



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the 2017-2018 Whole of Government Audit Reports (Consolidated Report)



PARLIAMENT OF THE REPUBLIC OF FIJI
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TABLE OF CONTENT

CHAIRPERSON'S FOREWORD	3
COMMITTEE MEMBERS	4
ACRONYMS	5
INTRODUCTION	6
GENERAL RECOMMENDATIONS	7
KEY FINDINGS	8
Volume 1: REPORT ON THE FINANCIAL STATEMENTS OF GOVERNMENT	8
PART B: 2017-2018 AGENCY FINANCIAL STATEMENTS OF MINISTRY OF ECONOMY	12
Volume 2: General Administration Sector	18
Volume 3: Social Services Sector.....	54
Volume 4: Economic Services Sector.....	58
Volume 5: Infrastructure Sector	70
CONCLUSION	71
APPENDICES.....	72
APPENDIX 1: PUBLISHED WRITTEN EVIDENCE	73

CHAIRPERSON'S FOREWORD



At the outset, this Committee report follows the Auditor General of the Republic of Fiji on the 2017-2018 Whole of Government Audit Reports. This consolidated report summarises the audit issues found in the Whole of Government 2017-2018 Audit Reports and also outlined the responses from the relevant Ministries and Departments.

The Office of the Auditor General (OAG) is established under section 151 of the Constitution of the Republic of Fiji, and the Audit Act 1969 further specifies the powers of the Auditor General to audit the whole of government financial statements and the reports of all entities of government.

This report summarises the audit issues found in the Whole of Government 2017-2018 audit reports and also outlined the responses from the relevant Ministries and Departments. The review of the Whole of Government audit reports had focused on the 5 Volumes by sector inclusive of the Remaining 2018 Audit Reports. The Whole of Government audit reports included all the budget sector agencies in a consolidated financial statements. These audit reports include –

1. ***Volume 1: 2017-2018 Financial Statements of Government and 2017-2018 Agency Financial Statements of Ministry of Economy (PP No. 186 of 2020);***
2. ***Volume 2: 2017-2018 Audit Report on General Administration Sector (PP No. 148 of 2019);***
3. ***Volume 3: 2017-2018 Audit Report on Economic Sector (PP No. 147 of 2019);***
4. ***Volume 4: 2017-2018 Audit Report on Social Services Sector (PP No. 149 of 2019);***
5. ***Volume 5: 2017-2018 Audit Report on Infrastructure Sector (PP No. 150 of 2019); and***
6. ***Remaining 2018 Audit Reports on General Administration Sector, Social Services and Economic Services Sectors (PP No. 187 of 2020)***

It was noted in the Audit Report that there were no acquisitions or disposals of controlled entities during the financial year. The Auditor General's audit opinion highlighted that the accompanying financial statements of the Government of the Republic of Fiji which were prepared had all materials respects, in accordance with the 2013 Constitution of the Republic of Fiji, Financial Management (Amendment) Act 2016 and the Audit Act 1969.

The Committee noted in its review that there were matters highlighted by the Office of the Auditor General in its Audit Report. This was a matter of concern which the Ministry of Economy with other relevant Ministries and Departments that should have been addressed. In view of the above, the Committee commends the efforts of the Ministry of Economy in trying to address issues highlighted by the Office of the Auditor General. Other relevant Ministries and Department Heads should consider those issues as a priority and take appropriate actions taking their queue from Ministry of Economy.

At this juncture, I wish to thank my fellow committee members, namely: Hon. Ro Teimumu Kepa, Hon. Joseph Nitya Nand (Deputy Chairperson), Hon. Virendra Lal and Hon. Aseri Radrodro for their efforts and contributions in the scrutiny process of those Whole of Government Audit Reports and in the final compilation of this report. In addition, it is also important to note that most Government Ministries and Departments are working towards achieving their contribution towards Fiji's 5years & 20years National Development Plan in line with the relevant SDGs targets.

With these words, I now commend this report to the Parliament.


Hon. Alvick Avhikrit Maharaj
Chairperson

COMMITTEE MEMBERS

Pursuant to SO 118 (1), "A majority of the members of the standing committee shall constitute a quorum".
The substantive members of the Standing Committee on Public Accounts are:-



**Hon. Alvick Avhikrit Maharaj
(Chairperson MP)**



**Hon. Joseph Nitya Nand
(Deputy Chairperson MP)**



**Hon. Aseri Masivou Radrodoro
(Opposition MP)**



**Hon. Ro Teimumu Kepa
(Opposition MP)**



**Hon. Virendra Lal
(Government MP)**

ACRONYMS

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

INTRODUCTION

Background

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

This report summarizes the 2017-2018 Whole of Government Audit Reports prepared by the Office of the Auditor General which also included the 2017-2018 Financial Statements of Government & the 2017-2018 Agency Financial Statements of Ministry of Economy which were tabled in Parliament and examined by the Committee.

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

It is important to note that the Committee scrutinizes the audit report without conducting a face-to-face consultation with Ministries and Departments because of the COVID 19 restrictions but requested for written responses on audit issues that were raised on each Audit Report

Types of Audit Opinions Issued

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

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

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

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

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

GENERAL RECOMMENDATIONS

The Committee after reviewing the audit report and the responses from the Ministry of Economy in relation to the audit issues that were raised and recommends that:

- 1. Whilst the majority of Government Ministries and Departments have complied with their reporting timelines on submission of their financial statements to Ministry of Economy, appropriate measures however should be in place to ensure compliance from those Ministries and Departments that continuously delay submitting their end of the year financial statements;***
- 2. The Ministry of Economy to provide oversight on the implementation of the relevant recommendations;***
- 3. The Ministry of Economy should take the lead role in conducting regular and timely training for all Ministries and Departments Accounting Officers in the areas of FMIS, Trust Accounts, Stores etc.;***
- 4. Ministries and Departments should perform their reconciliations on a timely basis on their main Operating Accounts and Trust Fund Accounts to ensure their internal control mechanism are in place;***
- 5. The Committee notes the work carried out by the Internal Audit and Good Governance Division of the Ministry of Economy and recommends that adequate support to be provided for efficient and effective audit conduct; and***
- 6. The Committee recommends that the Ministry of Economy in conjunction with other Ministries to work with OAG for the reconciliation of the Main Trust Account.***

KEY FINDINGS

VOLUME 1: 2017-2018 Financial Statements of Government and 2017-2018 Agency Financial Statements of Ministry of Economy

PART A: REPORT ON THE FINANCIAL STATEMENTS OF GOVERNMENT

The Committee noted that the OAG had issued 37 audit opinions on the 2018 financial statements of Ministries and Departments out of which 24 or 65 per cent were unmodified opinions while 13 or 35 per cent were modified opinions. This indicated that most agency financial statements did not contain material misstatements individually or in aggregate.

The Permanent Secretary for Economy signed the 2017/2018 Financial Statements of Government on 30 November 2020. A modified audit opinion (qualified) with emphasis of matters and other matters on the financial statements were issued after the legislative deadline of 30 April 2019.

A. Basis for Qualified Audit Opinion

- (i) Included in the Trust Fund Account balance of \$197.7 million in the Statement of Assets and Liabilities (Schedule 3) is Main Trust amounting to \$161.2 million (Note 32). Main Trust Fund Account balance amounting to \$78.4 million was not supported with detailed listing of claimants of the monies held in the trust. Hence, audit was not able to confirm the accuracy and completeness of the Trust Fund Account balance of \$197.7 million as at 31 July 2018.

B. Emphasis of Matters

- (i) Included in Accounts Receivable of \$153.6 million in the Statement of Assets and Liabilities (Schedule 3), is Tax Receivables-IRD and Customs amounting to \$151 million. Detailed Listings were not provided to support these amounts. Consequently, audit was not able to ascertain the accuracy and completeness of the Accounts Receivable balance as at 31 July 2018.
- (ii) Established Staff and Government Wage Earners Payroll expenditure in the Statement of Cash Receipts and Payments amounted to \$959.3 million. An unreconciled variance of \$9.6 million exists between FMIS general Ledger and the Payroll Report for both Established Staff and Government Wage Earners.
- (iii) Reflected in the Statement of Assets and Liabilities (Schedule 3) is cash of \$286.7 million. A variance of \$1.1 million existed between the FMIS general ledger balance and the bank reconciliation statement.

- (iv) Note 52 of the financial statements discloses the novel coronavirus (COVID-19) global pandemic impact subsequent to 31 July 2018. No adjustment has been made to the financial statements as at 31 July 2018 for the financial implications.

C. Other Matters

- (i) Internal controls were generally found to be weak for the Department of Immigration, Ministry of Employment, Productivity and Industrial Relations, Ministry of Foreign Affairs, Ministry of Disaster Management and Meteorological Services, Fiji Correction Services, Fiji Police Force, Ministry of Education, Heritage & Arts, Ministry of Health & Medical Services, Department of Housing, Ministry of Women, Children and Poverty Alleviation, Ministry of Agriculture, Ministry of Fisheries and Ministry of Forestry.
- (ii) The Fiji Roads Authority, as implementing agency for the Suva Ariel Roads Upgrading Project (SARUP 1), under the Transport Infrastructure Investment Sector Project ADB Loan No. 3210-FIJ, did not comply with the Implementation Arrangements set forth in the Project Administration Manual stated in the Loan Agreement. The Project Administration Manual required that the ADB Procurement Guidelines be followed for the procurement of goods and works. The Authority prepared the contract agreement for Contract No. FRA/TIISP/16-01 Suva Ariel Roads Upgrading Project (SARUP 1) under FRA general terms and conditions but ADB determined a mis-procurement as some amendments were made to the FIDIC clauses. As a result, SARUP 1 project will no longer be funded by the ADB and World Bank, the Government of Fiji will incur the full cost of the project totalling \$30.4 million. The funds that have been disbursed by ADB as at 31/07/18 totalling \$5.7 million and World Bank totalling \$3.0 million will be submitted with FRA/TIISP/16-03 Road Reseals Programme of Roads in Western, Central and Northern Divisions of Fiji. The Government of Fiji will be responsible to pay the full remaining balance of \$20.4 million.

D. SIGNIFICANT AUDIT MATTERS

The significant audit matters in the 2018 Financial Statements of Government are highlighted below. The significant audit matters in Ministries and Departments was also reported in the other Sector Reports.

- (i) **Annual Report on Whole of Government:** the Ministry of Economy has not tabled in Parliament the Whole of Government annual report for the financial years ended 31 July 2016 and 2017. The Ministry of Economy stated that it has taken note of the comments and the audit recommendations made.
- (ii) **Ageing Reports not Maintained for VAT & Income Tax Refunds Outstanding:** that FRCS did not maintain the ageing reports for Income Tax and VAT refunds outstanding as at 31 July 2018. This limits the ability of Government to keep track of long outstanding dues. The Ministry of Economy has indicated that it will liaise with the FRCS on maintaining and submitting ageing reports for VAT and income tax refunds outstanding.

- (iii) **Implementation of Activities proposed in the Pacific Financial Technical Assistance (PFTAC) Report:** technical assistance was provided by PFTAC to develop of a framework for identifying, assessing, and reporting of fiscal risks arising from public enterprises (PEs) and statutory authorities (SAs). The technical assistance also looked at institutional arrangements to strengthen fiscal oversight of these entities activities. Not all activities/recommendations in the PFTAC Report have been implemented by the Ministry.
- (iv) The Ministry of Economy stated that it has taken note of the comments and the audit recommendations made. In addition, the Ministry has recently completed a Public Expenditure and Financial Accountability Assessment and is working on a Public Financial Management Improvement Plan which will include reform actions to strengthen fiscal management.
- (v) **Delay in finalization of the Financial Statements of Government and Ministry of Economy:** the finalization of the 2018 financial statements of Government and the Ministry of Economy were significantly delayed due to the numerous amendment to the draft accounts submitted for audit.
- (vi) The Ministry of Economy stated that it has taken note of the comments and the audit recommendations made and has been advising Ministries and Departments via the Closing of Accounts Circulars and through the monthly Permanent Secretaries dashboard.
- (vii) **Main Trust Fund Account:** certain Trust Fund Accounts do not operate as a trust and should be included in the budgetary process. When public money that fund operating and capital expenditures of government are held in trust, the utilization of these funds do not go through the budget approval process. Detailed listings were not maintained for monies held in trust totalled \$78.3 million.

While the Office of the Auditor General had highlighted these matters directly with the agencies through the audit of agency financial statements, the Ministry of Economy had indicated that it will embark on a comprehensive review of all trust fund accounts to determine eligible trust accounts.

- (i) **Reconciliations not prepared for Main Trust Fund Account:** there were significant delays in the preparation and submission to the Ministry of Economy of the accounts reconciliation statements for the Judiciary Trust which dates back to 2015. The Ministry has put in measures to progress with the reconciliation.
- (ii) **Significant Outstanding Operating Trust Fund Balance:** the Operating Trust Fund account had a credit balance of \$36.4 million as at 31 July 2018 the accumulation of which also increased the liabilities of Government. The Ministry of Economy through its Monitoring and Evaluation Unit is reviewing these trust fund accounts and a liaising with respective Ministries/Departments on the need to continue the operation of these trust fund accounts.
- (iii) **Debt Unit Internal Control Assessment:** control environment weaknesses need to be improved in the Debt Management Unit. The Debt Unit Standard Operating Procedures was still in draft form from 2014.

In addition, the Ministry did not have a Debt Management Strategy in 2018. The Ministry of Economy stated that formulation of a Medium Term Strategy is earmarked for completion by the end of 2020/2021 financial year which will be undertaken with the technical assistance from multilateral development partners. In relation to the Standards Operating Procedure (SOP), a comprehensive and updated SOP will also be formulated and finalized by the end of the 2020/2021 financial year.

- (iv) **Accounting for Green Bond:** the apportioning method used in allocating funds to relevant projects has not been appropriately approved or documented.

PART B: 2017-2018 AGENCY FINANCIAL STATEMENTS OF MINISTRY OF ECONOMY

Audit Opinion

The main outcome of an audit is an independent auditor's report on the agency financial statements that were produced and submitted to the Auditor-General. The audit of the 2018 accounts of the Ministry of Economy resulted in an unqualified audit opinion with an emphasis of matter.

A. Emphasis of Matter

The Office Accommodation Trading Manufacturing Account (TMA) on Schedules 14 & 15 of the Audit Report is a semi-commercial arm of the Ministry that caters for the commercial rent out of government quarters. The detailed Quarters Rental Listing has not been correctly updated and maintained resulting in Accounts Receivables of \$1.4 million not reflected in the Balance Sheet as at 31 July 2018. The Ministry has agreed to resolve the matter in the 2018-2019 Agency Financial Statements.

The OAG opinion was not modified in respect of this matter.

B. Other Significant Matters

(i) Trading and Manufacturing Account - Receivables Not Recorded

The credit officer must maintain a debtors' register and adhere to the debt recovery procedures in accordance with Part 9 of the Manual. It was noted that rent receivable totalling \$1.4 million, relating to rental of government quarters I, was not recorded as receivables in the Office Accommodation TMA Balance Sheet as at 31 July 2018.

The Ministry has agreed to resolve the matter in the 2018 – 2019 agency financial statements.

Root Cause/Implication

The detailed Quarters Rental Listing has not been correctly updated and maintained by the Ministry resulting in Accounts Receivables not reflected in the Balance Sheet. Net assets for TMA – Office Accommodation was also understated by the same amount

Audit Recommendation

The Ministry should ensure that the debtors' register and listing are maintained and reconciled with the FMIS general ledger on a monthly basis.

Agreed Management Action

The Ministry agrees with the comment and would like to highlight that current records are captured under the new database implemented in early 2019 under Asset Management module which captures accruals and prepayments for updated records on a timely and efficient manner. The Unit has also discussed with FMIS team to update and reconcile the records monthly to ensure correct representation of TMA accounts.

The changes in the recording of Account Receivables for TMA operation through FMIS will be reflected from 2019 -2020 FY in the Agency FS.

(ii) Variance in LTA Revenue

Reconciliation is an internal control activity established to ensure the accuracy of financial reports being produced not only at division level and/but most importantly at ministry level.²⁵ The Accounts Officer must reconcile all accounts to be submitted to Chief Accountant within two weeks after the closing of each monthly account.

The review of the Land Transport Authority (LTA) revenue noted a variance between the amount recorded in the FMIS general ledger (SRG 23) and the amount received through independent confirmation for the year ended 31 July 2018. Refer to Table 4.17 for details.

Table 4.17: LTA Revenue vs FMIS General Ledger

Particulars	LTA Fees, Fines & Road User Levy Amount (\$)
Balance - FMIS general ledger	50,025,652
Balance - Confirmation from LTA	53,365,063
Variance	3,339,411

The Ministry of Economy had provided a reconciliation to explain the variance. However, details of the LTA gross revenue of \$37.6 million provided in the reconciliation could not be traced to the LTA Revenue confirmation received. In addition, details of the variance identified as reversals, dishonoured cheques VAT and refunds were not provided for verification.

Root Cause/Implication

The reconciliation process was not effectively performed to properly determine the component of the variance between the relevant records.

Audit Recommendation

The Ministry should perform monthly reconciliation for revenue with collecting agencies' records and ensure that any variance identified are rectified.

Agreed Management Action

Management noted the comments and recommendations. Reconciliation on LTA revenue was submitted to OAG on 25/10/2019. OAG to note that there will be variances between the LTA figures and FMIS due to the following:

- LTA revenue figures provided are VIP in nature. MoE pays VAT on behalf of LTA and is accounted in FMIS; and
- LTA provides gross revenue figures whilst FMIS figures are inclusive of reversals, dishonoured cheques, and refunds.
- Ministry of Economy has put controls in place from 2019-2020FY whereby reconciliations for LTA revenue accounts are being performed on a monthly basis and quarterly revenue confirmation is being obtained from LTA to ensure the figures are aligned between LTA and MoE books.

(iii) Absence of Risk Management Policy, Strategic Plan and Operational Plan

Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcomes. A strong system of financial management is essential for the implementation of public sector policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

The audit noted that there was no risk management framework in place. As a result, the Ministry does not have approved written policies, procedures and guidelines to manage the risks associated with the following:

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

Root Cause/Implication

The Ministry's plans are still in draft form and awaiting approval.

Audit Recommendation

The Ministry should ensure that the Risk Management Policy is developed and Strategic Plan and Costed Operational Plans are properly approved.

Agreed Management Action

Management notes the comments and recommendations. The existing policies and guidelines for the Ministry and the overall civil service is adequate to mitigate and manage the risks identified above. However, the Ministry will give due consideration on the recommendation for the Risk Management Policy.

The Strategic Plan and the Costed Operational Plan has been drafted and was submitted for final endorsement.

(iv) Arrears of Revenue Not Recorded

Each agency must maintain a Debtors Register within the FMIS or an accounts receivable ledger for licenses, debts, court fees and other State or agency revenues receivable.

A former employee of the Ministry owed Government a sum of \$10,415 upon retirement. According to the Recovery of Debt Agreement, the obligor acknowledged the debt of overpayment of salary and agreed to repay the sum fully upon receiving FNPF pension.

It was noted that the amount of \$10,415 was not recorded in the Arrears of Revenue Report for 2018. The Officer retired under medical grounds on 18 June 2018.

Root Cause/Implication

The failure to record the arrears of revenue has led to the understatement of the arrears of revenue for the year ended 31 July 2018.

Audit Recommendation

The Ministry should ensure that unrecorded arrears of revenue is included in the Ministry's Arrears of Revenue Report and recover the revenue in accordance with the measures specified in Finance Manual.

Agreed Management Action

Management noted comments and the recommendation provided by OAG

(v) Administration of Environmental and Climate Adaption Levy

The Environmental Levy (Budget Amendment) Act 2017 establishes the Environment and Climate Adaptation Fund. The Fund shall consist of any money paid to the Fiji Revenue and Customs Service in relation to the Environment and Climate Levy imposed under this Act.²⁹ The purposes of the Fund are to promote conservation for the forests, flora, fauna, wildlife, ecosystems and biodiversity of Fiji; provide funding to assist programmes, projects and activities associated with climate change mitigation and adaptation activities: and engage in any environment or climate change related activity approved by the Minister.

To allocate ECAL funds to the relevant programs and projects associated with climate change mitigation and adaptation, the Ministry apportioned the funds to the projects at a rate of 60 per cent of the project costs. The audit noted that the method of apportioning costs to the projects have not been appropriately approved or documented.

Root Cause/Implication

An approved documented procedure will ensure consistency in the assigning of project costs to the ECAL funds.

Audit Recommendation

The Ministry should expedite the finalisation of its Standard Operating Procedure for the International Cooperation and Climate Change Unit.

Agreed Management Action

In the absence, of any international set criteria for apportioning climate change costs to climate centric projects and the inherent cost tracking limitations of the current FMIS system, the Ministry used its judgement through technical experts based with the Climate Change and International Cooperation Division to apportion at a rate of 60 per cent of the total project as climate relevant expenditure. With the introduction of the above mentioned Climate Budget Tagging, this can be easily resolved.

(vi) Presentation of Main Trust Fund Account - Recurring Issue

Each agency must include the following statements in its annual financial statements- a trust account statement of receipts and payments (where applicable).³¹

There were ten (10) Main Trust Fund accounts held by the Ministry in 2018. It was noted that the opening and closing balances of these ten (10) main trust fund accounts were consolidated into one statement. The receipts and payments during the year for the respective trust fund accounts were not shown separately but reflected in one statement of trust fund account.

Root Cause/Implication

The current presentation limits the usefulness of financial statement as users will not be able to determine the opening and closing balances for each Main Trust Fund account and the movements during the year.

Audit Recommendation

The Ministry should prepare separate statements for each main trust fund account held and consider reflecting the nature or types of receipts and payments in the Trust Fund Account's Statement of Receipts and Payments.

Agreed Management Action

Ministry of Economy will provide separate presentation of statement of receipts and payments for Trust Fund Account as initially from 2019-2020FY.

(vii) Delay in Finalisation of Financial Statements - Recurring Issue

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

The delay in the finalisation of the audit for Ministry of Economy was due to the following:

- Amendments were made to the Agency Financial Statements on 18 December 2018. The 2nd draft was received on 12 June 2020 and the 3rd draft was received on 11 August 2020 and the final revised accounts was received on 25 August 2020.
- The Ministry continued to make adjustments with the posting of journals to the FMIS general ledger during the audit conduct.
- Drawings account was finalised on 4 September 2018 after the due date of 29 August 2018
- Stale cheques were reflected in Drawings Account for Pension Section.
- Retirement of Imprest Account was completed on 6 August 2018 (Journal ID: 04F057) after the due date of 20 July 2018.
- Virements were processed until 14 September 2018 when the due date was 20 July.
- Balances in AFS submitted were not reconciled with FMIS general ledger and FRCS records.

Root Cause/Implication

The continuous amendments in the draft financial statements after its submission to the Office of the Auditor-General is an indication of the quality of the financial statements submitted. This has resulted in the delay of the finalisation of the audit.

Audit Recommendation

The Ministry should ensure that the draft financial statements prepared by the Ministry are verified by the Financial Reporting Section for accuracy before submission for audit and that the due dates for closing of accounts circular are complied with.

Agreed Management Action

No agreed timeline was discussed between Office of Auditor General and Ministry of Economy regarding the conduct of MoE audit for 2017-2018FY. In addition, auditors were not present on a daily basis to conduct audit and OAG should have considered Government's closing of accounts period which is usually a busy period whereby Ministries / Departments send in their payment requests. Treasury comprises of 7 departments and auditors were working from Financial Operation section which usually has space constraints due to the nature of its operation.

The OAG proposed a clear timeline is agreed in the future with due consideration and understanding of each other's challenges. Requesting OAG to provide a detail listing of the unprocessed PO's for Management comments. Virement V04007 was approved and processed late. FMIS is working very closely with Budget and Planning Division to ensure all virement applications are approved and processed in a timely manner.

Volume 2: General Administration Sector

HEAD NO. 1 - OFFICE OF THE PRESIDENT

The Office of the President was issued with an unmodified audit opinion for its 2018 accounts. However, attention should be drawn to the following –

1. Note 4 of the Financial Statements describes the replenishment of funds from Head 50. A sum of \$558,323 was released from Head 50 to cater for additional commitments for the Office of the President. For the year ended 31 July 2018, a total sum of \$2,686,886 was utilized including funds sourced from Head 50 to fund the operations of the Office of the President.
2. Additionally, internal controls over procurement and payments were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the future.

The Committee was informed that the requested \$558,323 that was released from Head 50 was to cater mainly for State Visits of Foreign Dignitaries, the projected travel costs with increased responsibilities for His Excellency, Publications of His Excellency the President's speech, His Excellency's gifts for Visiting Dignitaries and the salary increment of staff due to the Job Evaluation of positions that resulted in increase in bands and steps of the current staff. The office had after receipt of replenishment from the Ministry of Economy ensured that acquittals of all funds requested for was retired accordingly.

More importantly, the office realized and noted that most of these events and activities were unplanned but extremely essential that needed to be delivered by the office in order to fulfill His Excellency's obligations as Head of State and other ceremonial appointments. From that experience, the office has better planned its activities including the unplanned activities and had presented its request in the budget for the new Financial Year whereby an increase in travel costs and allocation to cater for His Excellency's Ceremonial Activities was approved. This has enabled the office to work within its allocated budget successfully.

Timelines of Draft Financial Statements

The Committee was informed that the office acknowledges the findings of the Auditor General's Office and has strengthened its internal controls by ensuring that all due processes are followed and procedures are adhered to as well with Standard Operating Procedures. The office has continuously updated its monthly reconciliations and submitted these in a timely manner. Internal audits are being carried out with bi-annual board of survey to take into account all assets in the agency with the reports are submitted to the Ministry of Economy.

The Manager Finance after spending approximately one year in the agency having being recruited from the private sector, had a lot to learn and understand about the public sector processes and procedures, thus has been allowed and encouraged to attend the Heads of Accounting meetings to be abreast with the current practices and changes that are being inculcated into the Financial Systems of Government.

A checklist for procurements processes has been designed and implemented to ensure that requesting officers adhere to all requirements of the procurement process before approval of request is granted, purchase orders are raised and payments are approved upon receipt of invoice. Furthermore, supervisory

checks from the Senior Management has been strengthened and Standard Operating Procedures for the Accounts team has been equally strengthened to assist in officers adhering to the required processes.

The Manager Finance also has a compulsory responsibility to present to the Senior Management and the Head of Sections every week the cash flow report, Purchase Order report, and to submit a monthly Accounts report on the utilisation rate of the agency to the Permanent Secretary in the Office of the Prime Minister and the Ministry of Economy.

The Committee notes that the draft financial statements were submitted for audit late (after 31 October 2018). The office acknowledges the opinion by the Auditor General's Office on the delay in submission of the draft financial statements thus resulting in the late audit. The main reason for this was due to the fact that the newly recruited Manager Finance was still learning processes and was still being assisted by the former Manager Finance. The new Manager Finance had been advised to seek assistance from the Ministry of Economy in order to learn and understand the draft financial statements and the office is pleased to report that he has learned the processes well and continues to work towards improving on the challenges faced. Most importantly, the office continues to send the Manager Finance to the Ministry of Economy for further training and to seek guidance from the Auditor General's Office on all compliance needs which has worked well for the agency and the officer concerned.

Timeliness of Signing the Financial Statements

The Office acknowledges the report by the Auditor General's Office that the audited financial statements were not signed on a timely basis, resulting in it being returned late for issue of an audit opinion and the mechanisms put in place to rectify and improve its submission is that the respective dates received from the Audit Team are reflected in the Annual Operational Plan as a deliverable for the section to be achieved with timelines, standards and monitoring process being reflected. This is further included in the Business Unit plan, and the Individual Work Plan of the Accounts Team and the office Annual Planner. In this way the Senior Management closely monitors the timelines to be followed and adhered to.

Assessment of Financial Governance

The report of the Auditor General has provided a summary table indicating an assessment of the internal controls within Ministries and Departments conducted by the Auditors. This includes the preparation process of the financial statements and responses to the Office of the Auditor General which were subject to audit.

The Committee was advised that the office acknowledges the findings by the Auditor General's Office and wishes to report that the main reason for the ineffectiveness of some internal controls was due to the fact that the former Manager Finance and a Clerical Officer Accounts had resigned thus resulting in the recruitment of a new but qualified Manager Finance through OMRS with experience from the private sector who was trying to better understand the processes involved in Government, Government FMIS System, policy and regulations and internal control measures. In addition the office also recruited qualified and equally new Clerical Officer from the private sector that needed guidance to better perform in their duties.

With the challenges faced by the officers, the agency had continuously sent them for training and refresher training with Ministry of Economy, Procurement Office and to seek advice from the Auditor General's Office to better equip and ground them on the needs for the Accounts Section. The office is pleased to report that the Accounts Team has thoroughly learnt from the challenges faced and have continued to better and even be more strict with Accounts processes and procedures in the agency.

To conclude, the Office of the President is always guided by the Ministry of Economy and the Auditor General's Office for its support and direction, all of which are helping the Office of the President to improve its financial management capabilities in-line with a whole-of-Government approach to improve public sector management. The Office of the President remains committed to fulfilling its roles guided by appropriate accounting processes and procedures.

Other Significant Matters

The Other Significant Matter included in the 2017-2018 Audit Report for the Office of the President were as follows –

1. Procurement of Goods and Services from the accountable advance allocation
2. Anomalies in Procurement
3. Non-Compliance to Procurement Regulation

Committee Comments:

1. ***Not get only best qualified but also one that understands the best system of Government Machinery.***
2. ***Future recruitment, new officers joining the Ministry should undergo compulsory staff induction training as well as training and development provided by the agency.***
3. ***The Office should take necessary disciplinary actions for those Staff responsible in the non-compliance of the Procurement Regulation and the anomalies in the procurement.***
4. ***The Office should conduct relevant trainings to their Staff to improve individual staff performance.***

HEAD NO. 2 - OFFICE OF THE PRIME MINISTER AND IMMIGRATION

The Office of the Prime Minister and Department of Immigration was issued with a modified audit opinion for its 2018 accounts. The reason for this qualification is –

1. A variance of \$515,175 exists between the Internal Border Control Management System (IBMS) which records the Department of Immigration's operating revenue and the FMIS General Ledger.

The Committee was informed that the Integrated Border Management System (IBMS) is a software used by the Department of Immigration (DOI) for all Immigration processes supported by Informatics, a Sri Lankan company. FMIS is the system provided by the Ministry of Economy for all financial activities. The Variance was due to the receipt of payments of all Immigration processes received from our Foreign Missions and Ministry of Industry, Trade & Tourism Office [Consular Office]. All these payments were posted directly to the Department of Immigration's FMIS revenue allocation. The DOI IBMS system only records payment of all applications registered using the software at our stations in Fiji. Apart from the above, the DOI also issue manual receipts for those applications received during power outage or network downtime which also contributes to the variance. Solutions have been identified internally and currently the Department has managed to factor in both the Manual & System generated Receipt with a provision created in the IBMS to cater for all payments, effective from 01.08.2019. Informatics has also deployed the new option for entering the Foreign Mission revenue into the IBMS system, effective from 12th April, 2020. DOI is currently reconciling the FMIS General Ledger with the IBMS revenue. The variance will be posted to the respective allocations in the IBMS system.

2. Detailed listings of work permit holders for whom security bond totalling \$28,724,628 was held in trust as at 31 July 2018 were not substantiated by the Department of Immigration.

The Committee was informed that the Security bond is an amount paid by either a permit holder or the company, which equates to one way economy travel for the permit holder to country of domicile. This bond is kept by the Department in cases where the permit holder breaches the condition of their permit and the company fails to repatriate them then the bond is used to repatriate the permit holder. Furthermore, the Department has maintained the detailed listing on a manual register, to update all bond fee records [receipts and refund], however have failed to maintain a data base [excel sheet] to record the same. This would ease the equating of the detailed list and the spreadsheet. The Department has commenced with the updating of the data base with effect from 25.01.2019 for the period 1980-2008, and continuing for the period 2008 until Jan 2019 as backlog. From Feb 2019 till to date, the record has been updated. The Department has allocated \$9,360.00 in the 2020-2021 Budget to recruit NEC volunteers to update the bond refund database for Accounts Section.

3. An unreconciled variance of \$125,618 exists between the Immigration Bond Trust Fund Account Cash at Bank Balance and the General Ledger (FMIS) Balance.

The Committee has been advised that the Department has verified and reconciled the variance with the Immigration Bond Trust Fund and GL Balance.

4. The Department of Immigration was unable to provide appropriate supporting documents including payment vouchers to substantiate payments totalling \$272,985 which were made from its Operating Account.

The Committee was informed that the documents were not filed in a timely manner and could not be located. DOI have strengthened the internal control measures to address the issues raised. Internal control measures such as:

- Checking the payment voucher and ensures the supporting documents are attached.
- After payment the vouchers are binded and filed away.

Internal controls over revenue, payroll expenses, procurements and payments and Bond Trust Fund Account for the Department of Immigration were generally found to be weak. This was due to lack of supervisory checks, reconciliations not properly carried out, improper record keeping and lack of proper planning and budget management. These internal controls weaknesses if not addressed promptly may result in material misstatements and possible financial losses in the future.

Assessment of Financial Governance and Internal Controls

The Department has strengthened the internal control measures such as:

- All revenue, payroll and payment vouchers are checked and verified by PAO.
- Proper reconciliations are carried out and verified by PAO
- All documents are binded and sequentially filed

Timeliness of the financial statements

The delay in management comments were due to the difficulty in receiving the responses from the respective officers responsible. The department has ensured that records are well kept and organized and we have stressed to all officers the importance of better coordination and ensuring the timely submission of comments.

Timeliness of signing the financial statements

The Committee notes that the audited financial statements were signed after 15 days from issue for signing. The Department will prepare financial statements in a timely manner and ensure better coordination with PS OPM and DOI to ensure that the audited financial statements are presented in a timely manner for signing.

Control Environment

The Department's Finance Manual and Standard Operating procedures, have clearly defines the appropriate Authorities, such as the delegated levels of authority, their responsibilities and the internal controls measures for the Department's accounting system and processes. The Department's lack of supervision however, had resulted in an effective control environment. Currently, the Department has put in stringent measures to ensure that supervisory checks are intact and also non-performing staffs are counseled. The strengthening of these internal controls will enable the Department to monitor its systems and processes to ensure that existing issues are addressed.

The Control Activities such as policies, procedures and manuals were in place, however, the Senior personnel in the Accounts Section had failed to comply with the policies and procedures. The existing staff have been reminded during section meetings and Directors Hour on the importance of complying with the policies and procedures.

Monitoring Activities

The Department internal independent audit is done by the Ministry of Economy (Internal Audit Section) and the last audit was carried out in 2017-2018. The gaps identified by the internal auditor were resolved by the Department. In addition, the Department has a compliance Team who monitors the technical operations of the Department.

Information & Communication

The sharing of information in the Department is important as it enables personnel to understand the internal control in place and its importance for the achievement of objectives. The issues were addressed during section meeting and Directors hour and also the issuance of internal circulars and instructions.

Other Significant Matters

1. Journal Vouchers not checked

The committee notes that certain journal vouchers were not checked and approved by the Senior Accounts Officer. The audit noted that 165 JV amounting to \$1,783,553.21 were not checked and approved by the Senior Accounts Officer. All these journal vouchers were posted by the Accounts Officer.

The Committee was advised that The Department has appointed a Principal Accounts Officer (PAO) who is verifying the journal voucher before posting. The Double posting errors are journalized. The Department is ensuring that we maintain proper record keeping.

2. Anomalies in clearance of Bank Lodgement Clearance (BLC)

The committee notes that the Department's BLC account was cleared through bulk posting to the miscellaneous revenue allocation of \$210,745.96 and passport revenue allocation of \$963,221.47. This posting was done by the Ministry of Economy to clear the BLC account at financial year end. The cash analysis sheets for revenue were not attached amounting to \$347,947 and reconciled with the receipts and lodgment.

The internal control mechanism DOI has put in place are:

- Revenue are checked and verified weekly before it is posted to the FMIS General Ledger.
- Monthly reconciliations are carried out and clearances are posted to the respective revenue allocations.
- The revenue is reconciled with the receipts, cash analysis sheets and bank lodgments before banking. The same is checked and properly filed.

The above is thoroughly monitored by PAO.

Committee Comments:

- **The Department of Immigration should ensure that proper SOPs are in place to address issues that are listed above and a Risk Management Framework be developed.**
- **Monitoring mechanisms to be in place to ensure that Officers are following the SOPs and adhere to the relevant legislations and Government policies.**

The audit noted from the review of the Department's governance issues:

- a) Given the nature of operation where risk is a critical component of daily tasks, the Department did not have a risk management framework where it identifies risks and outline ways to manage them; and

b) There is no disaster risk recovery plan to outline procedure to be followed in case of disasters.

The Committee was informed that the Risk Management Team is in a process of developing the risk Management framework which will be finalised by the end of this financial year.

The Department has no Risk Management Framework in place. However, relevant training was attended by some staff in the Department and are working on the compilation of a Risk Management Framework. Due to the nature of the work done and the environment that DoI staffs work in, it is essential to have a Risk Management Framework in place.

3. Long Outstanding VAT on Revenue

The audit noted that VAT on revenue amounting to \$1,348,949 which accounts for 92 per cent of the operating trust fund balance has been long outstanding. Upon audit verification of the reconciliation and considering monthly movements, it was confirmed that the amounts have accumulated from previous years thus increasing the operating trust closing balance.

The Committee was advised of the table below that outlines the details of the payment processed by DOI for Vat on goods and services:

Year	Comments – Ministry of Foreign Affairs
2009 – July 2016	<ul style="list-style-type: none"> Ministry of Foreign affairs are not able to provide source documents. DOI is using the figures from MOE GL Report. MOE needs supporting documents in order to provide approval for payment.
Aug 2016 – Feb 2018	<ul style="list-style-type: none"> \$41,070.04 paid in December 2018 from August 2016- July 2017. \$10,719.32 paid in March 2019 from August 2017- February 2018.
Mar 2018 – July 2018	<ul style="list-style-type: none"> \$17,906.25 yet to pay upon PS approval.
Aug 2018 – Till to date	<ul style="list-style-type: none"> Payment processed includes all Ministry of Foreign Affairs postings.

The Department has also paid VAT on Revenue posted by Ministry of Industry & Trade for the Current Financial Year and is in process to payout the VAT for the previous financial year. We have reconciled the current financial years (August 2019-March 2020) VAT on goods and services and the VAT input of \$282,324.42 has been adjusted through a Journal Voucher in period 10. Currently, DOI is in the process of reconciling the previous year's VAT on goods and services.

4. Unutilised Capital Purchase Fund (e-Passport Issuance)

A budget of \$300,000 was allocated to conduct feasibility studies for the development of an e-passport system to replace the existing Passport Issuance System. The audit noted that the Department did not utilise the sum of \$300,000 approved for biometrics verification system and e-Passport issuance in the 2017-2018 Financial Year.

The Committee was informed that the amount allocated was to have the ground work carried out including the engagement of a Consultant to determine the feasibility, viability and proper implementation of the project. The fund was not utilized due to the changes and decisions made in the project plans during the process.

Prior Years Unresolved Issues

1. Unsubstantiated Security Bond Amount
2. Improper Management of Revenue

Section 21 (1)(a) of the Finance Instructions 2010 states that each Accounting Head must ensure that revenue is recorded against the correct account as per the Chart of Accounts. Section 5.9.1 of the DoI Finance Manual also states that when applying for new revenue items, the Senior Accounts Officer must first seek Ministry of Economy approval.

The Department collects 4 different types of revenue namely Passports, Permits, Visas and Citizenship. However, the Department recorded all the 4 different types of revenue collection under its Passport Revenue allocation in the FMIS System. Furthermore, the Department did not seek assistance from the Ministry of Economy to create separate allocations for the 4 different types of revenues it collects. As a result, revenue collected by the Department was not correctly stated under each of the 4 different types of revenue.

The Department had liaised with Ministry of Economy and they have created separate allocations for the five (5) different types of revenue collected by DOI, in May 2019. The allocations created are:

- ✓ 10230170999230306 – Passport
- ✓ 10230170999230328 – Permits
- ✓ 10230170999230329 – Citizenship
- ✓ 10230170999230330 – Visa
- ✓ 10230170999230332 – Search fees

The department is now posting revenue to their respective allocations as listed above.

HEAD NO. 6 MINISTRY OF DEFENCE AND NATIONAL SECURITY

The Ministry of Defence and National Security was issued with an unmodified audit opinion for its 2018 accounts.

Control Issues

The Committee notes from the internal control audit assessment that deficiencies exist in internal controls. The Committee was advised that the Ministry has developed and now implemented a System Operating Procedures and a Standard Checklist with strict timelines to resolve the issue highlighted.

Other Significant Matters

1. Enforcement of the Security Industry Act

No person may employ or provide other persons to carry on any security activity unless that person is the holder of a Master Licence and employs or provides no more than the number of persons authorised by the master licence. Section 13 (3) of the Act provides that any person who fails to lodge their application to renew the license, shall be liable for fine not exceeding \$5,000 or imprisonment for up to 2 years or both. For a body corporate a fine not exceeding \$5,000 and for an individual to a fine not exceeding \$5,000 or imprisonment for up to 2 years or both would apply. The audit revealed that the security license and related records for several companies have not renewed their security license over the years but continued to provide security services.

The Committee was informed that the Ministry has now been relatively proactive in reminding registered security companies with their licenses are approaching expiry and also when they have expired by way of Notice Letters and Public Notices. The Ministry have just sent out another round of reminder notices on 18th January 2020. A good number of companies have taken heed of these reminders and work with the Ministry in renewing their licenses prior to its expiry. However, the observation of the Public Accounts Committee that several companies have yet to review their license but are continuing to operate. The Ministry wishes to advise that these companies have made representation to the Ministry with their intentions to renew their licenses however, their renewal application are currently still pending due to a number of varying yet critical reasons such as:

- a) **Pending Employment Related Cases.** Ministry of Employment advise the Security Industry Registration and Licensing Board of companies who have pending employment related cases such as unpaid overtime, unpaid wages and poor working conditions to name a few. It is to be noted that most of these companies who are pending renewal fall within this category.
- b) **Pending Fiji National Provident Fund Related Cases.** The Ministry works with FNPF to ensure that all companies are compliant with compulsory FNPF deductions to their employees. The Ministry awaits the formal compliance letters issued by FNPF prior to proceeding with the renewal of licenses.
- c) **Pending Taxation Related Cases.** The Ministry actively works with all companies to be tax compliant prior to their licenses being issued or renewed. It is unfortunate that a number of companies whose licenses are pending have outstanding tax issues with the Fiji Revenue Customs Services (FRCS)

In addressing the issue, the Ministry understand that the industry employs approximately 25,000 security guards who will be greatly disadvantaged should the Ministry commence enforcement measures that ultimately will close down or halt operations of the companies that employ them. Considering this great

implication, the Ministry is actively working with the concerned security companies and the aforementioned Ministries and agencies in clearing their pending issues so that their licenses are accordingly renewed.

In projecting to these security companies at hand, the Ministry will also be boosting main stream media awareness campaigns to ensure that all security companies (registered and unregistered) are duly licensed before the cut-off date (which will be prescribed by the Hon. Minister) after which the Ministry shall commence enforcement measures by closing down these security companies are operating illegally.

The Ministry and the Board works towards ensuring that the Security Industry develops professional standards, which includes being complaint with relevant compulsory legislative authorities such as Ministry of Employment, FNPF and FRCS. As such, the compliance of clearance indicators from the abovementioned agencies is a critical component of the licensing process. The Committee was informed that the Ministry acknowledges a number of companies whose licenses have not been renewed which is due to the Board holding renewal applications as a result of their non-compliance to associated and critical legislative authorities.

2. Publishing of Valid Master License Holders

Section 11(4) of the Security Act 2010 states that no later than 30 June each year, the Registrar shall publish in a notice in the Gazette a list containing the name of every holder of a valid master license.

Contrary to the requirement of the Act, the audit noted that the Registrar did not publish the name of every holder of a valid master license in the Gazette.

The Ministry wish to advise that whilst the Security Industry Act came into force in 2012, the Board was formally appointed in 2013 whereby registrations and licensing were conducted accordingly. Noting this, the table below outlines years which the Registrar published the Notice in the Gazette.

Year	Status of Publishing in the Gazette	Comments
2014	Published	Annex 5
2015	Published	Annex 6
2016	Published	Annex 7
2017	Not Published	Oversight by the former Registrar
2018	Not Published	Staff turnover within the Security Industry Registration & Licensing Office which included the Registrar resulted in the failure of the Ministry to publish the valid Master License List for 2018. Moreover, it may be noted that the Board Membership during that time also underwent changes as the 2 industry members were deemed unfit to hold office and as such a suitable Registrar was appointed in time
2019	Published	Annex 7
2020	Pending	To be published on 30 th June 2020

3. Meetings of the Security Industry Registration and Licensing Board

Section 8 of the Security Industry Act 2010 states that the functions of the Board are to consider and determine applications for the grant of security licenses. The audit noted that Security Industry Registration and Licensing Board had met only twice during the financial year. The meetings were held on 22 November 2017 and 3 May 2018. However, the minutes of the board meeting that held on 3 May 2018 are not provided for review.

The Committee was advised that it should be noted that the Board had undergone a change in membership and this process took quite some time as the proposed industry members were not deemed fit. A new of Board Members were formally appointed by the Hon. Minister for Defence and National Security on 20th May 2019. As such, this only allowed for one Board Sitting in the 2018-2019 Financial Year which was held on 28th June 2019.

The Ministry wish to advise that the Board meets accordingly as per the mandated functions set out in section 8 of the Act. These maybe summarily classified into 3 main functions which are –

1. To consider and determine applications for the grant of security licenses
2. To inquire and decide upon complaints against a holder of a security license and to make such order or levy such as penalty against the licensee concerned having regard to the circumstances; and
3. Provide advice, recommendations on the standards and policy aspects of the security industry to the Minister.

The Ministry had sought a legal opinion from the Solicitor-General's Office on the decisions of the Board with the proposal of issuing applications or board paper via 'flying minute' circulation to the Board Members. This has drastically reduced the need to hold regular Board Meetings for the purpose of considering and determining applications. This new process has completely streamlined application processes and timelines and the need for regular board meetings. However, the Ministry continues to acknowledge with the high priority the need for the Board to sit and provide recommendations on policy and standards of the Industry to the Minister and has scheduled 3 Board Sittings for the current financial year (2019-2020) which will feature substantive initiatives that includes standards and policy that will uplift the industry as a whole.

4. Control Weaknesses over the receipting process

Section 5.4.3 of the Ministry's Finance Manual states that the lodgement shall be checked and signed by the Accounts Officer (who must not also be responsible for collecting revenue). Cash to be deposited shall be counted before the Accounts Officer signs the lodgement forms.

The audit review revealed that the revenue receipt books and related records of the Ministry noted the following weaknesses –

1. The bank lodgement form is not properly checked and signed by the Accounts Supervisor/Officer in charge before/after the lodgement
2. The revenue collectors chart has not been updated and therefore the completeness of the revenue collected cannot be confirmed
3. Delay in banking of the receipted money was also noted.

The Committee was informed that the Ministry has reflected this role in the Position Description (PD) and Individual Work Plan (IWP) for the Officer to address this issue. The Ministry has also implemented a check and balance system as internal control to ensure that the officers are able to deliver as required of their respective positions.

Committee Comments:

- 1. The Committee recommends that more regular meetings for the Security Industry Registration and Licensing Board and proper recording of meeting documents for audit purposes and future references;***
- 2. Proper oversight and monitoring by the Supervisors;***
- 3. The Ministry of Defence should ensure strict compliance to the Security Industry Act 2010, given the importance of the industry, these includes meetings, publishing of gazette and etc; and***
- 4. The Ministry should conduct a feasibility study on the on the operation of the Security Industry***

HEAD NO. 7 MINISTRY OF EMPLOYMENT, PRODUCTIVITY & INDUSTRIAL RELATIONS

The Ministry of Employment, Productivity and Industrial Relations was issued with a modified audit opinion for its 2018 accounts. The reason for this qualification is –

- The Ministry received a sum of \$60,000 from the Ministry of Civil Service under the Shared Services Agreement. The Ministry receipted the service fees into the OHS Consultancy Trust Fund Account instead of the Consolidated Fund Account. Transfer of Public Funds into a trust account is improper as funds in trust are those funds other than public money

The Committee was informed that the Shared Services Memorandum of Understanding (MOU) between our Ministry and Ministry of Civil Service expired on 31st May, 2017. The Shared Services was a pilot under the Civil Service Reform Agenda. Shared Service refers to any administrative function around people, process and technology that is performed by one business unit for a fee for the benefit of another business unit. The goals of shared services are to gain efficiencies, leverage best practices, and standardize processes. In this case, our Ministry provided certain corporate services support to Ministry of Civil Services, whereby Ministry of Civil Service would pay a fee for that service. This service supported the administration of 500 or so doctors that came under the Ministry of Civil Service. The fee was to be used to build the capacity of officers involved in the shared services arrangement, one of which was the study of the Shared Services model in Queensland, Australia. The fee obtained was posted temporarily in the Trust Account to await the decision on continuity of the program. With the shifting of administration of doctors to Ministry of Health in FY18-19, the service was discontinued. The Shared Services Fund has been transferred to Government's Revenue Account, ref: receipt # 264422, 30th April 2020.

- Proper reconciliation of trust accounts of the National Employment Centre, Employment Relations Tribunal, Occupational Health & Safety, Workmen's Compensation, Wages Dispute and OHS Consultancy Trust Fund Accounts were not done. Proper cash books were not maintained for the trust accounts, satisfactory explanations were not provided for variances totalling \$119,783 stale cheque were not cleared and receipts and payments were not posted in the General Ledger on a timely basis.

The Committee was advised that the Ministry has requested Fiji Revenue & Customs Services to conduct an Audit on OHS trust Account for VAT related issues. Child Labour Trust Account has been closed off as the ILO TACKLE program which commenced in 2010 ended in 2013. After closing out this trust account with VAT issues addressed, the Ministry will be in better position to reconcile, if any, differences that may exist. The Ministry is also assessing strategic options for better management of Workmen's Compensation trust account. The Ministry has restructured the Accounts Section and is currently reviewing all the trust accounts. A Cash Book is now maintained for all existing trust accounts since May 1 2020.

Other Significant Matters

1. Anomalies in payroll reconciliations

The Committee was informed that the payroll reconciliation is done every fortnight, and one of the strategies of the ministry to strengthen the internal control is by involving the Human Resources Unit to verify reconciliations. This will eliminate the cases of salary being paid to those who have retired and/or whose contract term has expired and ensure that payroll is aligned with person to post (P2P) as approved in the

budget. With the development and rollout of the HRMIS across government this reconciliations issue will also be addressed.

Control Issues

The Committee was advised that the delay of late submission was due to the fact the former Accounting Head resigned, following that the termination of the Accounts officer who was second in command. This gap created weakness in oversight and meant that junior staff had to step in to prepare the Draft Financial Statement, as a result there was a delay. The Ministry's re-organisation of the Accounts section has established and hired a Manager Finance to ensure that there is no delay in the future. The establishment of a Manager Finance ensures oversight in ensuring financial statements are signed according to the timeline.

2. Anomalies in retirement of accountable advance

The Committee was informed that the Ministry has rotated accounts staff and an accountable advance register is in place. Staff are issued reminders on retirement of advances upon return from local/international trips. As at last month, there were no pending accountable advance issue.

3. Stale Cheque not Cleared

The Committee was advised that the stale cheque adjustment journal entries have been updated. The Shared Services fee kept in the Trust Account has been cleared and indicated in the qualification of the audit of the shared services.

Prior Year Unresolved Issues

1. Shared Services Revenue Recorded in OHS Consultancy Services Trust Fund
2. Presentation of Main Trust Accounts

Committee Recommendation

The Committee recommends that the Ministry of Employment should prepare a Shared Services Report.

HEAD NO. 8 MINISTRY OF FOREIGN AFFAIRS

The Ministry of Foreign Affairs was issued with an unmodified audit opinion for its 2018 accounts however, attention must be drawn to the following –

1. Internal controls over procurement of goods and services were generally found weak. This relates to Local Purchase Orders not attached to payment vouchers, competitive quotations not obtained, payments were not adequately supported and rental agreements for overseas missions were not provided for audit verification. These internal control weaknesses, if not addressed promptly, may result in material misstatements and possible financial losses in the future.

The Committee was informed of the following Control Measures that the Ministry is going to or has adopted:

a) Reviewing of the Ministry's Finance Manual

The Ministry has reviewed its Finance Manual (2013) in 2019 with the intent to clearly set out policies and procedures that is required for the overall improvement of the Ministry's operational efficiency and effectiveness including strengthening of internal controls.

This document will be continuously updated as and when there is a change in the existing FMIS

b) Developing of Overseas Mission's Finance Guidelines 2019

Further to the review of the Finance Manual, the Ministry also developed a Finance Guidelines specifically for our overseas Missions. This is the 1st time for the Ministry to develop the document with the objective of providing clear and proper guidance to diplomats in terms of financial regulations and processes.

Considering that 80 per cent of the Ministry's financial resources are allocated for Overseas Missions operations, it is only proper that clear guidance on the administration of the budget in line with relevant finance policies and regulations is provided to diplomats serving in the Mission. The underlying objective is improving the Ministry's internal control and compliance.

c) Acquittal Feedback Report (AFR)

This is also a new initiative by the Ministry aimed at providing feedback report on all monthly acquittals reports submitted by the Missions Overseas. The AFR is sent out to all Heads of Missions outlining anomalies identified in the acquittals report together with the recommended actions to be undertaken. The Ministry sees this as a platform to strengthen internal controls in the Missions and also to be proactive in addressing anomalies identified.

d) Use of Finance Checklists

The Ministry developed its own internal checklists aimed at ensuring that all necessary documentation required for any particularly payment are submitted together with the payment request. Any payment request submitted without adherence to the Finance checklist is immediately returned and is not processed.

The Ministry undertakes continues awareness programme to all staff within the Ministry on the different levels of documentation required for all types of payment requests to ensure compliance.

e) Internal Audit

At Headquarters, internal audit is conducted on a weekly basis to verify all payments made during the week and ensuring that all the requirements as per the Checklists have been complied with.

2. An unreconciled variance of \$3,725,421 exists between the FMIS GL of \$7,208,398 and the accumulated bank reconciliation balance of \$3,482,977. The Overseas Mission Bank Accounts facilitates the payment of expenditures of Missions and record the transfer of funds from the consolidated fund account. The variance identified in the Overseas Mission's Bank Account has been recurring for many years and not much efforts has been undertaken by the Ministry to resolve the matter.

The Committee was informed that in 2017, the Ministry in consultation with the Ministry of Economy (MoE) introduced a new posting method in the GL system that resulted in the reconciling of the GL and the Missions Bank Account Balance. However, although the new format of posting has successfully addressed the unreconciled variance from 2017 onwards, it is the accumulated unreconciled variance over the years prior to 2017 that need to be cleared.

The Ministry has been regularly consulting with the Ministry of Economy on the matter with a submission made in 2018 proposing for MoE to undertake a book value adjustment by shifting the variance amount to equity. The discussion between the Ministry of Foreign Affairs (MoFA) & MoE in January 2020, the Committee was informed that MoFA to submit a fresh submission together with the reconciliations for the last 3 to 5 years to determine the level of variances. This is the information that the Ministry is currently collating for submission to MoE with the revised submission.

Other Significant Matters

The Committee notes the following other significant matters which has been a recurring audit issue over a number of years. These are –

1. Un-reconciled Variance in Overseas Mission Bank Reconciliation
2. Anomalies noted in Procurement of Goods and Services
3. Anomalies in Domestic Allowance
4. Fixed Asset Register not Updated
5. Operating Trust Balances Carried Forward from Prior Years
6. Absence of Risk Management Framework
7. Revenue Collected by Overseas Missions not formalised

Committee Comments

1. ***The Committee recommends that staff with Finance background should be posted to Missions to handle bookkeeping responsibilities; and***
2. ***Regular Staff training for Missions Staff.***

HEAD NO. 9 INDEPENDENT BODIES

Independent Bodies consists of the Office of the Director of Public Prosecution, Office of the Auditor General, Parliament Office and the Judiciary.

The Judiciary Department was issued with a modified audit opinion for its 2018 accounts. The reason for this qualification is –

- Significant lapse in reconciliation were noted and there was absence of detailed breakdown listings of beneficiaries and their current balances. As such, the accuracy of the closing balance of payment \$31,681,497 disclosed in the Judicial Trust Fund Account Statement of Receipts and Payments for the year ended 31 July 2018 could not be ascertained.

The following updates was provided to the Committee as at 17 February 2020 –

a) **Reconciliation**

The current status as at 31 January 2020 of the Judicial Trust Fund Reconciliation are as follows –

(i) *Suitors Trust Fund*

- There are 3 stations – Suva, Lautoka and Labasa
- Suva Suitors Reconciliations has been completed till December 2019
- The Department is now working on January 2020 Reconciliations
- Lautoka Suitors Reconciliation is completed up to December 2007
- Labasa Suitors Reconciliation is completed up to September 2009

(ii) *Current Maintenance & Sundries Reconciliation*

- Maintenance – there are 11 stations and all the reconciliations have been completed till July 2019
- Sundries – the Department have 12 stations and these have been reconciled till July 2019

(iii) *Backlog Maintenance & Sundries Reconciliation*

- Maintenance – all 11 stations have been reconciled till December 1999
- Sundries – there are 12 stations reconciliations have been completed till December 1999

Expected Timeline for Completion of Reconciliations

(i) *Suitors Trust Fund*

- Suva up-to-date now
- Lautoka – by December 2020
- Labasa – by December 2020

(ii) *Current Maintenance & Sundries Reconciliation*

By June 2020, the current reconciliations will be completed. The officers will then assist the Night Shift Staff in reconciling the backlog

(iii) *Backlog Maintenance & Sundries Reconciliation*

- At the current pace, it is noted that 4 years of reconciliation is done in a year therefore by 2023, all reconciliation should be up to date unless anything unforeseen happens
- By December 2020 – Reconciliations till 2003 should be done, December 2021 – Reconciliations till 2007, Year 2022 – Reconciliations till 202 and by 2023, Reconciliations till 2015. Reconciliations from 2016 onwards have been done and will continue.

b) Detailed Breakdown Listings of Beneficences & their current balances

The Committee was informed that after all reconciliations are done, then the detailed beneficiary listing will be done. Some beneficiaries' names are already there but for some, it is only case numbers stated on the receipts for which the beneficiaries' names will have to be determined. This will be done by writing to each Registry where the cases are from, for them to provide the information.

Upon receipt of the names, this will then be inserted in the reconciliations. To have proper beneficiaries' listing, it might take another year i.e. this should be completed by the year 2024. Reason being Registries might to have to look for the records which takes time especially the old ones where the records are kept in the archives. However, if the department is provided with more office space, the Department could engage more staff on project and fasten the reconciliations.

Appropriation Statement

The Committee noted that there were significant savings of \$10,655,085 of Capital Construction Expenditure.

The Committee was informed that when the budget submission is now made for the capital projects, the Construction Implementation Unit (CIU) of Ministry of Economy provides an approximate figure that would be needed for a particular project in a financial year since all major capital projects are monitored by them. The Department also submits a figure. This is then discussed in the forum and late an amount is agreed on which is provided in the budget.

In order to ensure that all planned projects of high volume are carried, the department is currently holding monthly project meetings with the CIU in order to fast track all progress of the Capital Construction. This meeting is attended by the Hon. Acting Chief Justice and Chief Registrar who are provided with the updates on the status/progress of the projects by the Head of the CIU. The Department urges CIU to ensure that the project implementation is moving fast.

On the other hand, the Department also holds regular meetings with MoIT (Building & Architecture Section) in fast tracking of the administration requirement of all on-going projects with the team. The administrative requirements includes the scope of work, terms of reference and tender documents so that the Department may processes on calling for tenders in a timely manner.

The Department is currently in the process of appointing a Draftsman who will assist with the smaller scale projects i.e. up to a value of \$50,000. He will be doing all the administrative paper works for these projects. Furthermore, this financial year (2019-20), 4 Capital Projects are being carried out and funds almost fully utilised. These includes the construction of the Nasinu Court, Renovation of the Old Parliament Complex to relocate the Supreme Court and Court of Appeal, Relocation of Ba Court House and Upgrade of Government Buildings Cell Block.

Assessment of Financial Governance

The Report of the Auditor General has provided a summary table indicating an assessment of the internal controls within the Department conducted by the Auditors. This includes the preparation process of the Financial Statements and the Management comments submitted to the Auditor-General which were subject to audit.

The Committee was advised that the reason why the Department had weak or generally ineffective internal controls was due to –

- a) Changes in the staff in certain Registries who were not provided training thus were not aware of what or how things were to be monitored
- b) In few occasions, Officers in Charge were not properly supervising their staff which led to fraudulent activities
- c) Most of the work is done manually thus errors in the Balances.

However, these issues have been resolved and some of the changes/internal controls enforced are as follows:

- Department is conducting in-house training for all staff so that they are aware of the process and procedures in place which needs to be adhered to. Officers-in-Charge are closely monitoring the staff's performance to avoid misappropriation of funds. Proper record keeping is being done. Maintenance cards and other relevant files are always updated
- Legal actions were initiated for the staff members found with misappropriation allegations
- Database is being created so that all details are captured in the system and thus becomes easier for reconciliation
- Department is intending to adapt to e-filing system in the next few months which will be helpful in terms of the record keeping and backups. The tender evaluation process is in progress
- Department has set up a Monitoring & Evaluation Unit who are carrying out internal audits of all registries to ascertain that the internal controls are being followed. The unit prepares reports and forward to the Chief Registrar and if there are any anomalies, then this is attended to
- The Department is ensuring that there is segregation of duties as well as job rotation. This is to prevent fraudulent activities taking place.

The above are some of the measures that the Judiciary Department has taken to strengthen its internal controls.

Other Significant Matters

The Other Significant Matters included in the 2017-2018 Audit Report for the Department of Judiciary were as follows –

1. Anomalies noted in the Sundries Trust Fund – Suva
2. Anomalies noted in the Suitors Trust Fund – Suva
3. Manual Record Keeping with no Backups
4. Judicial Trust Fund Account Bank Reconciliation Variance
5. Presentation of Judicial Trust Fund Accounts
6. Significant Arrears of Revenue

HEAD NO. 13 INDEPENDENT COMMISSIONS

Independent Commission consists of the Human Rights & Anti-Discrimination Commission, Accountability & Transparency Commission, Constitutional Offices Commission, Fiji Accident Compensation Commission, Public Service Commission and the Fiji Independent Commission Against Corruption. The Independent Commissions Office was issued with an unmodified audit opinion for its 2018 accounts.

HEAD NO. 15A FIJI CORRECTIONS SERVICE

The Fiji Corrections Service was issued with an unmodified audit opinion for its 2018 accounts however, attention must be drawn to the following –

1. Weak internal controls over the preparation of the Trading & Manufacturing Account Cash at Bank reconciliations. This relates to the reconciliations not being performed and reviewed on a timely manner. Instances were noted where TMA Cash at Bank reconciliations were not adequately supported. These internal controls weakness if not addressed on a monthly basis may result in material misstatements and possible financial losses in the future.

The Committee was informed that FCS had thoroughly explained and took the Auditors through on all reconciliation issues well before the receiving of the DAM report.

- Reconciliations have a timeline for endorsement and submission to MoE. This timelines have been improved to meet the schedule times. Any changes in balances thereafter are usually identified later during closing hence the reason for correcting the reconciliations to balance back with the FMIS system. Should any changes made to one month, these changes are carried over to the following months were amendments are factored in till the final month of closing.
 - The current status of reconciliation is maintained by an Assistant Accountant and checked by the Senior Accountant to ensure balancing is in line with the FMIS. The unrepresented cheques are constantly followed up with bearers on presenting. All variances are cleared during the months to avoid any existence in the recons.
2. Note 6 of the Department's Financial Statements provides a brief description on the purpose of the Prisoners Cash Trust Fund. AS at the date of this port, the Fiji Corrections Service was in the process of updating the beneficiaries listing which details the actual income earned by the prisoners during incarceration.

The Committee was informed the FCS have maintained and updated documents with respect to the Prisoner Trust Fund Account. Receipt documents prior to 2015 were not properly maintained and cannot be located. FCS for the way forward; adopted a system of releasing funds to a discharged inmate that was incarcerated prior to 2015; the original receipt is requested from the Supervisor and OC where 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 for the inmate before releasing funds.

Assessment of Financial Governance

Quality of Draft Annual Financial Statements by entities

This Committee notes that the extent of the audit adjustments made to the draft financial statements indicates the ineffectiveness of the Department's internal review processes before the accounts are submitted for audit.

FCS finance personnel and the audit team had worked hand in hand to address the issue with both teams' understanding the processes and improvements put in place to avoid adjustments. The staff turnover and the knowledge drained was the main drawback however with the change on personnel we were able to address the issue accordingly. Officer engaged have vast knowledge and experience in Government accounting and are bold in making changes. Other strategies in place are continuous assessments of the FMIS system and providing accurate reconciliations.

Timeliness of Draft Financial Statements

The Committee notes that the draft financial statements were submitted for audit late (after 31 October 2018).

One of the main FCS strategy is to improve its systems and processes through meeting timelines.. In this scenario, the TMA Performance report was received from Min of Economy (AMU) on 31 Oct 2018 and the draft AFS was submitted to OAG on 01 Nov 2018 as the TMA Performance report was received from MoE (AMU) on the 31Oct 2018. We were given just one day turnaround time to complete the Annual Financial report before submitting the completed draft to OAG as TMA reports are part of this AFS (evidence of email from MoE attached).

Timeliness of Provision of Management Comments

The Committee notes that the management comments were provided to OAG after 21 days from the date the draft management letter was issued.

As mentioned earlier, FCS main strategy is to improve its systems and processes through meeting timelines. The mechanism in place is to ensure that all documentations are filed in sequence and labelled for easy access. Payment vouchers and Receipt copies are filed in numerical and made available for audit access. Records are kept for 6 years before sending this to the archives. Required registers are maintained and continuously updated to avoid delay in reconciliations.

Timeliness of Signing of Financial Statements

The Committee notes that the audited financial statements were signed after 15days from issue of signing.

There were audit issues raised prior to the signing which FCS had to provide evidence to rectify the Qualified Issues in the AFS report. FCS had provided this evidences resulting in surpassing the dates mentioned. We had also strengthened our consultation with the OAG Team and agreed that we resolve the issues prior to finalizing the DAM reports.

Other Significant Matters

1. Budget Savings

The Committee noted that there were significant savings in certain allocations of the Department. The significant savings of \$3.6 million or 17 per cent in Established Staff resulted from vacant positions which were not filled during the financial year.

The funds allocated under operating grant and transfers are used to pay those inmates with formal qualifications who provide services to institutions while in custody. The funds are released to inmates upon their discharge from the care of the FCS. For the FY, there were less inmates released hence savings were noted for the funds allocated under operating grants and transfers.

Savings in Special Expenditure amounting to 27 per cent was due to reduction in self-help projects, businesses and rehabilitation programs provided to sustain inmates when integration into the community. Savings in Capital Construction budget resulted from the delay caused by vetting of contracts and tender process for approval.

FCS has ensured that the funds are properly utilised as budgeted. For examples, the maximum utilisation of SEG 1 and 2 whereby two recruitments of more than one hundred personnel were done this financial year to strengthen the staff establishment. The late release of RIE approvals for Capital Projects by Ministry of Economy towards the end of this financial year also contributed to the significant savings. Most RIEs were approved towards the end of the financial year causing the limited timeline in completing the projects within the financial year audited.

2. Prior Year Unresolved Issues

Beneficiaries listing of Prisoner's Trust Fund Account

HEAD NO. 16 MINISTRY OF COMMUNICATION

The Ministry of Communications was issued with an unmodified audit opinion for its 2018 accounts.

Other Significant Matters

The Other Significant Matter included in the 2017-2018 Audit Report for the Ministry of Communication were as follows –

1. Additional budget appropriation vired from ITC
2. Corporate Governance
3. Non Submission of proper acquittal for grant appropriated to WALES LTD

HEAD NO. 16A DEPARTMENT OF INFORMATION TECHNOLOGY & COMPUTING SERVICES

The Department of Information Technology and Computing Services was issued with an unmodified audit opinion for its 2018 accounts.

Other Significant Matters

The Other Significant Matter included in the 2017-2018 Audit Report for the Department of Information Technology and Computing Services (ITC) were as follows –

1. Corporate Governance
2. Unutilised Budget and Budget Savings
3. Overstatement of SEG 4

Committee Comments

The Committee noted the other significant matters that were raised by the Auditors and recommend that in future the Department of Information and Computing Services to have measures in place so that these pertinent issues are not repeated.

HEAD NO. 18 MINISTRY OF RURAL & MARITIME DEVELOPMENT

The Ministry of Rural and Maritime Development was issued with a modified audit opinion for its 2018 accounts. The reason for this qualification is –

- Included in the Provincial Trust Fund Accounts are funds received for Rural Housing Scheme 1 totalling \$1,173,893 and 1/3 self-help projects totalling \$553,611. However, the Ministry did not maintain listing to show detailed breakdown of funds held.

The Committee was informed that the Ministry's Trust Fund Account closing balance was \$1,641,846.43 as at 19th December 2019. The Rural Housing Trust Funds has been verified and transferred to the Ministry of Housing & Community Development at the beginning of the 2018-2019 financial year.

The Ministry has opened a Trust Ledger and database in HQ and Divisional HQ to register all trust funds received and records of applicants. The Ministry had verified and substantiated a total sum of \$969,872.43 by end of December 2019. The balance of \$671,974.00 is currently being verified and the targeted timeline for completion is 31 July 2020. At the conclusion of the verification, a submission will be made to the Ministry of Economy for necessary adjustments to the allocation.

Appropriation Statement

The Committee noted that there was significant savings under Capital Construction and Capital Grants and Transfers Expenditure. The Committee was advised that the significant savings from the capital grants were from the Ministry's Public Sector Investment Programme (PSIP). The reasons were attributed through the withholding of funds in the 2nd quarter of the 2018-19 FY for PSIP and Community Access Roads, Footpaths and Footbridges (CARFF) by the Ministry of Economy. This exercise was done for all Government Ministries.

To improve the Ministry's process in project implementation, the Ministry liaised directly with the Construction Implementation Unit and the Fiji Procurement Office in coordinating the implementation of PSIPs. The revised process improved the Ministry's turnaround time for scoping, designs and tender process. All the tender work for the planned PSIPs were completed and progressed into the actual construction late 2019.

The Ministry of Rural and Maritime Development has also revised its Capital Programme Standard Operating Procedures to outline clear timelines for submissions of project documents including RIEs. The Ministry is in the process of creating a capital project dashboard in which project implementation are consistently tracked and monitored. This is part of the business process of reengineering exercise that the Ministry has embarked on from late 2019 through the development of policies, SOPs and guidelines.

Assessment of Financial Governance

Quality of Draft Annual Financial Statements by entities

This Committee notes that the extent of the audit adjustments made to the draft financial statements indicates the ineffectiveness of the Department's internal review processes before the accounts are submitted for audit.

Timeliness of Draft Financial Statements

The Committee notes that the draft financial statements were submitted for audit late (after 31 October 2018). The Committee was advised that the Ministry was going through a transition process at the time in which the

Rural Housing Unit and the National Disaster & Meteorological Office (NDMO) was transferred to other Ministries. The Accounts Unit had to work on the closing of accounts and at the same time arrange for the transfer of the accounts processes and documentation for both RHU and NDMO to their new Ministries.

Timeliness of Provision of Management Comments

The Committee notes that the management comments were provided to OAG after 21 days from the date the draft management letter was issued.

The Committee was informed that a procedure guideline in audit responses is now included in the Ministry's Finance Manual. Necessary measures included in the guideline are processes to be taken when audit reports are received, required timelines and officers responsible for taking necessary actions in rectifying the anomalies or non-conformance highlighted in the report.

Timeliness of Signing of Financial Statements

The Committee notes that the audited financial statements were signed after 15 days from issue of signing.

The Committee was advised that the Ministry has also put in place a system of weekly updating on budget utilisation and critical accounting issues are consistently monitored, discussed and addressed in a timely manner. The PS meets with respective HODs on Monday morning for updates and discussion on the previous week's achievement and plan for the current week. This process enhances accountability, efficiency and effectiveness of performance as a critical issues are addressed in a timely manner.

Other Significant Matters

1. Delay in implementation of PSIP Projects

Part 4 Section 2.1 of the Capital Programme Standard Operating Procedures 2011 states that 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.

After auditing the PSIP Projects of the Ministry, the following was revealed –

- a) For Wainikoro Government Station, the full project budget of \$700,000 was not utilised in 2017-2018 and was fully redeployed on 18/05/18;
- b) In the case of Vunidawa Government Station, \$750,000 was allocated for the construction of 1x4 Maisonette Quarters but only \$109,487 was utilised for the preparatory works. Due to non-utilisation of the funds, \$500,000 was redeployed on 18/05/18.

For Wainua Government Station, one Timber Administration Office and one Grade V Timber Quarters was to be constructed. However, the audit further noted the following-

- c) The project preparatory work fund was provided in 2016 and 2016-17 budget. However, allocated funds was not utilised in 2016 due to TC Winston and in 2016-17, a sum of \$91,644 was utilised from the \$100,000 allocated; and

- d) The actual construction work was supposed to commence in 2017-18 FY from the budget of \$850,000 which was allocated. However, the project was still at the preparatory work stage and only \$71,275 was utilised. On 18/08/18, \$500,000 was redeployed.

The Committee was informed that there were eight (8) PSIPs planned for the 2018-19 financial year. This included Kavala, Vanuabalavu, Korolevu, Namarai, Kubulau, Wainikoro, Vunidawa and Wainua Government Stations. Out of the 8 projects planned, 6 projects have rolled over to the 2019-20 financial year. Of the 6, 3 are currently being implemented and these are Wainikoro, Kavala and Kubulau. The remaining 3 have been awarded tender and awaiting confirmation of budget from the Ministry of Economy.

A total of \$3.5 million was allocated in the 2019-20 financial year for the 6 projects, although the total cost amounts to \$5.1 million hence a shortfall of \$1.6 million. Wainua and Vunidawa Government Stations were submitted for roll-over despite approval by the Government Tender Board however, these projects are not budgeted in the current financial year (2019-20)

The Ministry is now working with CIU on the implementation of its PSIPs and has noted vast improvement in the implementation according to set timelines and criteria set by CIU.

2. Impact of Sustainability Assessment

Part 5.6 of the Capital Programme Standard Operating Procedures 2007 states that evaluation is an almost continuing exercise. Exercise of projects is necessary to explain what has happened and to design better projects in the next cycle. Project evaluation tries to answer questions about the progress, worth, effectiveness, impacts and lessons learnt from projects.

At the time of this audit was conducted, the Ministry under its Rural and Maritime assistance program provides *Rural Housing Assistance, Community Access Roads, Footpaths, Footbridges and Self Help Scheme* in a response 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 5 years, the Ministry has provided combined assistance amounting to \$18.38 million under its 3 programs.

The Ministry has a Development Unit whose role is to perform oversight function, monitoring and evaluation of the capital projects/programs. However, the Ministry did not effectively produce the Impact and Sustainability Assessment Report of its Rural Housing Assistance et al. as mentioned above.

The Committee was informed that the Ministry revised SOP now incorporates the conduct of impact assessment on all capital projects. The Ministry is also working with the Department of Cooperatives in developing a guideline in structuring IGP projects for sustainability. The impact assessment will be conducted on a 3 year period post project completion starting from projects implemented in the 2019-20 financial year. The SOP requires Provincial Administrators and District Officers to conduct monthly monitoring and reporting to HQ. Headquarters tracks implementation updates through the newly developed dashboard in which Divisions provide regular updates. The Ministry through its Projects Monitoring and Evaluation Team, documents lessons learned and project submission and implementation. It has also started with video documentaries of success stories in the Central Division.

3. Significant Arrears of Revenue

The Committee notes that the Arrears of Revenue for the year ended 31 July 2018 totalled \$2,243,139 which is significant increase of \$1,248,847 or 126 per cent compared to 2017. The arrears of revenue comprise of outstanding business licenses fees for the operation outside the town/city boundaries and maritime areas.

Year	Amount (\$)	Variance (\$)	Percentage Change (%)
2011	499,358	-	-
2012	495,059	(4,299)	(1)
2013	656,688	161,629	33
2014	756,568	99,880	12
2015	753,843	(2,725)	0
2016	917,430	163,587	22
2017	994,292	76,862	8
2018	2,243,139	1,248,847	126

The Committee was informed that the Ministry has started discussions with the Ministry of Local Government on the processes of dealing with non-paid business licenses. It has been established that the non-paid business licenses cannot be treated as 'Arrears of Revenue' since business licenses had not been issued to those who had not paid their business licenses to be renewed hence no business licenses has been issued. If licenses were not paid and no issued then these cannot be accounted as arrears of revenue. Furthermore, the Ministry is not mandated as an enforcement agency and it does not receive any budget for enforcement.

Currently, an exercise is ongoing to account only the paid license holders as revenue collected and to remove the non-paid license holders from the arrears of revenue list. Based on the above, the Ministry is working on clearing the records to equate to AOR to zero.

4. Presentation of Main Trust Account

Part 13 of the Ministry's Finance Manual 2013 states that Trust Money is money that the agency is holding in Trust and that it should be kept in a separate bank account and accounted for separately from 'public money' and 'other money'.

The Committee notes the Ministry's efforts to open a separate bank accounts for various Trust Funds currently recorded under the Provincial Development Trust Fund Account which includes Tender Deposits, Unclaimed Wages, 1/3 Third Self Help Projects and separate statement of receipts and payment. This current presentation of 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 payments may vary.

The Ministry did not proceed with the opening of a separate bank accounts for self-help projects because the Rural Housing Scheme has been transferred to the Ministry of Housing & Community Development thus there was no need to open another bank account. Currently, there is only one bank account maintained for Self-Help.

HEAD NO. 19 REPUBLIC OF FIJI MILITARY FORCES

The Republic of the Fiji Military Forces was issued with an unmodified audit opinion for its 2018 accounts.

Appropriation Statement

The savings of \$1,991,501 or 43 per cent under Capital Construction was due to the planned capital projects that were not completed in the financial year. The savings were largely due to the following –

- a) Construction of Magazine – the savings of \$246,953 or 62 per cent was due to the extension of practical completion date as a result of adverse weather condition and shortage of building materials
- b) Upgrade of Armoury – the savings of \$184,490 or 74 per cent was due to the delay in tender process since tender was called twice and after not getting a suitable bidder, the RFMF opted to request for waiver of tender and engage the RFMF engineers
- c) Blackrock Integrated Peacekeeping Centre – the savings of \$994,286 or 72 per cent for Blackrock Integrated Peacekeeping Centre was due to the:
 - (i) Extension of practical completion date for the ablution block as a result of adverse weather conditions;
 - (ii) Mess Hall construction was put on hold since a new waiver of tender needs to be obtained before recommencement of work; and
 - (iii) The phase 2 roadwork did not commence during the financial year.

The savings of \$822,278 or 22 per cent noted under Capital Purchase was due to delays in delivery and tendering processes for kitchen implements, communication equipment, medical equipment and back-up generator. There a redeployment of funds from the Force's (Head 19) budget to Head 50 that was approved by Cabinet. The Force's Budget was affected through reduction of capital construction (SEG 8) by \$500,000 and Value Added Tax (SEG 13) by \$45,000.

The Committee was informed that one of the major contributing factor to the RFMF's ineffectiveness in its Capital budget's (Construction & Purchase) planning and utilization is the turnover of its uniform personnel in the Budget and Finance Directorate because of Tour of Duty (TOD) roster to the UN Peacekeeping missions. The RFMF has thus recruited five former staffs from the Ministry of Economy (MOE) as full time civilian staffs of the RFMF to look after both Capital Construction and Capital Purchase. The civilian staff provides continuity in the work process as they are not eligible for TOD and also the professional expertise and experience having worked at the MOE.

The RFMF is working on its Capability Plans which should provide a forecasted Capital budget for the medium to long term period. Included in this exercise is the drawing of Master Plan of all Camps and establishments. This will provide a better platform for a detailed budget submission by the RFMF to MOE which should, once the budget is granted, ensure efficient and effective Capital budget utilisation by the RFMF.

With the lengthy Tendering and Awarding processes for Capital works/procurements, the RFMF has revised its work processes so that it has all the specifications and scopes of all Capital Constructions/Purchases submitted in the budget submissions. This should enable the RFMF to call for Tender early after budget announcement hence ensuring of maximum utilisation of Capital funds. The RFMF Budget team now conducts monthly project site visits to physically verify and report on the implementation/progress of works.

Consolidated Trading & Manufacturing Account

The RFMF has 2 Trading Account namely the Engineers Plant Troop and the Nautical Chart.

- a) The Plant Troop was formed in 1978 to construct and develop roads to the inaccessible parts of rural areas in Fiji. The total sales for Plant Troop for 2018 decreased by \$793,002 since the major project earmarked for the financial year, which was phase 2 of the Gau playground construction, that was deferred to the 2018-19 financial year
- b) The Nautical Chart was transferred to the RFMFs Naval Division in 2010 to provide accurate Oceanographic and Hydrographic Information and Services. On September 2017, the RFMF obtained approval from the Ministry of Economy to close the operations of the Nautical Chart TMA. The closing of the Nautical Chart TMA was finalised in November 2017 thus the Nautical Chart TMA transactions for August to November 2017 are reflected in the Force Consolidated TMAs for the financial year ended 31 July 2018.

In 2018, there was a loss of \$459,389 incurred. This was due to the incomplete projects carried forward, the cost of machinery repairs & maintenance and cartage of machinery to and from outer islands. The Committee was informed that the reason for the losses is were as follows –

- (a) A sum of \$371,453.32 was remitted to Ministry of Economy vire chq # 5787 dated 05/02/2018. Refer to Annexure A
- (b) On-going project for Sawaieke Playground in Gau continued from 2016 without payment until the 70 per cent Payment received from Ministry of Youth & Sports amounting to \$489,108.00 R/R 342460 dated 28/02/2018. Refer to Annexure B.
- (c) The \$489,108.00 payment received from Ministry of Youth & Sports in 2018 was not realized as revenue but as deferred Revenue.
- (d) Expenses for maintenance and repair of plant machines continued for the Sawaieke Playground until the Project is completed and the completion certificate was handed over to Ministry of Youth & Sports in 2019.

RFMF has invoiced the Ministry of Youth for the 10 per cent balance of payment after completion of the Project and the remaining balance of 20 per cent to be paid after 90 days of completion (defect liability period). A total of \$209,617.92 revenue is still outstanding from the Ministry of Youth & Sports from the total project cost \$698,725.92 as stated in the MOU. Refer to Annexure C

Assessment of Financial Governance

Timeliness of Provision of Management Comments

The Committee notes that the management comments were provided to OAG after 21 days from the date the draft management letter was issued. The Force advised that the Chief Staff Officer Finance will be directly responsible to ensure that comments are provided on time to OAG. This responsibility will be reflected in the CSO - Finance's Job Description and KPI.

Timeliness of Signing of Financial Statements

The Committee notes that the audited financial statements were signed after 15days from issue of signing. The Force advised that the Chief Staff Officer – Finance will be responsible for the timely submission of

Financial Statement and will be liaising directly with OAG. This responsibility will be reflected in the CSO - Finance's Job Description and KPI.

Other Significant Matters

1. Procurement of Equipment and Stores Supplies

Section 30(1) of the Procurement Regulations 2010 states that a tender must be called for the procurement of goods, services or works valued at \$50,001 and more. During the 2018 financial year, the total payments made to the following vendors exceeded \$50,000 as tabulated below:

Vendor	Total Payment (\$)
A	334,144
B	262,928
C	227,662
D	135,850

Procurement from these 4 vendors consisted of equipment and stores supplies that were part of the Force's day to day operational needs. These were normally purchased through 3 competitive quotations process and in most instances, the above vendors offered the lowest price.

The audit noted that the Force did not sought to engage the above vendors through a tender process. By engaging these vendors through the tender process, the Force would have obtained the best value for money for a longer period of time (period of up to 2 years) through contractual agreement with their suppliers. Some examples of supplies purchased from the abovementioned vendors includes Webbing set, Tents, Gun Cleaning Sprays, Round Neck T Shirts, Duffle Bags, Mattresses, Pillows, Bed Sheets, Blankets, Green Overall with RFMF Logo. Refer to Appendix 19.1 of the audit report for a more detailed listing.

The Committee was informed that the RFMF Acquisition Department is using the Annual Procurement Plan to analyse and identify common-user items. There are currently an existing contract for RFMF common User Items such as: bedding & linen, winter clothing & field equipment, vaccines, footwear etc. Refer to Annexure D-G of the written evidence.

2. Effectiveness of the Internal Audit Function

The Force has an internal audit that is handled by 3 civilian staffs and reports directly to Director Finance, Logistic and Acquisition. From the review of the internal audit functions of the Force, the audit noted that there was no audit carried out to review the effectiveness of the internal controls, systems and processes of the Force in 2018. In addition, the Unit does not have an internal audit charter defining the internal audit's purpose, authority, responsibility and position within the Force.

The Committee was informed that the RFMF has identified personnel responsible to implement Audit recommendations. The RFMF Internals Auditors on their routine audits to all RFMF Cost Centres will check on the progress of the implementation plan and report accordingly.

The RFMF Audit Charter is currently with the Directorate of Force Legal Service for further vetting. The document should be ready for signing by end of March 2020.

HEAD NO. 20 FIJI POLICE FORCE

The Fiji Police Force was issued with a modified audit opinion for its 2018 accounts. The reason for this qualification is –

- The Force did not include as part of its agency financial statements of the Trust Fund Account Statement of Receipts and Payments for the Force Band Trust Fund Account. Receipts totalling \$84,542 and payments amounting to \$66,485 were made from the account for the period ended 31 July 2018. In addition, the Force Band account transactions were not recorded in the FMIS General Ledger.

The Committee was informed that the operation of the Fiji Police Bank Trust Fund Account was approved by the then Ministry of Finance to account for all the receipts and payments arising out of the Fiji Police Bank activities. The Band Trust Fund Account is annually audited by the Auditors from the Office of the Auditor General.

The recommendations to regularize the band Trust Fund account is welcomed and noted. In lieu of regularising the Trust Fund Account, the following actions have been taken:

1. The Commissioner of Police has, on the 23rd of February 2018 endorsed the *Policy on the Band Trust Fund*. The policy clearly outlines the core functions, responsibilities and the receipts into and payments from this account.
2. The Force has undertaken due diligence of engaging and submitting the necessary requirements to the Ministry of Economy awaiting the MoE to open a GL allocation for the Band Trust Fund on the FMIS

Appropriation Statement

The Committee notes that there was a significant savings of \$2,270,670 under Capital Construction Expenditure.

The Committee was advised that the Force is appreciative of the budgetary allocations towards the construction and other planned expenditures. It is noted that the expenditure from capital construction is bound by other factors that are beyond the control of the Fiji Police Force. These factors include:

1. Reprioritisation of funds. For example, the procurement of fiber glass boats had to be rescheduled to the last quarter in order to facilitate the commencement of the major CCTV projects. This was further hampered by the delay in approval from the ICT department for the Forensic Science Services (FSS).
2. Lack of Supply. For example, the procurement of fiber glass boats was affected by the supplier not being able to meet the demand
3. Tenders –
 - (a) Withdrawal of tender. For example, the balance from Traffic Management Equipment allocation not utilised as tender was withdrawn
 - (b) Tender not called. For example, in the instance of outsourcing uniforms and accessorised, tender was not called as the Force had sufficient supplies for the operations period
4. Delays in waiver approvals. For instance, in the case of the procurement of Huawei CCTV, Quality Assurance and Equipment for the FSS (Bio/Chem Labs), Jet Skis for special operations, purchase of boars and outboard engines.

In order to ensure the completion of these projects, most of the projects were rolled over to the 2018-19 financial year apart from the CCTV project.

Assessment of Financial Governance

Quality of Draft Annual Financial Statements by entities

This Committee notes that the extent of the audit adjustments made to the draft financial statements indicates the ineffectiveness of the Department's internal review processes before the accounts are submitted for audit.

The Committee was informed that the Force notes the recommendations of the OAG on meeting the 21 days deadline for reporting. The relevant officials tasked with reporting on the respective financial aspects of the organisation shall be reminded of the timelines of report submission to the Ministry of Economy to avoid future delays.

Other Significant Matters

1. Operation of National Command Centre

The Committee was informed that the Force is making significant progress in strengthening CCTV Monitoring Systems in the Capital City. Firstly, the City has many Radio Frequencies (RF) used by the various stakeholders. This creates an interference in communicating effectively. Therefore, there is an immediate need to upgrade to Link Bridges (repeaters) to override the RF interference and relay live streaming videos to the Police Coordinating Command Centre (PCCC) in Totogo.

Secondly, the Force has installed CCTV Cameras in the City. The 7 cameras are operational on these sites namely Suva Bus Stand, Lal's Corner Shop, Waimanu Road, Stinson Parade Road, Macarthur Road, Kimberly Street and Albert Park (corner of Constitution Avenue & Victoria Parade Road). All the 7 cameras are fully operational. (Annexure: Image attached in the written evidence). The investment of \$49,741 was utilised to upgrade these cameras.

2. Poor Condition of Police Quarters

The Committee notes that some quarters in the Central Division were in very poor condition. The Force was allocated \$800,000 in 2018 and \$1,000,000 in 2017 however, the budgetary provision were revised to zero in the respective financial year as funds were for other projects.

The Force advised that the Committee's assessment of the deteriorating condition of the Force infrastructure is noted. In an effort to utilise the allocated funds, the Fund had made a submission to outsource the maintenance works. This was however, not approved by CIU. Therefore, a submission amounting to \$52.8 million to Cabinet through the Ministry of Defence. The Force awaits for its approval.

HEAD NO. 49 PEACEKEEPING MISSIONS

The Peacekeeping Missions was issued with an unmodified audit opinion for its 2018 accounts however, attention must be drawn to the following –

- The Peacekeeping Missions did not carry out a complete board of survey to verify the existence and condition of the assets under its authority for Black Rock Training camp contrary to Section 49(2) of the Finance Instructions 2010.

The Committee was informed that the Peacekeeping Mission has performed a complete board of survey (BOS) for 2018 – 2019 financial year. Refer to Annexure H of the written evidence.

Statement of Receipts and Expenditure

The Peacekeeping Mission incurred expenditure totalling \$75,824,535 for the year ended 31 July 2018.

Description	31 July 2018 (\$)	31 July 2017 (\$)
RECEIPTS		
State Revenue	-	-
Total Revenue	-	-
EXPENDITURE		
Operating Expenditure		
Established Staff	64,135,279	61,854,644
Travel & Communications	539,346	301,772
Maintenance & Operations	276,741	47,856
Purchase of Goods & Services	4,469,607	3,993,097
Special Expenditures	4,138,871	966,946
Total Operating Expenditure	73,559,844	67,164,315
Capital Expenditure		
Capital Purchase	969,494	6,878,905
Total Capital Purchase	969,494	6,878,905
Value Added Tax	1,295,197	1,222,806
TOTAL EXPENDITURE	75,824,535	75,266,026

The total expenditure increased by \$558,509 or 1 per cent in comparison to 2017. This was due to the increase in operating expenditure by \$6,395,529 or 10 per cent. This increase was offset by a decrease in capital expenditure by \$5,909,411 or 86 per cent.

The Force advised that the costs reimbursed by the United Nations (UN) are as follows –

Srl	Reimbursement Costs	Remarks
1	Troop Costs	Number of soldiers on the ground
2	Personal Equipment	Uniforms, winter clothing, and accessories (webbing, stable belt, etc.)
3	Gear and Equipment	E.g. Weapons, ammo, etc.
4	Contingent Owned Equipment	E.g. Bushmasters, etc.

The reimbursements are documented in the agreement with UN. Refer to Annex I. The Committee was further informed that the Mission has not compared the total cost incurred against the reimbursement. This is the comparison done on the total cost incurred by the Government in sending troops to overseas missions, including salary, allowances, training costs, airfare, clothing and weapons against reimbursement received.

In relation to the verification done by Government to ensure that the correct amount of reimbursement received, the Committee was advised that the Mission has not verified reimbursements as this is received directly by the Ministry of Economy. RFMF is working with the Ministry of Economy (MOE) to develop and implement a verification process. E.g. a MOE representative was part of the RFMF team that attended the UN Contingent Owned Equipment Meeting in New York in 2017 and 2020.

Appropriation Statement

The Mission incurred expenditure totalling \$75,824,535 in 2018 against a revised budget of \$79,207,702 resulting in saving of \$3,383,167 or 4 per cent. Review of the FMIS GL revealed that significant savings were on the following areas:

- SEG 1 Personal Emoluments \$935,300
- SEG 1 Allowances \$1,057,798
- SEG 7 Military Tech Equipment \$145,882
- SEG 7 Standby for Rapid Deployment \$202,000
- SEG 7 Winter Clothing \$233,570
- SEG 7 Standby Arrangement Rapid Deployment \$250,000

Savings was due to the following reasons:

- a) There was a savings of \$2,145,986 or 3 per cent in Established Staff Budget due to fluctuations in the number of deployed troops on the ground
- b) There was a savings of \$843,699 or 17 per cent in Special Expenditure Budget due to savings in standby arrangements for rapid deployment of manpower (RDPM) allocation of \$452,000 which was under requisition, winter clothing of \$233,570 and military tech equipment of \$145,882.

Other Significant Matters

1. Splitting of Contracts

The Ministry of Economy's Policy on Splitting of Contracts clearly states that 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 procurement over \$50,000 VIP.

In order to differentiate and identify a split, the procurement would be classed under one of the following criteria's: dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of the regulations. The audit has revealed the following works carried out were divided into 2 separate contracts which were carried out by one contractor.

Scope of Work	Date of Signing the Contract	Duration	Amount (\$)
Construction of new driveway and carport (Area A) for DPSO (Directorate of Peace Support Operations, Berkeley Crescent, Suva)	18/06/18	2 weeks	39,875
Construction of new carport with cover and waiting area (Area C) for DPSO	18/06/18	4 weeks	43,000
TOTAL			82,875

The Force advised the Committee that the Mission is complying with the procurement regulations in calling for tenders for procurements above \$50,000. Currently we have a total of 4 Tenders that the Peacekeeping Mission is engaged in for the supply and support of its Missions abroad.

2. Breach of Government Tender Board Approval

The GTB had approved to award the contract for supply of vaccines to Supplier X at the cost of \$383,250 VIP annually totalling \$766,500 VIP for a period of 2 year (Tender No. CTN 3/2016 for Supply of Vaccines for Republic of Fiji Military Forces). The approval was at a unit cost of \$56.40 for each Meningococcal Poly Vaccine. In addition, the Board had advised the office that prior approval of GTB is required in the event there is a variation. The Mission purchased the abovementioned vaccine at \$122 per vaccine while GTB (3/2016) had approved \$56.40 VIP per vaccine. This resulted in additional costs of \$65.60 per vaccine purchased totalling \$17,588.20. In addition, unit cost of \$22 VIP was approved by GTB for purchase of Tetavax Vaccines. The audit further revealed that the Mission paid 9 per cent VAT again on the purchase of the vaccines hence an extra amount of \$1.98 per vaccine was paid in error. Refer to Appendix 49.1 of the audit report for a detailed breakdown of the cost of vaccines purchased.

The Force advised that Committee it was a pro-active move to procure vaccines under the new cost for us to meet the deployment timeline and to satisfy the medical requirement of the UN. The RFMF was mindful of the high risk and fatal consequence of troops being deployed without being vaccinated.

3. Misposting not adjusted

The Forces Financial Manual states that the Senior Accounts Officer, Chief Staff Officer Finance or Staff Officer Trade must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct. The Finance Manual further states that within 3 days of receiving the monthly GL reports from the Ministry of Economy, the staff officer ledgers shall reconcile ledger balances to the GL reports and prepare a ledger reconciliation statement. Any error or miscalculations must be immediately adjusted by way of journal vouchers. JVs shall be used to correct accounting errors and make other required transfers between accounts.

The audit noted that the Mission misposted VAT Inclusive Price (VIP) amounting to \$45,024.76 to some expenditure allocations. The mission was charging expenses to incorrect expenditure allocations.

Date	Cheque Number	Vendor	Payment Details	Amount (VEP) (\$)	Anomalies
16/11/2017	25568	JAD International Travel Services	Payment for airfare for Director Peace Keeping accompany Minister for Defence on an official visit (Middle East Tour)	11,727,52	Misposting to SEG 5 (Departure Tax instead of SEG 3 Travel)
24/04/2018	29161	Priya's Laundry Services	Payment for laundry of uniform and beddings	9,285.55	Misposting to SEG 5 (Departure Tax)
Total				21,013.07	

The Committee was informed that Management ensures that accounts are reconciled on a monthly basis to confirm that amounts are correctly posted.

Volume 3: Social Services Sector

Head No. 21 and 26 - Ministry of Education, Heritage and Arts and the Fiji Higher Education Commission

The Ministry of Education was issued with a Modified Audit Opinion for its 2018 Accounts.

Expenditures amounting to \$42,126,680 and \$1,366,541 for Established Staff and Wage Earners respectively have not been included in the Statement of Receipts and Expenditures. These expenditures have been included in the Ministry of Economy's Miscellaneous Services Appropriation Head 50 financial statements. As a result, Established Staff and Government Wage Earners expenditures have been understated by the amounts stated above.

There was an unreconciled variance of \$5,655,806 between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the accuracy of the Established Staff and Government and Wage Earners balances as recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018, could not be established.

Included in Operating Grants and Transfers is the bus fare assistance program for \$27,620,275. The Ministry was not able to provide the detailed breakdown of payments made to suppliers amounting to \$3,834,322. As such, the accuracy and completeness of the Operating Grants and Transfers account balance reflected in the Statement of Receipts and Expenditure, could not be confirmed.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head 22 – Ministry of Health and Medical Services

The Ministry of Health and Medical Services was issued with a Modified Audit Opinion for its 2018 Accounts.

1. The Ministry recorded Purchase of Goods and Services of \$62,647,164 and Capital Construction of \$17,335,118 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide appropriate documents such as payment and journal vouchers to support expenditures totalling \$2,034,466. As a result, the completeness and accuracy of the balances could not be verified.
2. The Ministry recorded total receipts of \$6,233,916 in the Statements of Receipts and Expenditure. The Ministry was unable to provide receipts to support revenue amounting to \$143,286.
3. In addition, internal controls over receipting of revenue were generally found to be weak. This relate to the submission of incomplete revenue report from Divisions and Subdivisions. As a result, the accuracy and completeness of total revenue reflected in the Statement of Receipts and Expenditure could not be substantiated.
4. Unreconciled variances of \$928,833 and \$340,521 existed between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for Established Staff and Government Wage Earner, respectively. Consequently, the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018 could not be confirmed.
5. The Ministry recorded a closing balance of \$20,609 for the Sahyadri Trust Fund Account Statements of Receipts and Payments. The Ministry was unable to provide me with payment and journal vouchers and revenue receipts to support total receipts and payments of \$1,190,999 and \$1,509,315, respectively.
6. In addition, internal controls over account reconciliations were generally found to be weak. This relates to delay in preparation of reconciliations of the main trust fund accounts. As a result, the accuracy and completeness of total receipts of \$1,190,999 and total payments of \$1,509,315 reflected in the Sahyadri Trust Fund Account Statements of Receipts and Payments, could not be substantiated.
7. Purchases in the Bulk Purchase Trading and Manufacturing Account was overstated by \$6,064. As a result, the Trading and Manufacturing Account net profit for the year ended 31 July 2018 was understated by the same amount. In addition, internal controls over receipting and payments were generally found to be weak. This relate to price charged not in accordance with the approved price list and the understatement of utility costs which was not paid by the Bulk Purchase Trading and Manufacturing Account.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head 23 – Department of Housing

The Department of Housing was issued with an unmodified opinion with emphasis of matter and other matter paragraphs as follows –

1. Attention was drawn to Established Staff expenditure reflected in the Statement of Receipts and Expenditure, where there was an unreconciled variance of \$47,571 between the General Ledger (FMIS) balance and the Department's Payroll Report.
2. Internal Controls over payment and payroll processes were generally found weak and if not addressed promptly may result in material misstatements and possible financial loss in future. The weak payment controls resulted in the lump sum payment of grant contrary to the grant agreement (Breach of Grant Agreement Simla Housing Project) Weak control around payroll processes resulted in delays in preparation of payroll reconciliations and the variances in the payroll expenditure.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head 24 – Ministry of Women, Children and Poverty Alleviation

The Ministry of Women, Children and Poverty Alleviation was issued with a Modified Audit Opinion in its 2018 Accounts.

1. Statement of Receipts and Expenditure includes Operating Grants and Transfers balance of \$89,639,571 which comprises of payments made for Social Pension Scheme of \$37,116,301, Poverty Benefit Scheme of \$40,102,286, and Food Vouchers for Rural Pregnant Mothers of \$966,152 and Child Protection Allowance of \$7,062,188. An unreconciled variance of \$8,802,261 exists between the General Ledger balance of \$85,246,927 and the amount released to bank of \$76,444,666 for the year ended 31 July 2018.
2. Mispostings in Travel and Communication expenditure by \$204,579 and Purchase of Goods and Services expenditure by \$735,010 resulted in overstatement of the respective operating expenditure. Moreover, mispostings in Operating Grants and Transfers expenditure resulted in understatement of the account by \$944,262 for the year ended 31 July 2018. The Ministry was unable to process the adjustment due to insufficient funds in the respective Standard Expenditure Groups.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Volume 4: Economic Services Sector

Head 30 – Ministry of Agriculture

Internal Controls:

What has the Ministry done to strengthen internal controls?

The Ministry responded that they have been working on restructuring its organization structure to ensure that it is geared to address the evolving needs of the Ministry and has an effective flow of communication and robust monitoring system. Functional Heads would have much clearer accountabilities, and control and governance being a core deliverable, will become an integral part of the Leadership Teams role. The key roles within the Ministry are Head of Finance, Head of Operations, Head of Research, Head of HR and Head of Economic Development.

The Ministry is also in the process of setting up a dedicated Compliance Review team commencing February 2020 to carry out a nation-wide Compliance Review with a view to strengthen internal control environment and at the same time drive business process improvements .

As highlighted in the final management letter to the Ministry by the Office of the Auditor General, below are listed areas which the Ministry needed to strengthen and improve on.

Control Environment

The Ministry has taken decisive steps in raising the bar on controls through the following measures;

The Ministry has taken strong disciplinary action on 41 officers since 2019.

Quality of the Draft Financial Statement by entities

What has the Ministry done to strengthen the internal review processes before the accounts are submitted for audit to avoid undertaking substantial audit adjustments to rectify errors or misstatements?

It was noted that most of the adjustments made were in relation to transactions before year 2014, and was done in an effort to provide a clean financial statement. One of the root causes of this problem was the lack of staff due to the large number of vacant position at that time. The Ministry in its effort to improve on this has now filled or temporary filled 7 of the vacant 12 position that were vacant since 2014 in the accounts section so that more emphasis can be put on proper review of accounts processes and reconciliations completed on time using the proper methodology.

The Committee was informed that this is a key focus for the Ministry going forward, and together with steps taken to enhance the control environment within the Ministry, we would further strengthen our ongoing Finance Checklist to ensure accuracy of financial transaction, data capturing and recording.

Timeliness of provision of management comments

What mechanisms have the office put in place to ensure that management comments are provided on a timely manner to OAG?

The Ministry informed the Committee that they will continue to work and make improvements on this issue. It was noted that one of the reasons for the delay in submitting the response to the OAG is that the Ministry wanted to provide quality and achievable reply to the entire OAG recommendation with completeness assertion met.

Timely response to OAG is the Ministry's top priority which is now being handled by the new Head of Finance who will ensure this is done. The input is also sought from the Permanent Secretary on all issues, who now plays a proactive role in specific action planning to improve the control environment within the Ministry.

Timeliness of draft financial statements

What were the reason for the delay in submission and what mechanisms have the ministry put in place to ensure that draft financial statement are submitted to OAG on time?

The Ministry strives to improve on its performances and puts in mechanism to improve in this area. For the submission of the draft financial statement, the Ministry has managed to improve on the submission by submitting it on the 1st of November 2019, compared to 2018 when it was submitted go on the 12th of December, due date being 31st October in both instances. This is a good improvement proving that the changes being made are working. Whilst further improvement is required, all is on track for "on time in full" submissions going forward

In its effort to further improve on this, the Ministry has now appointed a Head of Finance having the overall functional accountability within the Ministry, and one of his core responsibilities is to ensure timely submission of quality draft financial statement to the office of the Auditor General. A Finance Cycle Calendar will be designed to capture all key deliverables, including relevant milestones and with assigned responsibilities

Anomalies in Procurement of Goods and Service

What has the Ministry done to address the issues highlighted in procurements and ensure that it will not be repeated?

The Ministry had issued an internal circular in the 2018/2019 financial year and had also conducted two training for its technical officers in regards to procurement process. The Permanent Secretary had met with the Head of Procurement (Ministry of Economy) and sought further training and awareness to be provided to staff of the Ministry on the process. The Ministry is in the process of completing its investigation on procurement procedures as recommended by the Office of the Auditor General, and together with the work by the Compliance Team, this will form the basis of further strengthened controls in this area.

As a way forward, the ministry is in the process of completing a specific tailored Procurement Policy to be implemented by end of April 2020. Also, a new Procurement function will be set up under the new structure which will oversee and strengthen the internal control processes and policies. The Ministry will continue to conduct in house training on procurement process and the next one will be done in May 2020 with involvement from the Fiji Procurement Office.

As mentioned, the Ministry is also finalizing the setting up of a dedicated Compliance Review team who will carry out a nation-wide compliance control review to improve business process and further strengthen the control environment. The Ministry's target is to have this unit up and deployed by end of February 2020. Findings will be action planned, with tracking done through the monthly leadership meetings, where Controls and Governance will be a standard agenda item each month.

Payment Anomalies in Land Preparation Facility Projects

What has the Ministry done to address the issues highlighted and strengthen internal controls particularly in supervision?

The Ministry is in the process of setting up a dedicated Compliance Review team which will be completed by the end of February 2020. Their primary task will be to carry out compliance reviews across all areas of the Ministry in order to improve business processes and further strengthen the internal control environment. This will also ensure that necessary supervision is being provided on projects and positions and the Ministry is progressively able to achieve a robust control environment across all areas

The Ministry will also be introducing an end-to-end Project Management methodology in the planning and execution of its projects, including a Post Implementation Review (PIR) process of all projects and initiatives to measure the success of the initiative and effectiveness of the investment

M&E function will be strengthened, who will do an independent verification of the PIR and evaluate the effectiveness of the program and make recommendations as part of ongoing learning and continuous improvement. These will be incorporated as part of the key control action list and will be reviewed on a monthly basis by the Leadership Team.

The Ministry has now appointed Heads of Departments (Operations, Research & Finance) who will ensure that monitoring mechanism is in place from start to post-completion of the project. As highlighted, a structured Project Management Methodology will be implemented. This will ensure that any future land preparation or any other projects will be continuously monitored from start to post completion.

Failed Land Preparation Facility Projects

What is the reason behind these failed projects and what has the Ministry done to ensure this is not repeated?

Like any other Farming Assistance Program for the Ministry of Agriculture, Land Preparation Facility process is clear in which all farmers were given the opportunity to apply to be assisted under this program.

The public were consulted through public consultations held across the four (4) geographical divisions by field officers in regards to the intent of the government, including the Process and Systems involved. Under the Land Preparation Facility Program, the process includes the following;

- Public consultation and awareness at Locality level
- Filing of Application Forms i.e. NON DOA Application Forms that shall be accompanied by the following;
- Personal Information
- Birth Certificate of Applicant/Copy of FNPF Card/TIN Number
- Passport size photos

- Current Pay Slip if working
- Farm Managers detail (contacts, id cards, passport size photo) if primary applicant is not managing farms daily

Land Tenure:

- Copy of Title - CT/ITLTB/MCL/CL/Unregistered lease/Vakavanua Title
- Consent letter from Turaga ni Yavusa or Mataqali - compulsory for Vakavanua title holders
- Agricultural Report
- Completed MOA application form (this include the past three years production of the applicant)
- Other Improvements on the farm
- Quotations and Land Preparation facility - tractor and digger

All applications forms are expected to be summarized and submitted to the respective Focal Desk Officers from the Economic Planning and Statistics Division that take care of all logistics from there onwards.

Upon confirmation of logistics, the respective PAOs and SAOs are notified accordingly and this again cascaded down to all Locality Officers on the ground. Based on that, the Locality Officers will then again re-visit the approved applicants to pay their 1/10 contribution to the respective designated Clerical Officers to facilitate.

Approved Contractors then are advised to deploy their machines when all the above are met.

The failure is partly attributed to lack of monitoring and now the Ministry in its effort to improve on the implementation and monitoring of this program have introduced the following:

Commence with a Project Management methodology to guide the planning and delivery of all projects. The framework will have the relevant structure to drive the discipline with monthly reporting to the Leadership Team, who can provide the needed intervention to keep things on track.

The Project Management framework will also include a Post Implementation Review (PIR) process of all projects and initiatives. Respective functional divisions will be responsible for conducting this within 3 months of program completion.

M & E will do an independent verification of the PIR and evaluate the effectiveness of the program and make recommendations for improvements. These will be incorporated as part of the key control action list and will be reviewed on a monthly basis by Leadership Team

As covered in sections above, a dedicated Compliance Review team is being set-up in February 2020 who will carry out an extensive compliance control review throughout the Ministry to improve business processes and further strengthen the control environment.

Anomalies in the TMA stock Take Process

What has the Ministry done to address this issue?

The Committee was informed that the Ministry had conducted its quarterly stock take since 2018/2019 financial year and one of the area targeted is the proper record keeping of the stock. Additionally in the 2018/2019 annual stock take the Ministry has taken weights of all animals to determine the value as per Office

of the Auditor General recommendation. This has been addressed in 2018/2019 financial year and proper procedures are currently in place.

Furthermore, the Ministry has taken steps to eliminate certain activities from January 2020 to reduce the risk of fraudulent activities. One such example is the discontinuation of sale of fencing material from stations and devising a mechanism of having this done through established suppliers directly. Further review will be done in this area by the Compliance Review team to eliminate non-core activities which currently are potential risk areas as well.

Absence of Vendor Approvals for Farm Care Programme

What is the reason for not providing the 19 vendor approvals? (The Ministry to provide the vendor approvals if they are available)

The nineteen vendors that were identified by the Office of the Auditor General were vendors that were not approved by the Ministry for Farm care initiative but were approved vendors for the Ministry of Social Welfare for Home Care initiative.

The Care initiative as it was called by government were run by two main Ministries, namely the Ministry of Social welfare running the Home care and the Ministry of Agriculture for Farm Care.

Our farmers were vetted before assistance was approved. Once approved, a farm care card was given to them and also they were informed of the authorized companies that they could use in sourcing their farming assistance supplies.

The card and the security feature were the same for both initiatives without distinctive in-built separation features, thus the mix up of vendors occurred and where the farmers could use their card was an issue that became beyond the control of the 2 Ministries.

The learning in such an exercise (which was one of the first of its kind) has been captured and for potential similar schemes in the future, system functionalities through the service provider (such as Vodafone or other relevant suppliers) will be enabled so that specific targeted assistance is provided to farmers, which could only be redeemed at pre-approved vendors.

Committee Comments:

The Committee recommends that a proper awareness/consultations should be carried out so that all stakeholders are aware of the initiative and the process involved.

Governances Issue

What is the current status in developing these policies? Please provide timeline to when it will be completed.

The work on Governance policies has been delayed, but as mentioned through the responses above, a concerted focus is now being made, led by the Permanent Secretary, to strengthen the control environment. Work on all current draft policies, including relevant new ones, will be completed by 30 April 2020.

The Ministry has started receiving the Fiji Dairy and Cooperative Limited Quarterly Project Progress Report (QPPR) and the last was received is for Quarter 2 2019/20. Moving forward, the Ministry is implementing the following measure to ensure that it receives consistent reports:

Regular check in meetings with FCDCL on progress of their work, with monthly progress report submitted for perusal by the Permanent Secretary.

All reporting requirements will be put in a Cycle Calendar for delivery by the management team of FCDCL.

The Compliance Review team will be used to further review business processes and make recommendations for improvement to streamline way of working and achieve process efficiencies going forward. FCDCL will be included in the scope of work of the Compliance Review Team.

Progress report on Dairy Development Programme not provided

What is the reason for not providing the progress report? What has been done to ensure the report is given on time?

The Ministry has started receiving the Fiji Dairy and Cooperative Limited Quarterly Project Progress Report (QPPR) and the last was received is for Quarter 2 2019/20. Moving forward, the Ministry is implementing the following measure to ensure that it receives consistent reports:

Regular check in meetings with FCDCL on progress of their work, with monthly progress report submitted for perusal by the Permanent Secretary.

All reporting requirements will be put in a Cycle Calendar for delivery by the management team of FCDCL.

The Compliance Review team will be used to further review business processes and make recommendations for improvement to streamline way of working and achieve process efficiencies going forward. FCDCL will be included in the scope of work of the Compliance Review Team.

Unsubstantiated TMA VAT Charges

What is the reason for showing this VAT payable balance? What has been done by the Ministry to correct it?

The VAT charges were from 2014 and this has been cleared in the 2018/19 financial year. The reason for the delay in clearing this was because of the fact that the Ministry tried to collect all documents related to the charges before this could be cleared as per standard.

The Ministry clerks have been trained in-house on the proper posting on revenue allocation, especially on VAT charges and the Ministry is confident that from 2015 to date, there have been no recurring issues regarding TMA VAT charges.

Head 31 – Ministry of Fisheries

The Ministry of Fisheries was issued with a Modified Audit Opinion in its 2018 Accounts.

The Ministry recorded Capital Construction of \$4,756,332 and Capital Purchase of \$653,185 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide for audit payment and journal vouchers totalling \$954,252 to support the above balances. The completeness and accuracy of the balances could not be verified and also unable to determine whether any adjustments might have been necessary in respect of Capital Construction and Capital Purchase at the end of the financial year.

An unreconciled variance of \$1,727,621 existed between Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earner. In addition, internal controls over payroll were generally found to be weak. This relates to the incorrect preparation of salary reconciliations. Consequently, I was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.

The Ministry did not maintain a detailed listing of beneficiaries of the Trust Fund Account. Consequently, the completeness of the closing balance of \$261,684 reflected in the Statement of Receipts and Payments of the Trust Fund Account could not be substantiated.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head 32 – Ministry of Forests

The Ministry of Forest was issued with a Modified Audit Opinion in its 2018 Accounts:

- Expenditures amounting to \$351,097 was not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018. This relate to unrecorded expenditures which were paid as accountable advances but were not cleared from the Revolving Fund Account as at 31 July 2018. Consequently, the expenditure balance of \$13,300,906 for the year ended 31 July 2018 was understated by \$351,097.
- There was an unreconciled variance of \$850,831 between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the accuracy of the Established Staff and Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018, could not be confirmed.
- There is an unreconciled variance of \$247,733 between the REDD Plus expenditure in the Financial Management Information System (FMIS) general ledger and the total amount reflected in the s financial statements. Consequently, the accuracy and completeness of the SEG 7 Special Expenditure recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018, could not be substantiated.
- A variance of \$105,769 existed between the TMA bank reconciliation and the Cash at Bank general ledger balance. Consequently, the accuracy and completeness of the Cash at Bank balance of \$1,567,496 recorded in the TMA Balance Sheet as at 31 July 2018, could not be confirmed.
- The Ministry with the approval of the Ministry of Economy transferred a sum of \$2.5 million in 2016 to the Trading and Manufacturing Activity (TMA) account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Although an amount of \$569,014 was utilized for this purpose in 2018, deferred income account was not adjusted accordingly. Deferred income balance for 2017 of \$2,198,548 remained the same in 2018. In addition, the cash at bank balance of \$1,567,496 recorded in the TMA Balance Sheet was not sufficient to support the remaining deferred income balance of \$2,198,548.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head No. 33 - Ministry of Lands and Mineral Resources

The Ministry of Lands and Mineral Resources was issued with a Modified Audit Opinion in its 2018 Accounts.

Trust Fund Account balance for Department of Lands amounting to \$6,614,870 was not supported with detailed listing of claimants of the monies held in trust. As such, the accuracy and completeness of the Trust Fund Account balance as at 31 July 2018, could not be confirmed.

The Ministry confirmed that it maintains its cashbook for Trust detailing the amount received with TFR. This Cashbook is for the payment received and payment paid out.

Committee Comments:

The Committee recommends that the Ministry to provide a detail listing of monies kept in the Trust Fund Accounts.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head No. 35 – Ministry of Public Enterprise

The Ministry of Public Enterprises and Government Printing was issued with a qualified audit opinion in its 2018 Accounts. However, other matters were raised in the audit report were as follows –

1. Government Printing and Stationery Department's assets were sold to Serendib Investment PTE Limited on 18 January 2019 for a sum of \$6.0 million;
2. The Ministry incurred expenditure totalling \$14.9 million in 2018 and had savings of \$2.9 million. This significant savings was due to the following –
 - a) SEG 1 (Established Staff) and SEG 2 (Government Wage Earners) had vacant positions and was not filled by Government Printing due to the planned sale of the Department;
 - b) SEG 4 (Maintenance and Operations) unutilised funds for repairs and maintenance of vehicles due to new leased vehicles in 2018; and
 - c) SEG 11 (Grants and Transfers) non-payment of full capital grant to Biosecurity Authority of Fiji in 2018 since the Authority had funds for capital works.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head No. 37 – Ministry of Local Government

The Ministry of Local Government was issued with an Unmodified Audit Opinion in its 2018 Accounts.

However, attention is drawn to internal controls of the Ministry where necessary controls such as timely reconciliations were not performed for Drawings Payable, Operating Trust Fund, Environment Trust Fund Account, Advances, Salaries and Wages Account during the year. These are critical areas of the Ministry's operation and if not addressed promptly, it may result in financial losses or financial irregularities in the near future.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

Head No. 38 - Ministry of Environment

The Ministry of Environment was issued with a Modified Audit Opinion in its 2018 Accounts.

1. An unreconciled variance of \$2,401,404 existed between the Trust balance sheet cash at bank balance of \$7,742,954 recorded in the general ledger and bank reconciliation balance of \$10,144,358 as at 31 July 2018.
2. Consequently, the accuracy and completeness of the Trust Fund Account balance of \$7,048,380 stated in the Environment Trust Fund Account Statement of Revenue and Expenditure as at 31 July 2018, could not be confirmed.
3. An unreconciled variance of \$366,321 existed between the Government Wage Earners payroll report balance of \$402,266 and Government Wage Earners general ledger balance of \$48,376 as at 31 July 2018. Consequently, the accuracy and completeness of the government wage earners expenditure balance of \$48,376 stated in the Statement of Revenue and Expenditure as at 31 July 2018, could not be confirmed.

Volume 5: Infrastructure Sector

Head No. 40 – Ministry of Infrastructure and Transport

The Ministry of Infrastructure and Transport was issued with a Modified Audit Opinion in its 2018 Accounts.

- An unreconciled variance of \$1,405,134 exists between the Consolidated TMA balance sheet cash at bank balance of \$3,303,882 and consolidated bank reconciliation balance of \$1,898,748 as at 31 July 2018. Consequently, the accuracy and completeness of the Cash at bank balance of \$3,303,882 stated in the Consolidated TMA balance sheet as at 31 July 2018 could not be confirmed.
- The Energy Trust Account had a balance of \$2,445,195 as at 31 July 2018. The closing balance comprises of refunds for FEA Grid and House wiring, bond payment for projects and revenue bills collected from Solar Home Systems. The Ministry has not maintained appropriate details of this Trust Fund account.

Refer to the written responses provided by the Ministry annexed in this report regarding the audit issues highlighted above

CONCLUSION

The Committee commended the work of the Office of the Auditor General on the audit carried out for the 2017 -2018 Whole of Government Financial Statements. This improves public financial management of Government Ministries and Departments.

The Committee is looking forward to see improvements in the next financial year's audit report on the specific areas highlighted in this year's audit. Most importantly, Government Ministries and Departments to work closely with the Office of the Auditor General in addressing financial reporting challenges, internal controls issues and other audit focused areas.

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



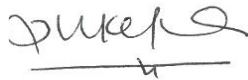
.....
Hon. Alvick Maharaj
(Chairperson MP)



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



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Hon. Virendra Lal
(PAC Member/MP)



.....
Hon. Ro Teimumu Kepa
(PAC Member/MP)



.....
Hon. Aseri Masivou Radrodoro
(PAC Member/MP)

APPENDICES

APPENDIX 1:

PUBLISHED WRITTEN EVIDENCE

The copies of the written and supplementary evidences from the selected Ministries and Departments identified in this review report can be accessed on the Parliament Website using the following link:
<http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>