



OFFICE of the AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2019 Audit Report on Infrastructure Sector



PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 26 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

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We uphold respect
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INTEGRITY

We are ethical, fair and
honest in our duties.

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and report objectively.

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are transparent.

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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 INFRASTRUCTURE 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 Infrastructure Sector for 2019 excluding Head 42 – Ministry of Waterways and Environment.

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

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 Infrastructure Sector. Permanent Secretaries and those charged with governance of the agencies under the Infrastructure 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 might 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 were 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 on 01 April 2021.

The audit for Head 42 – Ministry of Waterways and Environment has been completed and issued for signing on 15/04/21. As at 27/05/21, the Ministry was yet to return the signed audited accounts to enable me to issue my audit opinion. The delay was largely due to the restrictions brought about by the containment zones and movement restrictions due to COVID-19 pandemic.

The results of the audit of the Head 42 will be included in my subsequent reports to Parliament.

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting by agencies under the Infrastructure 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 Infrastructure Sector, namely:

Head 40	Ministry of Infrastructure and Transport
Head 41	Water Authority of Fiji
Head 43	Fiji Roads Authority

The audit for Water Authority of Fiji and Fiji Roads Authority will be reported separately under the Report of the Auditor-General for Statutory Authorities. The status of the audit for Water Authority of Fiji and Fiji Roads Authority are provided in the table below:

Head	Agency	Date Acceptable Draft Accounts Received for Audit	Audit Status as at 28/05/21
41	Water Authority of Fiji	06/03/19	2017 audit completed and audit opinion issued on 04/03/21. Draft financial statements for 2018 is yet to be submitted by the Authority for audit
43	Fiji Roads Authority	22/11/18	Audit for 2019 financial statements in its final stage.

Results of our Audits - Quality and Timeliness of Financial statements

The audit of Ministry of Infrastructure and Transport resulted in the Auditor-General issuing modified audit opinion. 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 Ministry of Infrastructure and Transport 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.

The following table presents comparison of the results of our audit for last three financial years for Ministry of Infrastructure and Transport.

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
40. Ministry of Infrastructure and Transport	30/09/20	Modified	Modified	Modified

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 on the following grounds presented in the next page.

Ministry of Infrastructure and Transport

1. An unreconciled variance of \$905,624 exists between the TMA balance sheet cash at bank balance of \$1,112,093 and bank reconciliation balance of \$206,469 as at 31/07/19. Consequently, the audit could not confirm the accuracy and completeness of the Cash at bank balance of \$3,189,465 stated in the Consolidated TMA balance sheet as at 31 July 2019.
2. Energy Trust Account closing balance of \$2,818,425 was not supported with a detail listing. Consequently, the audit was unable to perform appropriate verifications to confirm the accuracy of the balance stated in the Energy Trust Account Receipts and Payments.
3. The Ministry has incorrectly classified VAT component of \$2,442,873 as Capital grant expenditure in the Statement of Receipts and Expenditure. As a result, the Capital grant expenditure was overstated and VAT being understated in the Agency Financial Statements.
4. The Ministry did not carry out an annual board of Survey for both Department of Transport and Department of Water and Sewerage to verify the existence and condition of all assets under its authority contrary to section 49 of Finance Instruction 2010.

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

5. The Ministry has disclosed the seventeen Trading and Manufacturing Accounts in the financial statements by consolidating them according to divisions. The change in the format of the presentation has resulted in the limited information being disclosed in the financial statements for each type of TMA in terms of its performance and cash flows. In addition, the explanations for variances noted in the Note to the financial statements are not meaningful as comparatives for 2018 have not been reflected.
- The Ministry has disclosed status of the Rural Electrification Projects (REU) contracted out to Energy Fiji Limited (EFL) in the financial statements. As at 31 July 2019, Energy Fiji Limited was yet to implement a total of 129 Rural Electrification Project totalling \$36,914,862.
 - Internal controls relating to payroll, inventory, agency revenue and journal vouchers need to be strengthened to avoid any possible mismanagement of funds. This includes non-preparation, non-certification and delay of the payroll reconciliations, non-certification of bank lodgement, duplicate copies of receipts not attached to the revenue analysis sheets and journal vouchers not stamped “posted” and not supported with relevant documents.

3.0 ASSESSMENT OF FINANCIAL GOVERNANCE

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, Financial Management (Amendment) Act 2016 and Finance Instructions 2010, and for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Our overall assessment of the financial governance of the Ministry of Infrastructure and Transport 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

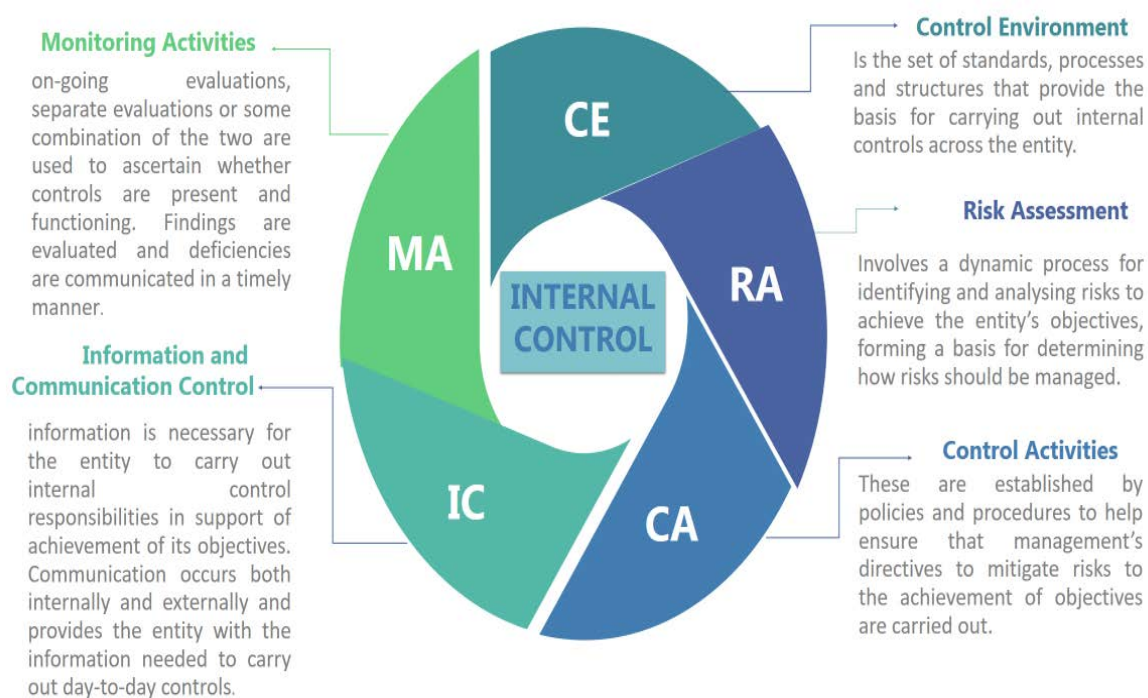
During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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. Refer to the next page.



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 *Infrastructure 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

4.0 RESULT SUMMARY – FINANCIAL GOVERNANCE

The following table comparatively summarizes our assessment of controls, the financial statement preparing processes and responses to the Office of the Auditor-General by the Ministry of Infrastructure and Transport for financial Years 2017-2019 which were subject to our audit.

	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
Infrastructure Sector																														
40. Ministry of Infrastructure and Transport	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱	✱

'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

Head 40**Ministry of Infrastructure and Transport****Roles and Responsibilities**

The Ministry of Infrastructure and Transport ('Ministry') consists of the Transport Planning Unit, Government Shipping Services, Department of Works, Department of Energy and the Department of Water and Sewerage. The Ministry also administers the grant funds allocated to statutory bodies (Land Transport Authority and the Maritime Safety Authority of Fiji).

Together, these departments and statutory authorities work to manage the network of Fijian infrastructure, which has vastly expanded over the past decade. This network of roads, bridges, ports, jetties and services infrastructure is critical to the well-being of the Fijian people and for the nation's economic development, and the Fijian Government is committed to ensuring reasonable access to reliable infrastructure and essential services for every citizen. In support of Fiji's long-term development agenda, the Ministry incorporates forward-thinking strategic planning and policy into every aspect of infrastructure development and transportation management. Particularly with regards to climate change, the Ministry is committed to ensuring that Fiji's infrastructure meets high climate resilient standards so that it is capable of withstanding severe climate impacts. The Ministry also places a particular focus on ensuring equitable access to services and infrastructure for Fijians from rural and maritime regions.

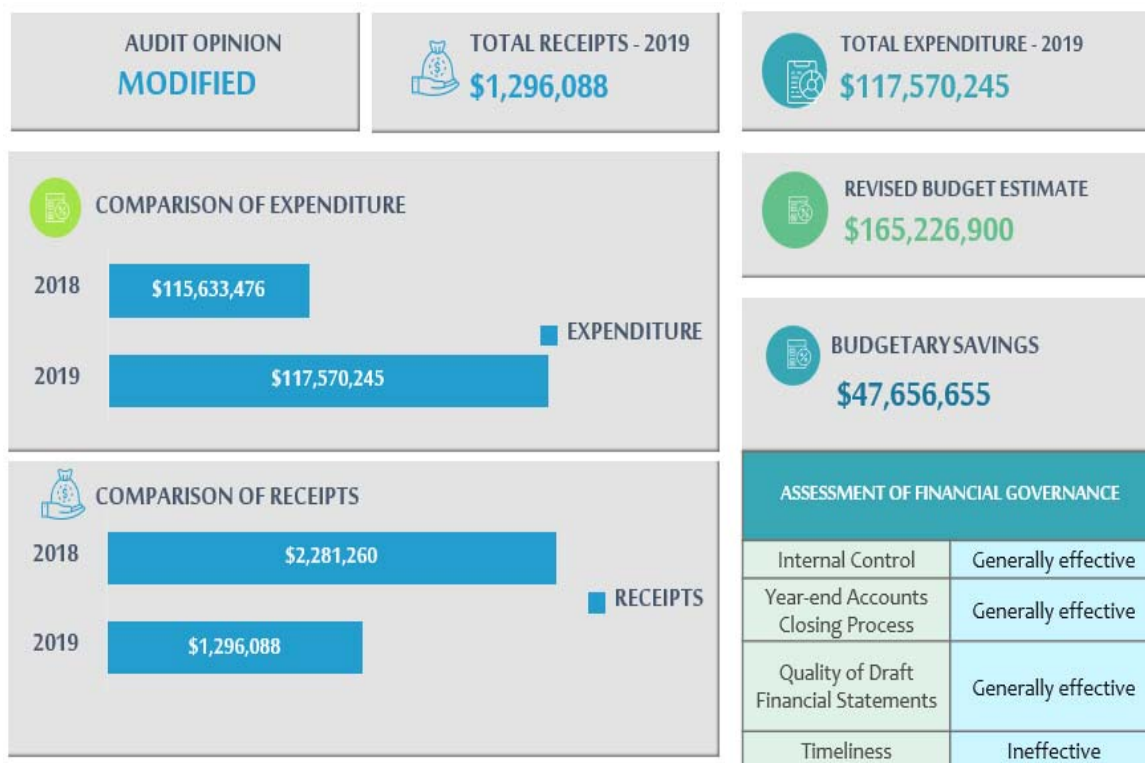
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PART A: FINANCIAL INFORMATION

40.1 Financial Information – Head 40



40.2 Audit Opinion

The audit of the 2019 accounts of the Ministry of Infrastructure and Transport resulted in a modified audit opinion. The qualification issues were as follows:

- An unreconciled variance of \$905,624 exists between the TMA balance sheet cash at bank balance of \$1,112,093 and bank reconciliation balance of \$206,469 as at 31/07/19. Consequently, the audit could not confirm the accuracy and completeness of the Cash at bank balance of \$3,189,465 stated in the Consolidated TMA balance sheet as at 31 July 2019.
- Energy Trust Account closing balance of \$2,818,425 was not supported with a detail listing. Consequently, the audit was unable to perform appropriate verifications to confirm the accuracy of the balance stated in the Energy Trust Account Receipts and Payments.
- The Ministry has incorrectly classified VAT component of \$2,442,873 as Capital grant expenditure in the Statement of Receipts and Expenditure. As a result, the Capital grant expenditure was overstated and VAT being understated in the Agency Financial Statements.

- The Ministry did not carry out an annual board of Survey for both Department of Transport and Department of Water and Sewerage to verify the existence and condition of all assets under its authority contrary to section 49 of Finance Instruction 2010.

Furthermore, attention was also drawn to the following matters:

- The Ministry has disclosed the seventeen Trading and Manufacturing Accounts in the financial statements by consolidating them according to divisions. The change in the format of the presentation has resulted in the limited information being disclosed in the financial statements for each type of TMA in terms of its performance and cash flows. In addition, the explanations for variances noted in the Note to the financial statements are not meaningful as comparatives for 2018 have not been reflected.
- The Ministry has disclosed status of the Rural Electrification Projects (REU) contracted out to Energy Fiji Limited (EFL) in the financial statements. As at 31 July 2019, Energy Fiji Limited was yet to implement a total of 129 Rural Electrification Project totalling \$36,914,862.
- Internal controls relating to payroll, inventory, agency revenue and journal vouchers need to be strengthened to avoid any possible mismanagement of funds. This includes non-preparation, non-certification and delay of the payroll reconciliations, non-certification of bank lodgement, duplicate copies of receipts not attached to the revenue analysis sheets and journal vouchers not stamped “posted” and not supported with relevant documents.

40.3 Appropriation Statement – Head 40

The Ministry collected revenue totalling \$1.2 million in 2019 and incurred expenditure totalling \$117.5 million against a revised budget of \$165.2 million resulting in savings of \$47.6 million or 40.5%.

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

Table 40.1: Head 40 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	13,278,845	(1,421,178)	11,857,667	9,194,496	2,663,171
2	Government wage earners	7,646,671	325,178	7,971,849	6,841,328	1,130,521
3	Travel & communication	1,089,752	(20,000)	1,069,752	973,570	96,182
4	Maintenance & operations	8,583,855	1,807,691	10,391,546	9,398,058	993,488
5	Purchase of goods & services	2,102,371	63,000	2,165,371	1,614,358	551,013
6	Operating grant & transfers	34,177,417	(20,000)	34,157,417	28,457,181	5,700,236
7	Special expenditure	5,272,797	340,000	5,612,797	5,308,590	304,207
	Total Operating Expenditure	72,151,708	1,074,691	73,226,399	61,787,581	11,438,818
8	Capital construction	20,496,140	(310,000)	20,186,140	13,527,679	6,658,461
9	Capital purchase	3,817,032	(764,691)	3,052,341	909,246	2,143,095

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
10	Capital grants & transfers	65,039,372	-	65,039,372	39,533,506	25,505,866
	Total Capital Expenditure	89,352,544	(1,074,691)	88,277,853	53,970,431	34,307,422
13	Value added tax	3,722,648	-	3,722,648	1,812,233	1,910,415
	Total Expenditure	165,226,900	-	165,226,900	117,570,245	47,656,655

The budget savings were largely due to the following:

1. Savings for payroll is due to 71 vacant positions. During the financial year, the Ministry was working on the instructions of Ministry of Economy on the “New Business Initiative (NBI)” for the Department of Works. The vacant positions within the activities of Department of Works that would be affected by the NBI were put on hold awaiting the implementation of NBI.
2. Savings in travel and communication, maintenance and operations, purchase of goods and services is due to controls implemented to reduce expenditure for the respective expenditure allocations.
3. Savings in operating grants and transfers is due to the non-release of the 4th quarter grant to Land Transport Authority of Fiji (\$5,172,900) from Ministry of Economy.
4. Savings in capital constructions is due to projects put on hold and re-prioritized for other Government projects and commitments as advise by Ministry of Economy .These include funds for constructions of retaining wall for government wharf (\$2,677,573), upgrade of government wharf (\$650,000), upgrade of government shipping vessels (\$800,000), upgrade of Buca Hydro turbine (\$900,000), rural grid infrastructure (\$785,000), energy conservation assessment (\$169,816), upgrade of Buca hydro access roads (\$292,000) and renewable energy development project t(\$212,117).
5. Savings in capital purchases is also due to advise by Ministry of Economy for the projects to be on hold. These include funds for the purchase of vessels (\$1,771,846), purchase of standby generators (\$261,997) and purchase of new generators for Nabouwalu (\$93,000).
6. Savings in capital grants and transfers is due to advice by Ministry of Economy for the projects to be on hold. These includes funds for Rural Electrifications projects (\$18,424,146), Tropical Cyclone Winston Rehabilitation (\$3,737,242) and Tropical Cyclone Keni Rehabilitation (\$931,705). Other savings is due to the non-release of the 4th quarter grant of Land Transport Authority grant totalling \$2,112,773 by Ministry of Economy.

40.4 Appropriation Statement – Head 41

The Water Authority of Fiji incurred expenditure totaling \$227,041,735 in 2019 against a revised budget of \$349,264,200 resulting in savings of \$122,222,465 or 35%.

Details of expenditure against the revised budget are provided in Table 40.2.

Table 40.2: Head 41 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	102,798,361	-	102,798,361	78,401,457	24,396,904
	Total Operating Expenditure	102,798,361	-	102,798,361	78,401,457	24,396,904
10	Capital grants & Transfers	246,465,839	-	246,465,839	148,640,278	97,825,561
	Total Capital Expenditure	246,465,839	-	246,465,839	148,640,278	97,825,561
	Total Expenditure	349,264,200		349,264,200	227,041,735	122,222,465

40.5 Appropriation Statement – Head 43

The Fiji Roads Authority incurred expenditure totalling \$426,213,168 in 2019 against a revised budget of \$563,056,946 resulting in savings of \$136,843,778 or 24%.

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

Table 40.3: Head 43 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	29,626,999	-	29,626,999	24,174,215	5,452,784
	Total Operating Expenditure	29,626,999	-	29,626,999	24,174,215	5,452,784
10	Capital grants & transfers	533,429,947	-	533,429,947	402,038,953	131,390,994
	Total Capital Expenditure	533,429,947	-	533,429,947	402,038,953	131,390,994
	Total Expenditure	563,056,946	-	563,056,946	426,213,168	136,843,778

40.6 Trading and Manufacturing Account (TMA)

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

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

The activities of the TMA are as follows:

Joinery

TMA Joinery receives bulk of its work from the Building Section in the form of Capital Works Projects, maintenance of public buildings, interior fit-outs and furnishing of quarters. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings. The Joinery section also fabricates wall framings, roof trusses, fixtures, manufacturing of all types of furniture and dressed timber of required sizes as per details in the standard design.

Plumber shop

TMA Plumbing receives bulk of its work from the Building Section in the form of Capital Works Projects and Maintenance of public buildings. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings.

The Plumber shop also fabricates water tanks, ridge caps, barge flashings, roof trusses, fixtures, manufacturing of all types of flashings to buildings and required sizes as per details in the standard design.

Fuel and Oil

Fuel and Oil is one of the basic core values of operation within the Ministry of Infrastructure and Transport especially the Department of Works in the Central/Eastern. It serves as a backbone, set to a higher standard for effective improvement of daily operations. It also enhances a better service delivery required as a business entity to display its potential and quality service to its customers. The products which consist of diesel, petrol, brake fluid, premix, SAE 30, TELUS 46 and many more is brought from the supplier at retail prices. The major customer is Plant Pool with other ministries and departments contributing to the overall sales.

Lube Bay

The core role of the Lube Bay is to provide lubrication services to the customers to ensure it fulfils customer satisfaction concurrently ensure a healthy income for the business sustainability. It consists of a wide range of product which are bought at a lesser price and in return sold out to customers at market price. Lube Bay is open to all government vehicles and at present the major customer is plant pool and some other ministries and departments.

Plant Hire

The main role of this business unit is to provide a reliable and cost-effective means of transportation to customers ensuring that it meets customer expectations in terms of service delivery. Periodically, the Business's principal earning source is derived from hiring of all of its resources ranging from light vehicles, heavy vehicles, heavy machineries and plants. In such way, the Business is able to satisfy its workers through the provision of a persistent wage and meeting certain expenditures ensuring the overall financial status is well retained.

Workshop Wages

Workshop wages TMA consists of Machine/ Fitting Shop, Light & Heavy Garage, Tractor Shop, Welding and Fabrication (Boiler shop) and Refrigeration & Air-conditioning services. The Workshop provides mechanical services to Plant Pool, Water & Sewerage, Buildings, Hospitals and other client ministries in delivering of capital and on – going projects. The Workshop can provide widest range of engineering services available in the country. The major customer is plant pool and other ministries and departments.

Blocks Shed

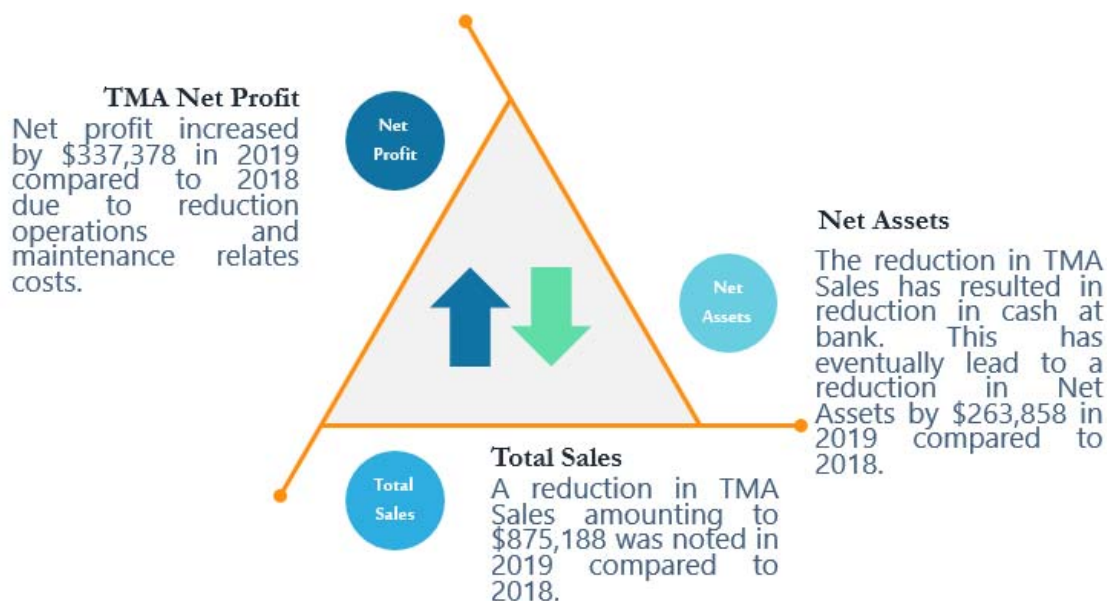
The Block shed TMA was setup to support the needs of the Building and Roads Section in terms of facilitating the supply of concrete products such as blocks, V – drains, road curbs, marker posts, slabs and other non-structural concrete products needed for building and road construction. That was during the time when the Roads Section was still part of Department of Works. These buildings are either residential quarter's accommodation for government officials, government office buildings and institutional buildings. The traditional role has remained since its inception until this day. The volume of work that the Block shed TMA undertakes each year varies depending on the needs of other government ministries and department.

All Trading and Manufacturing Account in the respective Divisions has a ceiling as noted below;

Table 40.4: Details of TMA Ceiling

TMA Activities	DIVISION		
	DEWN (\$)	DEWCE (\$)	DEWW (\$)
Concrete Products	15,000	-	-
Fuel and Oil	200,000	200,000	200,000
Joinery	50,000	150,000	75,000
Plant Hire	400,000	400,000	400,000
Plumber shop	10,000	40,000	10,000
Lube Bay	-	2,000	-
TOTAL	675,000	792,000	685,000

The financial analysis of TMA for the year ended 31 July 2019 is provided below. Detailed Statements for the TMA are provided in Appendix 1.



40.7 Trust Fund Account

The Ministry's Department of Energy Trust Fund Account is guided by the Rural Electrification Policy (REP) 2016 approved by the Minister for Infrastructure and Transport.

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

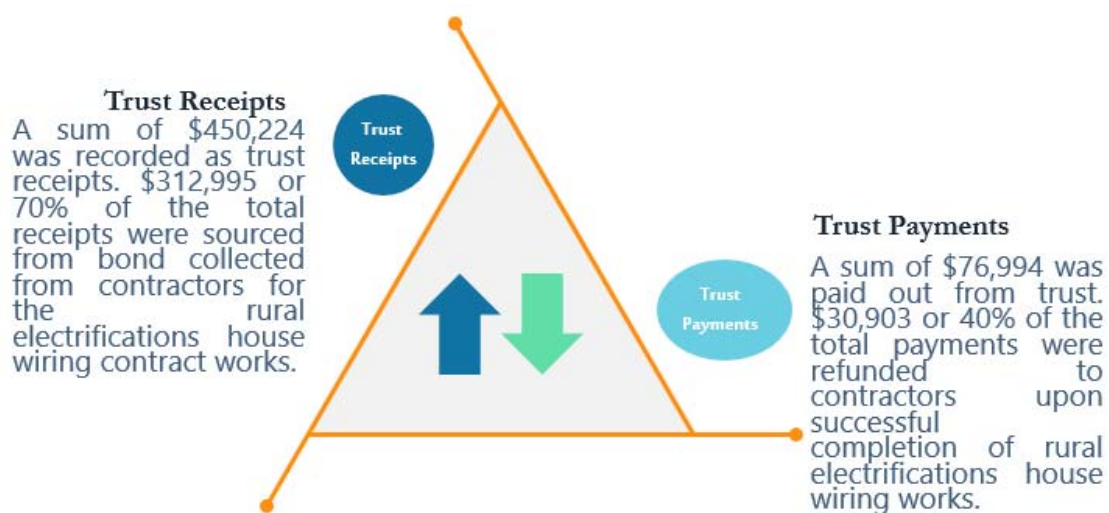
The revised REP of 2016 constitutes a number of important changes that harmonizes with the Green Growth Development Model pursued by the nation in line with the vision of the UN Framework of “Energy for All”; that electricity is now a basic necessity for life and sustainable development. These vital changes include:

- Waiver of community contribution to reciprocate community contribution in kind;
- Removal of finite assistance for diesel schemes recipients making them eligible for electrification via renewable based technologies like solar home systems;
- Increase in the Energy Fiji Ltd 's annual Rural Electrification Fund;
- Increase in validity of EFL Rural Electrification scheme quotations; and
- The handover of Solar Home Systems ownership and maintenance to community's and recipients.

The trust fund is for receipts from the Rural Electrification customers from the following operational activities:

- Solar Home Systems (SHS)
- EFL House Wiring
- Performance Bond for House wiring, supply of materials for 3200 SHS
- Bio Gas

The Ministry collected trust revenue totalling \$450,224 in 2019 and incurred expenditure totalling \$76,994 resulting in a surplus of \$373,230 compared to a surplus of \$212,883 recorded in 2018.



Detailed statement for trust receipts and payments are provided in Appendix 40.2

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.

40.8 Variance between TMA Building Cash Book and Bank Reconciliation - DECE

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

Audit review of the TMA Building account bank reconciliations revealed an unreconciled variance of \$905,624 between the TMA Building cash book reconciliation and bank reconciliation. Refer to Table below for details.

Table 40.5: Details of Variance between Cash Book and Bank Reconciliation

TMA Account	Balance as per Cash Book Reconciliation (\$)	Balance as per Bank Reconciliation (\$)	Variance (\$)
Building - DECE	1,112,093	206,469	905,624

Root Cause/ Implication

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

As a result, the completeness and accuracy of the TMA - Building cash balance could not be ascertained.

Recommendations

The Ministry should ensure that:

- review functions around cash and bank reconciliation are strengthened;

¹ Finance Instructions 2010, Section 32 (6)

- **cash book is properly reconciled to bank reconciliation statements and to general ledger;**
- **signed copies of the monthly bank reconciliations are filed and securely kept at the Divisions as well at the Headquarters; and**
- **variance of \$905,624 is investigated and rectified.**

Agreed Management Action

The case is before the court.

It should be noted that the current staff have inherited the anomalies in the Bank Reconciliations due to previous fraud case. The accounts have been reconciled after the last financial year and determined the unsubstantiated figures which are clearly identified in the reconciliations under variance.

The variances were identified by the Ministry and Legal Opinion were sought from Solicitor General's Office regarding the eligibility for writing off variances. We had written to Ministry of Economy for the write off and awaiting for their approval. We have made tremendous effort in trying to rectify the variances and made request to relevant authorities for write off however we are still unable to get the required approval till to date. We had made the following request from:

- *The Ministry had made a formal submission to the Office of the Solicitor General on 13th September 2017 to seek approval for writing off of these unsubstantiated variances as these losses are deemed irrecoverable.*
- *On 22nd February 2018, the Office of Solicitors General advised the Ministry that the unsubstantiated variances amount in the Trading and Manufacturing account is more than \$50,000, the request for write-off must be referred to the Minister for Economy under section 57(c) (3) of Finance Instruction 2010 and the Ministry has written to Ministry of Economy dated 19th March 2018 for Write off of the Unsubstantiated variances based on Solicitor General's Opinion.*
- *19/03/18: Ministry had written to Ministry of Economy seeking for Write Off of these unsubstantiated variances based on Solicitor General's Advice.*
- *The Ministry of Economy (Asset Management Unit) email dated 4th July 2018 requested the Ministry to request Fiji Independent Commission Against Corruptions (FICAC) on the Status of the Case. The Ministry had a meeting and written to FICAC on 23rd of July 2018 on the status of the case.*
- *23/07/18: Ministry had meeting with Fiji Independent Commission Against Corruptions (FICAC) on the status of the case.*
- *13/08/18: Fiji Independent Commission Against Corruptions (FICAC) responded that large quantity of evidence were destroyed thus it was very difficult to determine the actual amount which was misused.*

Officer Responsible

Principal Accounts Officer

40.9 Anomalies in Energy Trust Fund Account

It is imperative to maintain proper and complete accounting records for Trust Fund Accounts.

Within 5 days after the end of each month, the Clerical Officer (Trust) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.²

The Energy Trust Account had a balance of \$2,818,425 as at 31 July 2019. The component of the closing balance comprises of:

- refunds for Energy Fiji Limited Grid and House wiring,
- bond payment for projects; and
- revenue bills collected from Solar Home Systems.

We noted the following anomalies for the Energy Trust Account;

- (i) The Trust Fund bank account collectively maintains all the funds for the three components of the Trust Fund. The Ministry has not maintained appropriate supporting documents to clearly demarcate and differentiate funds for each component in the Trust Fund bank account. Thus, we could not reconcile the cash account to each component of the Trust;
- (ii) Energy Trust Account closing balance of \$2,818,425 was not supported with appropriate detail listings of the beneficiaries. Consequently, the audit was unable to perform appropriate verifications to confirm the accuracy of the balance stated in the Energy Trust Account Receipts and Payments; and
- (iii) There was significant delay in preparing monthly reconciliation. Reconciliation from August 2018 to July 2019 were prepared on 29/10/2019.

Root Cause/Implication

The above findings are attributed to the unavailability of adequate records, frequent movement and resignation of staffs in the Department. It also highlights the lack of effective review of the Trust Fund reconciliation by supervising officers.

As a result, timely refunds for Energy Fiji Limited Grid and House Wiring Project could not be facilitated by the Ministry.

Non-preparation of reconciliations increase risk of errors, omissions and financial irregularities which may not be detected and addressed in a timely manner.

Recommendations

The Ministry should:

- ensure that monthly reconciliation of each component under the Energy Trust Fund Accounts is performed against the FMIS general ledger;
- ensure that the Accounts Sections is well resourced to perform accounting and financial reporting functions; and

² Ministry of Infrastructure and Transport Finance Manual 2017 –2018 Trust Reconciliation, Section 15.4.1

- **identify all the beneficiaries of the trust fund and reconcile their record against the general ledger (FMIS) balance.**

Agreed Management's Action

The Ministry agrees with recommendations made. This issue is largely due to inadequate number of staffs. Currently most of the vacant posts are filled and its work in progress to update Energy Trust Database.

Officer Responsible

Principal Accounts Officer

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

The village/settlement or individual householders must make monthly rental payments of \$18.00 to enable the Rural Electrification Unit to maintain the systems.³

The Ministry had a balance of \$2,818,425 in the Energy Trust Account as at 31 July 2019 which includes refundable deposits for consumer contribution for house and grid wiring and deposits from contractors. We noted that funds have not been utilized for maintenance of the system since inception of the arrangement in 2002.

We further noted that the maintenance cost for the Solar Home Systems is currently provided in the budgetary allocations of the Ministry which includes the cost of maintenance parts, accommodation cost and accountable advance for staffs visiting the communities.

Root Cause/ Implication

The Ministry will continue to accumulate funds in the Energy Trust Account if budgetary allocation is provided for the maintenance of the systems.

Recommendation

Given that funds for maintenance cost for Solar Home Systems are provided for in the Ministry's budgetary allocation, the Ministry should review the purpose for the Energy Trust Fund Account.

Agreed Management Action

Auditors Recommendation is noted, Ministry uses its capital budget under Rural Electrification Project to cater for the maintenance cost for Solar Home Systems located in Mainland and Maritime zones. The Department of Energy is provided with funding in the Budget for maintenance/repairs hence it would be inappropriate to use the Energy Trust Account for such work.

However, the Ministry will correspond with Ministry of Economy and seek advice on whether it would be possible to use the Trust Fund for maintenance work.

³ Fiji Rural Electrification Policy 2016, Section 9.6.1(b)

Officer Responsible

Principal Accounts Officer and Director of Energy

40.11 Variance between Payroll Reconciliation and FMIS GL- SEG 2

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.

We noted an unreconciled variance between the general ledger amount and the payroll report for government wage earners. A total of \$135,488 and \$367,871 was noted for Headquarters and Central Eastern Division respectively. Refer below for detail of variances.

Table 40.7: Variance between Payroll Report and General Ledger

Department	Amount as per payroll recons (\$)	Amount as per general ledger (FMIS) (\$)	Variance (\$)
Headquarters- Samabula			
Department of Energy	198,614.90	139,984.98	(58,629.92)
Department of Transport	339,601.37	394,989.01	55,387.64
Department of Works	272,448.09	301,115.29	28,667.20
Department of Government Shipping Services	2,348,735.48	2,459,101.93	110,366.45
Department of Water and Sewerage	23,184.21	22,881.27	(302.94)
Total Gross Wages for HQ as per approved reconciliations	3,182,584.05	3,318,072.48	135,488.43
Division Engineer Central Eastern- Department 51 and 59			
Total Gross Wages for DECE as per approved reconciliations	2,124,378.86	1,756,508.07	367,870.79

Root cause/Implication

The need to reconcile the FMIS general ledger balances to the Payroll Reports is not specified in the Ministry's Finance Manual, thus reconciliation between these two records are not performed.

Recommendation

The Ministry should incorporate into the Finance Manual the requirement to carry out reconciliation of weekly and fortnightly payroll report against FMIS general ledger.

Agreed Management Action

The variances are due to the non-budgetary of acting allowance allocation in their respective Departments. So to accommodate the acting allowance, we use the Personal Emoluments to remunerate the officer's acting accordingly.

Officer Responsible

1. Assistant Accounts Officer – Salaries
2. Senior Accounts Officer

40.12 Internal control deficiencies in Revenue Management.

The duplicate copies of lodgment and the copy of the receipt book should be signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer after banking to verify that the correct lodgment has been done.⁴

After reconciling details in the cashbook, the Senior Account Officer/Accounts Officer /Assistant Accounts Officer shall submit the cashbook, duplicate receipts and lodgment forms for posting into the General Ledger.⁵

We noted the following internal control deficiencies for Government Shipping Services Department.

- (i) Duplicate copy of bank lodgment (stamped and signed by bank) and copy of the receipt book was not signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer after banking to verify that the correct lodgment has been done;
- (ii) Duplicate receipts with all relevant details were not attached to the Revenue Collector's Cash Analysis Sheet (GP Form 96);
- (iii) Journal Voucher not stamped "Posted"; and
- (iv) VAT portion not separately recorded in the general ledger account.

Table 40.8: Details of Internal Control Deficiency

Date	Journal Voucher ID	Amount (\$)	Audit Comment
30/04/19	417123	28,924	Duplicate copy of bank lodgment (stamped and signed by bank) and copy of the receipt book not signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer after banking to verify that the correct lodgment has been done.
07/12/18	416952	153,933	
28/03/19	417045	11,737	
31/01/19	417115	2,116	
12/06/19	417545	37,201	
12/06/19	417545	500	
25/06/19	417545	44,040	
20/03/19	417046	100	
20/03/19	417046	1,341	
16/11/18	417115	8,229	
			Duplicate receipt with all relevant details not attached to the Revenue Collector's Cash Analysis Sheet (GP Form 96). Duplicate copy of bank lodgment (stamped and signed by bank) and copy of the receipt book not signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer

⁴ Ministry of Infrastructure and Transport, 2017-2018 Finance Manual, Section 5.4.5

⁵ Ministry of Infrastructure and Transport, 2017- 2018 Finance Manual, Section 5.5.3

Date	Journal Voucher ID	Amount (\$)	Audit Comment
			after banking to verify that the correct lodgment has been done.
15/11/18	417115	1,079	Duplicate receipt with all relevant details not attached to the Revenue Collector's Cash Analysis Sheet (GP Form 96). Duplicate copy of bank lodgment (stamped and signed by bank) and copy of the receipt book not signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer after banking to verify that the correct lodgment has been done. Late posting into the Financial system by 6 months.
13/03/19	417047	766	Duplicate copy of bank lodgment (stamped and signed by bank) and copy of the receipt book not signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer after banking to verify that the correct lodgment has been done. Banking is not intact as it was banked on Friday 15th of March whereas it was received on Wednesday 13th of March.
01/10/18	416802	23,000	No hard copy of receipt is attached whereas the receipt number is stated in the Revenue Collector's Cash Analysis Sheet as 669916. The preparer has not signed the Journal Voucher whereas the Senior Accounts Officer has signed the Journal Voucher. Journal Voucher not stamped posted.
01/10/18	416802	7,000	
16/11/18	416834	113,105	No segregation of duties- The receiving officer and the person lodging the payment is same.
15/05/19	417155	16,552	Duplicate copy of bank lodgment (stamped and signed by bank) and copy of the receipt book not signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer after banking to verify that the correct lodgment has been done. Journal voucher not Stamped "POSTED".
11/12/18	416879	36,000	Duplicate copy of bank lodgment (stamped and signed by bank) and copy of the receipt book not signed by the Senior Account Officer/Accounts Officer /Assistant Accounts Officer after banking to verify that the correct lodgment has been done. VAT not accounted for.

Root Cause/ Implication

Human resource constraints and weak supervision and monitoring by the supervisors has resulted in the above anomaly.

Failure to implement stringent internal controls increases the risk of errors and may even lead to fraud.

Recommendations

The Ministry should ensure that:

- supervising officers strictly fully implement the internal controls in place; and

- **there is adequate staffing in Accounts Section to carry out the required functions as required by the Finance Manual.**

Agreed Management Action

The reason for not fully compiling with the internal control in Revenue Management was due to the Accounts Officer Government Shipping Services being based in Headquarter on promotion as Acting Senior Accounts Officer and filling of Accounts Officer position took a while. Though Senior Accounts Officer was based in Headquarters, he used to oversee Government Shipping Services and Headquarters' accounts and made effort to verify and check all lodgments.

Currently the post of Accounts Officer Government Shipping Services has been filled and all due processes of revenue management have adhered to.

It should also be noted that there was no misappropriation of revenue during the period.

Officer Responsible

1. Assistant Accountant
2. Accountant

40.13 Non Implementation of Projects

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.⁶

We noted that the following projects were not implemented and funds were not utilized during the year. Refer below for details.

Table 40.9: Un-Utilized Budgeted Project Funds

Account Number	Description	Revised Budget (\$)
14040141999080422	Upgrade of Bua Hydro Turbine	900,000
14040141999080423	Extension – Rural Grid Infrastructure	785,000
14040141999100204	Tropical Cyclone Keni Rehabilitations - Solar Home System and Hydrology	931,705
Total		2,616,705

Root Cause/ Implication

The Ministry revealed that the projects was placed on hold as projects were re-prioritized during the financial year.

⁶ Fiji Rural Electrification Policy 2016

Recommendations

The Ministry should ensure that proper planning is carried out to avoid the non-implementation of development projects which are funded through the budgetary process.

Agreed Management Action

The funding on these projects has been put on hold and re-prioritized for other Government projects and commitments.

The Department had re-submitted these projects in the 2019/2020 budget but only got the approval on the Rehabilitation of Tropical Cyclone Keni. This include the Supply & Installation of Solar Home Systems which was awarded to a contractor. The Solar Home Systems equipment has already been supplied however the installation work is put on hold due to the COVID-19 pandemic and damages on building infrastructures by Tropical Cyclone Harold. The installation has been roll-over to the 2020-2021 budget.

On the upgrade of Buca Hydro Turbine and Extension of Rural Grid Construction Malhaha, the Department has made submissions again in the 2020-2021 budget.

Officer Responsible

1. Director Energy
2. Assistant Director
3. Principal Technical Engineers

40.14 Golden Age Home Project – Western Division

Timely and accurate management reports are necessary for effective management decisions.⁷

Audit review of the progress reports noted that the Golden Age Home Relining Project was one hundred percent complete. However, upon site visit on 14/02/20, we noted that following works were still pending. This clearly indicates that the project officer has misled the Ministry by indicating that the project was completed. Refer below for details on incomplete work.

Figure 1: Incomplete Bathroom Piping Works at Golden Age Home



⁷ Ministry of Infrastructure and Transport Finance Manual 2017-2018 – Reporting, Part 18
Ministry of Infrastructure and Transport



Root Cause/ Implication

The Ministry indicated that the bathroom piping works were left exposed due to additional demand from the elderly to install hot water system during the implementation of project works.

The findings indicate lack of planning by the Ministry to take into account the needs of the elderly prior to commencement of the construction works. In addition, the findings indicate misleading reports submitted by the Divisions.

Delay in the completion of the projects denies the benefits of comfort and improved standard of living to the occupants of the home.

Recommendations

The Ministry should:

- **make an effort to complete the required c works as soon as possible;**
- **ensure that proper planning is done for future projects of similar nature to ensure that the projects meet the needs of the intended beneficiaries; and**
- **responsible staffs should be reminded of their duties and appropriate disciplinary actions taken against those responsible for providing misleading progress reports.**

Agreed Management Action

The project of the Golden Age has been completed as per the scope of work however due to the additional demand of installing hot water system for the elderly during the project the bathroom piping works were left exposed.

Those works will be completed in the second phase to accommodate the installation of hot water system.

Officer Responsible

1. Divisional Engineer Western
2. Principal Technical Officer – Work Study

40.15 Anomalies in Revenue Collection for Cartage of Freight Allocation

For any routes which are not included in this authorisation or new routes that may evolve in future, the shipping companies are to make submissions to Fijian Competition and Consumer Commission for the authorisation of the passenger fares and freight rates before implementation of any rates or fares.⁸ The authorised rates must be charged by the service providers and will remain the same and no new charges should be introduced unless authorised by the Commission.⁹

We noted the following anomalies in the collection of revenue from shipping services and cartage of freight:

- (i) The Ministry introduced new franchise routes to North East and Vanua Levu. The passenger fares and freight rates were estimated and implemented by the Ministry without the authorization of the Fijian Competition and Consumer Commission; and
- (ii) Receipts issued by the Ministry did not include details such as the number of passengers travelling, the fare and the rates charged on cargo freight.

Root Cause/ Implication

The above anomaly is attributed to the slow process in place and continuous follow up by the Ministry to ensure that passenger fares and freight rates charged are accurate. This increases the risk of overcharging passenger fares and freights to the public and denies the public benefits from the government shipping services.

As a result, it was not possible to ascertain the accuracy of the revenue collected from shipping services and cartage of freight.

Recommendations

The Ministry should ensure that:

- fare on the new routes are authorized by the Fijian Competition and Consumer Commission prior to it being charged; and
- details such as number of passengers traveling, cargo details and rates applied are recorded in the receipts.

Agreed Management Action

As at 01/03/21 the new rates are still not approved by Fijian Competition and Consumer Commission despite our submission. However due to Government's commitment towards the service, Government Shipping Service needs to charge traveling public while waiting for the approval from relevant authorities. Revenue Receipts will now have the bill of lading number inserted for cross referencing and ease of audit checks.

Director Government Shipping Services is liaising with Fijian Competitions Consumer Commission on approval of the rates. The fees are yet to be approved by the Fijian Competitions Consumer Commission and there is no feedback from the Commission as at to date.

⁸ Fiji Commerce Commission, Inter-Island Shipping Fares and Freight Charges, section 4.3

⁹ Fiji Commerce Commission, Inter-Island Shipping Fares and Freight Charges, section 4.6

Officer Responsible

Director of Transport

40.16 Internal Control Deficiency in Inventory Management – GSS

When inventory items are purchased, the store man or the officer in charge of inventory shall record them in the inventory register. The store man or the officer in charge of inventory shall;

- ensure that the register is kept up to date at all times;
- keep a tally card for each inventory item to determine the value of items; and
- ensure that adequate storage space is available for incoming stock as and when required and stocks are kept in an orderly manner allowing for safe access.¹⁰

We noted the following internal control weaknesses in inventory management at Government Shipping Services (GSS):

- (i) A store man was not appointed by the Ministry to maintain stores records. The position has been vacant since 2015;
- (ii) An engineer was assigned to maintain the stock records at the time of our audit in December 2019;
- (iii) Separation of duties was not practiced. The engineer was responsible for maintaining stock records for the store room and maintaining stock records on each vessel when items were received at the vessels from the store room.
- (iv) Tally cards for stocks were not maintained up-to-date; and
- (v) Tally cards were updated from purchase orders instead of delivery dockets.

The above anomalies were also highlighted in our 2015 audit report. However, necessary action is yet to be taken by the Ministry.

Root Cause/ Implication

The above anomaly is attributed to the slow process in place at the Ministry to fill vacant positions in a timely manner. It also indicates the inability of Management to enforce that processing of vacant positions is efficiently done.

Prolonged delay in filling the vacant posts could compromise the service delivery and the effectiveness of internal control.

Absence of separation of duties increases risk of errors, omissions and fraud which may not be easily detected.

Recommendations

The Ministry should ensure that:

¹⁰ Ministry of Infrastructure and Transport Finance Manual 2016/2017 – Section 8.1.1, 8.1.3, 8.1.6 & 8.2.1

- vacant positions are advertised and filled on a timely manner; and
- a store man with the required skill sets is appointed to maintain and update inventory and related records.

Agreed Management Action

The filling of the vacant Store man position was deliberately delayed since Director Government Shipping Services intends to upgrade the position to a senior role (Stores Officer) with added responsibilities. Unless the vacant post is identified to trade-off, this process will not be undertaken as part of Open Merit Recruitment Selection.

Officer Responsible

Director Government Shipping Services and Accountant for Government Shipping Services.

40.17 Prolonged Energy project

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.¹¹

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.¹²

Audit verification of the EFL progress reports revealed that most projects for which funds were allocated five years ago were yet to be completed. Refer below for details of prolonged EFL projects.

Table 40.10: Prolonged Energy Project since 2013

Year	No. of Incomplete Projects	Amount paid to Energy Fiji Limited (\$)	Remarks
2013	1	Yet to be provided by Department of Energy	Outstanding Rural Electrification Projects since 2013 as per Department of Energy submission
2014	2	673,766	
2015	4	5,782,336	
2016	14	7,788,825	
2017	11	2,218,030	
2018	144	34,165,493	
2019	129	36,914,862	

Root Cause/ Implication

¹¹ Ministry of Infrastructure and Transport Finance Manual 2017-2018 – Expenditure, Part 2

¹² Fiji Rural Electrification Policy 2016

We were informed by the Ministry that Energy Fiji Limited usually prioritize their project first than the project of the Ministry.

The findings indicate lack of monitoring and follow-up by the Ministry on the timely implementation of the rural electrification projects outsourced to Energy Fiji Limited.

Despite significant funding, there is a high risk that government's vision for all Fijians to have access to electricity by the year 2021 will not be achieved. Non-implementation of development projects denies the economic development for the people for improved standard of living. Moreover, in these cases, value for money has not been realised from public funds expended on the projects.

Recommendations

The Ministry should ensure that:

- **proper consultations and follow up action is taken Energy Fiji Limited to complete the pending projects in a timely manner; and**
- **Re-assess and improve the efficiency and effectiveness of processes involved in carrying out all rural electrification projects.**

Agreed Management Action

Department of Energy is having regular monthly rural electrification meetings with Energy Fiji Limited, and Ministry of Economy to discuss all projects progress.

All works scheduled have timelines and are contracted. Usually for small works the timelines are 18-36 months and large grid extension works are divided into phases having timelines of at least 36 months.

The usual practice is that Energy Fiji Limited starts with its detail designing and tender process as soon as the payments are made to them. The commencement dates are always mentioned on the discussion templates in line with the final contract during the meetings. The project progress is discussed and solutions are made for any problem incurred.

Some of the obstacles in the construction of grid extension projects are:

- *Weather Conditions*
- *No road access or poor road condition*
- *Way leaves and land consent*
- *Availability of construction materials*
- *Lack of contractors*

Officer Responsible

1. Principal Technical Officer
2. Supervisor High Grade

40.18 Pending Rural Electrification Grid Connection since 2013 – Northern

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.¹³

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.¹⁴

During our site visit on 19/12/18, we noted that an applicant of Matasawalevu Settlement, Dreketi was yet to be connected to the grid since the 2013. Audit made a follow up site visit on 09/01/20 and noted that applicant was yet to be connected to the main power supply grid.

The applicant informed us that the house wiring was completed but connection to the power supply grid was yet to be carried out.

Root Cause/ Implication

Discussion with Senior Officer from the Department of Energy at the Northern Division revealed that consent was not given by the owner of the vacant land in front of the house.

The findings indicate that the Ministry did not consider land issue with the landowners during the preliminary planning phase. Hence proper due diligence prior to awarding of contract was not carried out by the Ministry.

The anomaly is attributed to the current process in place at the Ministry which were not able to detect the anomaly.

The non-completion of the development projects denies the economic development for the people for improved standard of living. In this case, value for money has not been realised from public funds expended on the project.

Recommendations

The Ministry should ensure that:

- **proper consultation is done with landowners prior to commencement of projects; and**
- **due diligence processes in place are completed before committing to a project.**

Agreed Management Action

The applicant at Mataisawalevu Settlement, Dreketi has been visited and contacted several times requesting for the complete documents. The Department of Energy Team in the Northern Division had visited him on the 28/02/19 and again twice during the inspection to submit the title but there was no respond.

¹³ Ministry of Infrastructure and Transport Finance Manual 2017-2018 – Expenditure, Part 2

¹⁴ Fiji Rural Electrification Policy 2016

Till to date the applicant has not submitted the land title and according to the customer, the land owner resides in Ba and does not want to provide a copy of the title.

It has to be noted that it is the responsibility for the applicant to provide full documents for the permit applicant's.

The contract for this project has also expired and the Department has paid the Contractor for the work done excluding this applicant's house wiring.

The Department will only facilitate and assist with this connection once the applicant provides the land consent.

Officer Responsible

Director of Energy and Principal Technical Officer.

40.19 Outdated TMA Rates schedule

Trading and Manufacturing Activities (TMAs) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost-effectively.¹⁵

It is imperative for the Ministry to update its Trading and Manufacturing Activity rates schedule. This will ensure that the Ministry provides its service at the current market rate.

The Ministry's Trading and Manufacturing Activity rates schedule for plumber shop and mechanical section was last revised in 2013 and 2014, respectively.

Root Cause/ Implication

The audit finding indicates that the TMA rates are not reviewed periodically as a result there is a high risk of increased losses in TMA operations due to non-recovery of costs incurred in their operations.

Recommendation

The Ministry should consider reviewing the rates schedules for all the TMA in order to incorporate the current market rates of hardware materials.

Agreed Management Action

The Ministry agree that the Trading and Manufacturing Activity Rates is long overdue for a review hence we will be appointing a Team very soon to carry out such mammoth task.

Divisional Engineer Central/Eastern will put forward a submission to Senior Management recommending the review of Trading and Manufacturing Activity Rates for the whole of Trading and Manufacturing Activity Operations.

¹⁵ Ministry of Infrastructure and Transport Finance Manual 2017-2018 – TMA, Part 6

Officer Responsible

Principal Accounts Officer /Senior Accounts Officer (Divisional Engineer Central Eastern) with the Divisional Engineers of the various Divisions

40.20 Anomalies in Reporting of Trading and Manufacturing Accounts (TMA's)

It is imperative that the Ministry makes adequate disclosures of its Trading and Manufacturing Account in the financial statements. This will enable sufficient and relevant information being made available to the users of its financial statements.

The Ministry has disclosed its seventeen Trading and Manufacturing Accounts in the financial statements by consolidating accounts according to divisions. Refer to Table below for details. This has denied users of its audited financial statements access to useful information.

Table 40.11: Details of Trade Manufacturing Activity

Activity	DECE	DEW	DEN
Joinery	1	1	1
Plumber Shop	1	1	1
Block shed	No TMA		1
Fuel/Oil	1	1	1
Plant Hire	1	1	1
Lube Bay	1	No TMA	
Workshop Wages	1	1	1
Total TMA as per Division	6	5	6

Root Cause/ Implication

The Ministry indicated that the change in the format of the presentation was due to the fact that Ministry has only four bank accounts for the seventeen Trade Manufacturing activities.

The change in the format of the presentation has resulted in the limited information being disclosed in the financial statements for each type of TMA in terms of its performance and cash flows.

In addition, the explanations for variances noted in the Notes to the financial statements are not meaningful as comparatives for 2018 financial year have not been reflected.

Recommendation

The Ministry should ensure that adequate disclosures are made in the financial statements for the users of the financial statements to make informed decisions.

Agreed Management Action

Since there are only four (4) Trade Manufacturing Activity Operation Bank Accounts and General Ledger Cash at Bank Allocations, it was applicable/practical to present only four Trading Manufacturing Accounts in the Agency Financial Statement as advised by Ministry of Economy.

The Ministry maintains the cashbook for the 17 Entity's to keep record of the Cash at Bank for individual entities.

If individual Trade Manufacturing Activity statement of Assets and Liabilities for each 17 Trade Manufacturing Activity were presented then Cash could not be distributed and Balance Sheet of some entities would not have Cash at Bank.

The Ministry maintains the cashbook for the 17 Entity's to keep record of the Cash at Bank for individual entities.

Officer Responsible

Director Administration and Finance
Principal Accounts Officer

40.21 Head 41 – Water Authority of Fiji

All Principal Accounts Officer/ Senior Account Officer/Accounts Officer /Assistant Accounts Officer is responsible for maintaining ledger and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹⁶ The Senior Account Officer/Accounts Officer /Assistant Accounts Officer must ensure that all balances are accurate and adequately supported.¹⁷

Audit noted that the Ministry maintained retention money totaling \$1,161,883.81 deducted from the contractors engaged in water and sewerage projects. The funds are recorded in the Ministry's Operating Trust Fund account number 1-40000-00000-862100 since 2009. It was noted that the contractors yet to make claims for the refund of retention monies held

Audit review noted the following anomalies:

- (i) The retention money reflected in the Operating Trust Fund account were not supported by actual cash to pay off these liabilities; and
- (ii) The Ministry does not have the details of contractors from whom retention monies were withheld and other supporting documents such as contract documents, completion certificates and progress certificates relating to the retention monies.

Root Cause/ Implication

The above anomaly is attributed to records not properly handed over to Water Authority of Fiji from the Department of Water and Sewerage.

The Department has been carrying forward these balances from the year 2009 and it is highly likely that the Ministry will not be able process the payments if claims are made by the contractors from who monies were withheld.

¹⁶ Ministry of Infrastructure and Transport Finance Manual 2017 –2018 - Ledger Accounts, Part 16

¹⁷ Ministry of Infrastructure and Transport Finance Manual 2017 –2018 – Reconciling Ledgers, Section 16.3.6

Recommendation

The Ministry should liaise with the Water Authority of Fiji to locate the documents relating to the payment of retention deposit monies from the contractors and funds which were retained from the contractors

Agreed Management Action

During the transition from Department of Water to Water Authority Fiji, all relevant documents were transferred to Water Authority Fiji. We had followed up with relevant authorities.

We had a meeting with Water Authority Fiji Officials on 10th June 2020 and it was mentioned also by their Team that they do not have those records and are unable to assist to confirm claims on Retention Security Deposits for those contractors totaling up to \$1,161,883.81.

Some of these contractors are no longer operational and most no longer deal with Water Authority Fiji anymore. Discussion is still in progress with Ministry of Economy on the written off of the amount as there is no claim since 2015.

The Ministry had submitted the request to transfer the liability under Ministry of Economy which is pending approval as this still appears under the Ministry's Accounts.

Officer Responsible

Director Administration and Finance

40.22 Board of Survey Not Conducted for Transport and Water Department

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.¹⁸

We noted that the Ministry did not carry out an annual board of Survey for Department of Transport, and Department of Water and Sewerage for FY 2018/2019.

Root Cause/ Implication

The Ministry revealed that Board of Survey were only conducted for large Departments except for the Department of Transport, and Department of Water and Sewerage which does not have a lot of assets.

The above anomaly increases the risk of loss of assets without being detected in a timely manner. Moreover, the Ministry has not complied with standing instructions in regards to annual board of surveys.

Recommendation

¹⁸ Ministry of Finance Instructions 2010 - Section 49.1
Ministry of Infrastructure and Transport

The Ministry should ensure that a Board of Survey is carried out for all the Department/Sections within the Ministry.

Agreed Management Actions

The Ministry agrees that board of Survey for Department of Transport and the Department of Water and Sewerage were not conducted.

Officer Responsible

Director Administration and Finance

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

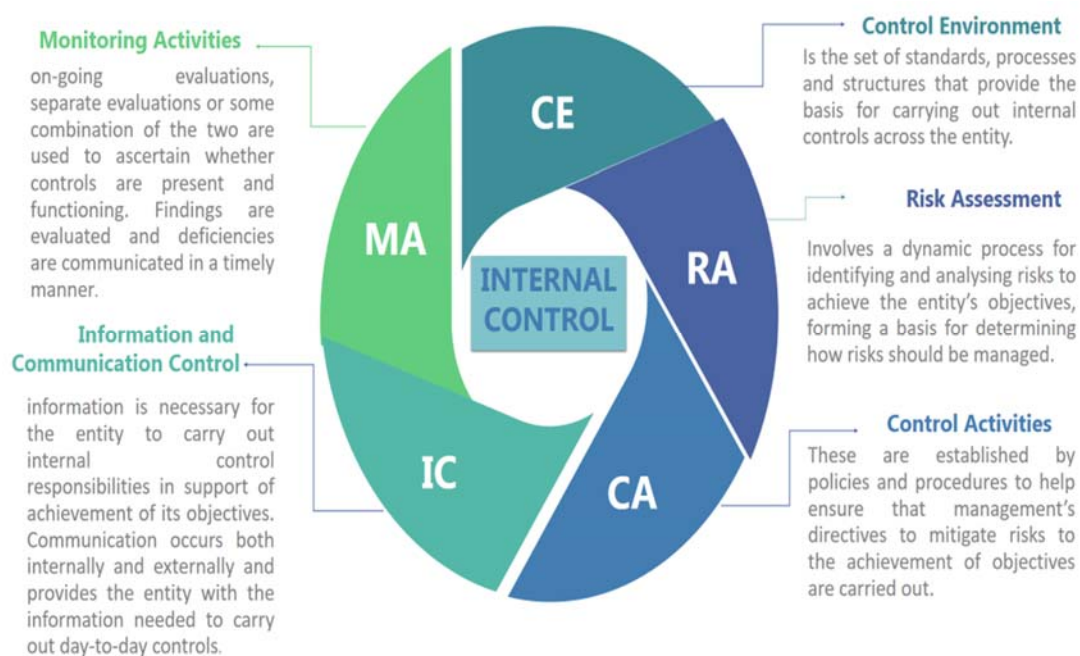
40.23 Internal Controls

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 Infrastructure and Transport as:

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

40.24 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	Eight of 10 key processes completed within two weeks of due date

40.25 Quality of Draft Financial Statements by the Ministry


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 of Infrastructure and Transport was:

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

40.26 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

40.27 Timeliness of Provision for Management Comments and Financial Statements for Signing

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
 Ineffective	Signed accounts was received after 15 days

APPENDIX 40.1: DETAILS OF CONSOLIDATED TMA BALANCES**Table 40.12: Consolidated Manufacturing account**

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Raw materials	245,999	235,128
Add: Purchases	1,422,585	1,886,694
	1,688,584	2,121,822
Less: Closing Raw Materials	139,082	245,999
Raw Materials Used	1,549,502	1,875,823
Direct Labour	3,165,255	4,001,453
Opening Work in Progress	2,955	22,336
		5,899,612
Less: Closing Work in Progress	71	2,955
Cost of Goods Manufactured transferred to Trading Account	4,717,641	5,896,657

Table 40.13: Consolidated Trading account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Sales	6,506,457	7,381,645
Finished Goods (01/01/17)	153,413	180,363
Add: Cost of Manufactured Goods	4,717,641	5,896,657
Cost of goods available for sale	4,871,054	6,077,020
Less: Finished Goods (31/7/17)	125,780	153,413
Cost of Goods Sold	4,745,274	5,923,607
Gross Profit transferred to profit & loss statement	1,761,183	1,458,038

Table 40.14: Consolidated Profit & Loss Statement

Description	31 July 2019 (\$)	31 July 2018 (\$)
Income		
Gross Profit transferred from Trading Account	1,761,183	1,458,038
Other income	2,944	3,135
Total Income	1,764,127	1,461,173
Expenses		
Travel and communications	92,931	137,411
Maintenance and operation	1,598,519	1,577,010
Purchase of Goods and Services	6,880	17,206
Special Expenses	780	1,907
Total Expenses	1,699,110	1,733,534
Net Profit	65,017	(272,361)

Table 40.15: TMA Balance Sheet

Description	31 July 2019 (\$)	31 July 2018 (\$)
Liabilities		
Deposits and deductions	251,199	175,261
Unearned Revenue	136,517	451,071
Total Liabilities	387,716	626,332
Equity		
TMA Accumulated (Loss)/Surplus	(1,082,502)	(784,897)
TMA Surplus		4,299,515
Net (Loss)/ Profit	4,299,516	(272,361)
Total Equity	3,217,014	3,242,257
Total Equity and Liabilities	3,604,730	3,868,589
Assets		
Cash at Bank	3,189,465	3,303,882
Accounts Receivable	150,332	162,338
Inventory	264,933	402,368
Total Assets	3,604,730	3,868,588

APPENDIX 40.2: DETAILS OF ENERGY TRUST FUND ACCOUNT - STATEMENT OF RECEIPTS AND PAYMENTS

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance at 1 January	2,445,195	2,232,312
RECEIPTS		
FEA Grid & House wiring	-	23,691
Bond	312,995	130,464
Solar Home	133,632	195,982
Bank Interest	3,597	2,216
Total Receipts	450,224	352,353
PAYMENTS		
Bond Payment	30,903	28,462
Connection Fee	-	804
Refunds	30,791	110,130
Bank Fees	130	74
House Wiring Refunds	15,170	-
Total Payments	76,994	139,470
Net Surplus	373,230	212,883
Closing Balance as at 31st July	2,818,425	2,445,195



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