



---

# STANDING COMMITTEE ON PUBLIC ACCOUNTS

## Review of the 2016-2017 Financial Statements of Government & the 2016-2017 Agency Financial Statements of the Ministry of Economy



PARLIAMENT OF THE REPUBLIC OF FIJI  
Parliamentary Paper No. 22 of 2022

*April, 2022*

---

# TABLE OF CONTENT

CHAIRPERSON'S FOREWORD.....	1
COMMITTEE MEMBERS.....	2
ACRONYMS.....	3
INTRODUCTION.....	4
GENERAL RECOMMENDATIONS.....	7
KEY FINDINGS.....	8
Part A: REPORT OF THE 2016- 2017 FINANCIAL STATEMENTS OF GOVERNMENT.....	8
PART B: 20167-2017 AGENCY FINANCIAL STATEMENTS OF MINISTRY OF ECONOMY.....	16
CONCLUSION.....	25
APPENDICES.....	27

## CHAIRPERSON'S FOREWORD



At the outset, this Committee report follows the Report of the Auditor General of the Republic of Fiji on the 2016-2017 Audit Report on the Financial Statements of Government and the 2016-2017 Agency Financial Statements of the Ministry of Economy.

The Office of the Auditor-General ('OAG') is established as an Independent Office by the Constitution of the Republic of Fiji. Its roles and responsibilities include audit of the accounts of the Consolidated Fund and Financial Statements of Government and Annual Appropriation Statement required to be included in the

Whole of Government annual report for a financial year under the Financial Management Act 2004. The audit extends to audit of the accounts of all money received or held by a State entity, whether or not for purposes of Government. These audits are carried out by the Auditor-General on behalf of Parliament.

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

The Committee reviewed the three (3) parts of the 2016-2017 Audit Report on the Financial Statements of Government and the 2016-2017 Agency Financial Statements of the Ministry of Economy Audit Report and these include:

**Part A: 2016 -2017 Financial Statements of Government**

**Part B: Report on the Financial Statements of Government**

**Part C: 2016-2017 Agency Financial Statement of Ministry of Economy**

It was noted in the review that there were matters highlighted by the Office of the Auditor General in its Audit Report which was a matter of concern that the Ministry of Economy with other relevant Ministries and Departments needs to strengthen and addressed in moving forward.

The Committee commended the efforts of the Ministry of Economy in trying to address the gaps highlighted by the Office of the Auditor General, however other relevant Ministries and Department Heads should work closely with the Audit Office to address the gaps identified and implement the Committee recommendations.

At this juncture, I wish to thank my fellow committee members, namely: Hon. Joseph Nitya Nand (Deputy Chairperson), Hon. Virendra Lal, Hon. Aseri Radrodro, and Hon. Ro Teimumu Kepa for their efforts and contributions in the scrutiny process of the Audit Report and in the final compilation of this report.

A handwritten signature in blue ink, appearing to be 'Alvick Avhikrit Maharaj', written in a cursive style.

**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 Radrodru  
(Opposition MP)**



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



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

## ACRONYMS

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

# INTRODUCTION

## Background

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

This report looks at the Report of the Auditor General on the 2016-2017 Financial Statements of Government & the 2016-2017 Agency Financial Statements of Ministry of Economy, Parliamentary Paper No. 127 of 2019.

Copies of the relevant Auditor-General’s reports are available for perusal on the Parliament website [www.parliament.gov.fj](http://www.parliament.gov.fj) under “Parliament Business”.

The Committee scrutinized the following contents of the Audit Report and these includes:

- **Part A: 2016 -2017 Financial Statements of Government**
- **Part B: Report on the Financial Statements of Government**
- **Part C: 2016-2017 Agency Financial Statement of Ministry of Economy**

The review made on the financial statements of Government covers the following:

- Statement of Cash Receipts and Payments;
- Statement of Comparison Budget and Actual (Budget Funding Programme);
- Statement of Comparison Budget and Actual (Economic classifications);
- Statement of Assets and Liabilities;
- Statement of Revenue and Expenses; and
- Statement of Contingent Liabilities.

The Committee reviewed the whole of Government financial statements which included all the budget sector agencies in a consolidated financial statements as outlined below:

## General Administration

1. Office of the President
2. Office of the Prime Minister
3. Office of the Attorney General
4. Ministry of Economy
5. Ministry of i-Taukei Affairs
6. Ministry of Defence and National Security
7. Ministry of Employment, Productivity and Industrial Relations
8. Ministry of Foreign Affairs
9. Independent Bodies & Independent Commissions
10. Ministry of Disaster Management and Meteorological Services

11. Ministry of Justice
12. Fiji Corrections Service
13. Ministry of Communications
14. Ministry of Civil Service
15. Ministry of Rural and Maritime Development
16. Republic of Fiji Military Forces
17. Fiji Police Force
18. Peacekeeping Missions

### **Social Services**

1. Ministry of Education, Heritage and Arts
2. Ministry of Health and Medical Services
3. Department of Housing
4. Ministry of Women, Children and Poverty Alleviation
5. Ministry of Youth and Sports
6. Higher Education Institutions

### **Economic Services**

1. Ministry of Agriculture
2. Ministry of Fisheries
3. Ministry of Forests
4. Ministry of Lands and Mineral Resources
5. Ministry of Industry, Trade and Tourism
6. Ministry of Sugar
7. Ministry of Public Enterprises
8. Ministry of Local Government and Housing
9. Ministry of Environment

### **Infrastructure**

1. Ministry of Infrastructure and Transport
2. Water Authority of Fiji
3. Ministry of Waterways
4. Fiji Roads Authority

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 section 152 of the 2013 Constitution of the Republic of Fiji, section 46(2) (b) and section 47 (2) (b) of the Financial Management (Amendment) Act 2016 and section 6 of the Audit Act 1969.

It is important to note that the Committee scrutinized the audit report on Virtual mode without conducting a face-to-face consultation with the Ministry of Economy Officials because of the COVID 19 restrictions in place during the scrutiny process but requested a written response on audit issues that were raised.

## 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. The Ministry of Economy to liaise with other Government Ministries and Departments to ensure compliance with their reporting timelines on submissions of their financial statements to OAG for audit;***
- 2. Permanent Secretaries as Chief Accounting Officers need to see that the Committee recommendations are implemented in a timely manner; and***
- 3. Ministries and Departments to work with Internal Audit and Good Governance Team of Ministry of Economy to address control weaknesses as highlighted in the report.***

# KEY FINDINGS

## PART A: REPORT OF THE 2016 - 2017 FINANCIAL STATEMENTS OF GOVERNMENT

### Unallocable expenditures – HEAD 50

Unallocable expenditures include miscellaneous services, pensions, gratuities and compassionate allowances and finance charges on public debt.

### 2016-2017 Budget

Severe devastation was caused by TC Winston in February 2016 that resulted in total damage and loss to the economy of an estimated \$2.85 billion. As a result, Government designed the financial year 2016 - 2017 budget to meet the costs relating to rehabilitation of public infrastructure including schools, health facilities and housing. It was anticipated that the systematic programming of rehabilitation expenditure through the budgetary process will smoothen out in the latter years. The re-focusing of expenditure was also anticipated to have a positive impact on medium to long term macroeconomic fundamentals of the country. The increased expenditure will stimulate economic activity across a number of sectors and in turn support employment creation, raise consumption levels and provide further impetus for growth.

The financial position and expenditure of Government against the approved budget, has been considered against this context in this report.

### Changes in format for reporting to Parliament

Prior year's Auditor-General's reports on the Financial Statements of Government and Annual Appropriation Statement contained a combination of financial analysis and recommendations for improvements which at times was found to be confusing to the users of the report.

The revised reporting format for this report is consistent with formats used by other national audit offices, separates the analysis from the audit findings. The significant audit findings and recommendations are discussed under the heading "Significant audit matters" section of this report in Chapter 6.

However, the format for reporting of results of audit of ministries and departments for various sectors has been retained pending review. Changes which have been introduced in these reports include status of controls, timeliness and quality of financial statements by sector.

This report summarizes our analysis of the financial position, performance, sustainability and timeliness and quality of financial reporting by ministries and departments. The report also includes the results of internal control reviews in respective agencies.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the entity. These have been included in this report as they impacted on the overall system of control of the ministries and departments as at 31 July 2017.

## **Results of the Audits**

The OAG had issued audit opinions on agency financial statements of 33 Ministries and Departments.

### **Modified Audit Opinion**

#### **1. Ministry of Defence, National Security and Immigration**

The Ministry of Defence, National Security and Immigration was issued with a modified audit opinion based on a variance of \$3,006,088 exists between the Integrated Border Control Management System (IBMS) which records the Department of Immigration's operating revenue and the FMIS General Ledger. As a result, audit was unable to substantiate the correctness of the operating revenue balance of \$13,490,542 recorded in the financial statements for the period ended 31 July 2017.

Also noted that a detailed listings of work permit holder equating to the security bond of \$25, 215, 349 held in trust were not maintained by the Department of Immigration. As a result, audit was unable to establish the number of work permit holders that are currently in the country and those that have left the country without claiming a refund.

#### **2. Ministry of Employment, Productivity and Industrial Relations**

The Ministry was issued with a modified audit opinion. The Committee noted that the Ministry receives \$70,000 annual fees from the Ministry of Civil Services under the Shared Services Agreement. The Ministry deposited the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those funds other than public money. Consequently, the OHS Trust Fund Account is overstated by \$70,000 and the Ministry's operating revenue is understated by the same amount.

An unreconciled variance of \$381,087 exist between the OHS Consultancy Service, Workmen Compensation and Wages Disputes Trust Fund cash at bank balance and General Ledger (FMIS) balance. As a result the Auditors were not able ascertain that all receipts and payments had been accurately accounted and disclosed in the Trust Fund Cash Account.

#### **3. Judiciary**

The Department reconciliations for Suitors, Sundries and Maintenance Trust Fund were only prepared up to January 2015, January 2000 and December 1994 respectively as at 31 July 2017. Due to significant lapse in the years of reconciliation balance, audit was unable to ascertain the accuracy of the closing balance of \$31,623,770 disclosed in the Judicial Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2017.

Included in the Suitors Trust Fund Accounts are funds received on behalf of deceased persons who do not have nominees at Fiji National Provident Fund as required under Section 57 of the FNPF Act 2011. The department does not maintain detailed breakdown listing of these funds received from FNPF, funds paid out to beneficiaries and balance of fund to be refunded to FNPF.

#### **4. Ministry of Justice**

The Ministry did not maintain detailed breakdown listings of the companies under provisional liquidations and the individuals under receiverships. Consequently, audit was not able to substantiate the completeness of the closing balances of \$587,437 and \$255,603 reflected in the Statement of Receipts and Payments for the Official Receiver Liquidation Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account, respectively.

#### **5. Ministry of Rural and Maritime Development and Natural Disaster Management**

An unreconciled variance of \$197,953 exists between the total revenue recorded in the general ledger and subsidiary revenue records maintained by the Ministry. Consequently, audit could not confirm the accuracy and completeness of the operating revenue of \$1,417,065.

#### **6. Republic of Fiji Military Forces**

The Engineers Trust Fund Account Statement of Receipts and Payments does not provide receipts and payments for each project undertaken by the Force. The statement only includes closing cash balance for each project. As a result, audit was unable to determine whether any adjustment might have been necessary in respect of the Engineers Trust Fund Account cash at bank balance at year end and any corresponding adjustments to the elements making up the statement of income and expenditure.

#### **7. Ministry of Health and Medical Services**

An unreconciled variance of \$114,950 exists between the Bank reconciliation and the Cash at bank general ledger balances. As a result, audit was unable to substantiate the accuracy and completeness of the closing balance of \$338,925 reflected in the Trust Fund Account Statement of Receipts and Payments.

#### **8. Ministry of Agriculture**

Included in the Land Water Resource Management (LWRM) Trust Fund Account balance is retention fund of \$329,148. The Ministry was unable to provide appropriate supporting documents to ascertain the accuracy and obligation of the retention fund of \$329,148 included in the LWRM Trust Fund Account balance.

The Ministry suffered loss through expiration of drugs and livestock morality amounting to \$63,405. The amount of loss was not expensed, instead was directly adjusted to ending inventory balance thus overstating the cost of goods sold by \$63,405.

#### **9. Ministry of Lands and Mineral Resources**

There is an unreconciled variance of \$673,811 in the Land and Property Rent collected as recorded in the Crown Land Lease System of \$12,745,771 and FMIS general ledger balance \$13,419,982. Consequently, audit could not confirm the accuracy and completeness of Land and Property Rent of \$13,419,582.

Expenditure amounting to \$157,174 in the Statement of Receipts and Expenditures did not relate to the financial year 2016 -2017. This amount relates to the posting of an unsupported journal voucher of

\$105,870 to clear prior year's Revolving Fund Account balances and the recording of \$51,304 expenditure in 2016-2017 for goods and services received in 2017-2018. As such, the expenditure balance for the year ended 31 July 2017 is overstated by \$157, 174.

## **10. Ministry of Fisheries and Forests**

### **Operating Fund Account**

Expenditures amounting to \$276,181 were not recorded in the Statement of Receipts and Expenditures for the year ended 31 July 2017. This amount relates to unrecorded expenditures of \$191,147 paid from Standard Liability Account 84 and retired Accountable Advances of \$85,034 for the current year which were not cleared from the Revolving Fund Account. As a result, the expenditure balance of \$23,012,137 for the year ended 31 July 2017 is understated by \$276,181.

### **Trading and Manufacturing Account**

There is an unreconciled variance of \$104,597 between the bank reconciliation and the Cash at Bank general ledger balance. Consequently, audit was not able to confirm the accuracy and completeness of the Cash at Bank balance of \$1,896,419 recorded in the TMA Balance Sheet as at 31 July 2017.

The Ministry paid a sum of \$2.5 million to the Trading and Manufacturing Activity (TMA) account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Of this amount, a sum of \$301,451 was utilized for this purpose in 2017 leaving a balance of \$2,198,459 as at 31 July 2017. The cash at bank balance of \$1,896,419 recorded in the TMA Balance Sheet is not sufficient to support the remaining balance of \$2,198,459.

The Ministry recorded total expenses of \$1,288,574 in the TMA – Profit and Loss Statement for the year ended 31 July 2017. The Ministry was not able to provide documentations to support expenditures totalling \$515,515. As a result, audit was not able to verify the accuracy and completeness of the total expenses recorded in the Profit and Loss Statement. The Ministry recorded sales of \$1,161,623 in the TMA – Trading Account for the year ended 31 July 2017. The Ministry was not able to provide documentations to support transactions totalling 306,623. As a result, audit was not able to verify the accuracy of the Sales amount recorded in the Trading Account.

### **Trust Fund Account**

The Ministry did not maintain a detailed listing of the beneficiaries of the Trust Accounts. Consequently, audit was not able to substantiate the completeness of the closing balances of \$190,095 reflected in the Statement of Receipts and Payments for the Trust Fund Account.

## **11. Ministry of Local Government and Environment**

Revenue totalling \$444,780 reported in the Statement of Revenue and Expenditure could not be substantiated as the Ministry could not provide the journal vouchers to support the amount recorded in the general ledger. As such, audit was unable to verify the completeness and accuracy of revenue recorded in the Statement of Revenue and Expenditure.

It was noted that the Ministry was unable to provide appropriate supporting documents including payment vouchers to substantiate payments totalling to \$874, 931 and \$1,171,987 for Operating

Account and Main Trust Account, respectively, As such, the audit was unable to ascertain if these payments were properly processed and recorded in the Statement of Revenue and Expenditure by \$302,733.

The Environment Trust Fund Account had a closing balance of \$4,530,939 for the year ended 31 July 2017. The Ministry did not maintain proper records including cash book, journal vouchers, and payment vouchers. As result, there was un-reconciled variance of \$2,500,755 between the general ledger balance and the bank reconciliation. Due to the variance audit was unable to ascertain the accuracy of the closing balance of the Environment Trust Fund Account.

## **12. Ministry of Infrastructure and Transport**

An unreconciled variance of \$1,405,134 exists between the Consolidated TMA balance sheet cash at bank balance of \$3,154,993 and consolidated bank reconciliation balance of \$1,749,859 as at 31/07/17. Consequently, audit could not confirm the accuracy and completeness of the Cash at bank balance of \$3,154,993 stated in the consolidated TMA balance sheet as at 31 July 2017.

The Ministry adjusted its VAT receivable balance by \$322,428 to reconcile it with the Fiji Revenue Customs Services records by posting journal entries to the TMA Accumulated Surplus Account Audit was not provided with appropriate reconciliations to support these journal entries. As such the audit was unable to ascertain the accuracy of these journal

## **QUALITY AND TIMELINESS OF FINANCIAL STATEMENTS**

The draft financial statements of 18 or 55% of Ministries/Departments were timely and 29 or 88% of Ministries/Departments were of good quality.

Management comments on draft management letters for 16 or 48% of Ministries/Departments were received on time and audited accounts for 18 or 55% of Ministries/Departments were signed and returned on time.

The OAG had issued unmodified opinions on 21 or 64% of the agency financial statements for 2016-2017.

For the 2017 financial year, we issued 21 or 64% unmodified opinions on 33 of the agency financial statements compared to 21 unmodified opinions on 34 of the agency financial statements for the 2016 financial year. This reflects a slight increase in percentage of unmodified opinions issued for 2017 financial year when compared to 2016.

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

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. Refer to Table 1.1 below for details.

Table 1.1: Independent Audit Reports issued for 2016 - 2017 financial year.

Sector	Unmodified Opinions	Modified Opinions	Total
Number of Audits	21	12	33
Percentage of Total	64%	36%	100%

While majority of the ministries and departments submitted the draft financial statements for 2017 before the deadline of 16 October 2017 set by Ministry of Economy, 15 or 45% of the agencies were significantly late in submitting their financial statements which delayed our audit. The delay was attributed to the following:

- (i) Corrections of errors and omissions in draft financial statements submitted to audit;
- (ii) Adjustments and virements passed;
- (iii) Delay in submission of management comments for issues raised in draft management letter which affected the draft financial statements; and
- (iv) Documents not provided for audit purposes.

The draft financial statements for 2016 - 2017 of 21 or 64% of ministries and departments were not adjusted during our audit. The remaining financial statements were adjusted through audit adjustments and adjustments passed by respective Ministries/Departments after submission of draft financial statements for the audit.

### **Financial performance, position and sustainability**

Each year, the Permanent Secretary for Economy prepares the Financial Statements of Government and Annual Appropriation Statement.

These statements provide a consolidated view of the revenues, expenses, assets and liabilities and cash flows of state-agencies excluding controlled entities. The statements also reflect actual expenditure against approved and revised budget by sectors and appropriation heads and revenue collected by economic type.

### **Financial Snapshot**

The key financial statement items namely expenditure, revenue, cash and cash equivalents, term loans receivables, investments, trust fund accounts, terms loans payable and equity are discussed below.

The 2017 financial year was for 12 months from 01/08/16 – 31/07/17 and 2016 financial year was for 7 months from 01/01/16 – 31/07/16. Thus for comparison of Statement of Revenue and Expenses, the 2017 financial year is compared in this report with 2015 since both financial year were for 12 months. However for Statement of Assets and Liabilities, the comparison is between 2017 and 2016 financial year since the Statement of Assets and liabilities are as at balance date.

## **Statement of Revenue and Expenses**

- Table 1.2 provides a snapshot of revenue and expenses for 2017 in comparison to 2015.
- Table 1.2: Revenue and Expenses snapshot

## **General Information**

The Republic of Fiji is a sovereign democratic state. The Committee noted the principal activities of the Government are:

The administration of public financial affairs;

- (i) The provision of goods and services required by its citizens; and
- (ii) The collection, management and use of public resources.
- (iii) Significant accounting policies

## **SIGNIFICANT AUDIT MATTERS**

Significant audit matters highlighted in the audit report, include control weaknesses, which could cause or is causing severe disruption to the process or the ability of the agencies to achieve process objectives and comply with relevant legislations.

The significant audit matters in Ministries and Departments was reported in other Sector Reports.

## **Findings**

The significant audit matters in the 2017 Financial Statements of Government are highlighted below and this in relation to control issues cutting across agencies:

- Absence of risk management policy;
- Delay in preparation of reconciliations;
- Anomalies in drawings account and main trust fund account;
- Expenditure charged to incorrect allocation; and
- Anomalies in inventory

## **Significant control deficiencies**

The Committee noted that the detailed listings of work permit holders equating to the security bond of \$25,215,349 held in trust were not maintained by the Department of Immigration.

The Audit also reported that included in the Suitors Trust Fund Accounts are funds received on behalf of deceased persons who do not have nominees at Fiji National Provident Fund as required under section 57 of the FNPF Act 2011. The Judicial department did not maintain the detailed breakdown listing of these funds received from FNPF, funds paid out to beneficiaries, and balance of fund to be refunded to FNPF where no application had been made to claim the funds from High Court.

The Ministry of Justice did not maintain detailed listings of the companies under provisional liquidations and the individuals under receiverships. Consequently, audit was not able to substantiate the completeness of the closing balances of \$587,437 and \$255,603 reflected in the Statement of Receipts



and Payments for the Official Receiver Liquidation Trust Fund Account and the Official Receiver Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account, respectively.

The Ministry of Fisheries and Forests did not maintain a detailed listing of the beneficiaries of the Trust Accounts.

## **PART B: 2016 - 2017 AGENCY FINANCIAL STATEMENTS OF MINISTRY OF ECONOMY**

### **Role and Responsibilities**

The Ministry of Economy is responsible for managing public finances in accordance with the Fijian Constitution and the Finance Management Act 2004. The Ministry formulates Government's national budget and coordinates with other ministries and departments to ensure effective implementation. The Ministry through its various functional units promotes sound management of the Fijian economy via economic analysis, efficient budgeting and pro-active planning, including prudent management of financial assets and debts and the administration of fiscal policy and tax collection through the Fiji Revenue and Customs Service ('FRCS'). Other major roles include: coordination and management of Government's capital construction projects including its offices and accommodation; formulation of national development plans, including climate change policy and financing and monitoring of programmes and projects under the national budget; and ensuring effective operation of the Fiji Bureau of Statistics ('FBOS') in collating, storing and publishing statistical information in a timely and coherent manner.

### **AUDIT FINDINGS**

#### **FINANCIAL STATEMENTS**

##### **Audit Opinion**

The audit of the 2017 accounts of the Ministry of Economy resulted in the issuance of an unqualified audit opinion.

##### **Statement of Receipts and Expenditure – Head 4**

The Ministry of Economy budget was appropriated as Head 4 in the 2016 – 2017 Budget Appropriation Act with Fiji Procurement Office (FPO), Strategic Planning Office (SPO) and Fiji Bureau of Statistics (FBOS). The Ministry of Economy recorded revenue totalling \$3,209,177,240 and incurred expenditure totalling \$84,069,596 for the year period ended 31 July 2017.

##### **Appropriation Statement - Head 4**

The Fijian Government had budgeted asset sales amounting to \$250 million in the financial year 2016-2017 which did not eventuate. Consequently, expenditure control was applied across Government to ensure all committed and mandatory expenditures were duly met. The divestment did not take place as the bid price for the asset was unacceptable and Government took a policy stance to secure as much better deal in due course.

The Ministry incurred expenditure totalling \$84,069,596 against a revised budget of \$94,416,594 resulting in savings of \$10,346,998 or 11%. Details of expenditure against the revised budget are provided in Table 4.6.

##### **i. Reason for savings are as follows:**

- The saving of \$3,812,512 in personal emolument was due to high staff turnover and positions were not filled immediately after they became vacant.

## **ii. Savings in travel and subsistence vote of \$535,636 was due to:**

- Low volume of travel in Corporate Services and Strategic Planning Office;
- Budget division travel expenses were borne by the line agencies with whom the officers travelled to inspect projects;
- Debt Unit - majority of official travel were fully funded by third parties;
- Internal Audit Unit - due to audits being concentrated to Central Division and Unit's efforts was concentrated in assistance for auditing works relating to rehabilitation and special requests from the Minister and Departments. Also there was a substantial number of vacant positions;
- Small number of trainings and less overtime done at FMIS section;
- Non-approval of Trading and Manufacturing Account (TMA) site visit in Asset Management and Monitoring Unit (AMMU);
- Staff shortage in Procurement Unit which did not allow much travelling for existing staff given the workload that had to be undertaken to meet deadlines; and
- Construction Implementation Unit - due to teams' involvement in administrative works such as vetting of drawings, contract compilation and formulations, tender evaluations and the team was unable to go out for inspection. Hence the accumulated savings.

## **iii. Savings in Special expenditure of \$4,407,286 was due to:**

- Non implementation of Land Sales Act;
- The allocation namely "Implementation Cost" was for promotion materials and advertisements on the Green Growth Framework for Fiji. This was stalled and to be undertaken as part of the approved 5-year and 20-year National Development Plan (NDP). No expenditure was incurred as the NDP was launched in November 2017;
- The allocation namely "Other Setup and Implementation" was for the second round of consultation on the NDP, layout and printing. The expenses incurred were only for the second round of consultations, hence the low utilisation rate;
- The recruitment process did not take place due to the need to establish the National Fixed Asset Management Framework (NFAMF) whilst the work was shared and carried out by the established staff of AMMU; and
- Workshop for capacity building on climate change finance for the Pacific sub-region was funded by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).
- Savings in Capital construction vote of \$100,000 was due to the non-utilisation of funds for MIS Infrastructure Construction since the construction work did not start until the contractor paid the performance bond and after which the contract was signed which was in the following financial year.

## **Consolidated Trust Account Statement**

The Committee noted that there the Ministry of Economy had 10 types of main trust fund accounts, details of which are provided below:

- 1) **Performance Bond** - These are performance bonds for tenders awarded by Fiji Procurement Office for which payments are made according to the tender contracts.
- 2) **IHRDP Trust Account** - Integrated Human Resource Development Programme (IHRDP) account is used for the 1/3 contribution received for projects in small communities. This account was

maintained by National Strategic Planning in 2016 but has been transferred to Ministry of Industry & Trade in the 2017 financial year.

- 3) **Tuna Stabilisation Fund** - is to facilitate the Tuna Stabilisation Fund (TSF) Policy. The underlying purpose of the TSF policy is to transfer a portion of fuel subsidies received by foreign fishing companies and vessels from their states and distribute it to locally owned fishing companies as a form of subsidy.
- 4) **Winston Trust** - This account is used for donations received for Cyclone Winston relief from various donors. Donors either directly deposit funds into the bank accounts, or issued cheques which are received and receipted at the Treasury section in Ministry of Economy.
- 5) **Group Insurance Trust Account** - This trust account receives insurance payment and after assessment pay-out is made to the nominees of the Insurance Policy Holders upon their death.
- 6) **Miscellaneous Fund vs others** - This account was opened following Cabinet decision "Effective management of trust monies - FIN 60/16" CP (09)72 of 16/06/09. Surplus funds in Agency trust bank accounts was transferred into the Consolidated Trust Fund account. The funds in the consolidated trust fund account will be used for investments and to fund Government's expenditures during tight cash flow situation.
- 7) **ODA Performance and Tenancy Bond** - Tenancy bonds are paid by tenants for occupation of quarters on rent.
- 8) **Adopt a School Trust Fund** was established specifically to record funds received from donors who were willing to carry out the rehabilitation of schools.
- 9) **COP 23 Trust Fund** - Conference of Parties 23 (COP 23) Trust is a trust fund account related to "COP 23 Presidency - Fiji" established via the COP 23 Presidency Trust Fund that receipt and disburse funds related to COP 23 activities.
- 10) **European Union Grant Assistance Trust Fund** was set up specifically for the budget support funding given by the Commission Des Communautés (European Union) to assist post TC Winston for the cyclone recovery programme.

Total trust funds for the Ministry increased by \$41,982,416 or 222% in 2017 compared to 2016 due to creation of three new trust fund accounts for European Union Grant Assistance, Adopt a School Trust Fund and COP 23 Trust Fund.

### OTHER SIGNIFICANT MATTERS

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

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

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

### **Presentation of Main Trust Fund Account**

The Committee noted that each agency must include the following statements in its annual financial statements - a trust account statement of receipts and payments (where applicable).

There were 16 main trust fund accounts held by the Ministry of Economy in 2017.

The Audit noted that in the Ministry's financial statement the opening and closing balances of these sixteen (16) main trust fund accounts are consolidated. While receipts and payments during the year in respective trust fund accounts are shown separately, all the accounts are reflected in one statement of trust fund account.

The current presentation makes it difficult for the users of financial statement to determine the opening and closing balances for each Main Trust Fund account and movements therein during the year.

The current presentation limits the usefulness of the Trust Account financial statement in assisting the Ministry and other users in their understanding and decision-making regarding the operations of the Trust Fund Accounts.

### **Audit Recommendations:**

The Ministry should:

- prepare separate statement 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.

### **Committee Comments/Recommendation:**

The Committee concurs with the OAG recommendations and further recommends that the Ministry implements these recommendations as soon as possible.

### **Delay in the Finalisation of Financial Statements**

The Committee noted that each agency must prepare an annual report for submission to its Minister by 31st 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 Ministry is therefore responsible for preparing accounts which are complete.

The audit of the financial statements of the Ministry of Economy for the year ended 31 July 2017 was finalised after the above deadline. The delay in the finalisation of the audit was due to the following reasons –

- Improvements in disclosures, adjustments to Head 4 and 50 and amendments to the amounts for various account areas in the draft financial statements are shown in Table 4.18 below.

It was also noted that the Draft Management letter and Supplementary Draft Management letter were issued to the Ministry on 17 April and 14 May 2018, respectively. However, the management comments were submitted on 14 June 2018. Verification of management comments was carried out in July as the Ministry's accounting staff were assisting in the preparation of the National Budget.

Delay in finalising the Ministry's financial statement will result in the delayed submission of the Ministry's Annual Report to Parliament.

Updates were provided to the Ministry which included a correspondence to the Permanent Secretary for Ministry of Economy on 18 April 2018 on the update of the progress of the audits of the individual agencies.

### **Audit Recommendations:**

The Ministry should ensure that –

- accurate financial statements are submitted for audit; and
- approved additional spending are regularised on a timely basis.

### **Ministry's Comments**

*Noted. MOE and OAG will need to work together as 'way forward' to enhance the audit process.*

### **Committee Comments/Recommendation:**

The Committee concurs with the OAG recommendations and further suggest that this (*implementation of recommendations*) be part of the key performance indicators of Permanent Secretaries of various Ministries.

## **FINANCIAL STATEMENTS OF GOVERNMENT**

### **Ministries and Departments Accounts Not Prepared on IPSAS Cash**

The International Public Sector Accounting Standards Board (the IPSASB) develops accounting standards for public sector entities referred to as International Public Sector Accounting Standards (IPSAS). The IPSASB recognizes the significant benefits of achieving consistent and comparable financial information across jurisdictions and it believes that the IPSAS will play a key role in enabling these benefits to be realised.

The adoption of IPSAS by governments will improve both the quality and comparability of financial information reported by public sector entities around the world. The IPSASB recognizes the right of the governments and national standard setters to establish accounting standards and guidelines. The IPSASB considers that this Standard is an important step forward in improving the consistency and comparability of financial reporting under the cash basis of accounting and encourages the adoption of this standard.

The Audit noted the Ministries/departments financial statements have not adopted the International Public Sector Accounting Standard under the Cash Basis of Accounting while Whole of Government financial statements which consolidates the accounts of the Ministries/Departments is prepared on IPSAS financial reporting under the cash basis of accounting.

### **Audit Recommendations**

The Ministry of Economy should ensure that –

- Ministries' and Department's accounts are prepared on International Public Sector Accounting Standard financial reporting under the Cash Basis of Accounting; and

- Adequate training is provided to Accounting Officers in Ministries and Departments to build capacity on preparing financial statements on IPSAS Cash.

### **Management Comments**

*Adoption of IPSAS basis of reporting is already part of the broad Public Financial Management Reform Agenda for Government. However, it should be noted that a number of other PFM actions are being pursued which includes review of the Financial Management Act, review of the chart of accounts and the upgrade/replacement of the Financial Management Information System. All this actions has been systematically sequenced and IPSAS reporting at agency level will be rolled out for the preparation of the 2018/19 agency accounts.*

*On the same note, Training has already been arranged for accountants based at Ministries/Departments to equip them in understanding the fundamentals of the IPSAS cash accounting basis for reporting.*

*However, it should be noted that there will not be much deviation in the presentation of the accounts at Ministry/department level to what is currently being presented.*

### **Committee Comments:**

**The Committee notes the comments from the Ministry.**

## **REVENUE**

### **Undisclosed Revenue in Agency's Financial Statement**

Each Accounting Head must ensure that:

- revenue is recorded against the correct account as per the Chart of Accounts;
- the Ministry of Economy (FMIS) is consulted before collecting a totally new revenue type; and
- the recording of revenue is reconciled monthly with the Ministry of Economy.

Revenue amounting to \$2,364,524 was collected in relation to the sale of Fiji's Australian Mission Residence in Canberra.

The audit noted that even though this revenue was recorded in the Ministry of Foreign Affairs FMIS general ledger, it was not reflected in any Agency Financial Statements for the year ended 31 July 2017.

The sale of fixed assets is not a core function of the Ministry of Foreign Affairs and therefore the proceeds from the sale would distort the financial statements of the Ministry of Foreign Affairs if it was to be recorded in its financial statements.

An Asset Management Unit for government is with the Ministry of Public Enterprises which facilitates transaction relating to government assets.

### **Audit Recommendation:**

The Ministry should develop a guideline outlining treatment of sale of government assets for future transaction.

### **Management Comments:**

*From MOE perspective, the recording of the sale of assets in clear as the agency in 'control' of the asset, expenditure on the maintenance of property recorded with the line Ministry and that receipted the sale proceeds on cash based accounting accordingly. To oblige to the satisfaction of OAG, we will proceed to develop the guideline reiterating the same.*

### **Committee Comments:**

**The Committee notes the Ministry's comments.**

### **TRUST FUND ACCOUNTS**

#### **Detailed Listing Not Maintained for Main Trust Fund Accounts**

The Committee noted that names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items must be investigated and resolved promptly.

The Audit noted that there was no listing of claimants for monies held in trust for the amount totalling \$50,873,557. As such, the OAG could not ascertain the accuracy and completeness of the Consolidated Trust Fund Account balance of \$168,831,120 as at 31 July 2017. This issue was also included as an Emphasis of Matter paragraph in the audit report for the year ended 31 July 2016.

Also noted in the Audit Report that the respective Ministries have agreed to the recommendations provided in their management letters.

### **Audit Recommendations:**

- The Ministry of Economy should ensure that Ministries/Departments are maintaining detailed listings of claimants of the monies held in Main trust.
- The FMIS Division should ensure that Ministries/Departments are submitting the detailed listing of claimants of the monies held in trust in its monthly reconciliation.

### **Management Comments**

- *Unclaimed Listing refers to 30% of the total trust balance.*
- *Alternative documents are available for the auditors in the absence of complete listing.*
- *These include:*
- *Immigration Trust Fund — Bond Register and its supporting documents by port.*
- *Judicial Trust Fund - \$17.982 million has been listed and case files have identified who these funds are held in for.*
- *Official Receiver Trust — list has been compiled and verification is in process as balance has increased. Individual files are also available for audit.*
- *Sahyadri Trust Fund — balance is \$20,609 only. These are charges that are retained as per the agreement in place and is fees for the use of the Fijian Government premises for the surgeries. These will be transferred to Consolidated Fund Account. The listing is not applicable for this.*
- *Fisheries 1/3 Subsidy Scheme — listing is available.*



- Further, an action plan is in place for implementation by the Judicial and Immigration Department.

#### **Committee Comments:**

The Committee notes the Ministry's comments.

#### **Variances in Main Trust Accounts**

The Committee noted that each month, the trust account must be balanced and reconciled with the trust bank account. Un-reconciled items must be investigated and resolved promptly.

The Audit noted the following variances from the review of the trust accounts:

- Variances were noted between the main trust cash and trust liability balance.

#### **Audit Recommendation:**

- Ministry of Economy's FMIS Division should identify those variances and take corrective actions in consultation with the respective Ministries/Department.

#### **Management Comments**

- Agreed.

#### **Environment Trust Account**

- Reconciliation and all necessary steps and documentation completed.

#### **Judicial Trust Account**

- Judicial Trust Fund - \$17.982 million has been listed and case files are also identified who these are held in for. Further, an action plan is in place to reconcile.

#### **Committee Comments/Recommendation:**

The Committee concurs with the OAG recommendation on variances in the Main Trust Accounts and further recommends that the Ministry of Economy action this recommendation.

#### **Reconciliations not prepared for Main Trust Fund Account - Judicial Department**

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.

The Judicial Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor's Trust, Maintenance Trust and Sundries Trust accounts.

The Committee was informed that Judicial Department's reconciliations for Suitors, Sundries and Maintenance Trust Fund were only prepared up to January 2015, January 2000 and December 1994 respectively as at 31 July 2017.

Due to significant lapse in the years of reconciliation balance, audit was not able to confirm the accuracy of the closing balance of \$31,623,770 reflected in the Judicial Trust Fund Account Statement of Receipts and Payments.

**Audit Recommendation**

The Ministry of Economy must liaise with Judicial Department to ensure that reconciliation team immediately undertake the exercise of updating the backlog in the trust account detailed reconciliations.

**Management Comments**

*Judicial Trust Fund - \$17.982 million has been listed and case files are also identified who these are held in for. Further, an action plan is in place to reconcile.*

**Committee Comments:**

***The Committee notes the Ministry's comments and request for further updates on future audits.***

## **CONCLUSION**

The Committee review on the audit report of the 2016 – 2017 Financial Statements of Government and the 2016 -2017 Agency Financial Statements of Ministry of Economy noted that there were some issues that Chief Accounting Officers of the relevant Ministries and Departments needs to take necessary measures to address those issues.

Most importantly, Ministries and Departments Heads should continue to promote accountability, transparency and good governance in the day to day operations of their Departments in terms of public financial management and financial reporting.

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



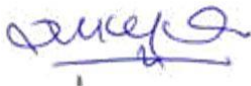
.....  
**Hon. Alvick Maharaj**  
(Chairperson MP)



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



.....  
**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 Ministry of Economy written evidences including supplementary evidences as well as its corresponding annexures that were covered 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/>