the Ministry does not have a structured information database to consolidate and capture information:

- on the types of assistance provided to individuals/groups/villages on different programmes, location of the project;
- number and assistance provided at a tikina/province/community level;
- document references to confirm delivery of assistance;

¹⁶ Standard Operating Procedures Foreword

- linkage with other line ministry/department who provide similar programme/assistance; and
- project progress/monitoring and evaluation reports.

Given its importance, technological advancement and the size of the budgets allocated to the programs annually, it is essential that credible data/information are captured for sustainability and impact assessment of the programs on the livelihood of rural and maritime dwellers and for informed decision-making regarding program design, policy and more coordinated/structured and effective implementation of various programs.

Root-Cause/implication

The delay in setting up the database could be attributed to change in management and lack of prioritisation and initiative taken to seek the funding through the annual budgetary process or donor agencies.

Recommendation

The Ministry should establish a database to consolidate and capture information on all programmes to assist in reviewing the effectiveness of the programmes and improving policies and guidelines.

Agreed Management Action

The Ministry is planning to create a comprehensive integrated database in partnership with UNDP. The UNDP will act as facilitator and will also provide hardware pertaining to database. The Ministry is currently in consultation with stakeholders such as FBOS, I Taukei Affairs, MCTTT, Forests, Fisheries and Agriculture on data gathering and consolidation. When the database is rolled out, the expectation would be that all the Government Agencies would be able to access the data on all programmes/assistance given by Government.

The work on the development of this database is currently in progress.

Officer Responsible

Director Development Services

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

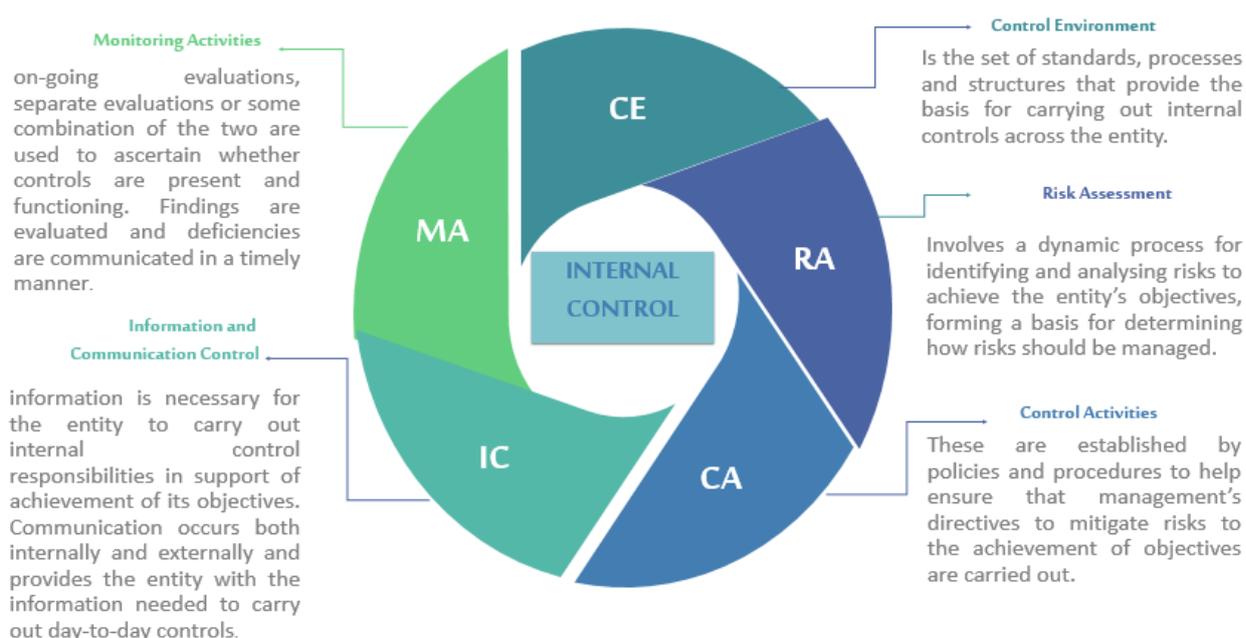
18.12 Internal Controls

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

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

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

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



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

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀	☠	☀	☘	☀

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls.

18.13 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✗	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✗	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✗	Submission of arrears of revenue returns by 30 August 2019	✓

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

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

18.14 Quality of Draft Financial Statements by entities

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

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

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

18.15 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
🔴 Ineffective	Acceptable draft financial statements received after 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
• Effective	Within 15 days from issue of Financial Statements for signing

APPENDIX 18.1: PROVINCIAL DEVELOPMENT TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
RECEIPTS		
Tender Deposits	11,252	-
Rural Housing Deposits Scheme II	128,244	675,962
One - Third Self Help Projects	236,253	194,879
Rural Housing Scheme I/PM Relief & Rehab Committee	14,000	48,669
Special Purpose Trust Account - Vatukoula	-	40,226
Unclaimed Wages	15,763	-
Cities Trust	-	59
Total Receipts	405,512	959,795
PAYMENTS		
Tender Deposits	6,888	-
Rural Housing Deposits Scheme II	75,554	686,408
One – Third Self Help Projects	246,874	143,535
Rural Housing Scheme I /PM Relief & Rehab Committee	14,000	32,446
Special Purpose Trust Account - Vatukoula	17,973	71,535
Unclaimed Wages	16,821	-
Cities Trust	3,202	-
Environment Trust	1,161	-
Transfer of Funds to Ministry of Housing and Community Development	763,650	-
Total Payments	1,146,123	933,924
Net (Deficit)/Surplus	(740,611)	25,871
Add Balance as at 1 August	2,291,798	2,265,927
Closing Balance as at 31 July 2019	1,551,187	2,291,798

APPENDIX 18.2: PSIP PROJECTS NOT IMPLEMENTED

PSIP Project	Revised Budget 2019 (\$)	Actuals 2019 (\$)	Savings (\$)	Savings %	Remarks
Construction of DO's Office in Kavala, Kadavu	825,689	-	825,689	100%	Project did not commence due to delay in tender process and was rolled over to 2019/2020 financial year.
Construction of DO's Office in Vanua Balavu	871,559	-	871,559	100%	Project did not commence due to delay in tender process and was rolled over to 2019/2020 financial year.
Construction of 1 x 4 Maisonette Quarters at Vunidawa Government Station	688,075	-	688,075	100%	All the preparatory works and tender process were completed. The tender documentations were forwarded to the GTB for their approval in the 4 th quarter. Project was put on hold due to budgetary controls by the Ministry of Economy.
Construction of one Timber Administration Office and one Grade V Timber Quarters at Wainua Government Station	779,817	-	779,817	100%	All the preparatory works and tender process were completed. The GTB approval was obtained on 01/03/19 and the tender was awarded to Menon Construction, the performance bond was received and contract being drafted. However, project was put on hold due to budgetary controls by the Ministry of Economy 2020 financial year.
Construction of 1 x Standard DO's Office and Grade 6 Quarters at Wainikoro Government Station	733,945	-	733,945	100%	The non-implementation of the project was due to the delay in the project preparatory works that involved Boundary Survey and leasing arrangements, Geo tech survey, Preparation of Drawings and master plan, Tender Documentation and the delay in tender Process. The project was rolled over to the 2019/2020 financial year
Construction of 2X2 single grade V Quarters at Kubulau Government Station	642,202	-	642,202	100%	The non-implementation of the project was due to the delay in the project preparatory works that involved Boundary Survey and leasing arrangements, Geo tech survey, Preparation of Drawings and master plan, Tender Documentation and the delay in tender Process. The project was rolled over to the 2019/2020 financial year
Construction of ADO's Office in Namarai, Ra	286,239	-	286,239	100%	The allocated fund was not utilized and projects not implemented mainly due to the delay in the tender process. Following the directive of the Ministry of Economy, the projects was put on hold and rolled over to the 2019/2020 financial year.
Construction of ADO's Office in Korolevu, Nadroga	200,000	-	200,000	100%	The allocated fund was not utilized and projects not implemented mainly due to the delay in the tender process. Following the directive of the Ministry of Economy, the

PSIP Project	Revised Budget 2019 (\$)	Actuals 2019 (\$)	Savings (\$)	Savings %	Remarks
					projects was put on hold and rolled over to the 2019/2020 financial year.
TOTAL	5,027,526	-	5,027,526		

APPENDIX 18.3: CENTRAL DIVISION PSIP PROJECTS PHYSICAL STATUS

Physical Status on July 2018	Physical Status on July 2020
Vunidawa Government Station	
	
Wainua Government Station	
	

APPENDIX 18.4: INCOME GENERATING PROJECTS NOT SUSTAINABLE

Project	Brief Description and projected outcome	Observations during site visit	Current Physical Status
<p>Recipient 1 Land Clearing Project, Naitasiri</p>	<ul style="list-style-type: none"> The project involved the clearing and preparation of 5-acre land for farming, drainage works and access road to the area at a cost of \$25,850. The projected outcome of the project was for recipient to start off as a subsistence farmer and to be a commercial farmer in the future 	<ul style="list-style-type: none"> Site visit conducted on 28/07/20 revealed that the income generating project is no longer operational. There was no farming activity conducted at all and the grass has overgrown. The farm was empty and the partially built farm house was empty as well. Assistance was given even though it was initially identified that recipient had no experience in large scale farming and will be commencing farming at subsistence level. There was no evidence of past business experience possessed or any financial literacy training certification for recipient. 	 <p>Farm during site visit</p>
<p>Recipient 2 Land Preparation, Naitasiri</p>	<ul style="list-style-type: none"> The project involved land clearing and platform levelling of 1-acre land for Hydroponic Farm project at a cost of \$18,612. The projected outcome of project was to have consistent harvesting of seasonal agricultural products throughout the year resulting in increased income. 	<ul style="list-style-type: none"> Site visit conducted on 28/07/20 revealed that the hydroponic farm was no longer operational. The greenhouse is still erected but there was no farming activity at all conducted. Assistance was given even though the recipient had no proven record/experience in Hydroponic Farming. There was no evidence of past business experience possessed or any financial literacy training certification for recipient. 	 <p>Hydroponic farm during site visit</p>

Project	Brief Description and projected outcome	Observations during site visit	Current Physical Status
<p>Recipient 3 Poultry Farm, Namosi</p>	<ul style="list-style-type: none"> The project involves the purchase of materials and construction of poultry farm shed for Women's Group meat bird venture and chicks/feeds/feeder/drinker at a cost of \$3,946. The projected outcome of project was to increase earning capacity for women's group and families, improved local food security due to availability of meat birds without travelling far and more healthy diet. 	<ul style="list-style-type: none"> Site visit conducted on 27/07/20 revealed that the income generating project is no longer operational. The poultry shed is still standing at the site however the feeders and drinkers are nowhere to be found. According to the SEPO, the project stopped operating after the sale of the first harvest cycle of meat bird. Assistance was given even though the Women's Group had no past experience in poultry farming. There was no evidence of past business experience possessed or any financial literacy training certification for Women's Group members. 	 <p>Poultry farm during site visit</p>
<p>Recipient 4 Poultry Farm Project</p>	<ul style="list-style-type: none"> Project involves the purchase of 200 chicks, feeders and drinkers, 34 bags feed and 100 bags of fish feed for 1 tilapia pond totalling \$4,285. The projected outcome of the project was to increase earning capacity for women's group and families, improved local food security due to availability of meat birds without travelling far and more healthy diet. 	<ul style="list-style-type: none"> Site visit conducted on 29/07/20 revealed that the income generating project is no longer operational. Although the poultry shed is still standing at the site, the feeders and drinkers were nowhere to be found. According to the SEPO, the project stopped operating after the sale of the first harvest cycle of meat bird. Assistance was given even though the Women's Group had no past experience in poultry farming. There was no evidence of past business experience possessed or any financial literacy training certification for Women's Group members. 	 <p>Poultry farm location. Shed has been dismantled.</p>

Project	Brief Description and projected outcome	Observations during site visit	Current Physical Status
<p>Recipient 5 Freshwater Farming Project, Rewa</p>	<ul style="list-style-type: none"> • Drilling of a borehole to provide a consistent water source for the existing four fish ponds. The water from the source will be pumped into a 10,000 litre tank using electric water pump before it is released into the pond by gravity. • The projected outcome of project was to enhance production of the fish pond from the current level to commercial level through improving water source and water cycle 	<ul style="list-style-type: none"> • Site visit conducted on 27/07/20 revealed that the income generating project was incomplete since the drilling company could not locate a reliable water source after drilling on few spots. • Prior to implementation of project, no feasibility study was conducted to determine whether there was any reliable water source in this farm or not. • The Ministry proceeded to purchase and deliver to recipient a 10,000 litre water tank and fish feeds totalling \$6,496 that were part of the project although there was no water source identified. 	 <p style="text-align: center;">Drilling spots</p>  <p style="text-align: center;">Water tank</p>

APPENDIX 18.5: PROJECTS THAT COULD BE ASSISTED BY OTHER GOVERNMENT AGENCIES

Project	Province	Division	Assistance Provided	Amount (\$)	Funding for projects available in other Government Agencies
Recipient 6 Sandalwood Nursery	Rewa	Central	Purchase of materials for Greenhouse Nursery	2,956	Ministry of Forests - Sandalwood Development Programme (\$100,000)
Recipient 7 Farm Road	Navosa	Western	Construction of farm access road	30,000	Ministry of Agriculture - Farm Access Roads (\$2,500,000)
Recipient 8 Farm Road	Nadroga	Western	Construction of farm access road	27,000	Ministry of Agriculture - Farm Access Roads (\$2,500,000)
Recipient 9 Farm Road	Ba	Western	Construction of farm access road	28,680	Ministry of Agriculture - Farm Access Roads (\$2,500,000)
Recipient 10 Farm Road	Navosa	Western	Construction of farm access road	25,000	Ministry of Agriculture - Farm Access Roads (\$2,500,000)
Recipient 11 Farm Road	Navosa	Western	Construction of farm access road	28,000	Ministry of Agriculture - Farm Access Roads (\$2,500,000)
Recipient 12 Dairy Cluster	Tailevu	Central	Digging works and supply of equipment for Women's Group Dairy Farms	20,756	Ministry of Agriculture - Dairy Development Programme (\$1,000,000)
Recipient 13 Dairy Farm	Tailevu	Central	Building materials for construction of milking shed and fence)	9,098	Ministry of Agriculture - Dairy Development Programme (\$1,000,000)
Recipient 14 Housing Project	Tailevu	Central	Building materials for completion of his house	6,068	Ministry of Housing and Community Development - Social Housing Assistance (\$1,000,000)
Recipient 2 Farm Land Preparation	Naitasiri	Central	Provision of machine for land preparation	18,000	Ministry of Agriculture - Agriculture Extension Services - Crops (\$1,000,000)
Recipient 15 Cluster Farmers Project	Naitasiri	Central	Provision of machine for land preparation	19,239	Ministry of Agriculture - Agriculture Extension Services - Crops (\$1,000,000)
Recipient 16 Farming Cluster	Namosi	Central	Purchase of farming implements and agro inputs	8,056	Ministry of Agriculture - Agriculture Extension Services - Crops (\$1,000,000)
Recipient 17 Evacuation Centre	Macuata	Northern	Completion of Evacuation Centre	4,000	Ministry of Disaster Management and Meteorological Services - Disaster Risk and Climate

Project	Province	Division	Assistance Provided	Amount (\$)	Funding for projects available in other Government Agencies
					Change Adaptation (\$1,000,000)
Recipient 18 Evacuation Centre	Macuata	Northern	Completion of Evacuation Centre	4,000	Ministry of Disaster Management and Meteorological Services - Change Adaptation (\$1,000,000)
Recipient 19 Housing project	Lomaiviti	Eastern	Procurement of housing materials for completion of dwelling house	21,408	Ministry of Housing and Community Development - Social Housing Assistance (\$1,000,000)
Recipient 20 Water Project	Lau	Eastern	Procurement of water project materials	6,500	Water Authority of Fiji – Rural Water Supply Programme (\$27,000,000)
Recipient 21 Water Project	Ba	Western	Water tank base, connections to individual households and laying of pipes for the construction of the water project.	23,750	Water Authority of Fiji – Rural Water Supply Programme (\$27,000,000)
Recipient 22 Water Project	Ba	Western	Construction of water project, drilling of borehole, installation of solar pump	24,150	Water Authority of Fiji – Rural Water Supply Programme (\$27,000,000)
Recipient 23 Water Project	Ba	Western	Installation of solar pump supply from borehole and water tank, drilling of borehole, purchase of pipes and fittings,	22,215	Water Authority of Fiji – Rural Water Supply Programme (\$27,000,000)
Recipient 24 Water Project	Ba	Western	Drilling of borehole, installation of solar pumps system, construction of water tank base.	20,756	Water Authority of Fiji – Rural Water Supply Programme (\$27,000,000)
Recipient 25 Water Project	Nadroga	Western	Purchase of water tank (10,000L), drilling for borehole, setting up the boreholes.	18,612	Water Authority of Fiji – Rural Water Supply Programme (\$27,000,000)
Recipient 5 Freshwater Farming Project	Rewa	Central	Drilling of a borehole to provide a consistent water source for the existing four fish ponds.	6,068	Ministry of Fisheries - Aquaculture Development Programme (\$350,000)
Recipient 26 Cluster Farmers Land Prep	Naitasiri	Central	Preparation of land for the purpose of dalo farming and	18,000	Ministry of Agriculture - Agriculture Extension Services - Crops (\$1,000,000)

Project		Province	Division	Assistance Provided	Amount (\$)	Funding for projects available in other Government Agencies
Recipient 27	Goat Farm Project	Naitasiri	Central	proper drainage for the farming plots Goat fencing materials for the goat farm.	3,421	Ministry of Agriculture - Goat Extension Programme (\$200,000)

APPENDIX 18.6: DISCREPANCIES NOTED IN CARFF PROJECTS

Project	Brief Description and Objective	Observations during site visit	Current Physical Status	
<p>Recipient 28 Footbridge, Naitasiri</p>	<ul style="list-style-type: none"> The project involved the provision of materials for constructing of foot crossing at Sika Settlement costing \$10,272, which will improve the safety of the settlement residents especially students who would not be able to attend school during rainy days as the river will be flooded The project objective was to improve accessibility for the community which will ensure their safety while travelling on the footbridge. 	<ul style="list-style-type: none"> Site visit conducted on 28/07/20 indicates that while the footpath from the roundabout to the river bank remains, the footbridge that built across to Sika Settlement is no longer there. According to SEPO Central Division, the footbridge was swept away during a heavy flood in 2019. 		
<p>Recipient 29 Community Access Road, Namosi</p>	<ul style="list-style-type: none"> The project involved the construction of access road at a cost of \$34,132 to assist farmers and those in farming settlement with access to main road. The projected outcome of this project was to improve access to communities who are still unreachable by road, improve farmers' returns and living standard 	<ul style="list-style-type: none"> Site visit conducted on 28/07/20 indicated that the contractor could not complete the construction of the 2 km Access Road thus not reaching target communities as initially planned. This was due to the soft soil texture which was not suitable to construct road on. Contractor was only able to construct 500 m access road, although it was barely accessible and unsafe to 		

Project	Brief Description and Objective	Observations during site visit	Current Physical Status
		<p>travel on as experienced during our site visit. Site visit also revealed that this road was hardly used and there were no visible farming activities.</p> <ul style="list-style-type: none"> There was no geotechnical survey conducted to examine the physical characteristics of the soil before the construction took place. 	
<p>Recipient 30 Access Road, Tailevu</p>	<ul style="list-style-type: none"> The project involved the construction of a 270 m access road off the main FRA road to a proposed teachers quarters site at a cost of \$17,578. The projected outcome of this project was to ensure the timely construction of the quarters and safe and convenient access road for teachers and students. 	<ul style="list-style-type: none"> Site visit conducted on 29/07/20 indicates that the quarters, was not built in the earmarked site for which the access road have been constructed for. According to SEPO Central, due to a land dispute, the quarters was moved to another location. From the site visit, we noted that the access road was hardly used and is covered with overgrown grass. 	
<p>Recipient 31 Footbridge, Naitasiri</p>	<ul style="list-style-type: none"> The project involved the provision of materials for constructing of foot crossing for the 2 villages of Nairokorokoyawa and Korovou in Naitasiri 	<ul style="list-style-type: none"> Site visit conducted on 28/07/20 indicates that while the project has been completed, the footbridge deck is quickly rotting away. 	

Project	Brief Description and Objective	Observations during site visit	Current Physical Status
	<p>Settlement costing \$8,023.</p> <ul style="list-style-type: none"> The project objective was to improve accessibility for the community which will ensure their safety while travelling on the footbridge. 	<ul style="list-style-type: none"> Verification of payments records revealed that the Hardware supplier did not fully supply the materials ordered totalling \$17,290. As a result, the villagers agreed to cut and ripped timbers from trees growing nearby to supplement materials purchased. These timbers were neither treated nor painted to preserve its life. Most of the building materials were received by the villagers at the site which indicated that the ADO Naitasiri did not fully verify the quality and quantity of building materials delivered. 	

APPENDIX 18.7: ANOMALIES IN PROCUREMENT OF GOODS AND SERVICES**Photocopied invoice, delivery docket not signed by Ministry representative**

Date	Cheque/ EFT No.	Description	Amount (\$)	Audit Remarks
04/07/2019	7444	Being payment of materials for foot crossing project	5,058.66	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Some delivery dockets not signed by PA Naitasiri Office representative.
04/07/2019	7444	Being payment of account for the supply of materials for foot crossing project	8,022.58	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Some delivery dockets not signed by PA Naitasiri Office representative.
24/05/2019	7156	Being payment for the supply of materials for foot crossing project	9,223.60	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Some delivery dockets not signed by PA Naitasiri Office representative.
03/05/2019	7014	Being payment for the supply of materials for access road project	16,751.02	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Delivery dockets not signed by ADO Nayavu
24/04/2019	6974	Being payment for the supply of footpath materials for the community access project	19,537.95	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Delivery dockets not signed by PA Rewa's Office representative
24/04/2019	6974	Being payment for the supply of footpath materials for the community access project	8,805.12	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Delivery dockets not signed by PA Rewa's Office representative
14/05/2019	7082	Being payment for materials for Housing project.	2,398.14	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Delivery dockets not signed by DO Korovou
15/04/2019	6879	Being payment for materials for Housing project.	2,819.40	<ul style="list-style-type: none"> Photocopied invoices and delivery dockets attached Delivery dockets not signed by DO Korovou
16/01/2019	9400	Being payment for upgrading of Community Access and Crossing.	40,000.00	Photocopied invoice attached
04/01/2018	19715	Being payment for the upgrading of Farm Road	28,680.00	Photocopied invoice attached

Payment vouchers not stamped paid.

Date	Cheque/EFT No.	Description	Amount (\$)	Audit Remarks
14/08/18	7599	Being payment of Bill for July 2018	5,317.43	Payment voucher not stamped "PAID".
10/12/18	8073	Being payment of Bill for the month of November 2018 for Account # 8362921	4,733.43	Payment voucher not stamped "PAID".
24/05/2019	7156	Being payment of Bill for the month of March & April 2019 for Account # 8362921	8,747.93	Payment voucher not stamped "PAID".
11/12/18	8078	Being payment of Extention of Rental Hire, Twin Cab for development staff for Monitoring of Capital Programmes in the Western Division.	1,510.00	Payment voucher not stamped "PAID".
10/12/2018	8075	Being payment of Fuel for HQ & NDMO for the month of October & November 2018	12,679.44	Payment voucher not stamped "PAID".
23/04/19	8695	Being payment for fuel for the month of Feburary 2019	6,278.56	Payment voucher not stamped "PAID".
04/06/19	8981	Being payment of electricity bill for the month of May 2019 for Account # 2167190101	6,819.82	Payment voucher not stamped "PAID".
03/05/19	8783	Being payment of side mirror for GQ 148	2,384.15	Payment voucher not stamped "PAID".
16/05/19	8864	Being payment of electricity bill from month of April 2019 for Account # 2167190101	8,192.06	Payment voucher not stamped "PAID".
01/10/2018	16178	Being payment for Nawaisomo lease boundary extension topography survey, Beqa	9,589.00	Payment voucher not stamped "PAID".

Local Purchase Orders not raised, Invoice and three quotations not attached

Date	Cheque/EFT No.	Description	Amount (\$)	Audit Remarks
22/08/18	36966	Air Fare to attend the Expert Group Meeting (EGM) on Space Applications for Sustainable Development & the 22nd Session of the Intergovernmental Consultative Committee (ICC) on the Regional Space Applications.	4,860.00	<ul style="list-style-type: none"> Local Purchase Order not raised 3 quotations not attached Invoice not attached
18/06/19	37458	Being payment of Air fare to attend the CIRDAP 34th technical Committee in India.	5,350.00	<ul style="list-style-type: none"> Local Purchase Order not raised 3 quotations not attached Invoice not attached
06/08/18	36920	Being payment of Airfare to attend Post Graduate in Rural Development Management	3,778.00	<ul style="list-style-type: none"> Local Purchase Order not raised 3 quotations not attached Invoice not attached
11/12/18	8078	Being payment of Extention of Rental Hire, Twin Cab for development staff for	1,510.00	<ul style="list-style-type: none"> 3 quotations not attached.

Date	Cheque/ EFT No.	Description	Amount (\$)	Audit Remarks
		Monitoring of Capital Programmes in the Western Division.		
06/08/18	36921	Being payment of Air fare for the 3 Panelist that will be conducting interview in the Northern Division	1,664.70	<ul style="list-style-type: none"> Local Purchase Order not raised Invoice not attached
21/03/19	37356	Being payment of Air fare to attend the Fifth Global Biennial Conference on Small States at Apia Samoa.	1,614.00	<ul style="list-style-type: none"> Local Purchase Order not raised Invoice not attached
08/11/18	5830	Being payment for Supply of sheds, Portable toilet and bailout, Extension of shed to Naitasiri	11,146.80	<ul style="list-style-type: none"> 3 quotations not provided.
08/11/18	5831	Being payment for supplying of 15 x lifestyle folding tables for Commissioner Central's Office	3,027.52	<ul style="list-style-type: none"> 3 quotations not provided.
08/11/18	5829	Being payment for hire of 150 wooden chairs to Nabukaluka village, Waidina	1,435.78	<ul style="list-style-type: none"> 3 quotations not provided.
15/03/19	14109	Being payment of site levelling for Kavala, Naceva, Kadavu	49,700.00	<ul style="list-style-type: none"> Invoice not attached 3 quotations not attached
12/04/19	14144	Being payment of topographic survey in Rotuma	19,421.52	<ul style="list-style-type: none"> Invoice not attached
01/10/18	16178	Being payment for Nawaisomo lease boundary extension topography survey, Beqa	9,589.00	<ul style="list-style-type: none"> Invoice not attached
12//12/18	6031	Payment for the installation of electricity to Wainua Govt Station, Naitasiri	25,267.95	<ul style="list-style-type: none"> Local Purchase Order not raised Invoice not attached
13/02/19	9654	Payment for Topographic Survey of Land at Magodro Secondary School Site.	45,499.49	<ul style="list-style-type: none"> Invoice not attached
12/02/19	9614	Payment for Geotechnical Survey for Magodro Secondary School Site. The actual cost for the survey was \$5,654 however due to some changes in the lease premium payment to TLTB the payment to MRD was decreased by \$495.95 which was to be released in the next PPW RIE.	5,158.00	<ul style="list-style-type: none"> Invoice not attached

APPENDIX 18.8: DETERIORATED CONDITION OF QUARTERS IN THE CENTRAL DIVISION

Location	Quarters No	Current Structural Defects	Photos	
Korovou	8B	<ul style="list-style-type: none"> • Damaged switch and power points; • Damaged sink; • Damaged, rusted and leaking roof top; • Most of the windows are broken; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window • Painting faded • Most of the eaves baton and fascia board missing 	 	 
Korovou	13	<ul style="list-style-type: none"> • Damaged switch and power points; • Damaged sink; • Damaged, rusted and leaking roof top; • Most of the windows are broken; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window. • Painting faded • Most of the eaves baton and fascia board missing 	 	 

Location	Quarters No	Current Structural Defects	Photos	
Korovou	11	<ul style="list-style-type: none"> • Damaged switch and power points; • Damaged sink; • Damaged, rusted and leaking roof top; • Most of the windows are broken; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window. • Painting faded • Most of the eaves baton and fascia board missing 	 	 
Navua	106	<ul style="list-style-type: none"> • Wooden floor of living room, bedroom and porch are rotten; • Damaged, rusted and leaking roofing iron; • Gaps in the roof resulting in water seeping in during rain • Some of the windows louvres are broken; • Mosquito screen torn • Damaged ceiling resulting from leakage; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Painting faded • Damaged rain gutters 	 	 

Location	Quarters No	Current Structural Defects	Photos	
Navua	1	<ul style="list-style-type: none"> • Damaged, rusted and leaking roof top; • Toilet cistern not working resulting in flooding of toilet • Windows are damaged and broken; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window. • Faded paints • Rusted and damaged guttering • Most of the eaves baton and fascia board rotted and missing 	 	 
Navua	39	<ul style="list-style-type: none"> • Damaged switch and power points; • Missing kitchen sink; • Damaged, rusted and leaking roof top; • Most of the louvres are broken and louvre frames missing; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window. • Painting faded 		

Location	Quarters No	Current Structural Defects	Photos	
				
Vunivivi	6	<ul style="list-style-type: none"> • Damaged, rusted and leaking roof top covered with tent; • Toilet cistern not working resulting in flooding of toilet • Windows are damaged and broken; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window. • Faded paints • Rusted and damaged guttering • Most of the eaves baton and fascia board rotted and missing 	 	 
Naduruloulou	111A	<ul style="list-style-type: none"> • Damaged switch and power points; • Missing kitchen sink; • Damaged, rusted and leaking roof top; • Most of the louvres are broken and louvre frames missing; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; 		

Location	Quarters No	Current Structural Defects	Photos	
		<ul style="list-style-type: none"> • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window. • Painting faded • Rusted corrugated iron wall • Plumbing problem 	 	 

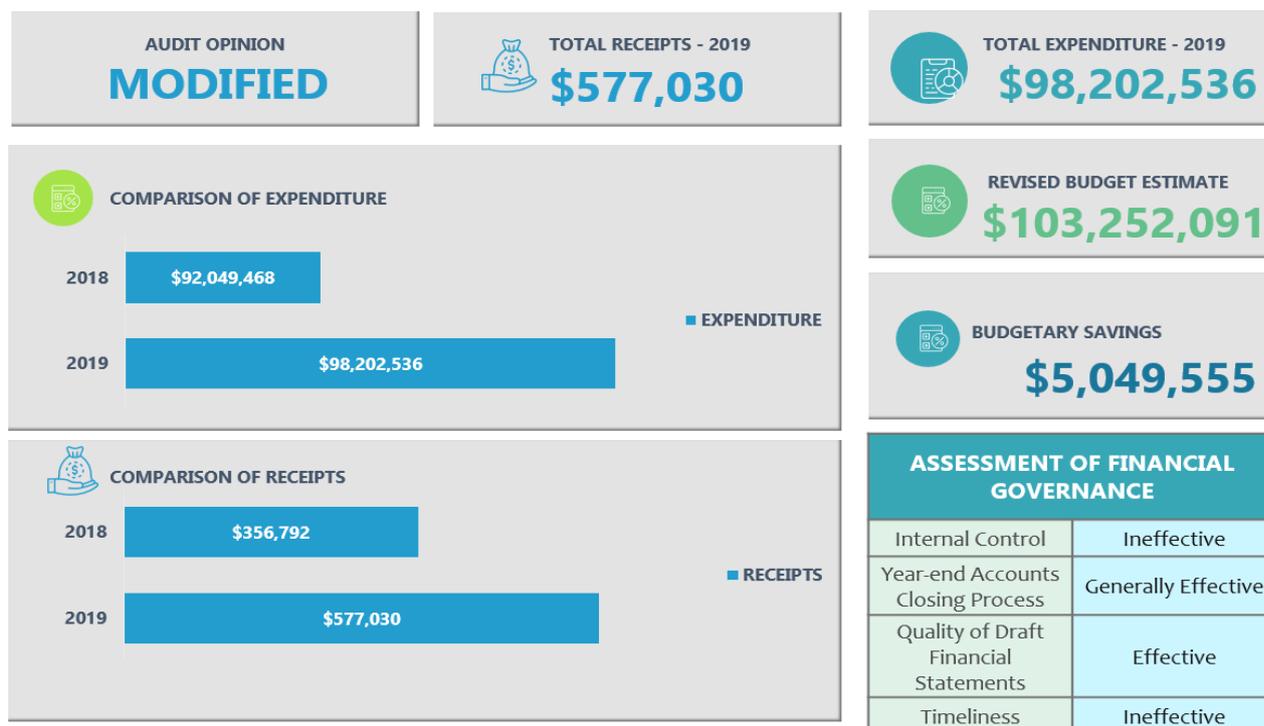
Section 19**Republic of Fiji Military Forces
Roles and Responsibilities**

The RFMF is charged with, and responsible for the defence and state security of Fiji, in the maintenance of Law and Order in land and sea and provision of maritime surveillance of Fiji’s maritime zone. It improves the living standards of rural community through infrastructure development and youth training of life skills provided by the Engineering Corp through its Trade Training. It also provides services to mariners through the coastal radio station (Suva Radio 3DP) for all vessels within Fiji waters as required under the International Law of the Sea and the surveying and charting of Fiji’s Exclusive Economic Zone.

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PART A: FINANCIAL STATEMENTS



19.1 Audit Opinion

The audit of the 2019 accounts of the Republic of Fiji Military Forces resulted in the issue of a modified audit opinion. The qualifications were as follows:

1. An unreconciled variance of \$122,559 exists between the bank reconciliation and the cash at bank general ledger balances for the Engineers Projects Trust Fund Account for the year ended 31 December 2019. As a result, the accuracy and completeness of the closing cash at bank balance of \$830,546 reflected in the Trust Fund Account Statement of Receipts and Payments cannot be substantiated.
2. There were unreconciled variances of \$81,658 and \$202,296 between the Engineers Trust Fund cash book and the general ledger balances for cash receipts and cash payments respectively. Consequently, the accuracy and completeness of the total receipts and total payments of \$3,150,090 and \$4,026,048 respectively in the Trust Fund Account Statement of Receipts and Payments cannot be substantiated.
3. The Force was unable to provide relevant supporting documents to substantiate the progressive claims made by the subcontractors engaged for the construction of Rotuma Hospital totalling \$1,163,637. Due to the lack of appropriate supporting documents, the completeness and the accuracy of payments totalling \$2,475,435 for Rotuma Hospital as reflected in the Engineers Projects Trust Fund Account Statement of Receipts and Payments could not be substantiated.
4. An unreconciled variance of \$7,067 existed between the Plant Pool Trading Account cash at bank balance and the FMIS general ledger cash balance. In addition, there were unreconciled

variances of \$89,182 and \$94,503 for cash receipts and cash payments, respectively between the Plant Pool cash book and the FMIS general ledger balances. Consequently, the accuracy and completeness of the cash at bank balance of \$424,052 stated in the Plant Pool Trading Account balance sheet as at 31 July 2019 cannot be confirmed.

5. An unreconciled variance of \$48,664 existed between the Plant Pool Value Added Tax (VAT) account Reconciliation and the VAT receivables general ledger balance. Consequently, the accuracy and completeness of the VAT receivables balance of \$171,642 stated in the Plant Pool Trading Account balance sheet as at 31 July 2019 cannot be confirmed.
6. Internal controls over procurement processes were generally weak. These weak controls resulted in procurement of goods and services without following the open tender process amounting to \$762,138, procurement of goods and services without obtaining competitive quotations totalling \$387,046, splitting of local purchase order totalling \$243,472, charging of expenditure to incorrect expenditure allocations totalling \$333,577, payments vouchers not certified as correct totalling \$172,364, procurements made on expired and undated quotations totalling \$90,938 and payments not adequately supported totalling \$82,388.

Consequently, the completeness and accuracy of the maintenance and operations, purchase of goods and services and special expenditures totalling \$4,623,243, \$10,276,529 and \$3,586,457, respectively reflected in the Statement of Receipts and Expenditure cannot be ascertained.

7. The internal controls over payroll were generally weak. This relates to delay in the preparation of payroll reconciliations, errors noted in the payroll reconciliations, overpayment of lodging allowances, salary overpayments and improper maintenance of payroll records. Consequently, the accuracy of the established staff and government wage earners expenditure recorded in the Statement of Receipts and Expenditure of \$69,982,199 and \$338,472 respectively cannot be ascertained.

19.2 Appropriation Statement

The Republic of Fiji Military Forces incurred expenditure totalling \$98.2 million in 2019 against a revised budget of \$103.2 million in accordance with section 19 of the Financial Management Act 2004, resulting in savings of \$5.0 million or 5%.

The savings of \$3,078,196 or 66% under capital construction expenditure was mainly due to the planned projects that were not completed or undertaken during the year and were rolled over to the 2019/2020 financial year.

For the Construction of Warehouse in Vatuwaqa, the preliminary works that was planned for the project was put on hold as advised by MOE. For the upgrade/renovation of RFMF Quarters and Barrack, the renovation of 1 x 6 and 1 x 4 quarters at QEB, Nabua was awarded on 2nd and 3rd quarters of 2018-19 financial year, respectively while their contracts were finalised in the 4th quarter. Majority of the contractual claims for these projects were made in the 2019-20 financial year, hence the low utilisation rate.

For the upgrade of Sukanaivalu Barrack, the renovation of SNCO's Mess commenced in 2018-19 financial year. However, third and fourth contractual claims for the project was made in 2019-20 financial year. Also, the relocation of Engineers Camp was also planned to be implemented in the

2018-19 financial year. However, this did not eventuate since the cost for land development was much higher than the budgetary provision. For Black Rock Peacekeeping and Disaster Recovery Centre, the Construction of the Mess Hall did not commence in the 2018-19 financial year due to the delay in the approval of waiver of tender for the project.

Details of expenditure against the revised budget are provided in Table 19.1.

Table 19.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	74,580,391	(4,105,232)	70,475,159	69,982,199	492,960
2	Government Wage Earners	256,531	81,942	338,473	338,472	1
3	Travel & Communication	1,722,790	504,700	2,227,490	2,202,294	25,196
4	Maintenance & Operations	5,085,110	(363,400)	4,721,710	4,632,243	89,467
5	Purchase of Goods & Services	10,279,386	238,200	10,517,586	10,276,529	241,057
6	Operating Grants & Transfers	-	-	-	-	-
7	Special expenditure	2,542,940	1,084,500	3,627,440	3,586,457	40,983
	Total Operating Expenditure	94,467,148	(2,559,290)	91,907,858	91,018,194	889,664
8	Capital Construction	4,648,743	-	4,648,743	1,570,547	3,078,196
9	Capital Purchase	1,790,000	2,298,432	4,088,432	3,333,094	755,338
	Total Capital Expenditure	6,438,743	2,298,432	8,737,175	4,903,641	3,833,534
13	Value Added Tax	2,346,200	260,858	2,607,058	2,280,701	326,357
	TOTAL	103,252,091	-	103,252,091	98,202,536	5,049,555

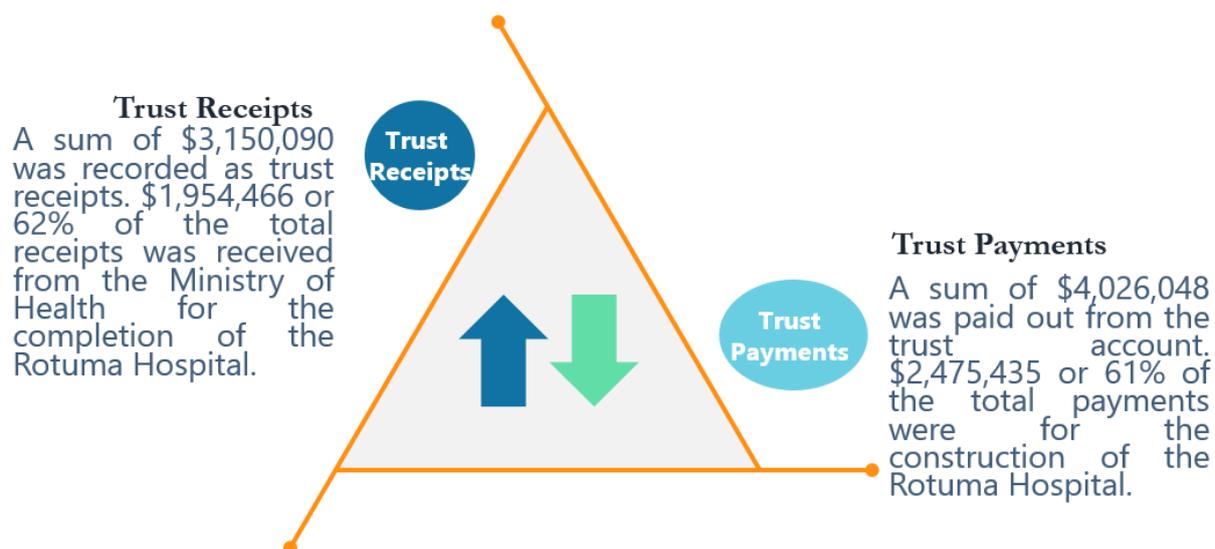
19.3 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Republic of Fiji Military Forces operates and maintains the following trust fund bank account:

19.3.1 Engineers Projects Trust Fund Account

On 19 May 2017, the RFMF obtained approval from Ministry of Economy to open the Engineer Project Trust Fund Account. The Engineers Trust Fund recorded the receipts and payments incurred for each Engineers project carried out during the financial year.

The Force collected trust revenue totalling \$3,150,090 in 2019 and incurred expenditure totalling \$4,026,048 resulting in a deficit of \$875,958 compared to a deficit of \$2,185,120 in 2018.



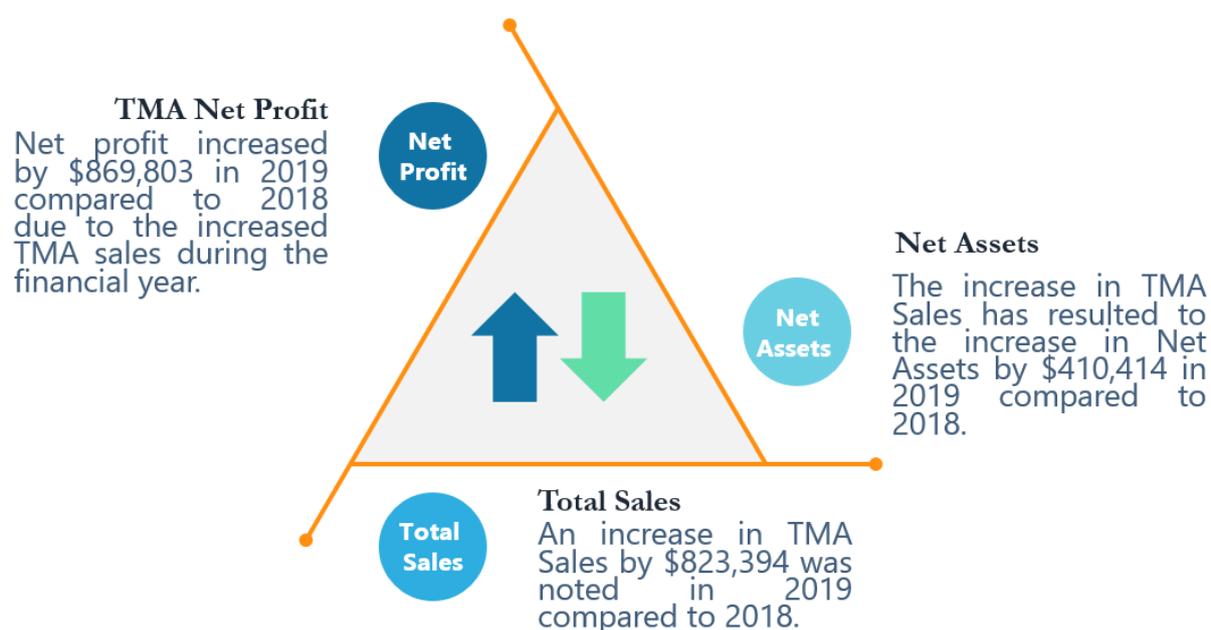
The detailed trust fund account statement of receipts and payments is provided in Appendix 19.1.

19.4 Trading and Manufacturing Account

The RFMF Engineers Plant Pool Trading Activity account was formed to construct and develop roads and playgrounds in the inaccessible parts of rural areas in Fiji. The Plant Pool Trading Account is operated on semi commercial basis with an approved ceiling of \$500,000 focusing on social and development obligations of the country.

The total sales for Plant Pool Troop for 2019 increased by \$823,394 which was mostly due to the new Nasau Village Rehabilitation project and the Sawaieke Playground Soil embankment - phase 2 construction.

The financial analysis of TMA for the year ended 31 July 2019 is provided below. Detailed Statements of the TMA are provided in Appendix 19.2.



PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Force. These have been included in this report as they impacted on the overall system of control of the Force as at 31 July 2019

19.5 Irregularities in Processing of Payments

The Principal Accounts Officer must not certify a payment as correct unless they are satisfied that:

- a. It is in accordance with an LPO, indent, contract, invoice, statement or other authorisation;
- b. There is documentation that the goods, services or works have been received;
- c. Sufficient uncommitted funds are available for payment of the account;
- d. The account is not fraudulent and has not been previously paid;
- e. The expenditure account it is charged to is correct.¹

Audit review of payments made by the Force during the year revealed the following anomalies.

- Payment vouchers totalling \$172,364.36 were not certified as correct by the Principal Accounts Officer (PAO) or the Chief Staff Officer (CSO) Finance contrary to section 13 of the Force Finance Manual. Refer to Appendix 19.3 for details
- Payment vouchers valued at \$82,387.79 were certified by the Principal Accounting Officer despite the expenditure allocations being incorrect. This resulted in the misposting of these payments. Refer to Appendix 19.4 for details.

Root Cause/Implication

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

Certifying payments without proper supporting documents increases the risk of improper payments such as duplicate payments, incorrect calculations, payments for inadequately supported purchases, payments for works/services not rendered and payments resulting from outright fraud and abuse.

¹ RFMF Finance Manual: Part 2, Section 13 – Payment: paragraph 1.2.1.27

Recommendations

The Force should ensure that:

- **All payments are properly certified by responsible officers prior to disbursement;**
- **Local Purchase Orders are issued where applicable at all times;**
- **No payments are to be authorised unless it can be substantiated with adequate supporting documents; and**
- **All payments vouchers are double-checked for accuracy before being certified for payments.**

Agreed Management Action

Audit observations are duly noted. RFMF will ensure that all payment vouchers are certified correct. Accounts will thoroughly scrutinize vouchers before processing payments and where necessary make journal adjustments.

For the procurements highlighted, system purchase orders were initially raised however was cancelled and closed before payments were processed due to various reasons. Request for direct payment was submitted from individual cost centres as items had been delivered. Cancelled Purchase Orders will be attached to the payment vouchers with explanations.

Officer Responsible

- Principal Accounts Officer
- Staff Officer Payments

19.6 Absence and Authenticity of Competitive Quotations

Competitive quotes, instead of public tenders, may be called for procurements \$50,000 and less, the CRFMF has approved an exemption in accordance with Government Procurement Regulation 29 – (3).²

Quotations may be received verbally for the purchase of goods or services estimated to cost less than \$1,000. These quotes must be recorded and certified by the officer receiving them.³

Audit review of sample of payments made by the Force during the year revealed the following anomalies:

- Competitive quotations were not obtained for procurements of goods and services valued at \$387,046.31. Refer to Appendix 19.5 for details.
- Procurement of goods and services totalling \$90,937.60 were based on invalid competitive quotations obtained from the prior year. Instances were noted where from the 3 quotations obtained, only 1 or 2 related to the current year whereas other quotations from prior years were used to support payments.
- Competitive quotations were not dated.

² RFMF Procurement Manual, Chapter 3, Section 5 – Competitive Procurement: paragraph 10.3.9.

³ RFMF Procurement Manual, Chapter 3, Section 5 – Competitive Procurement: paragraph 10.3.10.

Root Cause/Implication

The findings indicate non – compliance to stated rules and regulations. It also indicates the lack of oversight and management override of controls. This is a serious violation of internal control procedures. The risk of procurement fraud is also very high.

Failure to procure goods and services from the most economical supplier and manipulating the competitive quotations process can result in loss of public funds.

Recommendations

The Force must ensure that:

- **Stipulated procurement procedures in place are adhered to at all times;**
- **Proper oversight and supervisory checks are in place in ensuring that the competitive quotes processes are strictly adhered to; and**
- **Appropriate disciplinary action should be instigated against officers failing to comply with procurement regulations.**

Agreed Management Action

A number of the items purchased were due to: (1) Only supplier accepting purchase orders Urgency; and (2) Unforeseen situation on the ground. RFMF will thoroughly check all supporting documents to ensure that clear and detailed explanations are provided as supporting documentation. Audit comments are duly noted. RFMF accounts will check all quotations thoroughly.

Officer Responsible

- SO Payments
- Units Purchasing Officers

19.7 Tender not called for procurements valued at \$50,000 or more

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Government Procurement Regulation 30 – (1).⁴

Audit review of payments made by the Force during the year revealed that proper tender process were not followed for procurements of goods and services valued at \$50,000 and above. Refer to Table 19.2 below.

Table 19.2 Details of Procurements without Tender Process

Items	Amount (\$)
Mattress w/leather cover	110,857.77
Ceremonial swords	76,605.50

⁴ RFMF Procurement Manual, Chapter 3, Section 5 – Competitive Procurement: paragraph 10.3.8.

Items	Amount (\$)
Belt stable	71,844.02
20 x men tent	140,779.81
Rent	122,018.33
Repair of tent	71,340.07
Ration	116,949.23
Clearing kit	51,743.10
	762,137.83

Root Cause/Implication

The finding indicates the absence of proper procurement planning by the Force to ensure that proper tender process is followed for procurements of goods and services above \$50,000.

In the absence of a proper tender process, the procurement are not based on open and fair competition amongst suppliers. This can lead to systematic abuse of public funds through schemes such as kickbacks or bribes.

Recommendations

The Force should ensure that:

- **Public tenders are called for any procurement of goods, services or works valued at \$50,000 or more; and**
- **The principle of promoting open and fair competition among suppliers and contractors are maintained.**

Agreed Management Action

Audit observations are noted. It is difficult to track procurement by each Units as each Units are responsible for their own procurements in accordance with their activities/tasking and this may lead to amounts exceeding \$50,000 for the whole of RFMF.

RFMF will consolidate procurement data through newly developed software which will be launched shortly. We are also working on centralizing procurements and identifying Military common user items for tender.

Officer Responsible

Director Finance, Logistics and Acquisitions

19.8 Splitting of Local Purchase Order

The officer authorising a purchase order must ensure that a purchase is not artificially split to bring it within the delegated limits.⁵

⁵ RFMF Procurement Manual, Chapter 3, Section 4 – Delegation of Procurement Authorities: paragraph 10.3.6.

Any officer who authorises expenditure exceeding his/her procurement limits, including by splitting purchase orders, shall be liable for surcharge to repay the unauthorised amount.⁶

We noted that procurement of the same nature of goods supplied by the same suppliers were split into several local purchase orders to circumvent the authorised procurement limit stipulated in the Force's Finance Manual. Refer to Table 19.3 below.

Table 19.3 Examples of splitting of purchase orders

Date	LPO authorised by	Total Authorised (\$)	Authorisation limit (\$)	Excess Authorised (\$)
12/09/18	CSO Acquisition	44,724.76	30,000	14,724.76
10/08/18	2ICE	9,280.55	7,000	2,280.55
31/01/19	COE	31,704.05	23,000	8,704.05
08/11/18	CO LSU	33,399.97	23,000	10,399.97
06/12/18	CO LSU	39,027.52	23,000	16,027.52
05/03/19	SAO	19,229.36	7,000	12,229.36
18/11/18	SAO	8,027.52	7,000	1,027.52
21/11/18	SAO	20,495.42	7,000	13,495.42
03/04/19	SAO	37,582.93	7,000	30,582.93

Root Cause/Implication

The finding indicates non – compliance and a serious violation of procurement regulations. It also indicates the lack of oversight and management override of controls.

As a result, upper level approvals were not obtained. Risk of procurement fraud is very high and can result in loss of public funds.

Recommendations

The Force should ensure that:

- **Local Purchase Order(s) are approved within the respective Officer's authorised limit at all times; and**
- **Appropriate disciplinary action should be taken against officers failing to comply with procurement regulations.**

Agreed Management Action

The comments are noted. In the future, the demands made by the stores and the LPOs they raised will be thoroughly scrutinized and analysed to ensure that splitting of LPOs are avoided.

Officer Responsible

- Unit Purchasing Officers
- Cost Centre Managers

⁶ RFMF Procurement Manual, Chapter 3, Section 4 – Delegation of Procurement Authorities: paragraph 10.3.7.

19.9 Charging of Expenditures to Incorrect Allocations

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes the ledger account it is charged to.⁷

Audit review of payments made by the Force during the year revealed that procurement of goods and services valued at \$333,577.24 were charged to incorrect expenditure allocations. Refer to *Table 19.4* below.

Table 19.4 Misallocation of Expenditures

Expenditure	Total Misallocation Amount (\$)
SEG 3	43,179.41
SEG 4	81,757.58
SEG 5	70,496.52
SEG 7	99,893.63
SEG 9	11,467.89
TMA Expenditure	26,782.21
TOTAL	333,577.24

Root Cause/Implication

Instances of misallocation were due to the unavailability of funds in the correct allocation at the time of transaction and were to be regularised later in the period which was not done.

Consequently, funds were not utilised for the purpose they were allocated.

Recommendations

The Force should ensure that:

- Proper procurement planning and budgeting are made; and
- All expenditures are appropriately reflected in their correct allocation.

Agreed Management Action

Audit comments are noted.

The services and procurements were related in nature of SEG. Welfare expenses for troops working on TMA projects are paid from this vote. The Force will apply to MOE to open an appropriate new allocation. Accounts will thoroughly scrutinise the allocations before payments are processed.

As mentioned earlier the Force plans to centralise procurements through its Warehouse project.

Officer Responsible

- Director Finance, Logistics and Acquisitions
- Principal Accounts Officer

⁷ Finance Instructions 2010 – section 14 (1)

19.10 Anomalies in dealings with a Supplier for Ration

Competitive quotes, instead of public tenders, may be called for procurements \$50,000 and less, the CRFMF has approved an exemption in accordance with Government Procurement Regulation 29 – (3).⁸

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community. As well, having cost effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.⁹

Audit review of payments made to a supplier during the year revealed the following anomalies:

- Competitive quotations were not obtained for the procurement of goods valued at \$218,666. Payments were made via seven (7) cheques issued at different dates. All payments were made on the basis of same set of quotation obtained from the supplier at two (2) different dates. The quotations only provide unit cost of items and in some instances goods procured were not included in the quotation used for the purchase.
- Competitive quotations obtained from prior year were used as the basis of procuring bread and tea bun valued at \$147,547.38. Payments were made via four (4) cheques issued at different dates. All payments were made on the basis of the same set of quotation obtained from the supplier.
- Wholemeal bread was procured from the supplier although other companies provided the good at cheaper prices.
- A total of 457 invoices from the supplier valued at \$593,192.92 was settled during the financial year. These invoices were noted to be in sequential order indicating the volume of purchases made from the supplier.

Root Cause/Implication

The findings indicate non – compliance to stated rules and regulations. They also indicate the lack of oversight and supervisory checks. This is a serious violation of internal control procedures and the risk of procurement fraud is rated highly.

The significant volume of invoices also indicates that the Force was the major customer of supplier.

Recommendations

The Force must ensure that:

- **Stipulated procurement procedures in place are adhered to at all times;**
- **Proper oversight and supervisory check are in place and properly functioning; and**
- **Appropriate disciplinary action should be taken against officers failing to comply with procurement regulations.**

Agreed Management Action

⁸ RFMF Procurement Manual, Chapter 3, Section 5 – Competitive Procurement: paragraph 10.3.9.

⁹ RFMF Finance Manual, Chapter 1, Section 1 – General: paragraph 1.2.1.1

Currently there is no government contract for the supply of bread. The quantity and demand for bread is large and RFMF has used Supplier for a number of years when other companies refused to accept orders from the Force. In addition to the high quality of bread, the Supplier has provided dependable delivery service to the different messes and the company has shown consistency and accommodated urgent requests.

Furthermore, RFMF will tender this common user item.

Officer Responsible

Director Finance, Logistics and Acquisition

19.11 Overpayment of Lodging Allowances

All single officers are entitled to lodging allowance on the following conditions:

- a. They have been granted approval to “live out” by their Commanding Officers. The basis for granting such approvals may include the unavailability of “live-in” accommodation;
- b. A House Inspection Report is carried out on the house in which they will reside in;
- c. The approval to “live out” is published in the Routine Orders Part 2 after satisfying a. and b. above; and
- d. Any officer who has satisfied a., b. and c. above but is still occupying “live in” accommodation will forfeit their lodging allowance until such time they have vacated their “live in” accommodation.¹⁰

All legally married officers are entitled to Lodging Allowance provided that the following conditions are met:

- a. They have been granted approval to “live out” by their Commanding Officers. The basis for granting such approvals may include the unavailability of “live-in” accommodation;
- b. A House Inspection Report is carried out on the house in which they will reside in; and
- c. The approval is to be published in the Routine Orders Part II after satisfying a. and b. above.¹¹

Audit review of the Force’s Quarters Returns revealed that officers who are occupying the RFMF quarters were also receiving lodging allowance. This resulted in overpayment lodging allowance totalling \$133,148.58. Refer to Appendix 19.6 for details.

Root Cause/Implication

The lack of coordination between the reshuffled officer and/or supervising officer and lack of monitoring by the Camp Commandant’s Office has resulted in overpayment of lodging allowance which is ultimately a loss of public funds.

Recommendations

The Force must ensure that:

¹⁰ RFMF Administrative Instructions No. 75 – Lodging allowance for officers: paragraph 3

¹¹ RFMF Administrative Instructions No. 75 – Lodging allowance for officers: paragraph 4

- Officers occupying the quarters are to inform immediate supervisors if they are receiving allowances outside their entitlement and immediate supervisors to promulgate cancellation of lodging allowance upon receiving report;
- Stringent control and supervisory checks are put in place to ensure that all officers residing in quarters are not paid lodging allowance;
- Recovery of overpaid lodging allowances should commence immediately from occupants that are receiving lodging allowances; and
- Regular inspection should be carried out by the Camp Commandant's Office to ensure officers occupying the quarters are not receiving lodging allowance.

Agreed Management Action

Audit comments are duly noted. Overpayment will be recovered. A monthly return of the Housing allocation report from Camp Commandant will be provided to Finance for a monthly verification of those allotted quarters in the QEB.

Verification will be conducted with the full listing provided by the Camp Commandant against lodging allowance.

Officer Responsible

- Staff Officer Pay
- Camp Commandant

19.12 Anomalies noted in Leave Management

Annual Leave cannot be accumulated and must be taken by the 31st day of March in the year next following the year in which it was earned, unless deferment is authorized by the Commander. No authority exists for the deferment or accumulation of Vacation Leave except that the Commander may order its deferment under the provisions of paragraph 20.37, subject to the existence of service.¹²

The purpose of leave is to provide periods of relaxation during the year so personnel can return refreshed and thus work at a higher performance level. To not take leave over protracted period defeats the purpose for which it is granted.¹³

Audit review of the Force's leave records revealed the following anomalies:

- The Force's Human Resources (HR) Department did not maintain a consolidated leave database for the whole of RFMF to effectively monitor leave. According to Warrant Officer – Leave, the Force can only accurately determine an officer's leave balance through leave recalculation done upon discharge (retirement, resignation, termination), by which it would be too late to control leave liability;
- The Force's leave liability remained significantly high. During the financial year, the Force has paid leave compensation amounting to \$202,747;
- From Unit Personal Files verification at LSU and Engineers Regiment, we noted instances whereby officers had accumulated more than 150 days of annual leave/long service leave balances or leave liabilities totalling \$181,735. Refer to *Table 19.5* for details;

¹² RFMF Administrative Instructions No. 10 – Taking of Leave: paragraph 1

¹³ RFMF Administrative Instructions No. 10 – Taking of Leave: paragraph 3

Table 19.5 Officers with excessive leave liabilities

Rank	Regimental Number	Long Service Leave	Annual Leave	Total Leave Due	Daily Salary (\$)	Leave Liability (\$)
SSGT	27395	70	300	370	58.95	21,811.50
WO2	27658	73	130	203	66.70	13,540.10
WO1	27381	100	118	218	83.39	18,179.02
WO2	28829	42	185	227	66.70	15,140.90
SSGT	26939	100	197	297	58.95	17,508.15
SSGT	28882	26	208	234	58.95	13,794.30
SPR	27786	82	130	212	40.80	8,649.60
CPL	27080	70	148	218	52.41	11,425.38
SGT	25641	150	70	220	66.68	14,669.60
SGT	29095	72	105	177	57.80	10,230.60
SSGT	30118	0	159	159	58.95	9,373.05
CPL	28856	58	156	214	52.41	11,215.74
WO2	25687	155	66	221	73.29	16,197.09
TOTAL						181,735.03

Root Cause/Implication

The audit finding indicates weak internal control and lack of proper monitoring of leave balances.

Ensuring the Officers take annual/long service leave on a timely manner would mitigate the risk of leave compensation and also would allow the timely break to the Officers to manage their stress level resulting from nature of work and create work-life balance

Accumulation of excessive leave balances can also pose as a risk to the health and safety of the staffs.

Recommendations

The Force must ensure that:

- The HR department at the HQ aligns its leave records with the records kept at the respective Units' orderly rooms;
- Respective Units' orderly room's Chief Clerks update/advice HQ on a timely basis, if any Officer is carrying excessive leave balance; and
- Annual leave plans are prepared to ensure that officers utilise their leave when due without hindering the continuity of the Force's functions.

Agreed Management Action

The RFMF Headquarters (HQ) HRM Leave Cell has commenced with the conduct of leave reconciliations with all RFMF Sub Units headquarters with leave returns submitted to RFMFHQ for leadership endorsement for recommendations of all RFMF Personnel to utilise their balance of leave days.

Commander's directive on leave utilisation will be strictly adhered to. The development of the HR software will also address the issue reported.

Officer Responsible

- Director Human Resource Management
- Chief Staff Officer Human Resource Management
- Leave Cells

19.13 Salary Overpayments

Where it becomes necessary to hold, cease or reverse an employee's salary, the Staff Officer Pay must immediately advise the Ministry of Economy in writing.¹⁴

The Warrant Officer Pay shall prepare the appropriate input form for ceasing or reversing salary payments as well as a journal voucher (in duplicate) to reverse or cease all deductions for that particular pay period.¹⁵

Audit review of the Force's payroll records noted instances of salary overpayment amounting to \$17,468 arising from discharge of officers upon resignations, terminations and retirements. Refer to *Table 19.6* below.

Table 19.6 Salary overpayment summary

Overpayment By Way of	Amount (\$)
Terminations	11,574
Retirements	790
Resignations	5,104
Total	17,468

Root Cause/Implication

This is the basic internal control failure arising from the lack of coordination between the Force's HR Section, the Units and the Pay Office on the timely cessation of salaries.

Also, no proper supervisory checks and follow ups were done. As a result, the salaries overpaid are a loss of public funds.

Recommendations**The Force should:**

- **Strengthen its internal control procedures and ensure that the Pay Office is informed in a timely manner to cease salaries of departing officers;**
- **Take necessary measures to recover the overpayment; and**
- **Review and strengthen its payroll unit through resourcing and training.**

¹⁴ RFMF Finance Manual 2018, Part 4, Section 11 – Reversal or withholding of salary: paragraph 1.4.1.60

¹⁵ RFMF Finance Manual 2018, Part 4, Section 11 – Reversal or withholding of salary: paragraph 1.4.1.61

Agreed Management Action

Audit observations are duly noted.

Notification of Retirement listings from Payroll will be provided on a fortnightly basis to HR and Unit Adjutants for confirmation of termination date. Recovery of overpayment will be done once advice for final leave pay is submitted from HR. Monthly HR returns on personnel leaving the Force are to be submitted by HR and Unit Chief Clerks.

Officer Responsible

- Unit Adjutants
- Chief Staff Officer Human Resource Management
- Staff Officer Pay

19.14 Anomalies in Payroll Reconciliations

The payroll report shall be handed to the Reconciliation clerk who is responsible for preparing the salary reconciliation.¹⁶

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date.¹⁷

The salary reconciliation shall be signed by the Chief Staff Officer Finance to the Ministry of Finance, within one week from the pay date.¹⁸

Audit review of payroll reconciliations revealed considerable delay in preparation of salary, wages and pension reconciliations. The delays ranged from 1 to 19 weeks from the pay date. In addition, salary and wages reconciliations closing balances did not reconcile with the payroll systems pay summary report.

Root Cause/Implication

The findings indicate ineffective monitoring and supervision within the Pay Office and the Accounts section.

It also indicates non – compliance to stipulated requirements that governs the manner in which preparation of reconciliations are to be carried out. Variances and errors noted could also indicate the lack of awareness and knowledge surrounding the proper preparation of payroll reconciliations by officers responsible.

This could result in the untimely detection of errors and loss of public funds through fraudulent payroll payments.

¹⁶ RFMF Finance Manual 2018, Part 4, Section 7 – Reconciliation of salary payments: paragraph 1.4.1.43

¹⁷ RFMF Finance Manual 2018, Part 4, Section 7 – Reconciliation of salary payments: paragraph 1.4.1.44

¹⁸ RFMF Finance Manual 2018, Part 4, Section 7 – Reconciliation of salary payments: paragraph 1.4.1.45

Recommendation

The Force should ensure that payroll reconciliations are prepared in the required format on a timely basis and are properly checked and verified by the supervising officer.

Agreed Management Action

The delay in reconciliation is duly noted. This was due to high staff turn-over. The RFMF will ensure that reconciliations are accurate and submitted on time.

Officer Responsible

- SO Ledgers
- CO Salary Recon.

19.15 Anomalies in the Engineers Project Trust Fund Account

The Manager Ledgers shall prepare a bank reconciliation within 5 days after the end of the month.¹⁹

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts.²⁰

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.²¹

Review of the Engineer Project Trust Fund Account records noted the following anomalies:

- A variance of \$122,559 existed between the bank reconciliation and general ledger balance of the Main Trust Cash at Bank Account (SAG 52). Refer to *Table 19.7* for details.

Table 19.7 Variance between Bank Reconciliation and FMIS Cash at Bank

Description	Amount (\$)
Balance as per Bank Reconciliation	953,106
Balance as per FMIS General Ledger (SAG 52)	830,547
Variance	122,559

- There were unreconciled variances of \$81,658 and \$202,296 between the Engineers Trust Fund Cash Book and the Main Trust Cash at Bank general ledger balances for cash receipts and cash payments, respectively. Refer to *Table 19.8* for details.

¹⁹ RFMF Finance Manual 2018, Part 7, Section 5 – Operating Bank Accounts: paragraph 1.7.1.65

²⁰ Finance Instructions 2010 – section 58 (2)

²¹ Finance Instructions 2010 – section 58 (3)

Table 19.8 Variance noted in Receipts and Payments

Description	Receipts (\$)	Payments (\$)
Cash Book ²²	2,427,191	3,182,510
FMS General Ledger (SAG 52)	2,508,849	3,384,806
Variance	(81,658)	(202,296)

- Main Trust SLG 89 reconciliations for individual Engineers projects were not prepared for a number of months.
- The Engineers Project Trust Fund Account cashbook was not submitted for audit verification. The monthly opening cash book balance, monthly totals of receipts and payments were obtained from the monthly bank reconciliations; and

Root Cause/Implication

The findings indicate that reconciliations were not properly reviewed on a regular basis contributing to unreconciled variances.

As a result of the variances noted, we were not able to ascertain that all receipts and payments had been properly accounted in the Main Trust Fund Account.

Failure to receipt direct deposits indicates the lack of proper supervisory checks and have resulted in the understatement of the total receipts balance in the cash book

As a result, the accuracy and completeness of the Engineers Project Fund Account cash at bank balance of \$953,106 could not be ascertained.

Recommendations

The Force must ensure that:

- **Monthly bank reconciliations are carried out for the Engineers Project Fund Account;**
- **Cash book for the Engineers Project Fund Account is properly maintained, updated and reviewed by a senior officer for accuracy;**
- **Instructions and requirements stipulated in the Finance Instructions and Finance Manual are complied with;**
- **Supervisory checks are strengthened to ensure that all direct deposits are verified and receipted;**
- **SLG 89 reconciliations are carried out on a monthly basis; and**
- **Records required for audit purposes are provided when requested during audits.**

Agreed Management Action

Non preparation of Trust reconciliations was due to staff turn-over.

The cash-book will be properly maintained by the Trust Fund clerk to ensure that they tie with bank general ledger balance at year end.

²² Cash Book balances taken from Bank reconciliation

RFMF will ensure that adjustments and posting are done on time and that reconciliations are prepared and submitted on time.

Officer Responsible

- Chief Staff Officer Finance
- Staff Officer Ledgers

19.16 Anomalies noted in the Rotuma Hospital Phase 2 Project

Accountability and transparency encourage the efficient, effective and ethical use of government resources. An agency and its officials have the responsibility of ensuring that any procurement process is open and transparent, that decisions are justified and that procurement related actions are documented, defensible and substantiated in accordance with legislation and government policy. This will ensure that procurement will withstand external scrutiny.²³

On receipt of contractor's payment claims, the clerk of works shall duly assess and evaluate the claims as necessary to ensure that it complies with the terms of this agreement and the works have been completed to the client's satisfaction. After examining each such payment claim, the representative shall issue a draft interim certificate to the client with a copy to the contractor certifying the amount to be paid to the contractor in respect of each payment claim.²⁴

The RFMF Engineers entered into an agreement with the Ministry of Health in 2017 to carry out the Rotuma Hospital phase 2 construction for the sum of \$5,229,929. Review of the Rotuma Hospital Phase 2 project records revealed the following anomalies:

- A total of \$1,163,637 was paid to the subcontractors during the financial year. For every progressive claims of works completed by the subcontractors, it was noted that progressive payment certificates or progressive inspection reports were not prepared by the Works Department to certify the correctness of payments and the satisfactory completion of progressive claims in accordance with the agreed scope of works.
- The subcontractors were not engaged in an open and transparent manner. Although the waiver of tender covered the subcontracted works, we were not able to ascertain whether an internal tender or competitive quotation process was followed to select the subcontractors engaged as relevant documentations were not provided for audit;
- The contractual agreement with the subcontractors were not vetted by the Solicitor General's Office; and
- Verification of payments noted instances where payments made to subcontractors were not based on the strength of a tax invoice.

Root Cause/Implication

The findings indicate the lack of monitoring and inspection and due diligence check by the Works Department of the RFMF Engineers.

As a result, there is no assurance that the phases of works completed were properly evaluated and surveyed by the project engineers to ensure that they were completed satisfactorily to the required

²³ The Procurement Policy Framework 2010 – section 3.4

²⁴ Agreement for the Construction of Rotuma Hospital between Ministry of Health and RFMF – paragraph 5.5

standard prior to being passed for payment. In the absence of a vetted agreement, the interest of the government is not adequately protected.

Non issuance of a tax invoice indicates that due diligence was not carried out to ensure the legitimate existence of subcontractors engaged and that they have complied with VAT Decree 1991 by registering for VAT. As a result, the risk of fraudulent payments is very high.

Recommendations

The Force must ensure that:

- **Works engineers inspect the phases of works completed and certify its satisfactory completion before payment is made;**
- **Subcontractors should be engaged in an open and transparent manner;**
- **The interest of government is protected by ensuring that contractual agreements involving the Force are vetted by the Solicitor General's Office; and**
- **Necessary due diligence is carried out prior to engagement of subcontractors.**

Agreed Management Action

As for the subcontractors engaged, we will ensure that the progressive payment certificates are issued for all the progressive claim of works received from them.

All quotes received were vetted by the RFMF Engineers Works committee before a selection was made. In the future, all market research will be made in writing and the minutes of the Works Committee discussion will be formalized.

All contracts will be vetted by the SG's office and due diligence on company details will be undertaken.

Officer Responsible

Second-in-Command – Engineers Regiment

19.17 Anomalies in the Plant Pool Trade and Manufacturing Account

The TMA Manager shall be responsible for preparing and submitting to Ministry of Economy the monthly bank reconciliation statement within 15 days after the end of the month.²⁵

An accounts receivable (or debtor) generally arises after a sale of goods or services where payment is not immediately received.²⁶

Review of the Plant Pool Trade and Manufacturing Account (TMA) records noted the following anomalies:

- A variance of \$7,067 existed between the TMA bank reconciliation and TMA Cash at Bank general ledger balance. Refer to *Table 19.9* for details.

²⁵ RFMF Finance Manual 2018, Part 6, Section 6 – Monitoring & Implementation of Business Plan: paragraph 1.6.1.34

²⁶ RFMF Finance Manual 2018, Part 9, Section 1 – General: paragraph 1.9.1.1

Table 19.9 Variance between Bank Reconciliation and FMIS Cash at Bank

Description	Amount (\$)
Balance as per Bank Reconciliation	431,119
Balance as per FMIS General Ledger (SAG 54)	424,052
Variance	7,067

- An unexplained variance of \$12,127 existed between the cash book reconciliation and the cash at bank balance for TMA;
- There were unreconciled variances of \$89,182 and \$94,503 for cash receipts and cash payments, respectively between the Force TMA Cash Book and the FMIS Cash at Bank general ledger balances. Refer to *Table 19.10* for details.

Table 19.10 Variance noted in Receipts and Payments

Description	Receipts (\$)	Payments (\$)
Cash Book	573,316	616,231
FMIS General Ledger (SAG 54)	484,134	521,728
Variance	89,182	94,503

- Accounts Receivables for the financial year ended 31 July 2019 totalled \$289. This balance was carried forward since 2013 and could not be substantiated.
- An unexplained variance of \$48,664 was noted between VAT receivables as per the FMIS and Statement of VAT (SVA) from FRCS. Refer to *Table 19.11* for details.

Table 19.11 Variance in VAT Receivables

Description	Amount (\$)
Balance as per Bank Reconciliation	220,306
Balance as per FMIS General Ledger (SAG 54)	171,642
Variance	48,664

Root Cause/Implication

The findings indicate lack of supervisory checks to ensure that bank reconciliations are diligently carried out and non-adherence to stipulated TMA processes and procedures.

Also, the variance in VAT indicates that general ledger were not regularly reconciled with Statement of VAT Account.

The carried forward Accounts Receivables indicates the lack of monitoring of unsupported account balances in the general ledger.

As a result of the noted variances, the accuracy and completeness of the TMA cash at bank and VAT Receivables balance of \$424,052 and \$171,642 respectively, cannot be ascertained.

Recommendations

The Force must ensure that:

- **Monthly bank reconciliations are correctly carried out for the Trade and Manufacturing Bank Account;**
- **Unsubstantiated general ledger balances carried forward from prior years are regularized and cleared from respective allocations; and**
- **Reconciliations are carried out regularly between the VAT receivables GL balance and the TMA's Statement of VAT Account;**

Agreed Management Action

For the cash at bank variances highlighted, we will ensure proper maintenance of both the cash book and the cash GL and any variances identified for cash receipts and cash payments are rectified immediately. Also, we will ensure that the bank reconciliations are properly carried out. RFMF will ensure that all adjustments and posting are done in a timely manner.

The Accounts Receivables of \$289 is as noted a balance carried forward from 2013. We will be liaising the Ministry of Economy on the regularizing of this account. Reconciliation of VAT will be undertaken and appropriate corrective actions are taken.

Officer Responsible

- Principal Accounts Officer
- Staff Officer Ledgers
- FO Engineers

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

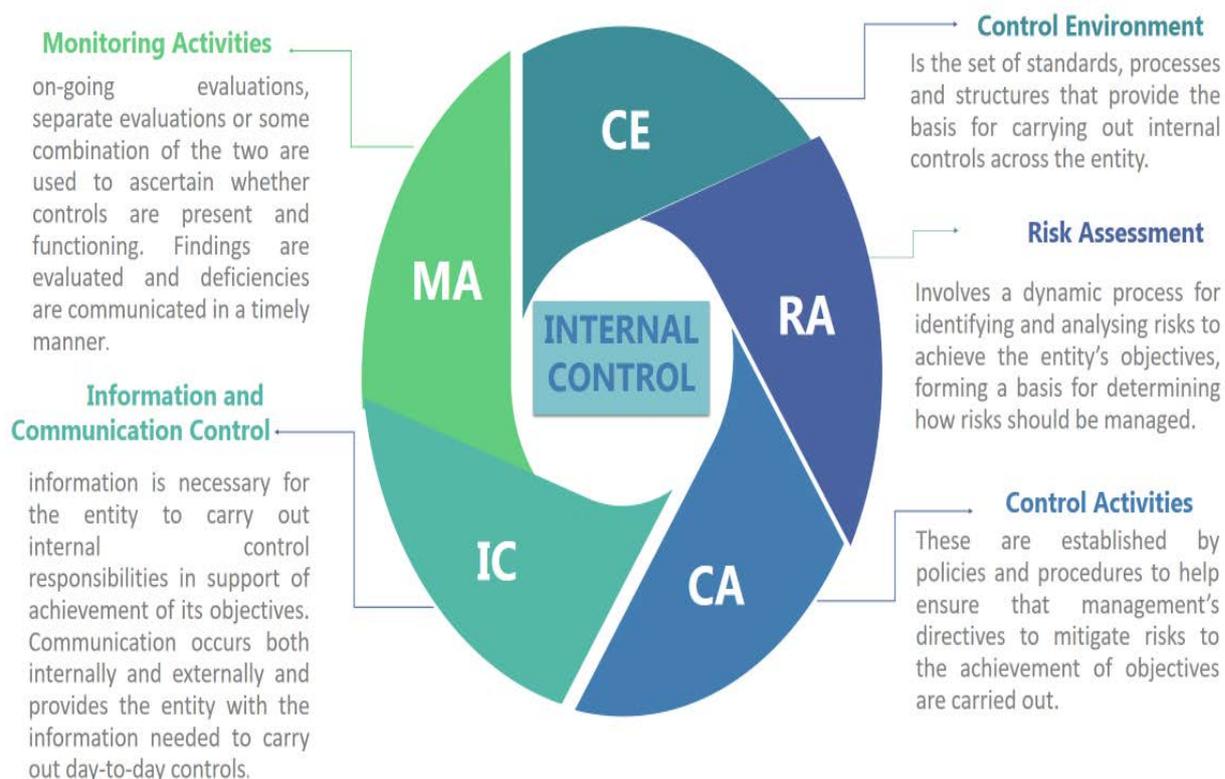
19.18 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
Ineffective	Deficiencies identified in internal controls

19.19 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019		Submission of arrears of revenue returns by 30 August 2019	

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

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

Rating	Year-end close process assessment
Generally effective	Nine of Ten key processes completed within two weeks of due date.

19.20 Quality of Draft Financial Statements by Entities

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

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

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

19.21 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received on or before 31 October 2019.

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

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

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

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

APPENDIX 19.1: ENGINEERS PROJECTS TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Miscellaneous Project	-	9,633
Rotuma Hospital	1,954,466	-
Nasamila District School	461	209,025
Neomai Lewakai	-	2,646
Ratu Ilaisa Memorial School	897	205,449
Namalata District School	24,786	608,556
Solevu Kindergarten	-	18,527
Tailevu North College	514,511	202,852
Nawaikama Footpath	-	60,946
Ratu Kadavulevu School	16	26,558
Vunusalusalu	210	93,791
Vaturova/Koroalau	165	108,047
Druadrua Footpath	-	14,113
Tobuniqio	556	132,399
Ratu Nacagilevu Primary School	123,667	-
Nasau Village Rehabilitation	408,863	-
Nabukaluka Community Hall	121,492	-
Total Receipts	3,150,090	1,692,542
Payments		
Rural Development	10,152	19,749
PM's Office	-	24,868
Miscellaneous Project	-	7,182
Rotuma Hospital	2,475,435	3,221,256
Nasamila District School	29,356	165,183
Ratu Ilaisa Memorial School	65,900	96,589
Namalata District School	245,822	131,829
Solevu Kindergarten	-	18,527
Tailevu North College	374,282	131,642
Nawaikama Footpath	19,518	9,755
Ratu Kadavulevu School	7,302	19,272
Vunusalusalu	79,754	13,963
Vaturova/Koroalau	89,919	17,847
Tobuniqio	117,693	-
Ratu Nacagilevu Primary School	5,438	-
Nasau Village Rehabilitation	403,897	-
Nabukaluka Community Hall	101,580	-
Total Payments	4,026,048	3,877,662
Net Deficit	(875,958)	(2,185,120)
Opening balance as at 1 August	1,706,504	3,891,624
Closing Balance as at 31 July	830,546	1,706,504

APPENDIX 19.2: ENGINEERS PLANT POOL TRADING ACCOUNT**Trading Account – Engineers Plant Pool Trading Activity**

Description	31 July 2019 (\$)	31 July 2018 (\$)
Sales		
Plant Hire	860,715	31,487
Sale - Charts and Maps	-	6,446
	860,715	37,933
Opening Finished Goods	-	22,524
Add: Cost of Manufactured Goods	-	-
Goods Available for Sale	-	22,524
Less: Closing of Hydrographic TMA adjustment	-	21,912
Less: Closing Finished Goods	-	-
Cost of Goods Sold	-	612
Gross Profit Transferred to Profit and Loss Statement	860,715	37,321

Profit and Loss Account – Engineers Plant Pool Trading Activity

Description	31 July 2019 (\$)	31 July 2018 (\$)
Income		
Gross Profit Transferred from Trading Account	860,715	37,321
Total Income	860,715	37,321
Expenses		
Fuel and Oil	88,820	71,721
Repairs and Maintenance	198,190	244,642
Freight	73,873	50,210
Fixed Asset Replacement and Improvement	22,918	72,408
Minor Improvement	63,197	32,888
Consultant and Expert Fees	3,303	24,841
Total Expenses	450,301	496,710
Net Profit/(Loss)	410,414	(459,389)

Balance Sheet – Engineers Plant Pool Trading Activity

Description	31 July 2019 (\$)	31 July 2018 (\$)
Assets		
Cash at Bank	424,052	461,647
Accounts Receivable	289	289
VAT Receivable	171,642	212,741
Total Assets	595,983	674,677
Liabilities		
Accrued Expenses	-	489,108
Total Liabilities	-	489,108
Net Assets	595,983	185,569
Equity		
TMA Accumulated Surplus	185,569	1,016,411
Transfers to Consolidated Fund	-	(371,453)
Net Profit/(Loss) for the Period	410,414	(459,389)
Total Equity	595,983	185,569

APPENDIX 19.3: PAYMENT VOUCHERS NOT CERTIFIED CORRECT

No.	Date	EFT/Chq. Number	Description	Amount (VEP) \$
1	20/09/18	33113	Being payment for marine pack for 3FIR new Enlistment.	24,628.44
2	22/09/18	33243	Being payment for purchase of hot box for 3 FIR Ex Victoria Cross.	16,513.76
3	19/09/18	33104	Being payment for engagement fee for 2018 \$1,834.86 and Outstanding balance for 2017 \$5,965.00.	7,307.34
4	17/09/18	33040	Being payment for 315 T-Shirt Green and pillow case green.	22,534.33
5	17/09/18	33049	Being payment for moping detergent, Air fresher, Pink detergent, Hand Sanitizer, Washing powder, mop with handle, soft broom with handle, Deck broom with handle, Disinfectant, Garbage bag, Bathing Soap, Toilet Bowl cleaner, Toilet brush with handle, Bleach, Fabric Soften, Can air fresher and Dishwasher paste.	7,691.02
6	11/01/19	36599	Being payment of overseas allowance for officers attending the short service Commissioning course in India.	4,450.00
7	11/01/19	36600	Being payment of overseas allowance for officers attending the short service Commissioning course in India.	4,450.00
8	07/12/18	35789 A	Being payment for morning tea catering during Force Activities and Sukuna Bowl committee meeting.	9,770.65
9	07/12/18	35789 B	Being payment for meals during Sukuna Bowl launching and church service.	14,394.50
11	03/09/18	78590	Being payment for overseas allowances for an Officer attending infantry command course in China.	3,350.00
12	03/09/18	78591	Being payment for overseas allowances for an Officer attending infantry command course in China.	3,350.00
13	04/09/18	32553	Being payment for overseas allowances for an Officer attending infantry command course in China.	2,800.00
14	12/09/18	32854	Being payment of overseas allowance	4,450.00
15	11/01/19	36599	Being payment of overseas allowance for an Officer attending Short Service Commissioning course in India.	4,450.00
16	11/01/19	36600	Being payment of overseas allowance for an Officer attending Short Service Commissioning course in India.	4,450.00
17	20/09/18	33115	Being payment for purchase of 100 Nitti Safety Shoes.	11,467.89
18	29/11/18	79112	Being payment of Per Diem allowance for Officers travelling to with Government delegation to visit Troops in UNIFIL and UNDOF.	9,402.92
19	04/09/18	32544	Being payment of per diem allowances to cater for travel expenses while accompanying CRFMF to Honolulu Hawaii to attend the Chiefs of Defence Conference from 10/09/18-12/09/18.	4,889.75

No.	Date	EFT/Chq. Number	Description	Amount (VEP) \$
20	20/11/18	35221	Being payment of airfare for two officials CRFMF and CAPT GADE for the Australia Trip from 27/10-30/10/18 to meet with Director General MFO and Force Commander MFO.	6,013.76
22	23/08/18	1272	Payment for cartage of plants and machines from Suva to Gau for Gau project.	6,000.00
Total				172,364.36

APPENDIX 19.4: AUTHORISED PAYMENT VOUCHERS WITH INCORRECT ALLOCATIONS

Allocation as per FMIS GL Posting	Allocation as per PV	Date	PV No.	Description	Amount (VEP) \$
1-19105-19999-050143	1-19105-19999-040364	22/02/19	37851	Being payment for fabricate, weld, install heavy duty structural aluminium ladder for Kacau	20,412.84
1-19101-19999-070404	1-19101-19999-090152	13/12/18	35904	Being payment for 1000 Kelehea T 15V Portrait, 151611 blank white 0.76 ID card Qty 2, 863202 Magi card and 879139 magic card cleaning kit 10 cards	25,146.79
1-19105-19999-059102	1-19109-19999-059102	25/04/19	39833	Being payment for 26 Jumper, 26 Trousers Qty and 26 square Neck t/shirts	5,009.14
1-19108-19999-059125	1-19108-19999-050499	03/04/19	39212	Being payment for 500 medical board form.	6,382.75
1-19104-19999-050304	1-19104-19999-130101	21/09/18	33146	Being payment for purchase of Box gutter, ridge cap and flashing.	11,936.27
1-19103-19999-050133	1-19106-19999-070404	03/06/19	40627	Repair 20 men tent (\$3,500) and 40 men tent (\$10,000).	13,500.00
Total					82,387.79

APPENDIX 19.5: COMPETITIVE QUOTATIONS NOT OBTAINED

Date	PV No.	Description	Amount (VEP) \$
26/11/18	35779	Being payment for various electrical materials	5,625.23
19/10/18	34195	Being payment for Fiji Navy Uniform	5,504.59
25/10/18	34384	Being payment for 100 grey overalls with Fiji Navy Logo	8,716.00
25/04/19	39845	Being payment for Jumper, Square and Trouser white	10,274.76
25/04/19	39833	Being payment for Jumper, Trousers and Square Neck	5,009.14
23/05/19	40548	Being payment for men's long sleeve shirt and men's 1 pleat trousers	21,800.00
27/03/19	39002	Being payment for tray morning tea (CFL visitors 27/02) and Food Tray	6,422.02
25/04/19	39916	Being payment for TV screen (For delta, Echo & Echo Coy), TV Cabinet, DVD players, Microwave, Rug, Table Coffee , Hot water urn and Sofa settee	19,681.65
01/05/19	40109	Being payment for rations for various messes	10,403.67
05/11/18	34791	Being payment for 20 x men tent (OCDT)	38,394.50
29/11/18	35530	Being payment for ration pack (Officers cadet person 05-23/11)	33,803.67
14/12/18	35997	Being payment for ration pack (Officers Cadet ex Mawaraka)	34,647.71
31/12/18	36240	Being payment for 20 x men tent (OCDT)	38,394.49
07/12/18	35789 A	Being payment for morning tea catering during Force Activities and Sukuna Bowl committee meeting.	9,770.65
24/12/18	36189 A	Being payment for rations for various messes	25,295.41
02/05/19	40109 A	Being payment for supply of bread for various messes	26,035.34
02/05/19	40109 C	Being payment for supply of takeaway container, plastic cups and styrofoam cups.	449.54
02/05/19	40109 E	Being payment for whole meal slice for FTG mess for Jan - Feb	5,963.30
02/05/19	40109 E	Being payment for takeaway container for FTG Mess, Cling Glad wrap, Serviette and Aluminum Foil	4,403.67
02/05/19	40109 E	Being payment for whole meal slice and tea bun for FTG Mess 01-30/04.	3,990.83
20/02/19	37783	Being payment for various building materials	31,704.05
04/06/19	41045	Being payment of design and certification works for the new pay office building at SHQ.	14,678.90
26/11/18	35398	Being payment for interactive 86" white board solutions	15,825.69
25/04/19	39919	Being payment for purchase of long loaf and Slice Bread	3,233.17
16/01/19	36731	Being payment for QAQA T/Shirt (Blue), QAQA Short/Shirt (Grey), QAQA Shorts	7,018.33
TOTAL			387,046.31

APPENDIX 19.15: OVERPAYMENT OF LODGING ALLOWANCES

Regimental No.	Quarters Grade	Date of Occupancy	Total Overpayment (\$)
31964	6	12/03/11	5,376.42
31947	6	23/12/19	105.14
26993	4	23/12/19	518.14
30057	4	24/04/18	11,586.12
30132	6	15/10/11	6,084.81
29897	6	04/02/17	6,078.61
30517	6	22/11/18	3,057.18
30844	6	31/03/18	4,731.30
30963	6	22/11/18	3,047.32
31135	6	31/03/18	4,731.30
31701	6	25/05/19	1,441.58
31612	-	17/04/17	4,920.72
32455	6	23/09/19	665.42
32549	6	05/11/19	380.24
34100	6	21/08/19	724.50
30669	6	17/10/19	466.34
31892	6	30/10/17	5,481.84
29705	4	24/05/19	4,389.00
30296	4	29/01/19	292.57
33166	6	11/10/12	644.00
30367	6	12/07/18	161.12
32584	6	31/03/18	3,811.50
33053	6	05/11/19	338.80
30065	6	11/07/14	4,918.48
32377	6	10/06/19	1,185.80
31131	6	15/09/18	3,085.46
31290	6	21/03/19	1,856.40
31773	6	18/06/18	3,301.35
32036	6	14/05/14	4,671.22
26433	6	03/08/10	7,137.06
29534	6	12/04/14	5,790.96
32339	6	13/08/19	1,211.00
27394	6	02/05/09	1,839.60
27525	6	01/04/11	1,678.32
30056	6	13/07/18	1,920.52
31418	6	10/05/15	7,002.80
26988	6	12/05/10	5,543.98
28022	6	29/09/11	7,287.18
28653	6	23/10/04	2,860.76
29691	6	18/10/05	2,823.72
Total			133,148.58

Section 20

Fiji Police Force

Roles and Responsibilities

The Fiji Police Force is responsible for maintaining law and order in Fijian society by employing best practices in police work and using modern technologies and innovative strategies to prevent criminal activity.

The Fiji Police Force engages in a wide range of activities to maintain professional personnel that are well-trained and well-equipped to handle evolving criminal threats.

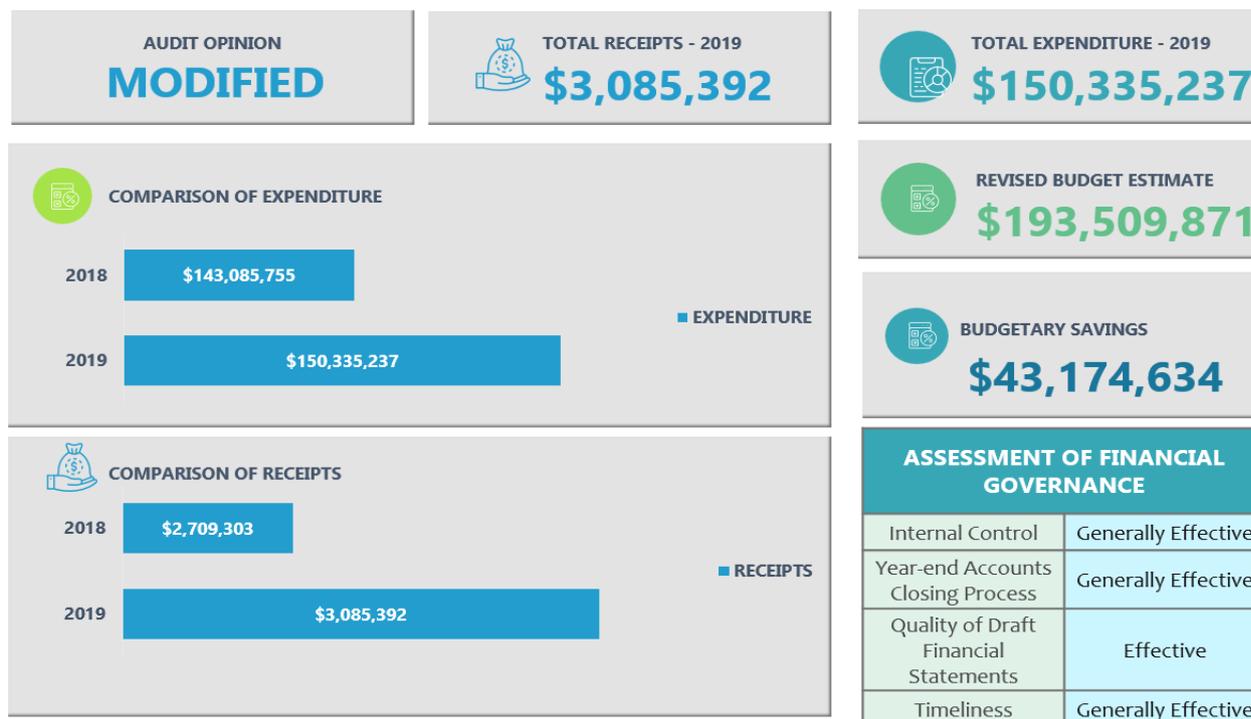
The Force is currently seeking to expand the reach of its services through the construction of new facilities and to improve response times and investigative effectiveness by procuring new specialised equipment, including vehicles, communication equipment and forensic science tools.

The Force's efforts to integrate new technology will also help address crimes of increasing levels of sophistication, particularly the investigation and prevention of cybercrimes.

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PART A: FINANCIAL STATEMENTS



20.1 Audit Opinion

The audit of the 2019 accounts for the Fiji Police Force resulted in the issue of a modified audit opinion. The basis of qualifications were as follows:

- The Force did not include, as part of the Financial Statements, the Trust Fund Account Statement of Receipts and Payments for the Force Band Trust Fund Account which had receipts \$88,820 and payment amounting \$43,216 for the period ended 31 July 2019. In addition, the Force Band account transactions were not recorded in the FMIS General Ledger.
- A variance of \$217,930 exists between the Police Clearance revenue record maintained by the Force Criminal Record Unit and the FMIS general ledger. As a result, the correctness of the Police Clearance revenue balance of \$2,761,043 could not be substantiated as recorded in the financial statements for the financial year ended 31 July 2019.

In addition to the above, the Other Matter reported was that internal controls over procurement processes and stores and payroll were generally found to be weak and if not addressed promptly can result in material misstatements and possible financial losses in the near future. The weak procurement controls were attributed to splitting of purchase orders, goods and services procured without purchase orders and without obtaining competitive quotations. Weak controls around payroll processes were due to delay in preparation of payroll reconciliations, overpayment of lodging allowance and anomalies in leave management.

20.2 Appropriation Statement

The Force incurred expenditure totalling \$150.3 million in 2019 against a revised budget of \$193.5 million, resulting in a saving of \$43.2 million or 22%.

Details of expenditure against the revised budget are provided in Table 20.1.

Table 20.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	142,301,035	(3,658,808)	138,642,227	117,494,879	21,147,348
2	Government Wage Earners	1,021,134	168,672	1,189,806	1,061,760	128,046
3	Travel & Communication	5,583,000	200,000	5,783,000	5,588,308	194,692
4	Maintenance & Operations	7,669,000	1,348,775	9,017,775	7,759,028	1,258,747
5	Purchase of Goods & Services	5,664,043	(838,775)	4,825,268	3,420,963	1,404,305
6	Operating grants & transfers	90,000	-	90,000	42,376	47,624
7	Special expenditure	3,274,559	180,000	3,454,559	1,867,350	1,587,209
	Total Operating Expenditure	165,602,771	(2,600,136)	163,002,635	137,234,664	25,767,971
8	Capital Construction	19,256,900	-	19,256,900	6,901,315	12,355,585
9	Capital Purchase	4,515,000	-	4,515,000	1,116,903	3,398,097
	Total Capital Expenditure	23,771,900	-	23,771,900	8,018,218	15,753,682
13	Value Added Tax	4,135,200	2,600,136	6,735,336	5,082,355	1,652,981
	TOTAL	193,509,871	-	193,509,871	150,335,237	43,174,634

- Savings of \$21,147,348 or 15% under established staff expenditures was largely due to the 686 vacant positions during the financial year, which is equivalent to \$15,478,345. In addition, there were savings due to terminations, dismissals, resignations and interdictions of officers.
- Savings of \$1,404,305 or 29% under purchase of goods & services was mainly attributed to the reduced procurement of clothing and uniform as the Force had sufficient stock on hand. In addition, the Force is in the process of gazetting its uniforms. Purchases of uniforms will be fully executed once gazette process is completed.
- Savings of \$1,587,209 or 46% under special expenditure was due to reduced level of expenditure incurred during the Police operations during the 2018 National General Election as manpower was sourced from within each respective division for operation deployment. Thus, logistics costs were minimised.
- Savings of \$12,355,585 or 64% under capital construction was due to the non – utilisation of budgeted funds for the upgrade of police dog section facilities, preparatory works for construction of major police stations, upgrading of police quarters and construction of new living quarters projects.

- Savings of \$3,398,097 or 75% under capital purchase was mainly attributed to significant savings in the following capital purchases allocations as they were rolled over to the period 2019/2020 as directed by Ministry of Economy – Budget Division:
 - (i) Purchase of Traffic Management System;
 - (ii) Supply and Installation of Video Recording Interview Machine;
 - (iii) Purchase of Human Resource Management System;
 - (iv) Installation of Solar Power for Maritime Stations and Posts;
 - (v) Purchase of Generators for Forensic Science Laboratory;
 - (vi) Purchase of Quality Assurance for Bio and DNA;
 - (vii) Purchase of Communication Equipment;
 - (viii) Purchase of Special Operation Equipment; and
 - (ix) Purchase of Police Boats and Outboard Engines.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Force. These have been included in this report as they impacted on the overall system of control of the Force as at 31 July 2019.

20.3 Force Management of Stores

Inventory purchasing, storage and recording should be efficiently managed to ensure that there is a sufficient level of inventories when needed, while minimising the cost of holding inventory and the risk of stock becoming obsolete or damaged.¹

We reviewed Force management of its stores at four (4) Police Station storerooms in the Northern Division namely Labasa, Seaqaqa, Nabouwalu and Savusavu Police Stations. Stores records were obtained and verified, stores building and items were inspected and records were substantiated against actual stocks on a sample basis. The following anomalies were noted:

- (i) The value of stock maintained at all the Station Stores inspected could not be ascertained due to the absence of stock unit price in stock tally cards;
- (ii) Stock received and issued were not recorded in the tally cards as required;
- (iii) On some instances, the stock received and issued were recorded in the tally cards. However, the balance remaining was not updated in the tally cards;
- (iv) Items maintained at the Storerooms at the police stations were not always neatly arranged and systematically maintained to enable easy re-stock or removal of items from the Storerooms. Refer to *Appendix 20.1* for details;
- (v) For all Stations inspected, the current Store rooms were generally small and congested to accommodate growing needs for storage of items;
- (vi) Obsolete stock of Police uniforms were stacked outside the Labasa Police Station storeroom. Refer to *Figure 20.1* below for details;

¹ Fiji Police Force Finance Manual 2015 – Part 7

Figure 20.1: Obsolete Uniforms at Labasa Police Station Store



(vii) Damaged and old unused items were untidily stored in a shed beside the Savusavu Police Station. Refer to Figure 20.2 below for details; and

Figure 20.2: Damaged and Old Unused Stocks at the Savusavu Police Station



(viii) Significant variance was noted between stock available in Store as per tally cards against the actual number of stock in all the Stations inspected. Refer to *Appendix 20.2* for details.

Root Cause/Implication

The anomalies on stock tally cards are attributed to the lack of awareness on the Stores Policies and Procedures by the Station Stores personnel and lack of supervision to ensure timely updating of movements of stocks. As a result, the risk of theft and misappropriation of items kept in Stores is very high.

The anomalies on storage of stores items are due to lack of routine checks to ensure the tidiness and systematic organization of storage area is maintained.

Also there is lack of coordination with the Force's Asset Management Unit to process the disposal of obsolete, damaged and old stock. As a result, the challenges to systematically arrange stores and maintaining tidiness of store rooms still remain unaddressed.

Recommendations

The Force should:

- **Include unit price of all stock maintained in all its Stores to accurately determine the value of stock held at a particular point in time;**
- **Ensure timely update of tally cards whenever stock is received or issued from Stores;**
- **Ensure that routine inspections are carried out by Station Officers on the updating of tally cards;**
- **Conduct training or refresher courses to stores personnel for better stores management;**
- **Ensure that all its Stores are kept clean and tidy at all times and items are properly arranged in a systematic manner to enable easy re-stock or removal of items from the Stores; and**
- **Coordinate with the Force's Assets Management Unit on the disposal all obsolete, damaged and old unused items still maintained in all Police Stations Stores.**

Agreed Management Action

Maintenance of Tally Cards

Officers are instructed to strictly comply with the management of Stores. The Tally cards are to be updated immediately upon receiving of stock. Regular inspection / reconciliation on Stores (Stock & Tally Cards) from the Office of Divisional Police Commanders – Northern Division will be conducted.

Furthermore, Workshop was conducted to Station Sergeants and Police Post Officers on stores management by Fiji Police Academy (FPA) on 03/02/20 at Northern Division training Room to train our officers who are dealing with the stores at Northern Division.

Storage of Stores items

Insufficient storage space has been attributed to the manner the Stocks are kept. However, consideration for providing adequate space is considered and will be facilitated depending on the availability of funds. Officers are reminded for the upkeep of the Storeroom (i.e. clean & tidy, etc.) as per audit recommendations.

Variance between Stores Records and actual Stock

Station Officers/ Station Sergeant are instructed to conduct formal inspection immediately and take corrective actions on the anomalies detected.

Furthermore, the Station Officers & Station Sergeants are to ensure that regular verification/inspections are carried out on Stores.

Damaged and Old Stock

Board of survey will be conducted soon to dispose the damaged, obsolete and old stores/stock.

Officer Responsible

- Station Sergeants
- Station Officers
- OC Stores

20.4 Storage of Exhibits

All exhibits shall be kept in a locked and secure Exhibits Store.²

Exhibits shall be stored in the Exhibit Store in chronological order. Where an exhibit is not kept in the Exhibit Store a card will be placed in the relevant place in the store indicating where the exhibit is kept.³

Verification of the Station Exhibit Stores and Exhibit records at Labasa, Seaqaqa, Nabouwalu and Savusavu noted the following:

- The Exhibit rooms currently used at the Stations are very small and congested;
- The Labasa Police Station has an Exhibit Room that is small and not adequately secured. The small wooden exhibit room is located behind the Station fitness gym and is only separated by a thin plywood wall. Refer to *Appendix 20.3* for details;
- The Savusavu Police Station is using its old two (2) cell blocks building as its Exhibit Store room. The cell blocks are very small and do not have adequate space to meet the Station exhibit storage needs. Refer to *Figure 20.3* for details;

Figure 20.3: Exhibit Store at Savusavu Police Station



- Exhibits were untidily maintained inside the exhibit room and were not systematically arranged in chronological order. In addition, some exhibit rooms were very dirty and items were spread across the room; and
- Instances were noted where exhibits were maintained outside the Nabouwalu Police Station building in the open exposed to sunlight and rain.

Root Cause/Implication

Some Police Stations have not gone through structural improvements since their opening let alone usual maintenance and renovation works undertaken to address wear and tear.

² Force Standing Order No. 203 – Section 20

³ Force Standing Order No. 203 – Section 21

Inadequate storage space poses challenges in systematically arranging exhibits and maintaining tidiness of exhibit rooms. Inadequate security of storage areas increases the risk of theft and tampering of exhibits.

Recommendations

The Force should:

- **Ensure that all exhibits are properly stored in a safe and secure room at all times;**
- **Consider improvements to the current police stations particularly in terms of size to ensure that proper space is available to cater for its critical needs; and**
- **Ensure that the Exhibit Store are kept clean and tidy at all times.**

Agreed Management Action

Insufficient Storage Space Labasa

Insufficient storage space and the upgrade of the exhibit room will depend on the availability of funds. We are taking corrective measure by marking Exhibits & Levelling of shelves .Frequent inspections will be conducted by the Officers of the Divisional Police Commanders – Northern Division to ensure the exhibits are properly stored.

Insufficient Space at Savusavu

Corrective measure for marking Exhibits & Levelling of shelves is ongoing. For non - compliance with Standing Order's & Commanding Officer's strict monitoring system, officers will be disciplined for neglect of duty. Inadequate storage space and upgrading of exhibit room will be undertaken subject to funding.

Items maintained at Nabouwalu Police Station

The case file is currently with the Office of the Director of Public Prosecutions. Items at the Nabouwalu Police Station were still kept outside the Nabouwalu Police Station building in the open due to lack of storage space available. Items will be disposed upon completion of the case proceedings.

Officer Responsible

- Station Officer
- Station Sergeant
- Exhibit Writers

20.5 Funds for Upgrade & Construction of Quarters & Institutions not utilised

The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency.⁴

Review of capital projects for the period revealed that although the Force was allocated budget for the upgrade & construction of police quarters and institutions in the past three financial periods (2017 – 2019), funds were not utilised at year end. Refer to Table 20.2 for details.

⁴ Financial Management Act 2004 – Section 28.1 (a)

Table 20.2: Details of unutilised funds for Upgrade & Construction of Quarters for past 3 years

Allocation	Description	2017 (\$)	2018 (\$)	2019 (\$)
1-20101-20101-080422	Renovation, Extensions & Upgrading of Police Quarters	560,000	560,000	-
1-20101-20101-080423	Upgrading / Replacement of Police Quarters	1,000,000	1,000,000	800,000
1-20101-20101-080431	Construction of New Living Quarters	-	-	500,000
1-20101-20101-080421	Preparatory Works for Major Police Stations	-	-	500,000
1-20101-20101-080211	Upgrade of Police Dog Section Facilities	-	-	300,000
Total		1,560,000	1,560,000	2,100,000

Review of the Force 2019 Public Sector Investment Programme (PSIP) for Capital Construction indicated that:

- (i) The Force has identified upgrade and constructions of quarters & institutions projects to be undertaken during the period; and
- (ii) Majority of the projects planned to be undertaken were not executed during the period.

As a result of the above, we carried out site visits between 18-22 November 2019 at the Police officer's quarters and Police Stations in the Northern Division and noted serious structural defects requiring urgent maintenance and upgrading works. Refer to *Appendix 20.4* for details.

Root Cause/Implication

The findings indicate the absence of proper planning by the Force to ensure that allocated funds are utilised as appropriated. Therefore, the welfare of Police Officers occupying the quarters may be seen as not being prioritised by the Force. There also seems to be lack of proper coordination between the Force and CIU concerning the execution of the Force projects.

Furthermore, the poor condition of Police officer's quarters and Police Stations are attributed to the lack of periodic maintenance carried out by the Force.

As a result of the above, there is a high risk of occupants living in the quarters being exposed to unsafe living conditions.

Recommendations

The Force should ensure that:

- allocated funds are utilised as appropriated;
- proper coordination is undertaken between the Force and CIU to address matters regarding the implementation of Force projects on time;
- risks arising to the occupants living in Force quarters is properly mitigated; and
- regular maintenance and repairs are carried out.

Agreed Management Action

The commencement of these projects were also affected by the following factors:

Market Condition – The Construction Industry was at its peak at this period and there were challenges faced in the market such as (1) limited reputable and complied contractors available at the time; (2) shortage of building materials such as cement, steel and ply board; and (3) shortage of skilled labour. These challenges contributes to the non – commencement of the projects in the period.

Due to the market condition, there was a very high risk of attracting extremely high price for undertaking projects which could significantly exceed the average estimated cost of the projects.

Priority was mainly given to rebuild schools and public buildings affected by Tropical Cyclone Winston.

Officer Responsible

- Chief Administration Officer
- Manager Procurement and Projects

20.6 Procurement of Force Footwear

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement Regulation 30-(1).⁵

Splitting of contracts - means dividing contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or subcontracts, for the purpose of making it fall below the threshold requiring legislated procurement approval or circumvent the requirement of public bidding for procurements over \$50,000 VIP.⁶

In order to differentiate and identify a split, the procurement would be classed under one of the following criteria.

- A procurement of the same product, services or works on the basis of different contracts with the same supplier (successive contracts).⁷
- A procurement of different products on the basis of several smaller contracts, whilst these products could normally have been provided by the same supplier on the basis of a single contract.⁸

During the FY 2018-2019, the Force made procurement of footwear for the Force Store and Building Maintenance Unit (BMU) amounting to \$234,050 (VIP).

The procurement was of the same product on different LPOs with the same supplier and the procurement amount maintained below \$50,000 are strong indicators of splitting of purchase orders to avoid the tender process. Refer to Table 20.3 for details.

⁵ Fiji Police Force Finance Manual 2015 – Section 2.3.1

⁶ Splitting of Contract Policy 2014 – Section 5.1

⁷ Splitting of Contract Policy 2014 – Section 6.1 (i)

⁸ Splitting of Contract Policy 2014 – Section 6.1 (iii)

Table 20.3: Details of procurement of footwear during the period

Date	Cheque /EFT No.	Description	VEP Amount (\$)	VAT (\$)	VIP Amount (\$)
21/11/18	26923	Purchase of black boot for Stores	43,761.47	3,938.53	47,700
23/11/18	27016	Purchase of army sandals (black) for Stores	37,431.19	3,368.81	40,800
14/02/19	29428	Payment of account	45,660.55	4,109.45	49,770
21/05/19	32105	Purchase of black boot for Stores	43,761.47	3,938.53	47,700
05/07/19	33517	Purchase of safety boots for BMU.	6,678.90	601.10	7,280
19/07/19	33937	Purchase of army sandals (black) for Stores.	37,431.19	3,368.81	40,800
Total					234,050

We noted that the last contract for the supply of the Force footwear was awarded to the Supplier vide tender no. CTN 166/2014 which expired on 28/01/17. As per GTB approval dated 28/01/15, the Force was directed to call a new tender prior to the expiry of the award to ensure that the principle of promoting open and fair competition among suppliers and contractors is maintained. As at the date of audit (06/01/20), the Force was still in the process of obtaining tender approval for the supply of footwear.

Root Cause/Implication

The finding indicates absence of proper planning by the Force in the procurement of footwear to ensure that proper tender process are followed and proper approvals are obtained. This also indicates non – adherence to Procurement Regulations 2010.

As a result of splitting of purchases, Government Tender Board (GTB) approvals were not obtained thus depriving the purchase from fair procurement process. This can lead to loss of public funds through schemes such collusion with the suppliers

Recommendations

The Force should ensure that:

- **Public tenders are called for any procurement of goods, services or works valued at \$50,000 or more;**
- **The principle of promoting open and fair competition among suppliers and contractors are maintained; and**
- **Any officer(s) splitting payments to circumvent requisite approval are disciplined.**

Agreed Management Action

Due to urgent purchase of footwear for recruit's march in, and the need to provide footwear as per Fiji Police Force Standing Order, we had to procure buffer stock for footwear – Black Boots on 21/05/2019 amounting to \$47,700 (VIP) and Army Sandal Black on 19/07/2019 amounting to \$40,800 which was as per the initial tender cost of the expired tender. We cannot procure overstock and keep in our stores as footwear soles tend to wear off if

kept for too long in humid conditions and as such we also do not want to overstock footwear which will lead to Audit issues.

We had to make drastic measures for buffer stock and in doing so had called for a new tender to be in place.

Officer Responsible

- Manager Procurement and Projects
- Chief Administration Officer

20.7 Procurement of Meals for Person(s) in Police Custody

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement Regulation 30-(1).⁹

Competitive quotes, instead of public tenders, may be called for procurements below \$50,000 unless the Commissioner of Police or Deputy Commissioner of Police has approved an exemption.¹⁰

Splitting of contracts - means dividing contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or subcontracts, for the purpose of making it fall below the threshold requiring legislated procurement approval or circumvent the requirement of public bidding for procurements over \$50,000 VIP.¹¹

The Force incurred a total of \$519,584 (VEP) for meals of person(s) in Police custody. The audit noted that the Force failed to call tenders for procurement of meals for person(s) in Police custody.

Table 20.4 provided the details of suppliers that provided meals with total value above \$50,000.

Table 20.4: Details of Suppliers of Meals above \$50,000

Vendor	Amount VEP (\$)
Fiji Police Officers Mess	89,084
Company A	67,120
Company B	59,337
Company C	56,489

Furthermore, a sum of \$89,084 was paid to Fiji Police Officers Mess for providing meals during the financial year.

The Force failed to provide audit confirmation on the owners, trustees and beneficiaries of the Fiji Police Officers Mess which is operated by a Mess Committee appointed by Commissioner of Police.

In addition, proper procurement procedures were not followed as competitive quotations were not obtained.

⁹ Fiji Police Force Finance Manual 2015 – Section 2.3.1
¹⁰ Fiji Police Force Finance Manual 2015 – Section 2.3.2
¹¹ Splitting of Contract Policy 2014 – Section 5.1

Root Cause/Implication

The findings indicate absence of proper planning by the Force to ensure that proper tender process are followed for procurement of goods and services over \$50,000.

The possible existence of conflict of interest in the supply of meals by the Fiji Police Officers Mess cannot be ruled out.

Recommendations

The Force should ensure that:

- **Proper procurement processes are followed by calling for tender for the supply of meals for Person(s) in Police Custody;**
- **Owners, trustees and beneficiaries of the Fiji Police Officers Mess are fully disclosed and any conflict of interest in procurements made and is declared and dealt with as appropriate; and**
- **Competitive quotes are obtained for all procurements less than \$50,000 as provided under Force Finance Manual 2015.**

Agreed Management Action

It has been practiced that meals for persons in Custody were obtained from the agreed designated Vendors. As years has passed persons in custody has increased and therefore the cost has increased. The Force will look at the past years (3 years) record of the expenses incurred for meals for person (s) in Custody. If expenses exceed the threshold of \$50,000 in a year, tender will be called to attract potential vendors to supply meals in those areas. If expenses level remain below \$50,000, competitive quotes will be obtained from potential suppliers and selection of supplier will be then made. Furthermore, for remote and maritime suppliers where there is insignificant cost of meals involved quotations will be required and accordingly appropriate arrangement will be made with vendors. E.g. contracts.

Officer Responsible

- Force Accountant
- Manager Procurement and Projects
- Chief Administration Officer

20.8 Salary Allowance for Hapkido Master

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.¹²

On 01/08/18, the Force paid RFMF the amount of \$29,167 for the salary and allowance of Korean Hapkido Grand Master from 01/07/18 - 30/10/18.

We noted that there was no contractual agreement between the Force and the Grand Master or a memorandum of understanding (MOU) with the RFMF on sharing of the cost of Grand Master's

¹² Fiji Police Force Finance Manual 2015 – Part 2

engagement. The contract was between the RFMF and the Grandmaster and the payment was made on the strength of an email correspondence directive from the Commissioner of Police.

The Force also paid a sum of \$33,380 to RFMF during the 2017/2018 period for Grand Master's return air ticket and salary and allowance for the period 14/02/18 – 22/06/18.

Root Cause/Implication

The finding indicates non adherence to stipulated Government procurement procedures.

In the absence of a contractual agreement or MOU, the completeness of this expenditure paid cannot be ascertained. In addition, the interest of the Force may not be fully protected.

Recommendations

The Force should ensure that:

- **Government procurement procedures are complied with in the procurement of services; and**
- **Either a contract with the Grand Master or an MOU with the RFMF is entered into to formalise the cost-sharing arrangement on the engagement of the Hapkido Master.**

Agreed Management Action

We agree that the agreement is between the RFMF and the Grand Master. The training cost for Hapkido is on the understanding that whenever the Police officers attend the Hapkido training Police will share the expense for the trainers and payment will be made to RFMF and not to the Grand Master.

Officer Responsible

- Chief Administration Officer
- Force Accountant

20.9 Other Anomalies in Procurement of Goods & Services

A local purchase order shall be issued when procuring any goods, services or works from an organisation within Fiji, unless a contract or agreement has been entered into.¹³

Competitive quotes, instead of public tenders, may be called for procurements below \$50,000 unless the Commissioner of Police or Deputy Commissioner of Police has approved an exemption.¹⁴

An LPO must be signed by two officers; the officer preparing it and an authorising officer (officer with the necessary procurement authority).¹⁵

The Officers preparing a payment voucher must ensure that all information required under Finance Instruction 14-(1) has been included on the payment voucher or attached to it, before passing it to

¹³ Fiji Police Force Finance Manual 2015 – Section 2.5.1

¹⁴ Fiji Police Force Finance Manual 2015 – Section 2.3.2

¹⁵ Fiji Police Force Finance Manual 2015 – Section 2.5.10

the Assistant Accounts Officer - Payments for verification and then to Accounts Officer – Payments, the Deputy Force Accountant or the Accountant for certification.¹⁶

Audit review of payments made by the Force during the period revealed the following anomalies:

- Instances were noted where procurements were made without Local Purchase Orders (LPO);
- Competitive quotations were not obtained for procurement of goods and services;
- Instances were noted where LPOs were released (approved) in the FMIS system by Commissioner of Police although the physical signature on the LPO was not of the Commissioner of Police.
- Invoices were dated earlier than the LPO;
- Competitive quotes not dated; and
- Instances were noted where from the 3 quotations obtained, only one related to the current year whereas 2 were from prior year.

Refer to *Appendix 20.5* for details

Root Cause/Implication

The findings indicate non – compliance to stated rules and regulations and indicate the lack of oversight and supervisory checks. This is a serious violation of internal controls and the risk of procurement fraud is rated highly.

There is also risk of sharing of passwords where approval is given by an authorised officer and approved in the FMIS by another officer.

Recommendations

The Force should ensure that:

- **Stipulated procurement procedures in place are adhered to at all times;**
- **Proper oversight and supervisory checks are in place and properly functioning;**
- **Officers releasing (approving) the LPO in the FMIS system should be the same officers physically signing the LPO; and**
- **Appropriate disciplinary action should be taken against officers failing to comply with procurement regulations**

Agreed Management Action

Competitive Quotes were not obtained. The Divisional Assistant accounts Officers are reminded that procurement requests will not be processed if all the financial procurement regulations /requirements are not complied with, however, for the LPO Signature we have noted your recommendations. For your information, no LPO is generated and approved online in the system unless the request is approved by the authorised officer.

Officer Responsible

- Chief Administration Officer
- Force Accountant
- Manager Procurement and Projects

¹⁶ Fiji Police Force Finance Manual 2015 – Section 2.8.3

20.10 Officers occupying quarters and receiving Lodging Allowance

Where no police quarters are available for married subordinate officers living with their wives and children or for any approved reason for exigency, the Commissioner of Police may grant permission for men to live out, and to draw lodging allowance in accordance with FPM 56.¹⁷

A member of the Force who moves into police quarters, and who has until the move drawn lodging allowance will immediately report this to his/her immediate superior, giving the effective date of occupation. The latter officer will take action for promulgation of cancellation of the lodging allowance in Force Routine Orders.¹⁸

Audit review of the Force Monthly Quarters Returns revealed that some officers who are occupying police quarters were also receiving lodging allowance. This resulted in overpayment totalling \$127,407.

Refer to Appendix 20.6 for details.

Root Cause/Implication

The non-cancellation of lodging allowance indicates non-functioning of internal controls and monitoring mechanisms in place to ensure that the officers moving into quarters to notify the immediate supervisor and the latter officer to promulgate the cancellation of lodging allowance.

The lack of monitoring by the Force's Asset Management Unit and absence of the officers concerned being proactive and honest has resulted in overpayment of lodging allowance.

Recommendations

The Force should ensure that:

- **officers occupying quarters inform immediate supervisors if they are receiving allowances outside their entitlement;**
- **stringent control and supervisory checks are put in place to ensure that all officers residing in quarters are not paid lodging allowance;**
- **recovery of overpaid lodging allowances commences immediately from occupants that are receiving lodging allowances; and**
- **regular inspection is carried out by the Force's Asset Management Unit to ensure officers occupying the quarters are not receiving lodging allowance.**

Agreed Management Action

A team has been appointed to verify the HR records against the occupation of Quarters records at the various Stations and where there is any overpayment of lodging allowance, direct salary recoveries will be made from the occupant's salary.

Furthermore, regular Quarters inspections will be made by the various DPCs, Formation Heads, including Asset Management unit from HQs, to ensure officers are not paid lodging allowance when staying in Police Institutional Quarters.

¹⁷ Force Standing Order No. 129 – Quarters and Lodging Allowance – Section 8

¹⁸ Force Standing Order No. 129 – Quarters and Lodging Allowance – Section 10

Officer Responsible

- Chief Administration Officer
- Deputy Director Human Resource

20.11 Police WaterPol Unit

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.¹⁹

The Force WaterPol Unit is based at the Draunibota, Lami and its roles and responsibilities are as follows:

- To provide the coastal patrol;
- To assist in search and rescue;
- VIP escort;
- High speed intercept;
- To assist in joint operation with other government agencies; and
- To assist in emergency response (natural disaster).

We noted the following areas of improvement:

- (i) There is inadequate workspace to accommodate all the 28 WaterPol officers. The Office space has two small rooms; one accommodates the OC WaterPol and two administration staffs and the other is the Command Centre while the workshop accommodates three officers. The rest of the officers are normally sheltered under the tent erected outside during working hours. Refer to Figure 20.4 for details.

Figure 20.4: Inadequate workspace at WaterPol Unit



- (ii) As at the date of audit (30/01/20), the Force has 30 vessels of which only 14 vessels or 47% (1 Aluminium, 11 Fibre Glass, 1 wood and 1 rubber dingy) were operational whereas six were under repair, one was lost in the sea and nine were under the process of been disposed as the boats were unserviceable;
- (iii) Out of the 14 vessels in operation only WP Veiqaravi, WP Nahatogo and WP Naivonoi were fully equipped with the navigating equipment;

¹⁹ Fiji Police Force Finance Manual 2015 – Part 2
Fiji Police Force

- (iv) The current hot spot areas identified by the Force is Lau, Lomaiviti, Kadavu, Denarau, Savusavu and Ra for the transnational and local drug-related trafficking. However, the Force does not have adequately equipped vessels to be decentralized to hot-spot areas;
- (v) The WaterPol command centre is not well equipped and is using one radio/marine transmitter which has served past its useful life;
- (vi) The WaterPol does not have the Standard Operating Procedures to guide and manage the its operations; and
- (vii) A total of 40 units of 60 HP Yamaha engine was purchased by the Force amounting \$375,360 on 20/07/17. The item was delivered to Nasova/PSRU stores on 08/08/17. As at the date of audit (31/01/20), a total of 15 outboard engines have been distributed to maritime police stations/posts while 25 were still kept in the stores and unutilised. However, upon review of the status of the outboard engines it was noted that 10 outboard engines need immediate replacement due to its current condition and functionality.

During the 2018/2019 FY, the Force was allocated \$720,000 under its boats and outboard engine allocation and only utilised \$65,899 resulting in savings of \$654,101. Similarly, in 2018/2019 the Force was allocated \$746,844 and had a savings of \$300,877.

Root Cause/Implication

There is lack of prioritization in terms of building the capability and capacity of the WaterPol Unit to ensure that its facilities and equipment meets the growing demand in policing the maritime areas.

Due to lack of vessels and its capacity in terms of age, build/size and navigational equipment, it limits the Police visibility, operations at night/rough weather, decentralisation to hot spot/zone and capacity to undertake the covert operation to combat the increasing transnational criminal activities.

Recommendations

The Force should:

- **Review and strengthen the WaterPol Unit establishment and the operational needs;**
- **Utilize the outboard engines kept at the stores;**
- **Develop the Standard Operating Procedures to guide the WaterPol operations;**
- **Review the need for the type of vessel/boat required for current/future operational needs and equip it with the necessary navigational equipment for the safety of the officers and as well as to effectively deliver its service; and**
- **Effectively plan the utilisation of funds allocated for Police WaterPol Unit.**

Agreed Management Action

The following update is forwarded pertaining to the Police Water Pol Unit:

- *The Force will improve the infrastructure at WATERPOL. For example temporary measure is to purchase two container office for Administration and Command Centre. It will have a space for Conference Room that can be used for training too.*
- *The breakdown for 30 boats are as follows; 7 Aluminium, 21 Fiberglass, 1 wooden and 1 Rubber dingy. 15 boats (50%) are operational (3 Aluminium, 11 Fiberglass, 1 Wooden and 1 Rubber dingy). 6 Fiberglass boat at*

WATERPOL Base has been processed to be repaired whilst 3 fiberglass boats in the North will be disposed-off due to wear and tear.

- These Aluminium boats were fast intercept boats. The other boats are open boat and basic navigation equipment are installed which only operates in sheltered waters on day operation only.
- Standard Operating Procedure (SOP) is in its draft form. Need more consultation in relation to the new legislations in place for our agencies and stakeholders.
- The repair of the 6 fiberglass boats at WATERPOL Base will utilise 11 out of the 25 outboard engine at Police Special Response Unit (PSRU). The rest will be utilised with new request in line with the type of boat as per our specifications or requirements.
- Boat and Outboard Engine Replacement Policy will be developed to guide our operations.
- The current approved Government Tender does not meet Police Boat specifications to ensure it meet the current/future operation needs and equip it with the basic navigational equipment for the safety of the officers and as well as to effectively and efficiently deliver its service.

Officer Responsible

- Director Operations
- Chief Operation Officer (COO)
- Officer in Charge WaterPol
- Director Corporate Services (DCS)

20.12 Police Trust Fund

Each year the Deputy Force Accountant shall prepare an annual trust receipts & payments statement within two weeks of the end of the year.²⁰

The audited financial statement of trust balances shall be included in the agency's annual report.²¹

Financial transactions shall be posted into the automated information system (General Ledger System) using journal entry input forms or directly from source documents such as journal vouchers or payment vouchers.²²

The Force maintains a Band Trust Fund account. Audit review of the operation of the Band Trust Fund account revealed the following anomalies:

- The Force Band Fund account records the receipts and payments incurred for the band entertainment provided to general public on request. The transactions are not recorded in the FMIS general ledger (FMIS) and also not reflected in the Force's agency financial statement;
- The Force also maintains Sports Trust Fund Account and Sukuna Bowl Trust Fund Account. The monthly trust and bank reconciliations were not prepared on a timely manner.
- On several occasion it was noted that the payments made out trust fund accounts were not supported with appropriate supporting documents. Refer to Appendix 20.7 for details.

²⁰ Fiji Police Force Finance Manual 2015 – Section 14.4.5

²¹ Fiji Police Force Finance Manual 2015 – Section 14.4.8

²² Fiji Police Force Finance Manual 2015 – Section 15.2.1

Root Cause/Implication

The findings indicate absence of monitoring and supervisory checks on the Force Trust Fund Accounts. Basic failures in internal controls can result in fraud and misappropriation of the trust funds.

Recommendations

The Force should:

- liaise with MoE on reflecting the Police Band Trust Fund account in the FMIS operating fund account as receipts are derived from providing service to general public by Officers while on duty;
- All revenue generated from the hire of band must be deposited into CFA while the expenses should be channelled through the normal budgetary process;
- Ensure that proper accounting records are maintained; and
- Strengthen its supervisory checks and ensure the trust and bank reconciliations are prepared on a monthly basis and all payments are effectively vetted and supported with receipts/invoice.

Agreed Management Action

After consultation with Ministry of Economy, the Force has written to them requesting for the creation of the general ledger allocation for the Police Band Trust Fund Account so that it can be included in the Police Financial reports (AFS). We are still waiting for Ministry of Economy responses / approval.

The Force Accountant has ensured that proper accounting records are maintained for the Band Trust Fund Account.

The Supervisor has been warned to check and monitor the trust fund payments and reconciliation at least on a monthly basis.

The Force Accountant has taken proactive measures to see that all acquittals are properly submitted on a timely manner and officers shall be penalised for failing to submit their acquittals on time.

Officer Responsible

- Force Accountant

20.13 Police Clearance Revenue Variance

Within five working days of the Ministry of Economy issuing the monthly General Ledger Reports, the Assistant Accounts Officer Revenue shall reconcile the revenue figures in the report to the Revenue Statement.²³

The Force major source of the revenue is through the issue of the Police Clearance report. Analytical review performed during audit using the FMIS (GL) data compared with data obtained from the

²³ Fiji Police Force Finance Manual 2015 – Section 5.5.12

Force Criminal Record Unit revealed a variance of \$217,930 between two records. The details are as follows:

Table 20.5: Details of Variance for Police Clearance Revenue

Description	Amount (\$)
Total Police Clearance Revenue as per GL (FMIS)	2,761,043
Converted to VIP	3,009,537
Police Clearance Revenue as per Forensic Unit Report (VIP)	2,791,607
Variance	217,930
Percentage Variance	7 %

Root Cause/Implication

Police Clearance Revenue Records from the Force Criminal Record Unit was not analysed and reconciled with the FMIS (GL) on a regular basis to ensure that variances arising are addressed promptly.

As a result, the accuracy and completeness of the Police Clearance Revenue balance at year end could not be ascertained.

Recommendation

The Force should regularly reconcile the Police Clearance revenue records from Criminal Records Unit with the FMIS GL balance and any variances arising should be resolved on a timely manner.

Agreed Management Action

The Collecting Revenue Officer (CRO) have provided amount from their Police clearance register for the number of Police clearance applications were received and processed. The figures are from the application forms written by the various revenue collectors through the country and not direct from the individual revenue receipts, hence there is likely of transferring figure. Furthermore, there were some transferring errors into the CRO register that has been rectified.

We also noted that the fees paid for Police reports, copies of disclosures, etc. are credited into this allocation (Police Clearance).

However, as per your recommendations and we have advised the CRO to regularly verify and reconcile. The Revenue Collectors are to be more vigilant and ensure to put the correct amount on every application form for the fees paid as per Revenue Receipts.

Officer Responsible

- Force Accountant
- Collecting Revenue Officers

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

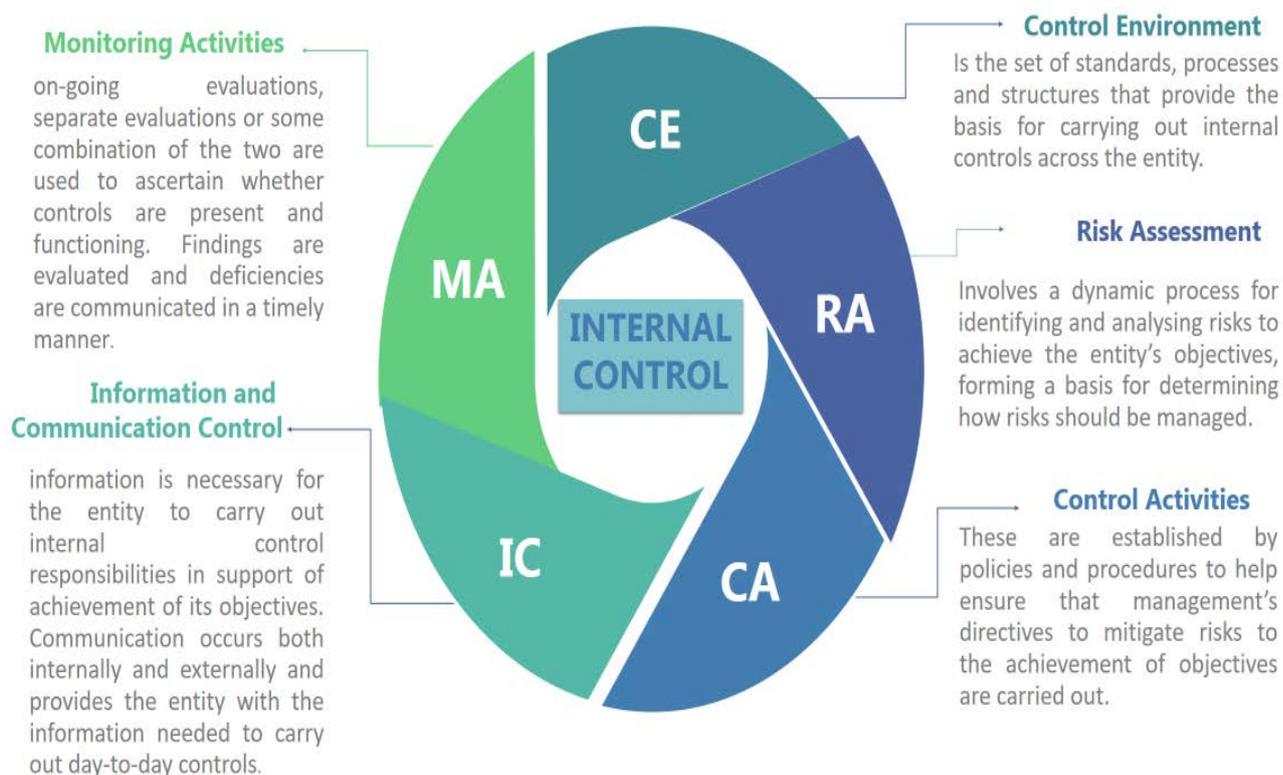
20.14 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

20.15 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✗	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✗	Submission of arrears of revenue returns by 30 August 2019	✓

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

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

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

20.16 Quality of Draft Financial Statements by entities

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

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

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

20.17 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
☀ Generally effective	Acceptable draft financial statements received on or before 31 October 2019.

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

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

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
☀ Effective	After 14 days from issue of Draft Management Letter

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

APPENDIX 20.1: EXAMPLES OF STORES ITEMS NOT NEATLY ARRANGED UPDATED

- **Items at the Labasa Police Station Stores**



- **Items at the Seaqqa Police Station Stores**



- **Items at the Nabouwalu Police Station**



- **Items at the Savusavu Police Station**



APPENDIX 20.2: DETAILS OF VARIANCE BETWEEN ACTUAL STOCKS AND RECORDS**Variance between Tally Cards and Actual Stock Balance at the Labasa Police Station Store**

Item Description	Balance as per Tally Card	Balance as per Physical Count	Variance
Stockings – Dark Blue	133	296	163
Batteries	68	18	(50)
Sign Boards	6	3	(3)
Overall	18	28	10
Pepper Spray	36	38	2

Variance between Tally Cards and Actual Stock Balance at the Seaqaqa Police Station Store

Item Description	Balance as per Tally Card	Balance as per Physical Count	Variance
Uniform – 3 piece	6	7	1
Body Bag	0	1	1
Shirt – Black	4	2	(2)
Trousers – Straight Blue	36	35	(1)
Tunic – Sky Blue	6	4	(2)
Shirt – Silver Grey	8	13	5
Tunic – Silver Grey	6	2	(4)
Rain Coat – 3 piece	18	9	(9)
Hand Cuffs	4	2	(2)
Wesco Baton & Holder	31	5	(26)

Variance between Tally Cards and Actual Stock Balance at the Nabouwalu Police Station Store

Item Description	Balance as per Tally Card	Balance as per Physical Count	Variance
Body Bag	1	0	(1)
Expendable Baton	3	1	(2)
Shirt – Black	10	7	(3)
Torch – Megalite	5	0	(5)
Shirt – Silver Grey	4	2	(2)
Skirt – Blue	2	3	1
Rain Coat – 3 piece	3	0	(3)
Pepper Spray	31	0	(31)
Hand Cuffs	6	5	(1)
Beret – Dark Blue	6	5	(1)

Variance between Tally Cards and Actual Stock Balance at the Savusavu Police Station Store

Item Description	Balance as per Tally Card	Balance as per Physical Count	Variance
Sulu – White	20	16	(4)
Shoulder Badges	40	37	(3)
Ceremonial Belt	2	63	61
Accessory Vest	13	9	(4)
Rain Coat	38	30	(8)

Item Description	Balance as per Tally Card	Balance as per Physical Count	Variance
Long Stockings	31	34	3

APPENDIX 20.3: EXHIBIT STORE AT LABASA POLICE STATION



APPENDIX 20.4: POLICE QUARTERS & INSTITUTIONS CONDITIONS

Station	Item description	Current Structural Defects	Photos
Vatunibale Police Quarters	1x1x6 Masonite Quarters	<ul style="list-style-type: none"> • Continuous overflowing of the septic tank due to blockages. During the audit site visit, it was noted that quarters' occupants have dug out drains from the septic tank to a nearby drain in order to drain out overflowed waste from the septic tank; • Water leakages; • Damaged tap; • Damaged sink; • Damaged toilet; • Damaged sink; • Damaged washing tub; • Damaged power points; and • Small holes appearing in most places where rats and other pests enter the quarters. 	
Labasa Police Station Quarters	1x1x6 Masonite Quarters	<ul style="list-style-type: none"> • Damaged switch and power points; • Pieces of concrete from the walls and ceiling keeps on falling every now and then; • Small holes appearing in most places where rats and other pests enter the quarters; • Cracked walls; • Damaged windows; • Cracked ceilings; • Cements falls from the beam to the floor when a heavy vehicle passes outside; • Cracked beams; and • Main door not able to be closed due to the damaged beam. 	
Labasa Police Station	Single Men Barrack	<ul style="list-style-type: none"> • The inside of the building was very dirty and items such as empty beer bottles, tea mugs, mattress sponges, empty plastic container bottles, an accessory vest, a traffic reflector jacket, Police uniform, pieces of cartons, hose pipes, broken tiles, plastics, old CDs, dust and excessive dirt lying across the floor of the rooms. 	

Station	Item description	Current Structural Defects	Photos
Nabouwalu Police Station	1x1x6 Masonite Quarters	<ul style="list-style-type: none"> • There is no circuit breaker on some quarters; • Damaged switch and power points; • Damaged sink; • Leaking roof top; • Louvre frames has all rusted and louvre blades held by tape; • Damaged ceiling; • Damaged door lock; • Damaged washing tub; • Damaged taps; • Damaged electrical wiring and lights; and • Damaged door and window. 	
Nabouwalu Police Station	Single Quarters	<ul style="list-style-type: none"> • Rain coming inside the quarter on rainy days; • Louvres falling off; • Ceiling coming off; • Floor openings in the sitting room and kitchen; • Wall openings that allows a person passing by to glance inside the quarter; and • Toilet and bathroom requires urgent attention. 	
Savusavu Police Station	1x1x6 Masonite Quarters	<ul style="list-style-type: none"> • Water system problem; • Sewerage problem; • Damaged wood work; • No water coming from the toilet system; • No shower and tap in the bathroom; • Roof leaking during rainy weather; and • Electrical problem. 	
Navua Police Station	1x1x3 Masonite Quarters	<ul style="list-style-type: none"> • The occupants normally face water supply disruption due to low water pressure; 	

Station	Item description	Current Structural Defects	Photos
		<ul style="list-style-type: none"> The wooden floor for the bathroom and toilets are old and weak resulting in water leakage to the ground; The louvres of the windows are falling off; Ceilings are coming off; Toilets and bathrooms requiring urgent attention; Rusted roofing iron and old guttering; Worn out paints on the wall; Absence of proper drainage system; Roof leaking during rainy weather; and Electrical problem. 	
Seaqqa Police Station	Station Building	<ul style="list-style-type: none"> The current structure has required additional office space to accommodate exhibit and other Units required. The Station compound has been used by un-authorized person to access from the backyard of the Police Station. 	
Nabouwalu Police Station	Station Building	<ul style="list-style-type: none"> The Nabouwalu Police Station structure has been recommended for new extension to accommodate the respective Unit required. The current structure has no proper office space and exhibit room. The current structure do not accommodate proper cell block for detaining accused person. There is no proper ventilation on the police cell which demarcates the female prisoner, lunatic prisoner and juvenile prisoner as recommended by the Human Rights Commission. The current cell has no lights and required to be re-roofing since the leakage of the roofing structure. 	

APPENDIX 20.5 EXAMPLES OF OTHER ANOMALIES IN PROCUREMENTS

Date	EFT Number	Description	Amount (\$)	Anomalies Noted
02/07/19	33328	Repairing of Sofas for HQ (4 piece)	1,700	LPO not raised
08/02/19	29292	Purchase of stationeries.	10,157	Quotations not attached
18/09/18	24983	Supply of prisoners meals to Valelevu PS from 01 - 31 July 18.	4,821	Quotations not attached
11/10/18	25572	Supply of prisoners meals to Nasinu PS from 01 - 31 July 18.	1,879	Quotations not attached
05/11/18	26429	Supply of prisoners meals to Valelevu PS from 01-30 Sept 18.	5,082	Quotations not attached
04/10/18	25357	Prisoners' meals supplied to the Nasinu PS for the month of Aug 18	1,209	Quotations not attached
24/04/19	31465	Purchase of 3 PTZ and 3 Panoramic Cameras for Communications Unit	20,000	Observed invoice was dated prior to the date LPO was raised
24/06/19	33003	Being second payment made for Health Auditing of 1453 Police Officers	11,624	LPO not raised
24/07/19	34141	Third payment made for health audit19 for the Maritime zone	3,344	LPO not raised
29/07/19	34345	Being payment made for the medical examination of 207 recruits (BRC 2/19)	16,463	LPO not raised
02/05/19	31669	Payment for conducting Health Audit to the Fiji Police Staffs	7,864	LPO not raised
24/06/19	33287	Refit & Refurbishment of Police Boat (FPB Valeci) for WaterPol.	29,500	Invoice received prior to LPO raised, From 3 quotes obtained, only 1 was obtained in the current year. 2 quotes were from prior year.
13/12/18	27737	Being payment made for return air passage back to Fiji for Semester break on 21/12/18 and return to China on 21/04/19 for attending 3rd Postgraduate Program on Policing at Yunnan Police Institute, China from 10/10/17-31/08/19.	3,390	No LPO raised
09/01/19	28491	Being payment made for the accommodation of the CID Officers on duty during the funeral at Bau Island on 08/07-12/07/18 and hire of Hall for 5 days.	3,466	LPO & quotations not attached
04/01/19	28282	Being advance payment made for the facilitation of lunch and Refreshments provided for first official visit of the new Minister of Defence on 07/01/19	1,944	Quotations not attached
22/07/19	34007	Being payment made for the purchase of 2 Laptops for Budget & Procurement.	11,565	The LPO released from the system by CP but was signed by DFA for amount above her authorization limit.
25/01/19	28891	Being payment for the Yamaha Outboard engine Hydraulic steering and accessories.	14,918	The LPO released from the system by CP but was signed by FA for amount above her authorization limit.
19/12/18	729560	Being payment made to cater for mobile phones (\$7844.04) and recharges (\$7687.16) for the deployment of 197 police officers for pre-polling in the four police divisions.	16,929	LPO and the quotations were not attached for the purchase of mobile phones. Also, invoice was not signed for the receipt of

Date	EFT Number	Description	Amount (\$)	Anomalies Noted
25/09/18	25077	Payment of account for extension of boat (FPB Naivonoi) for WaterPol as per invoice 18-90	30,600	goods neither any delivery docket was attached Invoice received prior to LPO raised, From 3 quotes obtained, only 1 was obtained in the current year. 2 quotes were from prior year.
23/01/19	28827	Purchase of new single bunker steel beds & mattresses for Fiji Police Academy (47 units)	24,240	Competitive quotes from Aaron Aric Marketing Ltd not dated
25/03/19	30661	Purchase of cleaning chemicals & materials.	2,890	Competitive quotes from Aaron Aric Marketing Ltd not dated

APPENDIX 20.6 DETAILS OF OVERPAYMENT OF LODGING ALLOWANCE

Rank	EDP No.	Quarters Number	Grade	Date of Occupation	Total Overpayment (\$)
PC	78261	79A	5	12/12/18	3,332
PC	78290	Not Stated	Not Stated	15/02/18	7,248
PC	77597	48B	6	14/12/18	11,122
PC	78536	50B	6	29/11/18	3,739
PC	52932	51B	6	02/05/19	3,133
PC	78056	5011	Bachelors Quarters	2016	2,184
PC	77727	G 271 B	6	03/12/18	4,896
CPL	76261	G 277 B	6	2015	18,443
PC	78148	G275	6	2019	3,900
PC	78153	79D	6	18/01/18	7,532
PC	79056	58D	6	12/08/19	1,289
PC	76418	78C	6	2019	3,864
PC	78851	38C	6	19/01/19	3,688
PC	77555	Pool Quarters	N/A	06/10/11	21,314
CPL	51651	Pool Quarters	6	12/05/18	7,483
CPL	76214	52C	6	18/12/16	1,749
WPC	79218	34D	Not Stated	24/06/19	1,400
CPL	76609	Not Stated	Not Stated	05/07/19	1,883
PC	78024	36B	Not Stated	12/11/16	11,497
PC	78120	110A	6	06/01/18	7,711
TOTAL					127,407

APPENDIX 20.7 PAYMENT ANOMALIES IN THE POLICE TRUST FUND**Sports Trust Fund**

Date	Cheque No.	Particulars	Amount (\$)	Audit Remarks
20/02/19	1611	Payment for purchasing of Jersey for PSRU team for Marist 7's rugby challenge.	2,750	Invoice not attached.
12/12/18	1587	Payment of advance for Western Force to participate in the Cuvu Colleegean 7's.	1,750	Acquittals not attached.
12/01/19	1586	Payment of advance for the expenses of Police 7's team for participating in Wainimala 7's.	1,500	Acquittals not attached.
21/08/18	1529	Payment of expenses for Police Cricket team during interformation tournament.	2,495	Acquittals not attached.
22/08/18	1532	Being payment of advance for the Suva Police Blue's expenses.	1,620	Acquittals not attached.
18/12/18	1588	Being payment of advance to cater for meals and other expenses for Colo 7's team.	2,000	Acquittals not attached
Total			12,115	

Sukuna Bowl Trust Fund

Date	Cheque Number	Particulars	Amount (\$)	Audit Remarks
21/11/18	549	Payment for accommodation and strap & Supplements	6,850	Invoice not attached.
21/11/18	548	Payment for meals and ration for southern division personnel.	6,660	Acquittals not attached.
26/09/18	536	Payment to cover extra expenses for Sukuna Rugby squad on 29.09.18 to 30.09.18.	1,500	Acquittals not attached.
30/10/18	539	Payment to Fiji Police Wives association for preparation towards Sukuna Bowl.	1,000	Acquittals not attached.
05/11/18	542	Payment of funds to organizing committee of Police Soccer for preparation for Sukuna Bowl.	1,000	Acquittals not attached.
21/06/19	556	Payment of funds for providing meals for Nadroga Team.	200	Acquittals not attached.
10/01/18	514	Payment for 4 coloured toners and 140gsm board for Sukuna Bowl Committee.	3,548	Acquittals not attached.
08/11/18	545	Being payment of meals for the Sukuna Bowl team from 6/11 to 12/11/18.	3,700	Acquittals not attached.
16/10/18	533	Being payment of Sukuna Bowl Team expenses for preparation for Bowl challenge while camping in Namaka.	1,800	Acquittals not attached.
29/10/18	536	Being payment of advance to cater for 2018 Sukuna Bowl Squad expenses while in camp for 3 weeks.	1,500	Acquittals not attached.
Total			27,758	

Band Trust Fund

Date	Cheque No.	Particulars	Amount (\$)	Audit Remarks
16/07/19	1080	Purchase of sound proof ceiling batts.	2,080	Invoice not attached
13/09/18	1063	Being payment for purchase of Guitar Strings	1,100	Invoice not attached
Total			3,180	

Section 49 PEACEKEEPING MISSIONS

Roles and Responsibilities

For more than 40 years, Fiji has responded to the call of the United Nations (‘UN’) to serve in some of the most difficult circumstances around the world. Fiji has proudly contributed troops to successive peacekeeping operations in Lebanon, Sinai, Iraq, Syria, Timor Leste, South Sudan, Darfur, Liberia, Bosnia, Kosovo, Kuwait, Namibia, Cambodia and the Solomon Islands.

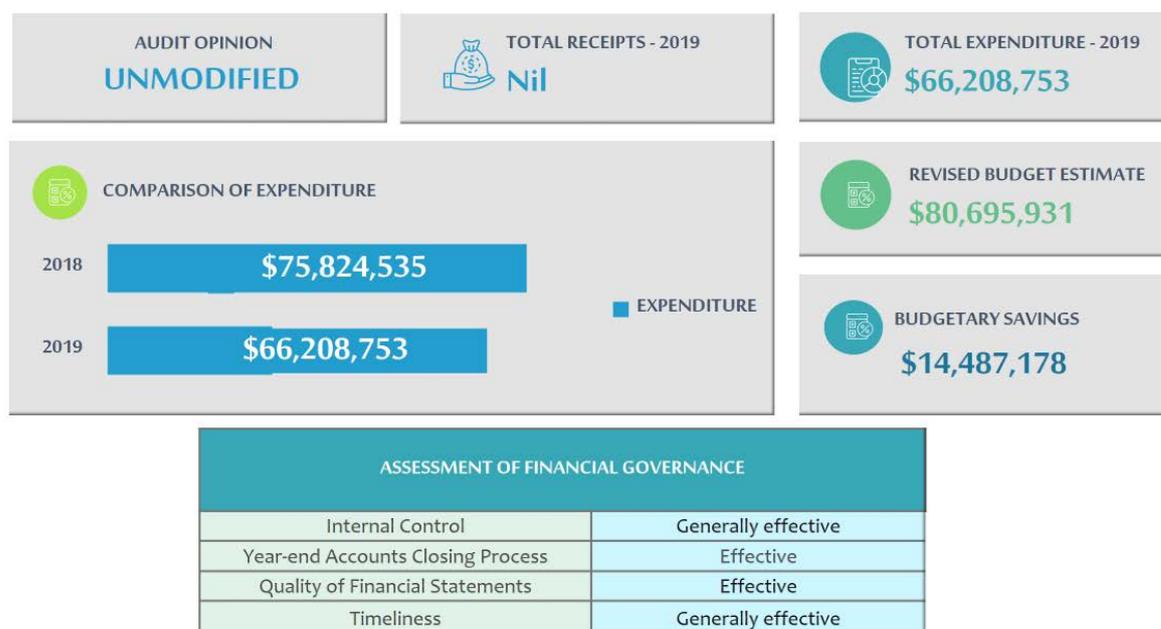
It is a source of great pride that a nation of Fiji’s size is able to make such a meaningful and significant contribution to securing peace in some of the world’s most troubled regions.

The Republic of Fiji Military Force and the Fiji Police Force currently have personnel deployed on UN missions in Syria, Iraq, Lebanon, South Sudan and Sinai.

The UN Security Council mandate for peacekeeping operations calls for security personnel deployed to conflict zones under UN authority to maintain or restore international peace and security, exclusively in the common interest of the international community; disengage the conflict parties; create conditions for peaceful settlement of a conflict; monitor ceasefire peace agreements; and render humanitarian assistance to civilian populations in the area of deployment.

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PART A: FINANCIAL INFORMATION

49.1 Audit Opinion

The audit of the 2019 accounts of the Peacekeeping Missions resulted in an unmodified audit opinion with an emphasis of matter where the Peacekeeping Missions did not carry out a complete board of survey to verify the existence and condition of the assets under its authority contrary to Section 49(2) of the Finance Instructions 2010.

49.2 Appropriation Statement

The Force incurred expenditure totalling \$66.2 million against a revised budget of \$80.7 million resulting in savings of \$14.5 million or 18%.

Details of expenditure against the revised budget are provided in Table 49.1.

Table 49.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	72,810,206	(3,407,118)	69,403,088	58,668,988	10,734,100
3	Travel & Communication	128,164	790,989	919,153	831,598	87,555
4	Maintenance & Operations	580,146	424,605	1,004,751	517,592	487,159
5	Purchase of Goods & Services	3,824,192	1,658,289	5,482,481	4,908,179	574,302
7	Special expenditure	2,302,200	52,805	2,355,005	537,068	1,817,937
	Total Operating Costs	79,644,908	(480,430)	79,164,478	65,463,425	13,701,053

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
9	Capital Purchase	400,000	321,101	721,101	160,550	560,551
	Total Capital Expenditure	400,000	321,101	721,101	160,550	560,551
13	Value Added Tax	651,023	159,329	810,352	584,778	225,574
	TOTAL	80,695,931	---	80,695,931	66,208,753	14,487,178

The budget savings were due to the following:

- Savings of \$10.7 million in SEG 1 - Established Staff was due to reduction in payment of allowance for the withdrawal of troops from the United Nations Interim Force in Lebanon.
- Savings of \$1.8 million in SEG 7 - Special Expenditure was due to savings in the allocations for “standby arrangement for rapid deployment of manpower” of \$452,000 which was under requisition, \$412,377 on the winter clothing and \$928,394 on military technical equipment.

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Force. These have been included in this report as they impacted on the overall system of control of the Force as at 31 July 2019.

49.3 Cost sharing arrangement – Head 19 & Head 49

The Staff Officer Accounts, Chief Staff Officer Finance or Supplies Officer Trade must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct¹.

Expenses totaling \$415,677 relating to the Republic of Fiji Military Force (RFMF - Head 19) were posted to the Peacekeeping Missions (Head 49) FMIS General Ledger. Refer below for summary and Appendix 49.1 for details.

Table 49.2: Summary of Mis-postings

SEG	Amount (\$)
SEG 3	182,505.35
SEG 4	233,171.43
Total	415,676.78

Root cause/Implication

In the absence of a structured cost-sharing arrangement, demarcating certain expenses that specifically relate to preparing for deployment for peacekeeping operations was difficult with expenses reflected in either Head 19 or Head 49.

Recommendation

The RFMF should consider developing a structured cost-sharing arrangement to ensure that expenses are correctly reflected in the FMIS GL and Agency Financial Statements (AFS) for both Peacekeeping and the RFMF.

Agreed Management Action

OAG comments are noted.

¹ RFMF Finance Manual 2014, Section 2.8.4 (e)

Operationally there is an overlap between H-19 and H-49 when it comes to Peacekeeping. Prior to any service personnel being deployed for Peacekeeping Operations, they first have to go through a series of screening, testing and training of their Units (H-19 Cost Centre) before they are recommended to the RFMFs (H-49) Directorate of Peace Support Operations for the official pre-deployment training (PDT) at the Peacekeeping School at Blackrock in Nadi. The expenses incurred by RFMF (H-19) Unit include costs such as training, travelling, messing, Vodafone, telecommunications, electricity, water, etc.

The cost sharing exercise hence has been adopted so that the H19 Cost Centers are not disadvantaged by the utilization of their funds for the aforementioned expenses. The preliminary vetting of service personnel is critical to the overall performance of RFMF personnel in the global peacekeeping area.

Officer Responsible

Principal Accounts Officer

49.4 Variances in Location Allowance

Salaries and wages constitute a major portion of the agency’s budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.²

Location allowances are paid at \$130 per day for each Officer. We noted variances in the payment of the location allowances for the number of days the officers were on mission. Refer to Table 49.3 for examples.

Table 49.3: Variances in Location Allowance

Regimental No.	Mission	Start Date of Mission	End Date of Mission	No. of Days	Total allowance to be paid (\$)	Allowance Paid - Pay Report (\$)	Variance (\$)	No. of Days
32720	1 FIR UNDOF	2/10/18	22/10/19	385	50,050	48,750	1,300	10
27267	FIR Sinai MFO	18/03/19	11/07/20	481	62,530	60,970	1,560	12
26782	1 FIR UNDOF	15/11/18	22/10/19	341	44,330	46,020	(1,690)	(13)
25447	1 FIR UNDOF	15/11/18	22/10/19	341	44,330	45,110	(780)	(6)

Root cause/Implication

The payment of location allowances was not reconciled to the number of days the officers were on mission. In addition, any additional time taken for handing over were not documented in the accounting records to justify additional payments of allowances.

² RFMF Finance Manual 2014, Part 4 Introductory Payroll

Recommendation

The Mission should ensure that allowances paid are correctly reconciled to the number of days the Officers are entitled to during the Mission.

Agreed Management Action

It's also to be noted that there are times where serving personnel are required to stay behind to do proper handing over. Sometimes the flight to and from the Mission was delayed due to security reasons.

These situations affect the payments of Location Allowances.

Officer Responsible

Directorate Peacekeeping Support Operations

49.5 Board of Survey not conducted

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years.³

We noted that the Mission did not carry out a complete annual Board of Survey for fixed assets and expandable items for the year ended 31 July 2019. A Board of Survey was held on 08/11/2018 and was approved on 12/04/2019 for the Black Rock Camp in Nadi.

Root cause/Implication

Stock-take officers were not appointed to undertake the stock take at year end.

Recommendation

The Mission should ensure that officers are appointed to undertake Board of Survey in accordance with the requirements of the Finance Manual and Finance Instructions 2010.

Agreed Management Action

The Force is in the process of conducting BOS which should be concluded by Dec 2020. A report will be forwarded to OAG.

Officer Responsible

Directorate Peacekeeping Support Operations and Senior Accounts Officer

³ Finance Instructions 2010, Section 49 (1)

49.6 Poor Storage area for stock

Storage of inventories shall be the responsibility of the storekeepers. The storekeeper must ensure that:

- adequate storage space is available for incoming stock as and when required;
- storage facilities are properly secured;
- stocks are kept in an orderly manner allowing for safe access;
- stocks are handled with care and well stored so as to reduce the risk of damage;
- quantity of stock is closely monitored to avoid excess holdings or shortages.⁴

Audit checks on 08/09/20 noted that the peacekeeping storeroom were not in a good condition due to missing ceiling and leaking roof increasing the risk of damage to the stock. Refer *Appendix 49.2* for illustrations.

Root cause/Implication

The storeroom is an old building and is being used without proper maintenance work being carried out.

Recommendation

The Mission should ensure improvement is made to the current storeroom to ensure proper storage to avoid damage to the stock.

Agreed Management Action

The Force has been allocated Capital budget for the renovation of the current storage. As of to date the Tender is with GTB for approval of TEC's recommended contractor.

Officer Responsible

Directorate Peacekeeping Support Operations

49.7 Variance between Payroll and FMIS General Ledger

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.⁵

A variance of \$164,764 was noted between the balances recorded in the Payroll Report and FMIS general ledger. Refer to Table 49.4 for details.

⁴ RFMF Finance Manual 2014, Section 8.2.1

⁵ RFMF Finance Manual 2014, Part 4 Introductory Payroll

Table 49.4: Variance in Payroll

SEG 1 Breakdown	Payroll Report Balance (\$)	FMIS General Ledger Balance (\$)	Variance (\$)
Personal Emoluments	20,176,133	21,150,429	51,277
Less: Prog 2 Act 1 (relating to Police)		<u>(1,025,573)</u>	
		20,124,856	
Lodging Allowance	2,544,467	2,688,896	(144,429)
Location Allowance	31,340,660	31,114,175	226,485
Service Allowance	1,376,078	1,396,664	(20,586)
FNPF	2,368,064	2,316,047	52,017
Total	57,805,402	57,640,638	164,764

Root cause/Implication

The RFMF (Head 19) and Peacekeeping (Head 49) prepared combined salary reconciliation from Pay 16/2018 to 07/2019, which were not verified against the FMIS general ledger.

Recommendation

The Mission should ensure that monthly reconciliation is carried out between the payroll report and the FMIS general ledger and the variances noted are investigated and rectified. Separate salary reconciliation should be performed for Head 19 and 49.

Agreed Management Action

It is to be noted that Head 49 is a combination of Military and Police, DPKO is looking after 3 cost centers and the 4th is control and monitored by Police, the variance noted by the OAG in SEG 1 PE Vote was for Programmed 2 Activity 1 in H49, DOP monitored the mention activity using Head 49 when running their own payroll.

Officer Responsible

Principal Accounts Officer and Staff Officer Pay

49.8 Variance between Stock Card Balance and Actual Stock

The stocktaking officers must ensure that, stocks are properly stored, actual stock corresponds to supporting records and records are properly maintained and up to date.⁶

Variances were noted between the balance in the stock card and physical count that was performed on 08/09/20. Refer to Table 49.5 for details.

⁶ RFMF Finance Manual 2014, Section 6.3.2

Table 49.5: Variances in Stock Balance

Item Name	Stock Card Quantity	Stock Take Quantity (Physical Count)	Variance
Rain Coat	138	225	(87)
Winter Gloves	35	278	(243)
Runaway Pack	594	14	580
Medical Kit	272	161	111
Brown Boots	410	323	87
Cleaning Kit	270	250	20

Root cause/Implication

The stock cards were not regularly updated to capture the inflow and outflow of stock.

Recommendation

The Mission should strengthen internal control in stock movement by updating stock cards as soon as stocks are received or dispatched.

Agreed Management Action

The Force will strengthen internal controls in stock movements by updating stock cards as soon as stocks are being received or dispatched as recommended. The Force is also working on its automated Logistics system software to better manage its inventories and assets.

The Force will conduct BOS of expired drugs for disposal.

Officer Responsible

Directorate Peacekeeping Support Operations.

49.9 Absence of Disaster Recovery, Business Continuity Plan & Risk Management Policy

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

The review of the Mission's governance structure revealed the absence of written policies, procedures or guidelines to manage risk associated with the following:

- fraud control and anti-corruption;
- disaster recovery and business continuity; and
- assessment of potential conflict of interest.

Root cause/Implication

In the absence of a risk management framework, there is no guidance to manage risks, particularly risk of fraud and misappropriation of assets.

Recommendation

The Mission should work towards establishing a risk management framework that would support the operations of the Mission by providing financial and operational risk management.

Agreed Management Action

The required documents will be documented in the Defense White Paper Policy with the Ministry of Defense.

Officer Responsible

Directorate Peacekeeping Support Operations

49.10 Misposting – Recurring Issue

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes the ledger account it is charged to.⁷

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.⁸

The audit noted mispostings in departure tax allocation. Refer to Table 49.7 for details of mispostings.

Table 49.7: Mispostings

Date	Payment ID	Description	Amount (\$)	Correct Allocation
16/10/2018	78862	Payment of 220 emergency passports for UNDOF personnel incorrectly posted to Departure Tax	36,330.27	Other Purchases 1-49103-49103-059999
		Allocation - 1-49103-49103-050705		
30/10/2018	78937	Payment of 68 emergency passports for UNDOF personnel incorrectly posted to Departure Tax	11,229.36	Other Purchases 1-49103-49103-059999
		Allocation - 1-49103-49103-050705		
12/02/2019	37499	Airfare expense incorrectly posted to Departure Tax	10,072.48	Travel 1-49101-49101-030101 1-49102-49102-030101 1-49103-49103-030101
		Allocation - 1-49103-49103-050705		

⁷ Financial Instruction 2010, Section 14 (1) part (g)

⁸ RFMF Finance Manual 2014, Section 16.1.1

Date	Payment ID	Description	Amount (\$)	Correct Allocation
14/05/2019	40164	Vehicle hire for Blackrock administration incorrectly posted to Departure Tax Allocation - 1-49103-49103-050705	6,688.20	Travel 1-49101-49101-030101 1-49102-49102-030101 1-49103-49103-030101

Root cause/Implication

The Mission did not regularise the mispostings during the closing of accounts process.

Recommendation

The Mission should ensure that transactions are posted to the correct allocations in the FMIS ledger. In addition, Accounts Officers should carry out reviews of payments to identify mispostings and correct them in a timely manner.

Agreed Management Action

The Force will take this issue into 21/22 budget consultation. We need to increase our Incidental Allocation to cater for all other expenses incurred during Training and Chalk Rotation.

Officer Responsible

Principal Accounts Officer

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

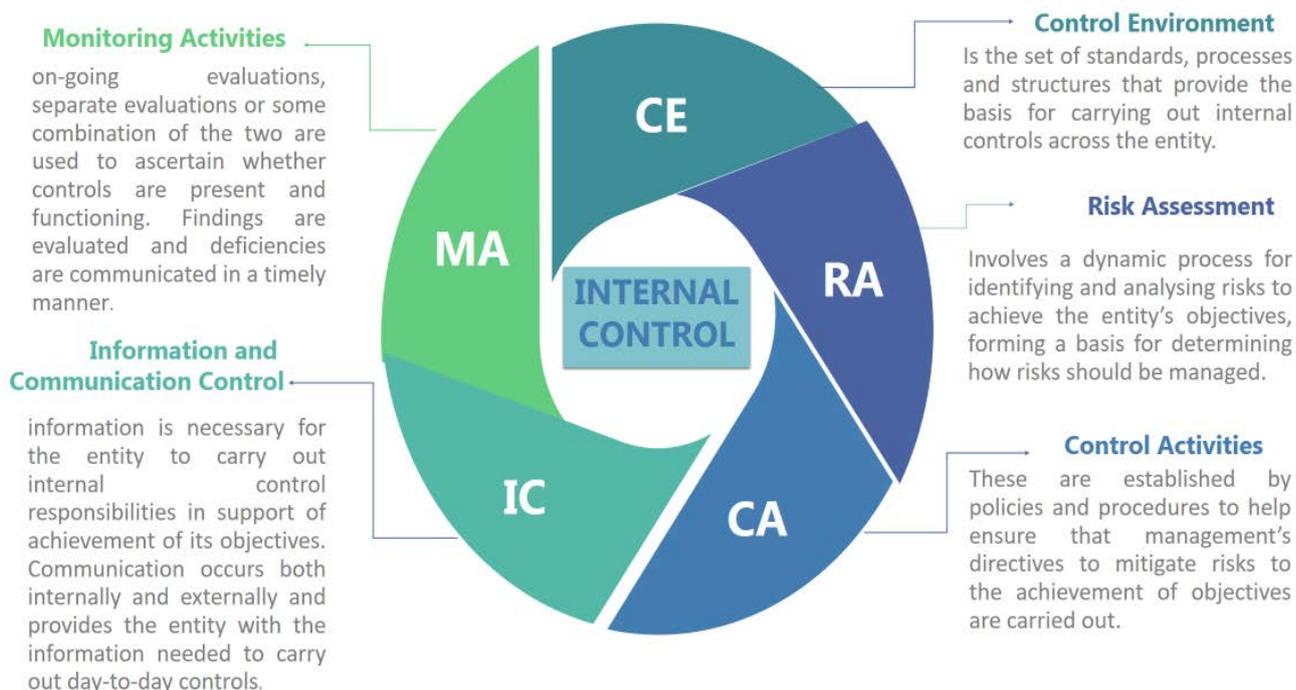
49.11 Internal Controls

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

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

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

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



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

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀	☀	☠	☘	☀

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

49.12 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019	Not Applicable	Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019	Not Applicable	Processing of <u>virement</u> by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019	Not Applicable	Completion of reconciliations by 29 August 2019	Not Applicable
Retirement of <u>imprests</u> by 19 July 2019	Not Applicable	Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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

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

Rating	Year-end close process assessment
 Effective	3 out of 4 key processes completed within due date.

49.13 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
 Effective	There were no adjustments required.

49.14 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
☀ Generally Effective	Acceptable draft financial statements received on or before 31 October 2019

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

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

Rating	Timeliness of Management Comments Received
☹ Ineffective	After 21 days from the date of issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
☀ Effective	Signed financial statement received within 15 days

APPENDIX 49.1: DETAILS OF HEAD 19 EXPENDITURE POSTED IN HEAD 49 FMIS GENERAL LEDGER

Date	Payment ID/Journal Number	Particulars	SEG Expenditure was posted to	Amount Charged to Peacekeeping Missions (Head 49) FMIS General Ledger (\$)	Amount related to RFMF (Head 19) (\$)	Amount related to Peacekeeping Missions (Head 49) (\$)
16/05/2019	40230	RFMF Vodafone bills for April 2019 incorrectly posted to Peacekeeping Missions Telecommunications.	SEG 3	30,256.70	30,256.70	0.00
8/07/2019	41613	RFMF Vodafone bills for May 2019 incorrectly posted to Telecommunications (Head 49).	SEG 3	24,348.04	24,348.04	0.00
8/04/2019	39326	Vodafone bills for (March 2019) for RFMF incorrectly posted to Telecommunications (Head 49).	SEG 3	22,672.06	22,672.06	0.00
27/03/2019	38865	RFMF Vodafone charges for February 2019 incorrectly posted to Telecommunications (Head 49).	SEG 3	20,662.49	20,662.49	0.00
9/07/2019	41646	RFMF Vodafone bills (May 2019) incorrectly posted to Telecommunications (Head 49).	SEG 3	16,402.28	16,402.28	0.00
8/07/2019	41612	RFMF Telecom Fiji Limited bill for June 2019 incorrectly posted to Telecommunications (Head 49).	SEG 3	43,243.06	43,039.84	203.22
27/03/2019	38888	RFMF Telecom Fiji Limited bill for February 2019 incorrectly posted to Telecommunications (Head 49).	SEG 3	21,132.53	20,865.81	266.72
27/03/2019	79551	Payment of per diem to officer who travelled to Australia to visit Fijian cadets studying in Canberra. The trip was not related to Peacekeeping operations and as per Payroll Summary, the officer does not belong to any of the departments under Peacekeeping Missions. Hence, the payment of the officer's per diem out Head 49 is a misallocation.	SEG 3	4,258.13	4,258.13	0.00
Total SEG 3				182,975.29	182,505.35	469.94
27/03/2019	38855	RFMF EFL bills for February 2019 incorrectly posted to Power Supply (Head 49)	SEG 4	36,581.78	36,581.78	0.00

Date	Payment ID/Journal Number	Particulars	SEG Expenditure was posted to	Amount Charged to Peacekeeping Missions (Head 49) FMIS General Ledger (\$)	Amount related to RFMF (Head 19) (\$)	Amount related to Peacekeeping Missions (Head 49) (\$)
27/03/2019	38883	RFMF EFL bills for February 2019 incorrectly posted to Power Supply (Head 49)	SEG 4	22,399.87	22,399.87	0.00
17/04/2019	39592	RFMF EFL bills for March 2019 incorrectly posted to Power Supply (Head 49)	SEG 4	29,584.97	29,440.58	144.39
30/05/2019	40547	RFMF electricity bills for May 2019 incorrectly posted to Power Supply (Head 49)	SEG 4	10,947.13	10,947.13	0.00
12/06/2019	40833	RFMF electricity bills for May 2019 incorrectly posted to Power Supply (Head 49)	SEG 4	60,178.38	60,178.38	0.00
8/07/2019	41611	RFMF electricity bills for June 2019 incorrectly posted to Power Supply (Head 49)	SEG 4	38,784.83	38,784.83	0.00
Dec-19	190584	This journal is an adjustment of water & sewerage payments made in the 2019 financial year that were incorrectly charged to RFMF (Head 19) - Procurement of Explosives. However, it was noted that there is only 1 bill for Peacekeeping Missions (Head 49) and the rest for various RFMF departments.	SEG 4	40,000.00	34,838.86	5,161.14
Total SEG 4				238,476.96	233,171.43	5,305.53
Overall Total				421,452.25	415,676.78	5,775.47

APPENDIX 49.2: POOR STORAGE AREA OF STOCK

		
<p>Figure 1: Stocks piled up to the ceiling</p>	<p>Figure 2: Stocks piled up to the ceiling</p>	<p>Figure 3: Leaking roofs - plastic attached to ceiling to collect water</p>
		
<p>Figure 4: Plastic attached to ceiling to collect water</p>	<p>Figure 5: Worn out ceiling</p>	<p>Figure 6: Missing ceiling from pharmacy. Medicine are exposed to heat from the roof.</p>



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