



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

**REPORT OF THE AUDITOR-GENERAL
REPUBLIC OF FIJI**

REPORT ON SPECIAL INVESTIGATION



PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 272 OF 2020



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Republic of Fiji

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File: 102

02 December 2020

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

Dear Sir

REPORT ON SPECIAL INVESTIGATIONS

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on Special Investigations.

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

Yours sincerely

Ajay Nand
AUDITOR-GENERAL

Encl.



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The Office of the Auditor-General is established as an Independent Office by the Constitution of Republic of Fiji. Its roles and responsibilities include conducting special investigations of state entities. These audits are carried out by the Auditor-General on behalf of Parliament.

The Auditor-General must submit a report on special investigations to Parliament. In addition, a single report may include two or more audits. This report satisfies these requirements.

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AUDIT REPORTS ON:

- 1. HOUSING AUTHORITY SPECIAL INVESTIGATION ON LOTS AND TENDER PROCESSES.**
- 2. SPECIAL INVESTIGATION REPORT ON PROCURMENT OF GOODS AND SERVICES – 52ND ASIAN DEVELOPMENT BANK ANNUAL MEETING**



Housing Authority
Special Investigation on Allotment of Lots
and Tender Processes

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EXECUTIVE SUMMARY

Summary of key findings

- I. A review was done of applications for all recipients of lots from 01 January 2010 until the commencement of the special investigation 20 July – 20 September 2020. Applications were assessed against the respective lot allotment policy to ensure applicants met the criteria, necessary checks were done to ensure their eligibility, outcomes were properly recorded, and approved as per the respective policies.
 - (i) Several policies approved by the Board, were in place for lot allotment. Based on the objectives of some of these policies, it was noted that the policies were not aligned to the primary functions of the Authority or were not in the best interests of its customers. These include the policies for the development of high-end lots, and lots for customers whose income exceeded \$50,000 per annum.
 - (ii) The initial Demand Survey Form (DSF) designed to gauge the demand for housing, was not properly administered. The form was used as an application form for lots without proper approval from the Board. As a result, applicants were not required to sign, date or make declarations in the form thereby increasing the risk of fraud as information in the form was selectively applied to allocate lots. Revisions were made to the DSF in 2011 to include the date and relevant details of the customers. However, a significant number of these forms had already been received.
 - (iii) A Microsoft Excel Database was used to record data from all the completed DSF received. However, there was no documentary evidence to determine how customers were selected for lot allotment from this database. In addition, we did not find any documentary evidence for the selection of customers in the customer files which were reviewed. Additionally, we noted flaws in the Stock Management System (SMS) which was used for selecting customers for lot allocation in the Matavolivoli and Tacirua 1A subdivisions. We also found out that the SMS platform used to select customers was not subject to independent review, as such, no assurance was provided to the Board for its accuracy and functionality.
 - (iv) The accuracy of the income disclosed by the customers who were self-employed could not be reliably determined due to potential conflict of interest in declaring their income.
 - (v) Our review of customer files revealed that offer letters were signed by either the former Manager Sales, the former Manager Marketing or the former General Manager Customer Relations. However, we could not establish if this responsibility was appropriately delegated to these officers.
 - (vi) We also established that segregation of duties was not implemented in the lot allotment process. As a result, the Customer Relations Department carried out all the key processes for selecting the customers, processing the allotment of these lots, and signing-off the offer letters.
 - (vii) The formula used for calculation of customers' eligibility was similar to that for loan applications, where higher eligibility can be achieved through equity contribution. Low income earners, who ought to be the target market of the Authority, are unlikely to have accumulated savings and sufficient FNPf eligibility to contribute towards equity, hence would generally have a lower eligibility for lots.

- II. **An independent verification of income and first home ownership provided by all recipients of lots from 01 January 2010 until the commencement of the audit. This is to be facilitated by Fiji Revenue and Customs Service (FRCS), Fiji National Provident Fund (FNPF), Titles Office and other similar institutions as appropriate in order to assess the accuracy of applications.**
- (i) The Authority's procedure for income verification was only limited to the submission of customers' pay slips signed by employers. Review of customer files indicated that the Authority did not carry out independent verifications of customers' income, when processing the allotment of lots. This would have given additional assurance to the Authority on the income level of these customers. In addition, income declarations were not obtained from customers by the Authority.
 - (ii) The criterion for disclosing 'household' income was not enforced by the Authority. This created opportunity for applicants to circumvent the allotment criteria, by not disclosing their household income. This provided the opportunity for a family member whose income was below \$50,000 to individually apply for lots.
 - (iii) There were indications that the Authority was giving preference for lots to customers who were financing the purchase of lots and construction of homes from the Authority. Review of customer files also confirmed that construction loans issued by the Authority consisted of a loan package for the price of the lot and construction of a house.
 - (iv) There was no evidence to indicate that the approved criterion for lot development, was applied by the Authority to develop lots. This would have ensured development of more lots for customers earning less than \$50,000. We were also unable to compare the original scheme plans with the final plan of the lots developed, as original scheme plans were not provided for our review, despite our request for these with several follow-ups.
 - (v) We were unable to determine the validity of the Authority's claim that only three Expressions of Interest were received for sale of lots in the Tacirua IB Subdivision. The process applied to award these lots to the successful tenderers also could not be substantiated, as relevant documentations were not provided for our review. We noted from interviews that the subsequent sale of the 78 remaining lots in the subdivision, was done through 'walk-in' customers who enquired and expressed their interest.
 - (vi) We noted three cases where more than one lot was sold to the same customer in the Tacirua IB Subdivision.
 - (vii) The Board approved the 'High End Lot Allocation Policy' in July 2015 to accommodate the sale in the Tacirua 3A Subdivision. The basic criteria of an income threshold of \$50,000 was removed. Majority of the lots in the subdivision were valued at \$70,000 or more.
 - (viii) There were cases where customers who had already owned properties were allotted lots. It is evident that the Authority did not perform detailed checks of property ownership of these customers prior to allotting them lots.

- (ix) Review of customer files indicated that there were customers who were assisted by their immediate family members. However, there was no evidence to indicate that the Authority performed due diligence on customer's household income.

III. **Review of lots allocated to current or former employees of the Authority and their immediate family members from 1st January 2010 to the date of the audit and review such transactions to assess the transparency and appropriate declaration of conflict of interests by the relevant staff member and the Board.**

- (i) A number of current and former employees of the Authority were allocated lots in the Tacirua and Wainibuku subdivisions. We also noted a case where an immediate family member of an employee was allocated a lot;
- (ii) There were cases of staff communicating to those responsible for selection and allotment of lots for reservation of lots, when the scheme was being developed. There was no evidence that the established selection criteria for awarding lots to staff was complied with;
- (iii) Staff did not declare their interest in respect of being employees of the Authority. Staff who were involved in the processing of these lot allotments also did not declare their interest; and
- (iv) The files of staff who were allocated lots, did not contain evidence to indicate that their allotment process was carried out in a transparent manner.

IV. **Review the current owners of lots allotted from 01 January 2010 till the commencement of the investigation and ensure that transfer of ownership from the original lot recipient is duly endorsed by the Authority and other relevant institution such as the iTaukei Land Trust Board (iTLTB) and the Fiji Revenue and Customs Service (FRCS).**

- (i) Confirmation of property ownership to confirm first home ownership with the Office of the Registrar of Titles office was very slow. Some confirmations received were contradictory, as results did not show any property ownership for customers in the Wainibuku subdivision although they were issued a title by the Authority;
- (ii) The Authority was also not able to assist us in obtaining confirmation from or facilitating verification with the Fiji National Provident Fund; and
- (iii) The Authority cannot control the sale of property at the Tacirua Subdivision. This is mainly due to land ownership being with the iTLTB. However, for the Wainibuku Subdivision, the Authority has a sublease, and was able to include a clause in the lease agreement in relation to the sale of property. According to the offer letter between the Authority and the customer, there is no restriction on the sale of the lot by the original recipient. There are only conditions stipulated in the event that a sale is made.

V. **Review and ensure that lots allotted to applicants with an annual household income exceeding fifty thousand dollars (\$50,000) were duly approved by the Board and the Minister, where applicable and in line with the Housing Act 1955.**

- (i) We noted that 65 customers were allocated lots in the various subdivisions despite having an annual income exceeding \$50,000. We were unable to sight letter of approval from the Ministry of Housing and Community Development for 29 of the 65 customers.
 - (ii) Customers in the database whose income was less than \$50,000 at the time of filling in demand survey forms, but exceeded \$50,000 at the time of allotment were given due consideration. However, there was no evidence that a systematic and transparent approach was followed to select customers whose income exceeded \$50,000.
 - (iii) The Authority did not maintain any proper record of customers whose applications were sent to the Ministry of Housing and Community Development for approval.
 - (iv) The Ministry of Housing and Community Development was unable to provide documentation for Ministerial approval for the years 2015 and 2016. We were also not provided with the supporting documents for Ministerial approvals which were submitted by the Authority.
 - (v) Documents pertaining to Ministerial approvals in 2017 from the Ministry, indicated that the Authority was seeking the Minister's approval for loans to purchase land /lots. These did not clearly state that Ministerial approvals were for lot allotments.
 - (vi) It was established from the Ministry of Housing and Community Development records that was made available for review for 2017 showed that that the initial pay slips provided by customers were not submitted with the applications to the Ministry. This would have been useful as evidence that the customer was earning below \$50,000 at the time of the initial application. There was no evidence to indicate that the Ministry performed the necessary due diligence to confirm the initial pay of the customers during the approval process.
- VI. [Review the tender process followed by the Authority in awarding contracts for all development projects tendered from 2010 to the date of the investigation. This was to ensure that the tender guidelines including the Board approvals were followed in the awarding of tenders.](#)
- (i) The Authority used a tender policy which was developed in 2005 for the award of tenders for development of its subdivisions. The policy has not been revised since.
 - (ii) The documentation for tender for the Tavakubu, Koroinasalusalu and Davuilevu subdivisions were provided for our review. We noted that there was no conflict of interest declaration signed by one of the former board directors and the Chairman of the Tender Committee, for the Tavakubu subdivision. Other members also did not declare any conflict of interest. In addition, two members of the Committee did not sign the recommendation of the committee, while one member was not authorised for inclusion in the committee.
 - (iii) Tender documents for the development of the Tacirua, Wainibuku, Matavolivoli, Veikoba and Nepani subdivisions could not be provided by the Authority for our review.

- VII. Any other reviews/inquiries that may be necessary to support or confirm the execution and /or findings of activities listed above or those that may be formally advised by the Chairperson of the Board of Directors of the Authority during the time of the investigation.
- (i) The Housing Act 1955 which was selectively updated till 2019 might be outdated;
 - (ii) A Conflict of Interest Policy covering staff and members of the board is not in place;
 - (iii) Although a high-risk area, internal audits were not carried out on processes pertaining to customer selection for lot allotments. Instead the Authority de-established its internal audit function and hired a chartered accounting firm to carry out internal audits, as it was deemed to be cheaper;
 - (iv) Standard Operating Procedures were not developed to guide the Customer Relations Department in executing their roles in the selection and allotment process; and
 - (v) Several cases of suspected fraud and possible collusion between staff and customers have been highlighted.

Conclusion

The initiative by the Board for an independent special investigation into the lot allotment processes and approval of tenders for development of subdivisions is a very bold step and is commendable. Such proactive measures are the first step in good governance, openness, accountability and transparency.

There are significant issues which the Authority will need to address as a matter of priority. Critical records such as tender documents which were not provided during the investigation is a serious issue, especially when the Tender Policy approved in 2005 was used to process the tenders. The Authority should make every effort to locate these records for independent examination.

Cases of suspected fraud and collusion and where staff and their relatives benefitted from the breakdown in the Authority's processes should be referred to relevant authorities, since our audit did not focus on non-compliance with law. These agencies will also be able to access information on financial transactions which are held by other institutions.

The Board should also consider preparing a plan of action for implementation of the recommendations made in this report which should be tracked for completion. This will ensure that the findings of this investigation have been addressed and necessary improvements made for the future.

Events subsequent to the submission of Final Investigation Report to Board Chairperson

The final investigation was handed over to the Chairperson of the Authority on 30 September 2020. The following are the key events which have incurred since then:

- I. On 26 October 2020, request was received from the Office of the Minister for Housing and Community Development for a team from the Office of the Auditor-General (OAG) for a presentation on the Housing Authority Special Investigation Report on 28 October 2020. The presentation was done by senior staffs from the OAG as requested. It was noted that the Permanent Secretary for Housing and Community Development, Chairperson and board members of the Authority also attended the presentation.
- II. Some of the findings of our investigation were made public by the Minister for Housing and Community Development at a press conference on 30 October 2020.
- III. OAG provided an extract of the draft of this report which contain matters relating to the Ministry of Housing and Community Development to the Permanent Secretary for comments on 11 November 2020.
- IV. On 12 November 2020, an email was received from Board Chairperson thanking the OAG for the presentation and requested, amongst other things, list of items of records outstanding from the Authority and other institutions and confirmation whether OAG will continue to follow up or the Authority should do this. In addition, copies of the working papers were also requested.

I responded on the same day and advised that except for the working papers which are confidential, OAG will be able to assist in the information requested. In respect of outstanding information from Titles Office, this can be reviewed by the Manager Internal Audit of the Authority as are sent by the Titles Office directly to the Authority. However, OAG team could assist in providing any clarifications required.

- V. The Permanent Secretary for Housing and Community Development responded to letter from OAG on 17 November 2020. While disputing some of the contents of the report, the Permanent Secretary indicating that some of the information which was requested at the time of the investigation was readily available and requested a meeting with the OAG team on 23 November 2020. Furthermore, extension of deadline for response to 30 November 2020 was requested. A copy of the Ministry's response is provided in **Appendix 2**. OAG team met the Permanent Secretary as requested and noted the following from the meeting:
 - The information which was not provided during the course of investigation mainly the documentations for Minister's approval for customers exceeding \$50,000 is now being gathered and can be produced to the Auditors. However, we note from the meeting that the 2015 documentations are still in the process of being gathered.
 - The Permanent Secretary also emphasized that if OAG could wait for all the confirmations which is being received by the Housing Authority subsequent to the finalization of the investigation report and complete the relevant LOEs. However, OAG stated that Investigation report has been provided to the Chair of the Housing

Authority Board as at 30 September 2020 and recommend that the Authority review the confirmations being received subsequent to issue of the report and deal with it accordingly.

- VI. The OAG team also met the Chairperson and a member of the Board of the Authority on 18 November 2020 to discuss the recommendations made in this report and action the Authority was planning to implement them. Responses received have been included in this report.
- VII. On 20 November 2020, the Chairperson wrote to the OAG and provided a letter dated 18 November 2020 from the Permanent Secretary for Housing and Community Development. It was stated in the letter that OAG carried out verification of lots from the confirmation the Registrar of Titles Office and Fiji Revenue and Customs Service for high risk cases due to limited time availability.

The letter also advised the Chairperson to advise OAG to carry out the verifications as per the Terms of Reference and submit a final report to the Authority which was to be provided to the Minister for further comments. Furthermore, the report issued by the OAG on 30 September 2020 be regarded as an interim report for use and to initiate necessary corrective measures on the issues already highlighted in the report. A copy of the correspondence received by OAG is attached as **Appendix 3**.

OAG team will work with the Authority as indicated to the Chairperson on 12 November 2020 to ensure that the recommendations are implemented on a timely basis.

ACRONYMS

Acronyms	Full Form
AG	Auditor General
CEO	Chief Executive Officer
HA	Housing Authority
GMCR	General Manager Customer Relations
GM LHD	General Manager Land & Housing Development
SMS	Stock Management System
DSF	Demand Survey Form
LHD	Land & Housing Development Department
iTLTB	iTaukei Land Trust Board
FRCS	Fiji Revenue and Customs Service
FNPF	Fiji National Provident Fund
sqm	Square Meters

1.0 INTRODUCTION

The Chairperson of the Board of Housing Authority of Fiji requested that the Auditor-General conduct a Special Purpose Audit (Special Investigation) on lots allotment and awarding of tenders in various subdivisions, for the period January 2010 to September 2020. This request was formalised through a Terms of Reference on 15 July 2020. (Appendix 1)

This report contains the result of the Special Investigation with respect to the “allotment of lots” and “award of tenders”.

The investigation was carried out under the provisions of section 6 (1) (d) of the Audit Act 1969. This section empowers the Auditor-General to conduct special investigations into the financial mismanagement of any state entity. Section 6 (3) (a) of the Act also states that the Auditor-General may conduct audits and special investigations in such a manner as he or she considers appropriate. These engagements must be conducted in a competent manner, taking into account the nature of any relevant internal control systems, and the Auditor-General’s assessment of its effectiveness.

1.2 Background

The Housing Authority (“Authority”), was established by the Housing Act of 1955. The Authority has a mandate under section 15 (1) of the Act to:

- (i) acquire land or buildings or any estate or interest therein and to develop the same as a building estate by the erection, construction, alteration, maintenance and improvement of dwelling-house and gardens, recreation parks and other works and buildings for or for the convenience of persons occupying such dwelling houses;
- (ii) subdivide and develop a land acquired by or vested in it;
- (iii) acquire dwelling-houses suitable for the purpose of this Act;
- (iv) let or lease any land or building vested in it, to be used for the purpose of any factory, warehouse, shop, workshop, school, place of recreation which would, in the opinion of the authority, be to the convenience or benefit of persons occupying houses provided by the Authority;
- (v) construct on any land vested in it, any building for letting or leasing for any of the purposes specified in sub-paragraph (i) and to retain for its own use any part of such building;
- (vi) sell or exchange any land or buildings vested in it;
- (vii) by way of loan, guarantee or otherwise, to assist a worker to purchase a dwelling-house, or discharge a debt secured on a dwelling-house, or erect, or effect substantial alteration, improvement or extension to, a dwelling-house, upon such terms and conditions as the Authority may deem fit.

Section 16 (1) of the Act further states that “in selling or leasing houses or providing loans or other facilities to assist workers to purchase, lease, build or otherwise obtain houses, the object of the Authority shall not be to make profit but to enable workers¹ and their families to obtain

¹ Worker means a person whose average income does not exceed \$962 per week (\$50,024 per annum), or such other sum as the Minister may prescribe.

accommodation suitable to their needs at the minimum cost without the Authority actually incurring a loss.

Therefore, the objective of the Authority is to develop affordable fully serviced lots and home loan packages to low income earners. With the initial vision to provide affordable housing to low income earners in urban centres who were unable to secure themselves a permanent residence, the Authority then expanded its services to include mortgage financing for middle to high income earners.

The Authority is governed by a Board whose members are appointed by the Minister. There are four Departments, each headed by a General Manager, which were established to ensure that the following functions of the Authority are carried out according to the Act:

- Finance and Administration
- Land and Housing Development
- Customer Relations
- Lending

The Authority's Land and Housing Development Department (LHD) identifies potential land for development which is proposed to the Board for acquisition. Upon approval of the Board, land is acquired for development of lots. The development of lots is contracted out to successful bidder.

The Customer Relations Department of the Authority is responsible for the development of customer selection and lot allotment policies and criteria.

Over the period January 2010 to date (September 2020), the Authority has developed 1,451 lots in Tacirua, Wainibuku and Matavolivoli subdivisions in total. In addition, the Authority has continued with the development of lots in Nepani, Tavakubu, Davuilevu, Veikoba, Covata, Tualevu and Waqadra.

The table below details the lots that were developed and sold in the completed subdivisions, during the period under review:

Table 1.1 Lots developed and sold between January 2010-September 2020

Sub-division	Lots developed	Lots sold	Lots available for sale
Tacirua East 2	786	760	26
Wainibuku	263	246	17
Matavolivoli	402	365	37

Table 1.2 Development and expected lot yield

Sub-division	Expected Lot yield	Status
Nepani	181	Work in progress
Davuilevu	573	Work in Progress
Tavakubu	428	Work in progress
Veikoba	643	Work in progress
Covata	108	Work in progress
Tualevu	106	Work in Progress
Waqadra	263	Work in Progress

2.0 SPECIAL INVESTIGATION OBJECTIVES, SCOPE AND METHODOLOGY

The special Investigation covered the period from 01 January 2010 to 30 September 2020.

2.1 Investigation Mandate

The Chairperson of the Board of Housing Authority of Fiji requested the Auditor-General through a Terms of Reference for an investigation (special audit) on the processing of Lots allotment and contracts for housing development. A copy of the agreed Terms of Reference dated 15 July 2020 is attached as **Appendix 1** to this report.

The investigation was carried out under the provisions of section 6 (1) (d) of the Audit Act 1969. This section empowers the Auditor-General to conduct special investigations into the financial mismanagement of any state entity. Section 6 (3) (a) of the Act also states that the Auditor-General may conduct audits and special investigations under this section in such a manner as he or she considers appropriate, but must ensure that they are conducted in a competent manner, having regards to the character of, and his or her assessment of the effectiveness of, any relevant internal control systems.

2.2 Investigation Methodology

The following methods were used for the investigation:

- Review of all customer files for lot allotment, relevant board papers and decisions, correspondences from the Ministry of Housing and Community Development and tender documents.
- Interviews with current and former personnel of the Authority, Ministry of Housing and Community Development, and a former director/ Chairman of the Board.

2.3 Investigation Objectives

The objectives of the investigation were as follows:

- Review applications for all recipients of lots from 01 January 2010 until the commencement of the audit against the respective lot allotment policies. This was to ensure applicants met the criteria, necessary checks were done to ensure their eligibility, outcomes were properly recorded, and applications were approved according to the respective policies.
- Carry out independent verification of information concerning income and first home ownership provided by all recipients of lots from 01 January 2010 until the commencement of the audit. This was to be facilitated by Fiji Revenue and Customs Service (FRCS), Fiji National Provident Fund (FNPF), Titles Office and other similar institutions, in order to assess the accuracy of applications.
- Review of any lots allotted to current or former Authority staff, and their families from 01 January 2010 up to the commencement investigation. To assess the transparency of such transactions and the appropriate declarations of conflict of interests, by relevant staff including the board.

- Review the records of current owners of lots allotted from 01 January 2010 until commencement of Investigating. To ensure that any transfer of ownership from the original lot recipient is duly endorsed by the Authority and any other relevant institutions such as the iTaukei Land Trust Board (iTTLTB) and the Fiji Revenue and Customs Service (FRCS). To collect and report data on all changes in ownership during the period mentioned above.
- Review and ensure that lots allotted to applicants having an annual household income exceeding fifty thousand dollars (\$50,000) are duly approved by the Board and the Minister, where applicable, in line with the Housing Act 1955.
- Review the tender process followed by the Authority in awarding contracts for all development projects tendered from 2010 to the commencement of date of the investigation, and ensure that the tender guidelines including the Board approvals are followed in awarding of tenders.
- Any other reviews or inquiries that may be necessary to support or confirm the execution and findings of activities listed above, or those that may be formally advised by the Chairperson of the Board of Directors of the Authority, during the time of the investigation.

2.4 Investigation Limitations

The following limitations was encountered during our investigation:

- (i) We were unable to interview a former key staff member of the Authority, and was also unable to receive responses for the interview questions provided to another key staff member, who were both accountable for overseeing the selection of applicants, and for lot allocation.
- (ii) Documentation relating to submissions for Ministerial approval for customers earning over \$50,000 could not be provided by the Authority. In addition, documentation and Ministerial approval for lot allocation for customers earning over \$50,000 also could not be made available by Ministry of Housing and Community Development, for submissions made in 2015 and 2016. This restricted me from determining if the appropriate processes were in place and were followed for approval of customers earning over \$50,000 per annum.
- (iii) Files for 12 customers, including six files for Tacirua subdivision and four files for Matavolivoli subdivision were not provided for review.
- (iv) We were unable to obtain all confirmations from the Office of the Registrar of Titles and Fiji Revenue Customs Services, to confirm first home ownership, transfer of ownership, and income declarations of customers.
- (vi) Not all tender documentation was provided for the development of lots from 2010 to the date of this report.

3.0 CUSTOMER SELECTION AND ALLOCATION OF LOTS

Under the Terms of Reference, the first line of enquiry focused on whether recipients of the lots from 01 January 2010 to commencement of Investigation meet the criteria as per the respective lot allotment policy, necessary checks have been done to ensure eligibility, outcomes are properly recorded, and applications are duly approved as per respective policies.

Chapter 3 of this report looks at the processes involved in the application process from policy development to awarding of lots.

3.1 Policy/Criteria for Lots Allocation

Interviews of current and former staff, and review of Board minutes and policies of the Authority were done to identify the relevant policies developed and approved by the Board, for use by the Authority in the selection of customers and allotment of lots. The following criteria and policies were developed during the period under review, with those approved by the Board extracted from Board papers, as tabulated below:

Table 3.1: Allotment Policies and Criteria approved by the Board

Date	Policy/criteria	Developed by	Board paper No
27/3/2012	Proposed customer selection criteria Tacirua East Stage 2	Former Staff C	BP/10/12
3/10/13	Presale of Lots	Former Staff C	BP/140/13
29/5/14	Phase 3A Sales Preparation	Former Staff C	BP/55/14
29/7/15	High End Lots	Former Staff C	BP/35/15
1/08/17	Revised Lot Allocation policy	Staff A	BP/64/17

Even though we identified approval of the policy/criteria by the Board through our review of board meeting minutes, we could not sight any written policy statement following board approval.

We noted from our review of board papers that lot allotment policies were prepared by former staff C or current staff A of the Customer Relations division who were also involved in authorization of allotment of lots.

Other findings on policies are discussed in **Chapter 9** under section 8.1 titled **Policies and procedures**.

3.2 Demand Survey Form (DSF) 2004 - 2011

The Demand Survey Form is an important document used by the Authority in the process of selecting customers for allotment of lots.

Based on information provided by current and former staff of the Authority during interviews, we noted that the purpose of the demand survey form was to gauge the demand for housing. The data collected through the demand survey form was entered into a MS-Excel spreadsheet (database) which was used to analyze the average household income, housing situation, housing structure, and the customer preference on type of house and locality.

The demand survey form was collected from 2004 and subsequently became the primary source for the database used for selecting customers.

We noted the following anomalies from review of the Demand Survey Form (DSF):

- (i) The initial DSFs received by the Authority were not date stamped when received by the Authority. There was also no provision in the form for prospective customers to state the date when filling the form. Since the dates of submission of the DSFs were not stated, it opened up avenues for manipulation of the date of entry into the database;
- (ii) An indexing system was not used for recording the DSF, therefore completeness of the DSF entered in the database could not be determined;
- (iii) The DSF was not an application form, as confirmed by staff B in an interview. However, the investigation revealed that the Authority later used these forms as an application form. There was no evidence of Board approval given for the DSF to be used as an application form;
- (iv) Due to the limitations of the DSF, there was no basis for acceptance of some applications and no grounds for defending the rejection of other applications. These limitations were because there was no provision for the signature or declarations by prospective customers completing the form;
- (v) The design and purpose of the DSF meant that customers were filling it without an objective of making an application. The general public was not advised that DSF would later become an application form. This was confirmed by staff B during his interview. Therefore, when the Authority decided to treat the DSF as an application form, other prospective customers were disadvantaged since those who had filled the DSF had an advantage of being registered as potential customers, on a first come first serve basis;
- (vi) The DSF has been s collected since 2004, however, the entering of data from the forms to an excel database commenced between 2009 and 2010;
- (vii) We found no evidence of internal controls to safeguard the DSFs. Additionally, there was no evidence to indicate that there was a systematic process with controls to record the DSF when received, prior to its input in the database. As such, there is no means to determine if all the DSFs received were recorded in the database;
- (viii) We did not find any evidence of communication to the public on the decision by the Authority to use the DSF as an application form. However, the DSF clearly states that it is not an application form, and does not guarantee a lot upon the customer filling it; and
- (ix) DSF received by the Authority were not appropriately stored (filed in chronological order, by category, or by subdivision).

In view of the deficiencies highlighted above, it is evident that the DSF was not used for its intended purpose. Instead, it was used as an application form without the knowledge of the general public. The poor maintenance of the forms and significant delay in filling the database indicates abuse of key processes by staff of the Authority involved in the allocation of lots. The whole process lacked transparency and objectivity and created doubt in the general public on the validity of selection of lot recipients.

3.3 Lots allocation Criteria

The primary selection criteria for selection of customers were determined through review of lot allocation policies approved by the Board in its meeting dated 27/3/12. These criteria are that the applicants should:

- (i) Be a first home buyer;
- (ii) Be earning a household income below \$50,000; and
- (iii) Be a Fiji Citizen;
- (iv) Have registered their interest with the Authority through the DSF

With the exception of Tacirua 1B Subdivision, where there was no income threshold criteria and lot allotments done through an Expression of Interest (EOI), the other subdivisions were required to follow the criteria as mentioned above.

3.4 Customer Selection Method

The information provided by the Authority staff through discussions and interviews was that the selection was done using a database prepared in MS-Excel. We interviewed former staff A who advised that the selection was done by the Marketing Team. However, this could not be confirmed as the former staff B who was approached for an interview during the investigation declined to attend the interview. Current Staff D confirmed that the applicants would be selected by the Marketing Team and submitted to Customer Relations Officers for the purpose of inspection of lots. He further stated that eligibility was calculated for each customer in the database, which would be matched with the lot prices to determine the eligible customer. However, this statement could not be supported with any documentary evidence.

We also found no evidence of any trail in the selection of customers from the database. In addition, from the review of customer files, we did not find any documentary evidence as a form of record for the selection of customers.

There was also a change in the selection criteria following approval of the “High End Lot Policy” dated 29 July 2015, in which the Authority sold high-end lots through an Expression of Interest (EOI). The policy required the search for customers in the database to be done before customers were to be selected through EOI. Ministerial approval was required for the selection of customers earning over \$50,000 per annum. The Authority defined High End Lots as lots having a price of \$70,000 and more, which was determined through the market rate.

The Board approved a revised “Residential Lot Allocation policy” dated 1 August 2017. The major change in the policy was to select the customers systematically through a Stock Management System (SMS). The SMS was designed internally by the ICT personnel of the Authority. The SMS was used in the Matavolivoli and part of Tacirua 1A subdivision. The system was designed to select the names of the customers for lot allocation.

The Stock Management System (SMS) is an in-house developed system that is programmed to store customer data and perform a matching calculation to determine a customer’s loan eligibility. Its selection is based on a set of allocation criteria such as first home owner, first come first serve,

buy and build eligibility, household income, matching of income, Fiji Citizen, and one lot per family. The system is programmed to capture the following information:²

- Customer full name and personal details
- Residential and Postal Address
- Income details
- Month and year of registration of EOI
- Unique registration number
- Preferred locations, prices

However, we found from interviews with staff A and staff B of the Authority, that the system had flaws. Staff A indicated that the system selected names of customers who applied later, instead of those who had applied earlier (first come first served basis). Hence, customers who had filled forms earlier were not selected by the system.

Our review of the process map of the system revealed that selection was based on the eligibility to buy and build as one of the factors, and thus a higher eligibility customer could be selected irrespective of the year of application.

The SMS platform used to select customers was not subject to independent review, as such no assurance was provided to the Board about its accuracy and functionality (the range of operations that the system could run).

Review of customer files indicated that generally the three criteria for lot allocation were met before lot allotments were made. However, the exception was when the customer's annual income exceeded \$50,000, in which case a request was made to the Minister for Housing and Community Development for approval before the offer letter was signed. Detailed discussions of customers earning income over \$50,000 is discussed in **Chapter 7** of this report.

3.5 Eligibility checks

The objective of eligibility checks is to ensure that necessary measures are taken by the Authority to confirm the eligibility of customers for the allotment of lots.

As discussed earlier, the three main eligibility criteria are first-home owner, income threshold of less than \$50,000 and being a citizen of Fiji. After being offered a lot, customers are required to provide a statutory declaration that they are a first home owner, and provide pay slips or letter from their employers, indicating that their income is below \$50,000.

There were instances where customers were sole proprietors with their annual income determined through tax returns lodged with Fiji Revenue Customs Service, or a cash flow statement provided by the customer. However, in these cases, the Authority has relied upon the information provided

² "Residential Lot Allocation Policy" dated 01 August 2017

by the customers on their annual income. There was no evidence that the Authority has performed detailed scrutiny of the information provided by the customers.

3.6 Approval of Applications as per respective policies

The allotment forms are required to be signed off by the General Manager Customer Relations to indicate that lot has been provisionally allotted. The customer is required to provide details of proof of their income and declaration before an offer letter is issued to them for signing. The offer letter provides for the Chief Executive Officer to sign for allotment of lots. This process requires that the Chief Executive Officer ensures that due process is followed before an offer letter is issued.

Our review of customer files revealed that offer letters were signed by either the former General Manager Customer Relations, the former Manager Sales or the former Manager Marketing.

Whilst we were not provided with a policy or procedure for the approval process for issue of offer letters, there was no evidence to confirm that the delegation of authority was given by the Board or the Chief Executive Officer for the abovementioned managers to sign offer letters.

We also established that critical controls such as segregation of duties was not implemented. Consequently, the Customer Relations Department processed, approved, allotted lots, and signed offer letters for customers.

3.7 Eligibility and matching concept

Eligibility plays an important role in a selection process. The timing of eligibility checks will have an effect on the numerical value of a customer's eligibility. For instance, a customer's eligibility at the point in time when he/she submits an application, can vary significantly from his/her eligibility at the point in time when lots are ready for sale by the Authority.

Based on the information provided by staff B, eligibility of a customer is calculated based on his/her income level, age and equity contribution. The eligibility template which was designed by the Authority calculates the eligibility. This eligibility is then used to match the price of a lot. It is important to note that higher eligibility can be achieved through equity contribution. Low income earners, who should be the target market of the Authority, are unlikely to have accumulated savings and sufficient FNPF eligibility to contribute towards equity, hence would generally have lower eligibility for lots.

Copies of the matching reports were not provided to us to validate the matching process and determine the credibility of the system. Due to this limitation, we were unable to substantiate that this process was followed as described by the employee of the Authority. Moreover, our investigation did not reveal any standard timeframe within which an eligibility verification should have been performed. Additionally, there was no evidence indicating that eligibility verifications were performed by the Authority.

There was no documentary evidence to show that eligibility checks were performed appropriately prior to issue of offer letters. We were informed by Staff B during the interview that once the applicant's names are selected by the Marketing Team, the names are forwarded to the allotment team for inspection of lots by customers. Once the customer has seen and agreed to purchase the

lot, the due diligence process begins for proof of income and declaration for first home ownership. Due to this process, the number of customers whose annual household income exceeded \$50,000 at the time of lot allotment is unknown. Subsequently, the Authority commences with the process of obtaining Ministerial approval for these customers.

We were also advised by Staff B that eligibility was initially calculated for purchase of land only. However, at the time of sale for lots at Tacirua 3A Sub-division, the eligibility was calculated for purchase of land and building a house. Higher eligibility is required from a customer to buy a lot and build a house, compared to purchase of a lot only, putting customers with less income in a disadvantage position.

3.8 Verification of customer details

The intention of income declaration is to obtain confirmation of the information supplied by the applicants. However, the investigation found that the Authority did not perform any due diligence or checks on the income declared by applicants.

We found from our interview with Staff B that if customers applied as a single applicant, they were not asked to declare their household income. This provides opportunity for a family member whose income is below \$50,000 to individually apply for a lot.

The Authority's procedure for income verification was only limited to submission of customer pay slip signed by the employer. Review of customer files noted that the Authority did not carry out independent verification of customer's income at the time of processing the allotment of lot. This would have given additional assurance to the Authority about the income of the customers.

In addition, the declaration that is made by customers does not include declaration of the household income, as it is only for first home ownership.

Based on the information provided during interview we infer that declaration of household income was not a mandatory requirement hence it provided the opportunity to customers not to disclose household income.

3.9 Phase 3 sales preparation

The Board approved a policy for "Phase 3A sales preparation" dated 29 May 2014, through a board meeting.

The selection criteria were as follows:

- (i) Customers earning below \$50,000 per annum household income and have registered their interest in Housing Authority database would be provided the first chance to purchase lots. This would be done once it has been confirmed that they meet all the approved criteria which includes first home ownership. *The Board further stated that management was to encourage eligible customers to seek funding from the Authority and take advantage of existing loan packages.*

Customers who do not qualify for Tacirua phase 3A lots were to be automatically uploaded into priority listing for Tacirua Phase 1A lots.

- (ii) After exhausting the list from its database, management was to publicly advertise for sale of lots at Phase 3A, targeting customers with a household income of \$45,000 to \$50,000 per annum; and
- (iii) Management was to seek dispensation from the Minister for Housing for sale of lots (including loans) to customers earning over \$50,000 per annum.

We noted that the policy is stating “household income” of \$50,000 and below as a criterion. Household income is defined as “combined income of all people sharing a particular household or place of residence and includes every form of income”³. This Lot Allocation Policy define Annual Household Income as “the combined annual income of both husband and wife irrespective of whether only their name will be registered in the title”.⁴ Our interview with Staff B confirmed that they were not told to consider income of all people in a household. Staff B further revealed that other household members’ income was never requested by the Authority where one applied as a single applicant. He further confirmed that there was no requirement to declare household income by the applicants. This statement by Staff B agrees with our findings from review of applicant’s files, where we noted the absence of household income declarations.

The non-enforcement of this criterion by the Authority gave the opportunity for applicants to circumvent the allotment criteria by not disclosing their household income.

The policy referred to above reveals that the Board advised Management to encourage eligible customers to seek funding from the Authority. We noted from the review of a customer file where former Staff A stated in an email on 30/07/14 to the former General Manager Customer Relations to “sell lots only to those who seek funds from the Authority”. This indicates that the Authority had intended to maximize on its lending portfolio, in doing so the selection process would have been biased, leaning towards customers who were willing to obtain finance from the Authority.

The Board’s advice and email correspondence between the former General Manager Customer Relations and former Staff A, indicates that the Authority was giving preference to customers who were financing the purchase of lot and construction of homes from the Authority. The review of customer files also confirmed that a construction loan came as a loan package for lot sales and construction of houses.

3.10 Land and Housing Development Department

The Land and Housing Development Department of the Authority is responsible for development of lots. The major role of the department is to prepare scheme plans for developments, which includes sizes of the lots. These should ideally be based on the demand surveys carried out by the Authority for the respective subdivisions.

We noted from the Board paper BP/ 25/17 of 06 April 2017 that management advised the Board that the country’s population earns an average of \$22,091, as such lots should be developed to meet the needs of this category. The general criteria that is used by the Authority to develop lots as established from the discussion of the board paper is tabulated below:

³ Legal opinions of xx Lawyers and yy Lawyers of 23 October 2013

⁴ Lot allocation policy developed on 01/08/2017.

Table 3.2: Lot development criteria

Size of lots (sqm)	% of lot to be developed
250 – 350	40%
351 – 450	40%
451 – 600	10%
Above 600 sqm	10%

We found no evidence to confirm that the above criterion was used in practice by the Authority for the development of lots. We were unable compare the original scheme plans with the final scheme plan of the lots developed as original scheme plans were not provided.

3.11 Tacirua Subdivision

3.11.1 Tacirua 1B

Tacirua 1B sub-division yielded a total of 81 lots which were all classified as high-end lots due to their price. The Authority classifies the high end lots as those which have a valuation price of \$70,000 and above.

From the information provided by the Authority, review of files for Expression of Interest (EOI) and relevant Board papers, we found that the selection of customers for these 81 lots was to be done through EOI.

The following criteria was to be applied:

- (i) No income criteria;
- (ii) Customers should be a first home buyer;
- (iii) One lot per customer; and
- (iv) A Fiji citizen

The sale was advertised through Expression of Interest (EOI) No 15/12.

The Board in its meeting on 31 July 2012 approved the awarding of lots to only three tenderers, who qualified based on the tender requirements and their bidding price.

From the information we gathered during the interview of Staff B, supported with the statement of former Staff A that only a few sales were made from the EOI. The former Staff A stated in his interview that subsequent to the EOI, due to the low number of lots sold, lots were later sold to customers who enquired and walked in to check with the Authority on lot sales.

However, complete documentation relating to responses received from the EOI, and evaluation of tenders for lots approved by the Board, was not provided.

From the review of files for lots which were sold, we did not find any confirmation of customers being first home owners. From the information obtained during the interview of former Staff A, the criteria of being a first home owner was waived. However, our review of Board minutes during this period did not indicate any approval from the Board for the waiver of the first home ownership criteria. Our discussion with a former board member on 16 September 2020 also revealed that apart from there being no threshold for income, all the other criteria were intact.

We found from the interview of staff B and former staff A that the sale of the 78 remaining lots (after the normal EOIs) were done through walk in customers who enquired and expressed their interest. This was evident from the files that we reviewed during the investigation. However, we did not note any policy on walk in customers.

Sale of more than 1 lot to customers in Tacirua IB

We noted instances where three applicants were allocated more than one lot in the Tacirua IB subdivision. This practice by the Authority has defeated the objective of the Authority and also breached the general criteria of the lot allocation, where applicants need to be a first home buyer.

In light of the abovementioned findings, there was a lack of transparency in the process of allocating the remaining lots in the Tacirua 1B Sub-division.

3.11.2 Tacirua 3 A

In a meeting held on 29 May 2014, the Board approved the selection criteria for Tacirua East, Phase 3A sales as follows:

- (i) Customers earning below \$50,000 per annum in household income and have registered their interest in the Housing Authority database would be provided the first chance to purchase lots. This would be done once it has been confirmed that they meet all the approved criteria which includes first home ownership. *The Board further stated that management was to encourage eligible customers to seek funding from the Authority and take advantage of existing loan package.*
- (ii) Customers who do not qualify for Phase 3A lots were to be automatically uploaded into priority listing for Tacirua Phase 1A lots.
- (iii) Management was to publicly advertise for sale of lots at Phase 3A after exhausting the list from its data base. This sale would be targeting customers earning a household income of \$45,000 to \$50,000 per annum; and
- (iv) Management was to seek dispensation from the Minister for Housing for sale of lots (including loans) to customers earning over \$50,000 per annum.

However, in a board meeting held on 29 July 2015, the Board approved a policy on 'High End Lots'. We noted that the policy eliminated criteria on income threshold. The policy defines the 'high end lots' as lots which have a valuation of \$70,000 and over. Some of the notable criteria for eligibility in the policy includes:

- (i) No income restriction threshold;
- (ii) Expression of Interest to be advertised only after Housing Authority database for eligible customers has been exhausted;
- (iii) Customers who are listed in the database and whose income has exceeded \$50,000 to be given the first option; and
- (iv) Ministerial approval to be obtained for income over \$50,000

We noted from the pricing structure of Phase 3A, that apart from 7 lots, all other lots were priced over \$70,000 which classified these as 'high end lots. This pricing structure therefore has an impact on the lower income earners who will miss out on lot allocation based on eligibility calculation.

3.11.3 Sale of 14 High End Lots from Phase 3A

The Board discussed the Board Paper 105/17 in a meeting on 23 October 2017. Through this paper, management was seeking approval to sell the 14 remaining lots from Phase 3A. The sale was made possible after AAA Group a construction company removed their building structure and gave vacant possession to the Authority in mid-June 2017.

The paper contained information on the Expression of Interest (EOI) received for the 14 lots, its evaluation criteria, process for awarding of lots and recommendations. The board requested Management to submit the indicative price from a Real Estate Company.

Management submitted a board paper BP/ 19/17 dated 02 November 17. It stated that according to information obtained from a Real Estate agent, a 500sqm vacant piece of land was being sold at about \$150,000 to \$180,000, while an 800 sqm vacant piece of land was sold for about \$250,000. Management recommended to the Board that approval be given for the sale of 14 High End Lots at Tacirua, as recommended in board paper BP 105/17.

From our review of subsequent board papers Board approval could not be sighted for the sale of the 14 High End lots.

Management had used the 'Sale of High-End Lots Policy' as a basis for selection of customers, with one criterion requiring Management to exhaust the existing database before calling for EOI. We found no evidence that Management had exhausted searching in the existing database. As such potential customers in the existing database, who met the eligibility requirements may have been deprived of the opportunity to purchase lots.

The development of high end lots was not consistent with the objectives of the Authority as stated in the Housing Act 1955.

We also found the following issues from the review of the Tacirua files:

- Statutory declarations of first home ownership for 120 recipients was not located in their files;
- Statutory declarations for 11 joint applicants were not done; and
- Title searches for 177 recipients were not located in their files

3.11.4 Wainibuku Subdivision

Wainibuku subdivision yielded 262 lots which were sold in two phases. The sale of lots in Phase 1 commenced in 2015 and the sale of lots in Phase 2 in 2016.

We reviewed the lot categorization in the subdivision and compared it with the general criteria as discussed in Section 3.10. The following issues were noted:

Table 3.4: Lot size categorization in Wainibuku Subdivision

Size of lots (sqm)	No of lots developed	% of lot developed	% of lot required to be developed as per general criteria	Variation
250 – 350	26	10%	40%	30%
351 – 450	108	41%	40%	-1%
451 – 600	68	26%	10%	16%
Above 600 sqm	60	23%	10%	13%
Total	262			

It is evident from the above findings that the Authority has not followed the general criteria for development of lots in the Wainibuku subdivision. We noted that only 10% or 26 lots of the total lots developed were within the price range of low-income earners.

We also note from the above analysis that the high-end lot category deviated from its standard development by 16% and 13%, respectively.

The above findings clearly indicate the disparity between the lower end lots and high-end lots, indicating that the Authority did not comply with its general criteria for lot sizes. This resulted in depriving low-income earners of the opportunity to own lots.

We further provide the following information based on the Board paper 2/15 dated 25/02/15:

Table 3.5: Lot price categorization in Wainibuku Subdivision.

Price range (\$)	Lots developed	% of lots developed
15,000 – 20,000	0	0
20,000 – 30,000	6	2
30,000 – 40,000	28	11
40,000 – 50,000	120	46
50,000 – 60,000	29	11
60,000 – 70,000	4	2
70,000 – 80,000	46	18
80,000 – 90,000	9	3
90,000 – 100,000	4	2
100,000 – 150,000	12	5
150,000 – 200,000	3	0
200,000 – 250,000	0	0
250,000 – 450,000	1	0
Total	262	100%

Based on the information provided in the table above, it is evident from the price range of the lots developed in the subdivision, that it was not intended for low income earners.

Examination of Board papers made available for our review did not disclose a specific policy developed for selection of applicants and allotment of lots for the Wainibuku subdivision. However, from the review of the Information paper IP/14/18 of June 2018, it was revealed that the lot allocation policy dated 28 March 14 was used for selection and allotment of lots for the subdivision. Our review of the board minutes dated 28 March 2014 indicated that the policy was not approved by the Board, as it had instead directed Management to provide clarifications. Subsequent board minutes also did not confirm approval of the policy.

We also noted from Information Paper IP/14/18 that high end lots were also allocated to walk in customers. However, these “walk in customers” are not defined by the Authority. The justification provided in the paper for allocation of lots to walk in customers was that the applicants in the database did not qualify for high end lots. However, the Authority could not provide any documentary evidence that applicants in the database did not qualify for the lots, which raises doubts on the statements made by Management in the Information paper IP/14/18.

The Authority also could not provide documentary evidence for the selection of customers which raises questions on the selection of customers.

Our review of the files for Wainibuku subdivision also noted that 14 customers who were allocated lots in the subdivision had annual income of over \$50,000.

We also noted from the review of these files that four lots sold in DP 1XXXX which were over 500sqm were cash sales which were processed by Staff E. This was unusual as all other lots in this DP reference was processed by Staff F and staff G. This raises questions on the selection of the 4 customers by staff E.

We further noted the following issues from the review of files:

- (i) 22 out of 262 customer's allotment forms were not filled completely and were approved by General Manager Customer Relations;
- (i) Title searches were either not performed appropriately or not performed for the spouses of 18 of the 262 customers who were joint applicants;
- (ii) 180 files did not contain demand survey forms; and
- (iii) 41 files did not have the completed checklist for lot allotment.

3.12 Matavolivoli Sub-division

Matavolivoli subdivision yielded a total of 402 lots. The sale of lots for Matavolivoli began in 2018. We noted that lots were sold as and when the lots became ready. Lots available for sale were uploaded in the Stock Management System for selection.

As discussed in Section 3, the SMS systematically selected the customers based on the following criteria:

- First home buyer
- Income below \$50,000
- Fiji Citizen
- Eligibility to buy and build

We sighted a memorandum dated 16 April 2019 from staff B to staff A which states that the "reason for a barrel system not used in round 5 because it eliminates the selection of earlier registered customers".

However, we determined from the memorandum that in round 5, the following customers were selected from the earlier registrations dating as far back as 2012.

Table 3.7: Round 5 SMS lot allocation for Matavolivoli Subdivision.

Year	2012	2013	2014	2015	2016	2017	2018	2019
No	1	1	6	4	2	88	12	1

However, our review of results for selection of customers for round 5 for Matavolivoli subdivision indicates low number of selection of customers from earlier years. This is also evident from the table above where 88 customers are selected from applications made in 2017, which was the year in which the process for lot allotment for Matavolivoli subdivision commenced.

We also observed from the process map for the SMS that for each lot, five customers will be selected by the system. However, we found no evidence that the five customers were selected randomly by the system. In addition, our interview with staff H revealed that two customers were selected from the SMS whose statement contradict the system's process map. We also could not confirm due to lack of documentary evidence whether customers who were selected by the system but were not allotted lots were put back into the system for consideration for other lots.

We also noted that the Board approved management's recommendation for BP 14/19 to sell 51 unsold lots for Matavolivoli through Expression of Interest (EOI).

The paper stated that the selection will be done from SMS using the three barrels based on the different income category as follows:

1. Income below \$30,000 - 50%;
2. Income between \$30,001 – \$40,000 – 30%; and
3. Income between \$40,001 - \$50,000 – 20%

The Expression of Interest for the sale of 51 lots has deprived the applicants in the database of the opportunity for selection. There was no evidence indicating that the database was exhausted for the existing customers.

The findings highlighted above indicate flaws in the SMS system. Hence, we requested the Authority for test of the system. From the dummy run, we noted that the system was not fully automated, as it required the IT department's intervention and, manual processes using scripts in the back-end to update data in the database. This is risky in the sense that data entered can be manipulated. The analysis is as follows.

- Statutory declarations for first home ownership for 5 customers were not in files;
- Statutory declarations for first home ownership was not done by 3 joint applicants;
- Title searches for 21 recipients were no located in the files;
- Title searches for 2 joint applicants were not performed; and
- Title searches for 2 applicants were not done.

Based on our findings, we conclude the following in respect of the three subdivisions:

- (i) There was no transparency in the process of selection of customers;
- (ii) The lot allotment policies for Tacirua 1B and 3A were not completely followed;
- (iii) The Stock Management System which was used in Matavolivoli and for Tacirua 1A has not been proven to be credible;
- (iv) Selection of customers have not been documented;
- (v) The staff assigned with the responsibility for governance and accountability did not maintain a transparent selection process for lot allotment; and
- (vi) Production of lots for low income earners as required by the Housing Act 1955 has been compromised for Tacirua 1B, Tacirua 3A and Wainibuku Subdivision.

The Authority indicated that it has commenced work to implement a transparent system of customer selection process. Authority further stated that a Customer selection committee will be implemented to oversee the selection process.

The Authority also informed us that all Lot allocation will be approved by the Board after checked by the Internal Audit Team of the Authority and offer letters will be signed by the Chief Executive Officer.

Recommendations

- (i) A transparent customer selection policy should be developed and approved by the Board. The policy should be reviewed periodically based on the need to incorporate amendments required, as a result of changes in the business operations of the Authority.
- (ii) Executive Management should take a lead role in ensuring that policies and procedures are implemented.
- (iii) The Internal Audit function in the Authority should be strengthened to provide the Board with the required assurance on the operation of its critical and high-risk functions.
- (iv) The Authority needs to be more transparent in dealing with its customers especially with those customers who do not meet the approved eligibility criteria. Unsuccessful applicants should be advised of the outcome of their applications or EOs.
- (v) The Authority should seriously consider appointing an independent Committee for selection of customers and oversee the allotment process. This will instill transparency in the selection and allotment process.
- (vi) The Authority should revisit its current selection and allotment process especially in the due diligence process.
- (vii) The general public should be advised of different types of lots, its selection processes, and eligibility criteria in detail to avoid confusion. Executive Management needs to review its public relations policy and make amendments according to changes in the operations of the Authority over the years.
- (viii) There is a serious need to address housing issues. The Authority's Board and Executive Management should collaborate with its stakeholders to find solutions for applicants who do not qualify to own a lot and build a house.
- (ix) The Authority should re-look at the concept of High End Lots subsidizing low end lots, and establish the need for this since Government is providing grants for first home owners as well as subsidizing the development of lots. The Authority should align its functions in accordance with the requirements of the Housing Act 1955.
- (x) The Authority should hold its current and former staff accountable for lack of transparency in the process of customer selection and, refer cases to relevant authorities where appropriate.

4.0 INDEPENDENT VERIFICATION OF INFORMATION AND DECLARATIONS PROVIDED BY ALL RECIPIENT

The second line of enquiry outlined in the TOR required the independent verification of information and declarations provided by all recipients of lots from 01 January 2010 to 30 September 2020. This was to be verified against information from Fiji Revenue and Customs Service (FRCS), Fiji National Provident Fund (FNPF), Titles Office and other similar institutions where appropriate, in order to assess the accuracy of applications.

The intention of declaration is to ensure accuracy of the information supplied by applicants. However, the investigation found that the Authority did not perform any independent check on customers' declared household income, especially for self-employed individuals or those who work in their own family businesses.

Review of customer files and interviews of Authority staff indicates that there was no requirement for customers to declare their household income, which provided opportunity for a family member whose income was below \$50,000 to apply for land individually.

The Authority's procedure for income verification was only limited to submission of pay slips signed by the employer. The Authority also did not carry out independent verification of customer's income at the time of processing the allotment of lots. This would have given additional assurance to the Authority on the income level of the customers.

In addition, the declarations made by customers does not include declaration of household income as discussed in earlier section.

4.1 Validity of the income not checked

We noted 10 instances where the customers were either a sole proprietor or owned a business. In these cases, the applicants provided their own income details. There was no evidence that the Authority performed further checks on the credibility of pay slips prepared by the applicants.

4.2 False declaration of household income

We compared the household income confirmed by Fiji Revenue Customs Services with income declared by the applicants for confirmations received up until 30 September 2020, and found that 4 applicants had incorrectly stated their income.

4.3 Not a First Home Owner

During the review of the files, we noted that 8 customers who were not first home owners allocated lots. It is evident that the Authority did not perform detailed checks of property ownership of these customers prior to allotting the lots.

The receipt of confirmation from Registrar of Titles Office to confirm first home ownership has been slow. This was not completed as title's office was processing only 20 searches per day and the report was required to be completed by 30 September 2020. Some confirmations received

were contradictory, where results did not show any property ownership for customers although they were issued a title by the Authority;

The Authority was not able to facilitate any verification with the Fiji National Provident Fund.

4.4 Applicants assisted by immediate family members to acquire land

We noted from the review of the files that there were customers who were assisted by their immediate family members. The Authority did not perform due diligence on their household income.

Based on the findings and limitations faced in obtaining the independent confirmations we determined that:

- (i) We are unable to conclude on the accuracy of the declarations made by customers due to lack of confirmations for all lot allotments;
- (ii) Confirmations provided by the Office of Registrar of Titles may not be reliable as customers who have been allocated lots in the Wainibuku Subdivision were confirmed as not having any property; and
- (iii) The staff reviewing documents pertaining to income confirmation and first home owner declarations did not further investigate or obtain confirmation from FRCS where disclosure of income was appeared to be suspicious.

The Authority indicated that it has signed MOU with FRCS to confirm independently the income of the applicants. In addition, stringent process will be implemented for confirming the annual income of sole proprietors. Business certificates will be obtained together with the 3 years of statement of Account.

Recommendations

- (i) The Authority should implement procedures to obtain independent confirmations from Fiji Revenue Customs Service, in order to verify the household income of applicants before processing of lot allocations. In addition to this, the Authority should also obtain statutory declarations for household income from applicants.
- (ii) The Authority should be vigilant in cases where the applicant is a sole proprietor, and obtain details of their income source and apply verification procedures to ensure the correct income is declared.

5.0 ALLOCATION OF LOTS TO CURRENT AND FORMER STAFF, BOARD MEMBERS, AND THEIR IMMEDIATE FAMILY MEMBERS

The third line of enquiry in this investigation was the review of lots allotted to current and former Authority staff, board members and their families from 01 January 2010 to commencement of Investigation. The review of such transactions was required in order to assess the transparency of these lot allotments, and to ensure there were appropriate declarations of conflict of interests by these staff, and the board.

We found that 23 current and former staff were allotted lots by the Authority, including allotting of lots to family members of some staff.

We reviewed these files and noted the following anomalies:

- (i) there were cases where staff reserved lots when the scheme was being developed through communication to Staff B responsible for lot allotment. There was no evidence that the selection criteria for allocation of lots to staff was complied with;
- (ii) staff allocated lots did not declare their interest;
- (iii) personnel who were involved in processing of lot allotment for these staff also did not declare their interest;
- (iv) The individual files of these staff did not contain any evidence to show that their allotment processes were carried out in a transparent manner;
- (v) We found that 2 staff who were directly involved in the lot allotment process were allocated lots; and
- (vi) there was no written policy for declaration of interest by the staff who applied for the lots in the subdivisions.

Based on the evidence obtained we conclude that:

- (i) no evidence exists to show that required processes were followed in allocating lots to the staff of the Authority; and
- (ii) staff being allotted the lots and staff involved in lot allocation to these staff did not declare their interest as a matter of integrity.

The Authority has assured that a transparent process for lot allocation to staff will be performed and further indicated that conflict of interest policy has been implemented to ensure staff declare their interest appropriately.

Recommendations

- (i) The Authority should ensure that staff lot allocation is carried out in a transparent manner and there is no exception or special treatment for staff; and
- (ii) The staff applying for lots and staff performing their lot allotment should declare their interest

6.0 TRANSFER OF OWNERSHIP

Our Terms of Reference with the Authority also included the review of current owners of the lots allotted from 01 January 2010 to commencement of Investigation. This was to determine that any transfer of ownership from the original lot recipient was duly endorsed by the Authority and any other relevant institutions such as iTaukei Land Trust Board (iTLTB) and Fiji Revenue and Customs Service (FRCS). We were also required to collect and report data on all changes in ownership during this period.

Based on the information provided by the Authority we noted that there is no control over the sale of property at the Tacirua Sub-division. This is mainly due to land ownership being with the iTLTB.

The Authority has a sublease in Wainibuku and as such was able to include a clause in the lease agreement in relation to the sale of property.

According to the Offer letter between the Authority and the customer there is no restriction on the sale of the lot by the original recipient. However, there are conditions in the event that a sale is made.

Section A 1.4 of the standard offer letter states “The said subsidy is granted by the Authority to you on the condition that in the event that you transfer, sell, dispose or part with the possession of the said land or of any building thereon or any part thereof during the period of 20 years from the date of the commencement of this lease, then you shall pay to the Authority the said sum of the subsidy together with the interest rate of 7.5% per annum charged from the commencement date of the lease....”

In addition, Section 2.7.3 of the standard offer letter states that a penalty fee of \$3,000 or ten percent of the selling price (whichever is higher) shall be levied to the customer in the event if he/she decides to sell the lot without constructing a dwelling, in accordance with the approved plans by the relevant local Authority.

A request was made to the Office of the Registrar of Titles for details of change in ownership for the lots that were originally sold by the Authority. However, due to the delay in the receipt of confirmation of the details as at the date of this report, we were not able to substantiate if any transfer of ownership of the property from the original owner to the subsequent buyer was approved by the Authority.

We have not obtained sufficient evidence to conclude if the lot transfer from the original owner has been properly approved by the relevant Authorities. We also noted that the Authority does not have established mechanisms in place to ensure that any breach of lease conditions is detected and effectively dealt with.

The Authority advised us that it will carry out periodic survey of the properties on housing development to ensure that property is occupied by the recipient. Considering the objective of the Authority, approval to lease to tenants should only be granted in exceptional circumstances. In addition, the Authority stated that it is seriously considering stringent measures to ensure that transfer of properties are done in exceptional cases to avoid recipients obtaining lots at subsidized process and selling at market price.

Recommendations

- (i) The Authority should carry out periodic surveys of the properties on housing developments to ensure that they are occupied by the recipient. Considering the objectives of the Authority, approval to lease to tenants should only be granted in exceptional circumstances; and
- (ii) The Authority should seriously consider stringent measures to ensure that the sale of properties is only done in exceptional circumstances, to avoid recipients obtaining lots at a subsidized price and re-selling at the market price.

7.0 APPLICANTS HAVING ANNUAL HOUSEHOLD INCOME OVER \$50,000

The Terms of Reference with the Authority also required us to carry out the review of allotment of lots to ensure that any lot allocated to applicants with an annual household income exceeding fifty thousand dollars (\$50,000) are duly approved by the Board and the Honourable Minister for Housing, where applicable and in line with the Housing Act of 1955.

The objective of the Authority is to develop lots for low income earners and as such the target market is customers earning less than \$50,000 in their annual household income.

The information we obtained through interviews and review of board papers, indicated that customers in the database whose incomes were less than \$50,000 at the time of filling in the DSF, but exceeded \$50,000 at the time of lot allotment, were given due consideration.

The Housing Act 1955 has defined “worker” as a person whose average income does not exceed \$962 per week, or such other sum as the Minister may prescribe.

We noted from a Board paper BP/122/13 of 29 October 2013 in which the implications of the income threshold of \$50,000 was discussed. One of the implications stated in the paper stated that “*The Authority cannot sell lots for the upcoming Tacirua 3A where the prices will have an average range of \$70,000...*” As a result, the Board resolved to seek Ministerial approval for the existing accounts in the database whose income exceeds \$50,000.

We noted from our investigation that there is no systematic and transparent approach to select customers whose income exceeds \$50,000. We were advised by a staff member of the Authority that often customers complained that their income was below \$50,000 when they registered, and since the land development had taken years to complete their income exceeded \$50,000. We were also advised that there were instances where customers after being rejected for having income over \$50,000, would visit Ministry of Housing to discuss their cases which is referred back to the Authority. This was also confirmed by a former staff of the Authority.

Section 3.3 of a Board paper BP/64/17 dated 27 July 2017 titled “Review of the Residential Stock Allocation Policy states “all existing registered customers in the Stock Management System whose annual household income has surpassed the \$50,000 ceiling will not be eligible to be re-registered in the refreshed database.”

However, we noted that applications were still sent to Ministry for vetting after the implementation of the above-mentioned policy, which indicates that the Authority was not consistent in complying with policy decisions.

We noted that the Management through Board Paper BP /10/18, recommended to the Board in respect to customers with annual household income above \$50,000 to revise the allocation policy to allow existing database customers whose annual household income has surpassed \$50,000 to be considered for a lot allocation. However, review of the subsequent board meeting minutes did not show any board approval of the Management’s recommendation.

We liaised with the Manager Internal Audit of the Authority and requested a list of all the customers whose applications were sent to the Ministry for approval. We were advised by the Internal Audit Manager that the Authority did not maintain any proper records of customers whose applications were sent to the Ministry of Housing and Community Development for approval.

We met with Ministry of Housing and Community Development to seek clarification on the processes for approval of customers having exceeded annual income of \$50,000, however, the Ministry officials were unable to provide documentations for Ministerial approval for 2015 and 2016 as at 30 September 2020.

However, we met with Permanent Secretary of the Ministry on 8 September 2020 and discussed the current practice of the process for approval of customers by the Minister of Housing and Community Development with an annual household income over \$50,000. We note that the current practice indicates that customers whose income exceeds \$50,000 once the provisional offer letter is issued are considered for lot allocation.

Based on the review of the 2017 approvals that were provided to us, we noted that the Authority submits the applications to the Ministry of Housing. We gathered from the letter that was sent to Ministry that the content of the letter was inferring that the Authority is seeking approval for the housing assistance for customers for purchase of land and construction of their homes. The letter did not specify for allocation of lot for customers whose annual household income exceeded \$50,000.

Based on the evidence that we sighted and the unavailable documentation from the Ministry of Housing and Community Development regarding Ministerial approval, we were unable to confirm if necessary due diligence processes were followed prior to the Minister's approval for lot allocation for the years 2015 and 2016.

We noted that 65 customers who were allocated lots were above the household income threshold of \$50,000. We were not provided the approval letters for 29 of the 65 customers.

Based on our findings we conclude the following:

- (i) There is no clarity in the Minister's approval on whether it is for the allotment of lots to the customers or loan for housing assistance;
- (ii) We could not determine, based on the lack of evidence, whether the Minister of Housing has approved the customers exceeding annual income of \$50,000 submitted prior to 2017; and
- (iii) Approval of the Minister for lot allotment for customers with annual household incomes exceeding \$50,000 might be contradicting with the Housing Act 1955 and the objectives of the Authority.

The Ministry of Housing and Community Development indicated that it will work with Housing Authority to implement sound policies and standard operating procedures and will ensure adherence to such policies.

The Ministry further stated that Housing Authority is not obliged to communicate each and every decision of board meeting to the Ministry and as such in the best knowledge of the Ministry the revised policy on "Residential Stock Allocation Policy" was not communicated to the Ministry.

The Ministry indicated that due to relocation of their office the files containing Minister's approval for customers exceeding annual income of \$50,000 could not be provided within the specified timeframe.

It was also stated by the Ministry that most cases approved for customers exceeding annual income of \$50,000 was for high end lots which are sold at market value.

We were unable to determine the reasons the required records were not made available at the time of our investigation and agree to the timeline of 30 November 2020 for production of the records for our review.

Recommendations

- (i) The Authority should work with the Ministry for Housing and Community Development to develop standard operating procedures for seeking Ministerial approval, if the Ministry intends to continue with the current practice. However, the Authority should seek independent legal advice prior to submitting such requests for Ministerial approval.
- (ii) The Authority should seriously consider revisiting its policy on High End Lots which provides opportunity for customers earning a household income over \$50,000 to access housing lots.
- (iii) The Authority should hold staff accountable for not maintaining records regarding the referrals of customers earning over \$50,000 to the Ministry of Housing and Community Development for approval.

8.0 TENDERS

The sixth line of enquiry specified in the TOR was to review the tender process followed by the Authority in awarding contracts for all development projects tendered from January 2010 to commencement of Investigation. This was to ensure that the tender guidelines including the Board approvals were followed in the awarding of tenders.

Tender of development of sub-divisions are advertised in the media, as per the Authority's tender policy which has been used since 2005. Tenders are submitted in a box that is kept at executive module of the Housing Authority building (Level 5). Tenders are opened at a schedule time in the presence of one Board Member and Executive. The tender evaluation committee then evaluates the tender and submits to Tender Committee A or Tender Committee B depending on the amount. The report is then submitted to CEO for approval prior to submission to the Tender Board for information.

We have referred Tender Policy dated 2005 in the review of the tender process. We note that the tender policy has not been revised since then.

As per the Tender Policy Tender Committee A will approve any procurement above \$100,000. The Tender Committee A will be made up of:

- a. The Board Chairman or his nominee
- b. The Chief Executive
- c. The General Manager Lending
- d. The General Manager Finance & Administration
- e. The Board Secretary

8.1 Tavakubu Subdivision

An EOI was advertised on 25/3/17 and closed on 14/4/17. Tenders were opened in the presence of Board Members and Sub Committee Chairman, Mr. X. The appointed committee members were:

Staff C and Mr. Y recommended to the Board that the tender be awarded to Company Z for the Sum Contract of \$18,483,345.92 (VEP).

On 8/11/17 via BP/122/17, the Board was invited to approve the recommendation from the Board Member and the members of the subcommittee after having the clarification meeting with the responsive bidders. The information submitted by the bidders were evaluated and reviewed by the Engineers.

In a Special Board meeting held on 02 November 2017, through Board Paper number BP/116/17, the Authority's Board approved the tender for the development of the Tavakubu Subdivision.

We found the following anomalies in the tender process:

8.1.1 Conflict of Interest not declared by members of the Tender Committee

Conflict of Interest is a situation in which an individual has competing interests or loyalties. Conflicts of interest are a major contributor to fraud and corruption, and should be addressed appropriately.

It is imperative as a best practice to declare conflict of interest prior to commencement of any procurement process, even in the absence of any written requirement to do so.

There was no evidence to show that the Tender Committee members declared their interest. In addition, we found that a Board member who also chaired the Tender committee was found to have potential conflict of interest due to his professional background in the construction industry. However, there was no evidence to indicate that he declared his interest prior to taking up the role as chairman of the Tender Committee.

8.1.2 Tender recommendation not signed by committee members

We found out that two members of the Tender Evaluation Committee did not sign the tender recommendation. We were not able to establish reasons why the recommendation was not signed by these members.

8.1.3 Inclusion of a non-approved member in the Tender Evaluation Committee

We found that a former staff who was an Engineer was not an approved member and yet became part of the Tender Evaluation Committee. There was no documentation to show that his appointment on the committee was formally approved.

8.2 Tender documents not submitted for review

The tender documents for the following subdivisions were not provided for our review:

1. Tacirua
2. Wainibuku
3. Matavolivoli
4. Veikoba
5. Nepani

Based on the evidence obtained from review of tender documentation we conclude the following:

- (i) Due to the absence of conflict of Interest declarations from the members of the Tender Committee and Evaluation committee, and the fact that potential conflict of interest existed with the Chairman of the Tender Committee, the objectivity of the tender process for Tavakubu subdivision might have been impaired;
- (ii) Due to lack of information and documentation for tenders, we could not gather sufficient evidence to conclude whether tenders were awarded in compliance with the Housing Authority Tender policy for the development of the residential lots for Tacirua, Wainibuku, Matavolivoli, Veikoba and Nepani subdivisions.

The Authority indicated that all tender documents as per the new tender filing structure, requires tender/EOI documents to be stored with Corporate Governance and has further indicated that

Conflict of Interest forms designed and will be implemented, that will require sign-off by tender committee members and committee chair.

In addition, member of the Tender Evaluation Committee will need to note if they agree or if they have reservations to the recommendations made. This will be done before Memo is endorsed by the CEO for Board approval.

Recommendations

- (i) Greater accountability and ownership is required for the safe custody of tender documents. It is highly recommended that all tender documents are kept in the CEO's office.
- (ii) The Authority should carry out an internal investigation of the tender documents for land development and hold responsible officers accountable.
- (iii) The tender policy of 2005 needs to be reviewed and updated with current best practice.

9.0 GOVERNANCE

In addition to performing reviews of each line of enquiry as discussed in the earlier sections, we carried out a review of Governance relating to selection and allotment process for lot allocation. Our focus was on review of policies and procedures.

9.1 Conflict of Interest

9.1.1 Conflict of interest policy

In any governance process, it is imperative that decisions are made without partiality or interference from any element of personal conflict. For this reason, the need for a conflict of interest policy is essential.

We noted that the Authority did not have a conflict of Interest policy to govern potential conflicts of interests arising from its staff or board members.

9.1.2 Conflict of Interest at a Board level

Review of Board meeting minutes revealed that two directors had potential conflicts of interest in discharging their duties as Chairperson of Sub committees for Land and Housing Development and Finance Committee.

A director who was chairing the Land and Housing Development sub-committee had a potential conflict of interest as his professional background is in construction industry. While he declared his interest in board meetings there was no evidence to indicate how the conflict of interest was managed at the Sub-committee level.

9.2 Lack of Assurance on Customer selection and the Lot Allotment process

It is important that assurance is obtained by the Board on the processes of key activities of the Authority. This would give the board directors who are also charged with governance, confidence in the processes and procedures for executing key functions of the Authority. It would also assist them in making significant decisions that would impact the operations of the Authority.

We noted that in the past 10 years, there was no internal audits done on the customer selection and lot allotment processes.

As a result, there was no evidence to indicate that independent assurance was obtained by the Board on the accountability and transparency of the customer selection process.

9.2.1 Absence of a Selection Committee

The selection of customers for lot allotment was done by the Sales and Marketing Department. This division comes under the Customer Relations Department, and is headed by the General Manager Customer Relations. The staff of the Customer Relations Department, apart from receipting and maintaining demand survey forms, maintenance of the customer database is also involved in customer selection and allotment of lots.

There was no independent committee to oversee the selection and allotment processes. In the absence of an independent committee, there is a very high possibility that transparency in the selection process was compromised.

9.2.2 Lack of Standard Operating procedure

During the investigation we were not provided with any Standard Operating Procedure (SOP) for staff in the Customer Relations Department to follow for customer selection and lot allocation.

In the absence of SOPs there is a high risk of staff not adhering to the procedures and policies approved by the Board. This also gives opportunity for ad-hoc procedures and processes to be employed instead.

9.3 Policies and procedures

9.3.1 Approved policies not provided

We noted that in the past 10 years there were various policies/criteria for lot allotment that were drafted and discussed in the board meetings. However, we were not provided with any approved policy documents for customer selection. The Authority significantly lacks in this area of governance.

9.3.2 Absence of guidelines on policy development

We found that there are no guidelines on policy development.

As a result, policies may have not been prepared in a systematic and consistent manner which should include consultations with relevant functions, and management approval, prior to submission for Board endorsement.

Without policy development guidelines, the Authority's ability to develop policies in critical areas of its operations, and regular policy reviews for relevance can be hindered.

9.3.3 Absence of a Policy register

It is important that a register of approved policies and procedures is kept to provide a record of all policies and procedures that are approved by the Board.

During our investigation we found that register was not kept by the Authority for approved policies.

As a result, we were unable to ascertain the trail of policies and changes if any, to approved policies.

9.4 Suspected cases

9.4.1 Suspected cases of false income

There were three cases of applications from sole proprietors, declaring their income without third party confirmations. There was no evidence that the Authority obtained details of their income and merely relied upon the information submitted by the applicants.

9.4.2 Possible case of breach of procedures

During the review of the files, we noted an instance where a customer was allocated a lot although he revealed that he owns a property when issued with an offer letter.

In another instance a customer's application was referred for Minister's approval for lot allocation, despite the customer declaring an annual income above \$50,000 at the time of application.

9.4.3 Possible case of scheme to acquire land

We identified two cases which were cash purchases where lots were allotted to unemployed customers with financial support provided from other sources. In one of these instances a rental property was constructed comprising of several flats.

There was no due diligence check from the Authority to find out the need for the housing lot from these applicants.

We also identified a case where a lot was purchased through cash sale by a 59-year old customer. A three flat house was built between 2015 and 2017 and the property was sold in 2017 for \$600,000.

We also noted that this applicant was not in the database. The subsequent sale of the property may indicate that the applicant is not a first home owner, and merely acquired the property with the intention to make a profit from resale.

We did not find any evidence that indicates that the Authority performed due diligence on the background of these applicants.

9.4.4 Suspicious email correspondence between a customer and staff member

We noted a case where a customer, Mr. KR was corresponding through email with staff B regarding the sale of a lot on 22/10/15. Mr. KR sent a request to Staff B that he be given a lot. The reply from Staff B in the email states that "it will be done". This raises questions on the selection of this customer for lot allocation.

9.4.5 Transfer of property after allotment of lot

We noted an instance where a couple with an annual household income of \$13,000 acquired a lot, and subsequently transferred it to the father to acquire a loan for the construction of ah of the

Customer Relations division use. This raises question on the actual household income of the customer.

9.4.6 Customers not residing at the purchased property

We noted an instance where a lot recipient was not residing at the property which was purchased from the Authority. Instead, the recipient rented out the property. This is not fulfilling the objectives of the Authority

9.4.7 Lot allocated to Walk-In customer

We noted an instance of former staff email correspondences regarding a 'walk-in' customer. Review of the customer's file indicated that necessary checks were not performed on the applicant. The applicant was also not in the database.

9.4.8 Year of application does not match the database entry date

We noted a case where a customer's date of registration was 2008. However, we noted that his entry was made in the system on 30/09/15. This is unusual as the 2008 application would have been registered in the database, and should have been transferred to the SMS in 2014 when the data was being migrated to the system. There is a high possibility that this application was back-dated.

9.4.9 Applicants working and living in Vanua Levu and allocated lot in Tacirua

We noted 3 instances where applicants were working and residing in Vanua Levu but were allocated lots in Tacirua.

The selection of these customers is questionable. The Authority did not perform due diligence on the background of the customers to determine whether these customers were genuinely in need of housing

The Authority indicated that Conflict of Interest Declaration form has been implemented where staffs are required to declare any perceived or potential conflict of interest. Human Resource department now also keeps a register for this declaration. In addition, Policy Register is implemented will have the record of all the policies and procedures the Authority is currently using. The Authority also stated that assurance review for lot allocation will now be part of the audit scope.

Furthermore, the governance at the Board level is being heightened and proposed changes are made to the Board Sub-Committees to address any conflict of interest of interest. Suspected cases will be discussed and referred to relevant authorities for further action including FICAC.

Recommendations

- (i) There is an immediate need for the Authority to strengthen governance in terms of policy development and discharging of its core functions;
- (ii) The Authority should address the suspected cases highlighted in the report in an appropriate manner;
- (iii) The Authority should work with the Ministry of Housing and Community Development to review the Housing Act 1965 to modernize it, make it relevant to the housing needs of the public, and align it to the provisions in the Constitution;
- (iv) The Authority should develop and implement a Land and Housing Development Policy to guide these activities.

10.0 MATTERS FOR FURTHER CONSIDERATION BY THE AUTHORITY

We provide the following matters for further consideration by the Authority. If considered positively, the tasks should ideally be assigned to the Internal Audit Manager who must report directly to the Chairperson or a sub-committee of the Board which reports to the full board.

- (i) Follow up with the Office of the Registrar of Titles on searches to confirm first home ownership;
- (ii) Obtain confirmation of lot transfers and perform further checks for new ownership. The objective of this will be to identify if lot transfers took place between family members;
- (iii) Obtain tender documents for all developments from 2010 to date, and carry out an internal audit on the award of the tenders. The Authority should also seek explanations on why these records were not produced during the investigation and take appropriate action against staff concerned;
- (iv) Some customers have applied as a single applicant but there are indications that they are married, and have excluded their spouse's income to be below the \$50,000 income threshold. Since the Customer Relations team did not request for spouse's income details for single applicants, it has provided opportunities for the applicants not to disclose the spouse's income. The Authority should verify with FRCS on applicants' spouse's income as this was not declared.
- (v) Investigate the residency of owners of the vacant lots. There is a possibility that owners have acquired lots as investment properties.
- (vi) Investigate the allocation of subsidy from Government and the manner in which it has been utilized over the years.
- (vii) There are some suspected cases of fraud highlighted in this report regarding possible income falsification. The Authority can review the sources of finance for the construction of large dwelling houses where the applicant's annual household income is less than \$50,000.

APPENDIX 1: TERMS OF REFERENCE FOR THE HOUSING AUTHORITY SPECIAL INVESTIGATION



Housing Authority

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All correspondences to be addressed to the Chief Executive Officer

Housing Authority

Terms of Reference – Special Purpose Audit

Objective

To provide guidance to the board in concluding on the level of compliance and governance exercised by the Housing Authority (“Authority”) in the allotment of lots in the sub divisions developed by the Authority in the period from 2010 to date and to make relevant recommendations/decisions on any anomalies and/or fraudulent transactions identified during the Special Purpose Audit.

Period to be audited

From 01st January 2010 till the date of the commence moment of the audit (“Period”).

Scope of Work

Review of the different lot allotment policies established by the Authority from time to time during the period of the audit paying special attention to due approval for the policies, criteria for qualification of lots, methodology for selection of successful applicants and approval process for lot allotment.

1. Review of applications for all recipients of lots during the Period against the respective lot allotment policy to ensure the applicants meet all the criteria, necessary checks have been done to ensure their eligibility, outcomes are properly recorded and applications are duly approved as per the respective policies.
2. Independent verification of information and declarations provided by all recipients of lots during the Period with their applications against Fiji Revenue and Customs Service (FRCS), Fiji National Provident Fund (FNPF), Titles Office and other similar institutions as appropriate in order to assess the accuracy of applications.
3. Review of any lots allotted to current or ex Housing Authority Staff, their families during the Period and to review such transactions to assess the transparency and appropriate declaration of conflicting interests by the relevant staff including the board.
4. Review the current owners of the lots allotted during the Period and ensure that any transfer of ownership from the original lot recipient is duly endorsed by the Authority and any other relevant institutions such as iTaukei Land Trust Board (ITLTB), FRCS; also to collect and report data on all change of ownerships during the Period.
5. Review and Ensure that any lot allocated to applicant having an annual household income exceeding Fifty Thousand Fijian Dollars (F\$50,000.00) are duly approved by the board and the Honourable Minister, where applicable and in line with the Housing Act of 1955.

HEAD OFFICE

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LABASA

SUVA

6. Review the tender process followed by the Authority in awarding contracts for all development projects tendered from 2010 to date and ensure that tender guidelines including board approvals are followed in awarding of tenders
7. Any other reviews/inquiries that may be necessary to support or confirm the execution and/or findings of activities listed under 1 to 6 under Scope of Work or those that may be formally advised by the Chairperson of the Board of Directors of the Authority during the time of the Audit.

Reporting

1. All reporting to be addressed to the Chairperson of the Authority.
2. Reporting to include but not limited to
 - (a) All findings from above 1 to 7 as listed under scope of work with attention drawn to any anomalies, violation of rules, regulations and policies, breach of conflict of interest disclosures;
 - (b) Recommendations for further action needed on the findings; and
 - (c) Recommendations on improvements to the transparency, governance, effectiveness and efficiency of the operations of the Authority.

Fees: The fees will be determined between the Office of the Auditor-General of Fiji and the Authority.

Timelines: Two months from the date of appointment

Dated this 15th Day of July, 2020.

APPENDIX 2: COMMENTS FROM MINISTRY OF HOUSING AND COMMUNITY DEVELOPMENT



MINISTRY OF HOUSING & COMMUNITY DEVELOPMENT

19th November 2020

The Auditor General
Office of the Auditor General
P. O Box 2214
Government Building
SUVA

Dear Sir

Re: EXTRACT FROM DRAFT AUDITOR GENERAL'S REPORT ON SPECIAL INVESTIGATION

Thank you for your letter dated 18th November 2020.

We thank you for your time to meet with us this afternoon at 3.00pm in our office.

Given the limited time provided to the Ministry of Housing and Community Development to respond to your extract from the above report and duly noting the fact that you are not in a position to extend the timeline for a detailed response from us as requested in our letter dated 17th November 2020, kindly providing below feedback on the discussion topic:

1. Limited time to provide feedback – we note that the report was issued to Chairperson of Housing Authority on 30th of September; the extract of the report reached us for comments only on 11th November with a deadline to respond within 7 days. We would have appreciated for you to write to us earlier giving us a more realistic timeline to respond to your comments.
2. We agree to the general comments included in the extract of the report submitted to us in relation for the need for Housing Authority to work with the Ministry in establishing sound policies, standard operating procedures and also adherence to such policies and procedures.
3. We provide further comments to following selected contents on the extract of the report submitted to us:

*All correspondence to be addressed to the Permanent Secretary for Ministry of Housing & Community Development
PO Box 2130, Government Building, Suva, Fiji
Phone: +679 330 9918 email: infohousing@govnet.gov.fj web: www.housing.gov.fj*

3.1 Content – “We were also advised that there were instances where customers after being rejected for having income over \$50,000, would visit Ministry of Housing to discuss their cases which is referred back to the Authority. This was also confirmed by a former staff of the Authority”

Comment – We are not clear if there was any written correspondence to support these explanations or were they mere “story telling”. In the event that the staffs interviewed were not able to support their explanations with any documentary evidence, we believe it would be fair to note that fact as part of the report content.

3.2 Content – “Section 3.3 of a Board paper BP/64/17 dated 27 July 2017 titled “Review of the Residential Stock Allocation Policy states ... “

Comment – We note this and agree that the Board Decisions are to be strictly adhered to by the staffs of the Housing Authority. However, we would also like to comment that each and every Board Decision of the institution are not communicated to us (and is not required to do so either) and in this instance, to the best of our knowledge, the Ministry was not informed of such decision.

3.3 Content – “the Ministry officials were unable to provide clarifications on the process that in 2015 and 2016...”

Comment – as per the explanations provided by the officer who was allocated to assist the representative from your office, Mr Shaw, he had explained the process to the officer in an interview he had with the officer. He was not requested to provide this in writing as per him. We are happy to provide this in writing if that is needed. On this context, we are not able to agree to this comment.

3.4 Content – “our request to sight documentation relating to Minister’s approval for customers exceeding \$50,000 was not furnished”

Comment – As per the same officer referred to in 3.3 above, your representative had advised to provide these details within 30 days’ time. The Ministry recently relocated to a new office building and the storage is still being sorted out. The staffs have managed to collate the files from November 2016 onwards and are working on the period prior to that. Given more time, more records could be furnished for your review.

3.5 Content – “we met with a Senior Executive of the Ministry and discussed the current practice of the process for approval of customers by the Minister of Housing and Community Development with an annual household income over \$50,000. The practice indicates that customers whose income exceeds \$50,000 once the provisional offer letter is issued, are considered for lot allocation”

Comment – we do not recall making this statement, however, the content of the above statement is only partially correct. Whilst several cases of above nature have been processed, majority of the cases approved since January 2019 are related to the lots that are sold at market value (those termed as “high end lots” by Housing Authority) which are not subsidized but in contrary the sale proceeds of which are used to cross subsidize low income earners. We will be able to provide further analysis on this with more time provided. Also, all records since 2019 January are readily available and were made available to your team for review if needed.

3.6 Content – “Based on the evidence that we sighted and the unavailable documentation...”

Comment – The limited access to information during limited time of your special investigation was explained by the representatives of your office when the presentation was made to the Hon Minister on the subject report. It was also noted that only a limited number of applications could be “means tested” – with titles office, FRCS, etc. by your office due to time constraints.

Based on subsequent discussions with the Board Members of the Housing Authority, it was agreed that the Board would formally request the Office of Auditor General to continue to work in line with the Terms of Reference provided by the Board and new timelines to be agreed to provide a final and complete report in line with the Terms of Reference. It was also agreed that the report issued on 30th September 2020 be considered an interim report and be used internally and for immediate rectification works needed based on the findings highlighted in this report.

We believe that the Board of Housing Authority has already communicated this to your office.

Accordingly, we await for your further advice on provision of additional information to facilitate your work. We also request that a copy of the full report be made available to us for any further comments as that would assist in providing a more meaningful feedback.

We thank you for your services in assisting Housing Authority Board with this special investigation on their request. We also thank you for providing us an opportunity to clarify above matters to your good office.

Thank you.



Sanjeeva Perera [Mr]
Permanent Secretary for Housing & Community Development

APPENDIX 3: CORRESPONDENCE FROM HOUSING AUTHORITY



Housing Authority

HEAD OFFICE: HOUSING AUTHORITY BUILDING, SAQA STREET
VALELEVU, NASINU. P. O. BOX 6472, NASINU
TEL: (679) 339 2977
E-mail: info@housing.com.fj, Website: www.housing.com.fj

All correspondences to be addressed to the Chief Executive Officer

20 November 2020

The Auditor General
Office of the Auditor General
Level 7, Ratu Sukuna House
2-10 McArthur Street
SUVA

Dear Sir

Re. : Housing Authority Special Investigation on Allocation of Lot and Tender Process by Office of the Auditor General

We thank your team Mr Kuruwara Tunisalevu, Assistant Auditor General and Mr Dineshwar Prasad, Senior Manager, for meeting with officials from Housing Authority on 18 November 2020.

We found the meeting very productive and look forward to further collaboration in the future.

Please find attached a letter from the Permanent Secretary, Mr Sanjeeva Perera dated 18 November 2020 for your kind consideration. The same letter was copied to you in an email addressed to Mr Dineshwar Prasad. We would appreciate your office's feedback in due course.

Yours sincerely

[Lorraine Seeto]
AUTHORITY CHAIRPERSON

attach

cc : Housing Authority Board Members – Ms Anabel Ali/Mr Mohit Raj/Ms Senikavika Jiuta
Permanent Secretary – Ministry of Housing & Community Development
Chief Executive Officer – Housing Authority

APPENDIX 3: CORRESPONDENCE FROM HOUSING AUTHORITY (CONT'D)



MINISTRY OF HOUSING & COMMUNITY DEVELOPMENT

18th November 2020

The Chairperson
Housing Authority
Saqa Street
Valelevu

RE: HOUSING AUTHORITY SPECIAL INVESTIGATION ON ALLOCATION OF LOT AND TENDER PROCESS BY OFFICE OF THE AUDITOR GENERAL

We refer to the meeting with Housing Authority (HA) Board Members and the Hon Minister for Housing and Community Development held on Thursday, 12th November at 3pm at the Ministry of Housing and Community Development Conference Room.

It was discussed that as per Terms of Reference issued to the Office of Auditor General on above, a 100% verification on lots allocated by HA during the period covered in the investigation was to be carried out by the Auditors. During the presentation of the report to the Hon Minister by the Office of the Auditor General, it was brought to the attention that the verification of the lot recipients details against records of Registrar of Titles Office and Fiji Revenue and Customers Services was limited to those identified as high risk due to the limited time availability.

These verifications are critical components of this special investigation. Hence, it was agreed that the Office of the Auditor General to be requested to complete these verifications in line with the Terms of Reference and a final report to be issued to the Board in due course.

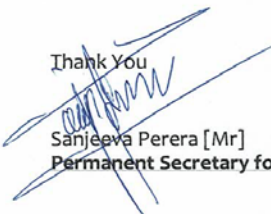
Accordingly, the Hon Minister has advised to discuss this with the Office of the Auditor General and confirm a timeline for the completion of this exercise and the issuance of the final investigation report.

In the meantime, the report issued on 30th September 2020 is to be considered as an interim report for internal use and to initiate necessary corrective measures on the issues already highlighted in the report.

Kindly note to provide a copy of the final report to the Hon Minister for her further comments once it has been completed by the Office of Auditor General.

We thank you for your continued support in this regards.

Thank You


Sanjeeva Perera [Mr]
Permanent Secretary for Housing and Community Development

*All correspondence to be addressed to the Permanent Secretary for Ministry of Housing & Community Development
PO Box 2130, Government Building, Suva, Fiji
Phone: +679 330 9918 email: infohousing@govnet.gov.fj web: www.housing.gov.fj*

All correspondences to be addressed to the Permanent Secretary



Housing Authority

HEAD OFFICE: HOUSING AUTHORITY BUILDING, SAQA STREET
VALELEVU, NASINU. P. O. BOX 6472, NASINU
TEL: (679) 339 2977
E-mail: info@housing.com.fj, Website: www.housing.com.fj

All correspondences to be addressed to the Chief Executive Officer

20 November 2020

The Auditor General
Office of the Auditor General
Level 7, Ratu Sukuna House
2-10 McArthur Street
SUVA

Dear Sir

Re. : Housing Authority Special Investigation on Allocation of Lot and Tender Process by Office of the Auditor General

We thank your team Mr Kuruwara Tunisalevu, Assistant Auditor General and Mr Dineshwar Prasad, Senior Manager, for meeting with officials from Housing Authority on 18 November 2020.

We found the meeting very productive and look forward to further collaboration in the future.

Please find attached a letter from the Permanent Secretary, Mr Sanjeeva Perera dated 18 November 2020 for your kind consideration. The same letter was copied to you in an email addressed to Mr Dineshwar Prasad. We would appreciate your office's feedback in due course.

Yours sincerely

[Lorraine Seeto]
AUTHORITY CHAIRPERSON

attach

cc : Housing Authority Board Members – Ms Anabel Ali/Mr Mohit Raj/Ms Senikavika Jiuta
Permanent Secretary – Ministry of Housing & Community Development
Chief Executive Officer – Housing Authority

**Special Investigation Report on Procurement
of
Goods and Services**

52nd Asian Development Bank Annual Meeting

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EXECUTIVE SUMMARY

1. INTRODUCTION

The Ministry of Civil Service was charged with leading Fiji's planning and hosting responsibilities for the 52nd Asian Development Bank (ADB) Annual Meeting (the Event) which was held in Nadi from 01st to 05th May 2019.

The Event gathered 3,582 attendees from 76 countries. Over 30 seminars, debates, and other events brought together stakeholders to discuss key development issues in Asia and the Pacific.¹

As the host country, the Fijian Government allocated \$10 million to meet the costs for the Event. Upon completion of the meeting, actual cost incurred was \$10.9 million. The additional \$0.9 million was sourced from the Government's Head 50 Budget.

The Office of the Auditor General carried out a special investigation at the Ministry of Civil Service focusing on the hosting of the Event in May 2019.

2. BASIS FOR CONDUCTING SPECIAL INVESTIGATION

Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of Auditor's responsibility to identify and assess the risk of material misstatement of the financial statements of Ministry of Civil Services for the year ended 31 July 2019, we performed preliminary audit procedures to fulfil this responsibility.

While performing preliminary audit procedures in assessing risk of material misstatement of the financial statements, we reviewed the following investigation reports as part of our preliminary audit procedure. These reports were submitted by the Ministry in response to our questionnaire for consideration of fraud.

Table 1.0: List of Investigation Reports reviewed

Title of Report	Conducted By
1. Special Audit: Voiding of Payments	Ministry of Economy: Internal Audit Division
2. Investigation Report: AO – Events vs Ministry of Civil Service	Ministry of Civil Service – Investigation Panel appointment by the Permanent Secretary.

Based on the preliminary assessment of the two reports, we assessed the risk of misstatement in financial statements as high. The key finding to drive risk of misstatement as high was associated with the voiding of payments in the Financial Management Information System (FMIS) General Ledger.

¹ <https://www.adb.org/sites/default/files/publication/514026/fiji-am-highlights-2019>

As required by section 6 (3) of the Audit Act 1969 the Auditor-General approved a special investigation at the Ministry of Civil Services focusing on funds expended for the hosting of the Event.

The primary objective of the investigation was to:

- (i) obtain sufficient and appropriate audit evidence to form a conclusion on whether payments made for hosting the Event were made in accordance with applicable rules and regulations;
- (ii) determine whether elements of fraud existed in the payments made and whether the existence of fraud are attributed by the limitations of the FMIS over the processing of payments and/or other transactions; and
- (iii) carry out an assessment of the overall procurement process, payment for goods and services and payment of allowances.

Significant findings identified from the special investigation are discussed below. However, it must be noted the breaches of relevant legislation or policies are based on our assessment and evidence gathered during our investigation.

3. SUMMARY OF AUDIT FINDINGS

Objective 1: To ascertain if elements of fraud exists in payments made during the period under review.

From our review of the payments made, there is sufficient audit evidence to determine the existence of fraud around the processing of meal claims, reimbursement of petty cash, processing of volunteer meal allowances and processing of cash cheques without supporting documents.

Instances were noted where payments were made on inflated invoice amounts and invoices were used as quotation to support payments made.

The existence of fraud is further supported by the fact that unauthorized modification of system data took place resulting in mass voiding of payments and deliberate deleting of system generated reports. Segregation of duties were not maintained during the payments process and there were lack of supervision during the payment process for goods and services.

Objective 2: To ascertain if payments are made in accordance with applicable rules and regulations.

From our review of the payments made, there was generally non-compliance to applicable rules and regulations for procurement of goods and services. Unjustified payment of variations to contract, competitive quotes were not obtained, goods and services were procured without issuance of local purchase orders and there was no evidence to substantiate receipt of goods and services.

These findings arise largely due to the lack of capacity, lack of segregation of duties and untimely planning within the Ministry for procurement of goods and services. It was noted that procurement of goods and services were mostly concentrated in the last quarter before the commencement of the meeting.

The Ministry was unable to manage the conflict on interest arising from the appointment of the Event Transport Provider who was also the contracted Professional Conference Organizer (PCO). It was noted that PCO did not act in the best interest of government when its own transport fleet were engaged to provide transport services without following open and transparent procurement procedures.

Objective 3: To establish if the limitations in the FMIS over the processing of payments and/or other transactions do provide avenues for the misappropriation of government funds particularly in the instance under review.

From our review, we noted that limitation exists in the FMIS system which enabled the user Accounts Officer (AO) Events to perform mass voiding of transaction and deleting system generated reports.

The FMIS system allowed the re-opening of prior year open payables although accounting period was closed. In addition, the system also allowed the user to void current year payments which were already issued and presented to the bank.

We established that there was no documented policies and guidelines in place to assist the user in the event of an error arising from the voiding of payments.

Details of the findings of our investigation are discussed in **Section 9** of this report.

4. AUDITING STANDARDS

We have conducted our investigation in accordance with the International Standards of Supreme Audit Institutions (ISSAI 1000 - 2999) on General Auditing Guidelines on Financial Audit.

5. WHAT WE AUDITED & AUDIT SCOPE

The focus of the investigation was the 52ND ADB Annual Meeting Event funds received and expensed by the Ministry of Civil Service while carrying out its responsibility of planning and hosting the Event for the period ending 31/07/19.

Through the investigation, we examined whether the Ministry of Civil Service complied in all material respects with all the applicable laws and guidelines that governs the manner in which public funds are processed and utilized. This included the policies and guidelines of the Asian Development Bank that governs how Annual Meetings are carried out. In this context, our investigation focussed on the following objectives:

- (1) To ascertain if elements of fraud exists in payments made during the period under review;
- (2) To ascertain if payments are made in accordance with applicable rules and regulations; and
- (3) To establish if the limitations in the FMIS over the processing of payments and/or other transactions do provide avenues for the misappropriation of government funds particularly in the instance under review.

For each of these objectives, we examined if the Ministry of Civil Service complied in all material respects with the agreed criteria specified on **Section 6**.

6. INVESTIGATION CRITERIA

The Ministry of Civil Service as a Government agency, must operate within an environment of government legislation and policies. The criteria for the investigation is based on regulations, policy framework, and manuals designed to ensure compliance with laws governing all government undertakings. These include:

- a) Financial Management Act 2004;
- b) Finance Instructions 2010;
- c) Procurement Regulation 2010;
- d) Procurement (Amendment) Regulation 2012;
- e) Ministry of Labour, Industrial Relations & Employment Finance Manual 2013²;
- f) FMIS Access and Password Policy;
- g) ADB Meeting 2019 Green Book; and
- h) General Best Practices.

We believe that the criteria tested in each area of the investigation are sufficient to conclude on the objective set out on this audit.

7. METHODOLOGY

This investigation was conducted based on the information provided by those charged with responsibility for the accounting function of the Ministry and the payment records maintained by the Ministry of Civil Service. All the payments made by the Ministry of Civil Service from April to July 2019 were selected for review/analysis/assessment.

In executing this investigation, the following approaches were used:

- (i) Documents review;
- (ii) Interview of responsible officials from the Ministry of Civil Service; and
- (iii) Third party confirmation to suppliers in order to confirm that Ministry of Civil Service complied with the criteria detailed in **Section 6** in processing payments under review.

8. Events subsequent to the submission of Investigation Report to the Permanent Secretary for Ministry of Civil Service.

The detailed investigation report was sent to the Permanent Secretary for Civil Service on 27 October 2020 for provision of management comments on the recommendations made in the report. The following are the key events which have incurred since then:

- I. On 12 November 2020, request was received from the Permanent Secretary for Civil Service to discuss the investigation report.

² Based on the shared services agreement, the Ministry of Civil Services uses the Ministry of Labour, Industrial Relations & Employment Finance Manual 2013

- II. On 18 November 2020, OAG team met with the Permanent Secretary to discuss the content of the report. It was agreed during the discussion that OAG team to work together with the Ministry of Civil officials to verify the content of the report.
- III. On 19-20 November 2020, OAG team met with the officials from the Ministry of Civil services to verify the content of the investigation report.
- IV. Again on 01 December 2020, OAG team met with the official from the Ministry of Civil Services and comprehensively reviewed the content of the report against the available supporting documents. The supporting documents provided subsequently has been verified by OAG team and necessary amendments has been made into the final report.
- V. As at 01 December 2020, the Ministry of Civil Service was yet to provide formal management comments.

9. DETAILED FINDINGS OF THE INVESTIGATION

Objective 1: To ascertain if elements of fraud exists in payments made during the period under review.

9.1.1 Fraudulent Transactions

9.1.1.1 Processing of Meal Claims and Reimbursement of Petty Cash – Obtaining Financial Advantage

Review of expenditures incurred by the Ministry of Civil Service for the Event revealed instances where AO – Events while carrying out her responsibility of processing payments:

1. Obtained meal claim for herself knowing that she was not eligible to receive the meal claim on the date the payment was made. Total amount implicated is **\$720**.

Initially the amount was paid to Administration Officer – Recruitment’s bank account. Statement obtained from Admin Officer – Recruitment via interview on 14/07/20 confirmed that the amount was withdrawn and handed over to AO – Events. In her statement dated 23/07/20, AO – Events agreed that she received the said amount.

2. Obtained petty cash reimbursement for herself knowing that she was not eligible to receive the petty cash claim on the date the payment was made. Total amount implicated is \$500.

Our review noted that AO – Events processed a retirement of accountable advance journal voucher 05/10 of 2019 to support an amount of \$500. However, our detailed assessment revealed that the retirement of the petty cash amount was not legitimate. Refer to the Table 2.0 below for details.

Table 2.0: Details of Retirement of Petty Cash

Details as per Journal Voucher			Audit Observation
Expense	Amount (\$)	Incurred By	
2 ring insert binder (1.5) - 100 quantity	49.20	Driver	There is no evidence to show that funds were received by the Driver.
Island Chill Water (4x)	107.20	Driver	
Island Chill Water (2x)	53.60	Driver	
Shirt size alterations x 10pcs	170.00	Event Coordinator	Event Coordinator was reimbursed separately on 14/05/19 via EFT no. 6160 amounting to \$190.
Taxi fare (Suva - Nadi) for AO – Events	120.00	Event Coordinator	
Total	500.00		

Statement from Admin Officer – Recruitment confirms that the cash amounting to \$500 was handed over to AO – Events.

9.1.1.2 Volunteers Meal Allowance – Dishonesty Causing a Gain or Loss

The responsibility for recruiting and managing the volunteers engaged for the Event was vested on the Professional Conference Organiser (PCO).

We noted that a sum of \$119,731.50 was paid to various companies catering for the meals and refreshments for the volunteers.

Despite the above payment, it was noted that accounts team responsible for processing volunteers' meal allowance during the Event, AO – Events and Admin Officer – Health processed cash cheque (number 38762) amounting to \$13,660 for volunteers' meal allowance. There was no authority given by the former Permanent Secretary (PS) – Civil Service or the Director – Major Events for cash payment of volunteer meal allowance. The understanding was that the volunteers would be provided meals and refreshments at the meeting venue.

Upon discovering that the AO – Events and Admin Officer – Health had arrived at the meeting venue with cash amounting to \$13,660, the former PS – Civil Service instructed AO – Events and Admin Officer – Health on 04/05/19 that the funds be deposited back in the Consolidated Fund Account and that no cash payment of allowance to be made.

Our examination noted that out of the \$13,660, a sum \$3,320 was receipted back into the Consolidated Fund Account on 17/05/19 via receipt number 592528 being the balance of fund for ADB meal allowance returned. The balance of \$10,340 could not be accounted for.

9.1.1.3 Voiding of Cheque Payments – Dishonesty Causing a Loss

We established that AO – Events had initially informed the Business Manager - Civil Service of her intention to void cheques number 38804 and 38818 to correct payee details. However, Business Manager had instructed AO – Events on 20/06/19 not to void and hold on to cheque number 38804 and 38818 until Monday 24/06/19.

Despite the instruction, AO – Events on Sunday 23/06/19 without prior approval, performed voiding of cheques in FMIS via AP491 panel (multiple payment voiding) using the access ID of Accounts Officer (AO) – Civil Service. In addition, AO – Events also proceeded to delete the control report that was generated in her computer machine after the voiding activity. The control report would serve as evidence to substantiate the extent in which the voiding activity was conducted.

As a result, there was a loss in the accuracy and reliability of the Ministry's accounting records valued at \$33,747,081.17 and dating back to 2015.

Knowing that an error had occurred as a result of the voiding transaction, AO – Events failed to inform Business Manager about the error made. The voiding of transaction was only identified by Ministry of Economy FMIS Division when they noticed substantial increase in open payables.

In addition, AO – Events was aware that there is a substantial risk of loss occurring if anything goes wrong in the voiding process followed.

Although the error from the voiding was adjusted by the Ministry and FMIS Division, we noted that the Ministry's expenditure balances for the period ending 31/07/19 are still understated by \$795,970.31 as at 31/07/20. As a result of the voiding of transaction, the total actual expenditure incurred for hosting the Event cannot be ascertained.

9.1.1.4 Unauthorised Access to, or Modification of, Restricted Data

The voiding of payments in the FMIS is restricted to users except for those who have the authorized clearance to voiding panels. In fact, voiding should only be done by the Accounting Head.³

On Sunday 23/06/19, AO – Events being without proper access approval to conduct voiding transaction undertook a voiding of transaction using FMIS password for AO – Civil Service. AO – Events being aware that the voiding transaction is unauthorized proceeded to undertake the transaction. The act of using another user's access ID to log into the FMIS and conduct the voiding in itself proves AO – Event's intension to modify FMIS data.

It can be further confirmed that AO – Civil Service acted against the Finance Circular dated 04/2015 by sharing his FMIS password with AO – Events. AO – Civil Service engaged in an unethical practise of sharing FMIS password which led to violation of financial management process.

9.1.1.5 Unsubstantiated Cash Cheque Payments

All payments must be processed through payment vouchers prepared by the receiving officer. Separate vouchers are to be used for separate payees and for the payment of different services.⁴

If a payment voucher is lost before payment, approval must be obtained from the Senior Accountant before a replacement voucher can be issued.⁵

We were unable to substantiate cash payments totalling \$12,044.69 as payment vouchers with relevant supporting documents were missing from the payment voucher file. All these payments were made under the name of Permanent Secretary – Civil Service which indicates that cheques were cashed over the counter at the bank except for one payment amounting to \$3,025 was made directly to a Bred bank account of a person associated with the Ministry.

Table 3.0: Details of Unsubstantiated Cash Cheque Payments

Date	Cheque Number	Payee	Particulars	Amount (\$)
03/06/2019	38776	Permanent Secretary – Civil Service	GWE Pay - 23/19	2,050.34
05/06/2019	38777	Ministry of Economy	Reimbursement – Additional Meals for Liaison Officers - ADB	200.00
10/06/2019	38779	Permanent Secretary – Civil Service	GWE Pay - 24/19	2,299.33
11/06/2019	38780	Permanent Secretary – Civil Service	Replenishment for Imprest - June 2019	1,219.95
18/06/2019	38785	Permanent Secretary – Civil Service	GWE Pay - 25/19	2,219.15

³ Statement obtained from the interview of FMIS Programmer

⁴ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.8.2

⁵ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.8.6

Date	Cheque Number	Payee	Particulars	Amount (\$)
21/06/2019	38829	Bred Bank	April – May 2019	3,025.00
24/06/2019	38831	Permanent Secretary – Civil Service	GWE Pay - 26/19	1,030.92
Total				12,044.69

On 23/06/19, it was noted that AO – Events without having proper approval to access the voiding of payments panel in the FMIS conducted a voiding of payment transaction using AO – Civil Service access ID. Thus, the absence of supporting documents for the above transactions is highly suspicious as they were initiated within two weeks prior to the voiding incident.

The possibility of intentional misplaced of payment records to eliminate evidence against fraudulent conduct remains high and cannot be ruled out.

9.1.1.6 Paid Invoices used as Quotations on Other Payments and Inflated Invoices

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur.⁶

The Senior Accounts Officer must make sure the following checks are done before authorising any payment: (i) review vendor invoices for accuracy by comparing charges to purchase order and (ii) verify that the goods and services purchased have been received.⁷

Monopolistic practices of vendors and suppliers at venue, hotels and others such as inflated prices, which may cause reputational risks to the host country and ADB involved shall be penalized.⁸

Our review of expenditures incurred for the Event revealed the following:

- Payment of goods and services valued at \$6,242.20 were made on invoices that had already been used for settlement of payments; and
- Transactions for procurement of goods and services were quoted and approved at a value of \$42,739. However, the goods and services were invoiced at the amount of \$44,900 thus invoice was inflated by \$2,161.00.

These are serious violation of internal controls which has resulted in an overpayment of \$2,161.00. The possible existence of fraud by way of collusion with the payees in these payments is rated highly and cannot be ruled out.

Based on the evidence gathered during the investigation, we conclude that elements of fraud exist in payments made during the period under review.

⁶ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Part 16

⁷ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 16.2.3 (i) & (ii)

⁸ ADB Green Book 2019 – Chapter 16 – Procurement – Section 5

Recommendations

The Ministry should:

- Report the matter to the relevant law enforcement authority for further investigation;
- Ensure that adequate level of capacity and experience exists in the Accounts Section to properly implement segregation of duties control mechanism within the procurement and payment process;
- Ensure that clear documented reporting lines of responsibilities of the Event Division are in place particularly during an Event;
- Ensure that the standing rules and regulation pertaining to the procurement of goods and services must be followed at all times; and
- Ensure that proper oversight and supervisory check mechanism are in place at all times.

Consideration should also be given to engage an internal auditor from Ministry of Economy to conduct real-time audit and provide oversight function during the procurement process for large events.

Objective 2: To ascertain if payments are made in accordance with applicable rules and regulations.

9.2.1 Anomalies on Procurement of Good and Services for the Event

9.2.1.1 Conflict of Interest – Event Transport Service Provider

Monopolistic practices of vendors and suppliers at venue, hotels and others such as inflated prices, which may cause reputational risks to the host country and ADB involved shall be penalized.⁹

The Ministry of Civil Service engaged the Professional Conference Organizer (PCO) for the cost of \$1,044,883.15. One of the main function of the PCO under the contract was to coordinate and manage suppliers, service providers and all volunteers.

In addition, PCO was also awarded the contract for Event Transport Provider (CTN 181/2018) via GTB approval. PCO provided complete package for planning, monitoring and coordinating all aspects of transportation for the Event.

When discharging its role the PCO was responsible for obtaining quotations from different suppliers for works and services required. This included obtaining quotations from transport providers for transport service required during the meeting.

Our investigation revealed that in eleven (11) different instances, PCO obtained quotations for transportation required and was also bidding in the process. In all occasions, PCO sourced the transport services from their own transport fleet. In addition, it was noted that quotations were not dated. The total value of services amounted to \$47,190.

Being responsible for obtaining the bid and also bidding in the procurement process gave PCO an unfair advantage to quote for the required services and award itself the services.

The findings indicate that PCO did not act in the best interests of the Ministry in these transactions. This also indicates the poor governance mechanism in place for the Event. As a result, the fairness of the procurement process in those instances were compromised.

9.2.1.2 Anomalies in the Contract Variation Payment for CTN 181/2018

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement Regulation 48-(1).¹⁰

Any variations to the fees will be made with prior written approval of the Government Tender Board.¹¹

The Ministry of Civil Service engaged Professional Conference Organizer (PCO) as the Event Transport Service Provider under CTN 181/2018 (Contract for Event Transport Service Provider) for

⁹ ADB Green Book 2019 – Chapter 16 – Procurement – Section 5

¹⁰ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.4.1

¹¹ Signed contract agreement for CTN 181/2018 – Section 3.9

the approved cost of \$578,968.18. The actual amount invoiced by PCO for the work done under the contract amounted to \$ \$631,158.18 resulting in a variation of \$ \$52,190.00.

It was noted that \$52,190 or 80% of the variation amount were procurements made where PCO were responsible for obtaining quotations and was also bidding in the process.

The variation work was charged through twelve (12) separate invoices and paid through eight (8) EFT payments.

It was also noted that invoices which were treated as variation payments, were stand-alone transactions and did not in any way relate to the contract. However, there was no evidence to indicate that prior written approval was obtained from GTB for the variation in fees made as required under the contract.

Since the Ministry was not in a position to determine the actual amount paid to the respective vendors, there is a high risk of costs being inflated and invoiced.

The above findings highlight weaknesses in the control mechanism in place particularly in the manner in which invoices are reviewed and scrutinized before settlements were made. It also indicates the lack of oversight and supervisory check.

9.2.2 Anomalies on Payment for Good and Services

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.¹²

9.2.2.1 Competitive Quotes Not Obtained and Bad Practice in Handling & Processing of Quotations

Review of the expenses incurred by the Ministry for the Event indicate instances of irregularities and non – compliance in the process of obtaining and processing of quotations. Refer below for details:

- (i) No/or less than three (3) competitive quotations were obtained while procuring goods and services valued at \$165,364.26 during the period contrary to section 2.4.2 of the Ministry of Labour, Industrial Relations & Employment Finance Manual 2013;
- (ii) Procurement of goods and services amounting to \$53,908.37 were awarded to suppliers from which quotations were not obtained; and
- (iii) Goods and services valued at \$6,665.45 were procured on the basis of quotations that was used in other procurements.

The findings indicate non – compliance with established rules and regulations by the Ministry of Civil Service and PCO who were responsible for coordinating and managing suppliers for the Event. It also indicates the lack of oversight and supervisory checks by the Ministry.

¹² Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Part 2

9.2.2.2 Non Issuance of Local Purchase Orders and Receipt of Goods and Service Unsubstantiated

A local purchase order shall be issued when procuring any goods, services or works from an organization within Fiji, unless a contract or agreement has been entered into.¹³

A written minute with 3 quotes attached shall be received by the Senior Accountant after endorsement by respective Supervisors authorizing the issue of purchase order.¹⁴

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt in good order and that the invoice is in accordance with the LPO.¹⁵

Review of payments made for the Event by the Ministry during the period revealed the following anomalies:

- (i) Procurements of goods and services valued at \$548,827.13 were made without issue of Local Purchase Orders (LPO) contrary to section 6.2.1 of the Finance Manual 2013. The vendors were mostly paid through Electronic Fund Transfer (EFT).

The goods and services were procured on the strength of Procurement Requisition Form instead of the LPO.

- (ii) Instances were noted where the receipt of goods and services could not be substantiated as the officers responsible for receiving the items did not sign on the invoices.

The finding indicates non – compliance to standing policies and regulations pertaining to procurement of goods and services and the lack of oversight and supervisory checks by the Ministry.

9.2.2.3 Control Weaknesses over the Settlement of Invoices

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur.¹⁶

The Senior Accounts Officer must make sure the following checks are done before authorising any payment: (i) review vendor invoices for accuracy by comparing charges to purchase order and (ii) verify that the goods and services purchased have been received.¹⁷

Review of the expenses incurred by the Ministry for the Event indicate instances of irregularities and non – compliance in the process of settling invoices charged to the Ministry for work done. Refer below for the details:

- (i) Supply of goods and services valued at \$50,948.00 were invoiced to the Ministry prior to the procurement request being made hence resulting in advance payment;

¹³ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.6.1

¹⁴ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.6.3

¹⁵ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 2.6.11

¹⁶ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Part 16

¹⁷ Ministry of Labour, Industrial Relations & Employment Finance Manual 2013 – Section 16.2.3 (i) & (ii)

- (ii) Payment of goods and services valued at \$26,709.50 were made on the basis of photocopied invoices;
- (iii) Payment of goods and services valued at \$102,572.63 were made on the basis of pro – forma invoices; and
- (iv) Payment of goods and services valued at \$32,657.60 were made on the basis of undated and unnumbered invoices. Refer to Table 4.0 below for details.

Table 4.0: Details of Payments made on Undated and Unnumbered Invoice

Date	EFT No	Description	Amount (\$)
26/04/2019	6034	Staff accommodation from 26/04/19 - 05/05/19	26,309.60
13/05/2019	6155	Extension of staff accommodation	6,348.00
Total			32,657.60

The finding indicates lack of proper due care and diligence taken when processing payments particularly in the review and verification of invoices received from suppliers. It also indicates the lack of oversight and supervisory check.

The risk of procurement fraud through collusion with suppliers for goods and services cannot be ruled out in the above instances.

9.2.3 Significant Delays in the Processing of ADB Meeting Event Major Contracts

Procurement is a lengthy process, and it is essential that relevant regulations and procedures are followed with no short-cuts. It is highly recommended that the procurement of any suppliers and services for the Annual Meeting be finalized by December of the year before the Annual Meeting. The procurement process should therefore commence early enough to follow the host country's procurement procedures, with allowance for delays.¹⁸

Host Country: Major contracts will include the following: (a) Professional Congress Organizer (should be selected at least 18 months before the Annual Meeting); (b) Transport; (c) Tours (if any); (d) Construction of offices (if required); (e) Furniture (if required); (f) Catering (at the meeting venue and any offsite events organized by the host country); (g) Local staff; (h) Computers and other IT equipment; (i) Photocopiers; (j) Cabling for computers, CCTV between buildings; (k) Audio-visual provider including LCD screens, video walls, sound system and microphones; and (l) Large and small format printing.¹⁹

Host country shall ensure that deadlines for procurement set by ADB are strictly followed.²⁰

Review of procurements made by the Ministry for the Event revealed a significant delay in the processing of host country major contracts and non – compliance with requirements set by the ADB concerning the Annual Meeting. The following anomalies were noted:

- (i) Eight (8) host country major contracts were entered into via thirteen (13) different engagement with ten (10) suppliers. Out of the thirteen (13) entered into, nine (9) or 70% of contracts were entered into after the required due date set by ADB had lapsed;

¹⁸ ADB Green Book 2019 – Chapter 16 – Procurement – Section 1 (Best Practice Guide)

¹⁹ ADB Green Book 2019 – Chapter 16 – Procurement – Section 2.1 (Best Practice Guide)

²⁰ ADB Green Book 2019 – Chapter 16 – Procurement – Section 4 (Best Practice Guide)

- (ii) Number of days that processing of procurement has been delayed ranged from eighteen (18) days to one (1) year;
- (iii) Out of ten (10) suppliers engaged, seven (7) or 70% were engaged without following the tender process. Waiver of tender was requested and approved on those occasions in order to facilitate the preparation of the Event. Due to delays discussed above, it was not practical to follow the tender process in these instances; and
- (iv) Five (5) or 30% engagement were made after the Technical Mission was completed in February 2019. This is when the final discussions, including selection of models (equipment), menus (catering), and designs (uniforms) were made.

The significant delay and non - calling of tender process was largely due to the following:

- (i) Delay in the recruitment of key positions in the Events Division of the Ministry of Civil Service to undertake the process;
- (ii) Delay in the appointment of the Professional Conference Organizer (PCO) who has the contractual responsibility of sourcing suppliers needed for the Event; and
- (iii) Due to the late appointment of PCO, the work of determining the scope and specifications of what was required for the event was delayed. Since sufficient time was not available for tender process to be followed, quotations were obtained and request for waiver of tender was made.

The findings indicate the lack of capacity and planning within the Ministry to ensure that procurement processes commenced early so that required procurement procedures were not compromised.

The Ministry did not properly manage the conflict of interest arising from the appointment of Events Transport Service Provider and Professional Conference Organizer (PCO). This resulted in PCO engaging their own transport fleet to provide transport services, which could have been provided by other suppliers at lesser cost.

Generally, the Events Team at the Ministry was not properly structured which contributed to non-segregation of duties which has resulted in serious anomalies. The entire payments for good and services were largely left to be handled by two accounts officers without proper supervision from senior officers.

The overall impact of the voiding of expenditure further limited our scope to ascertain the completeness of the total expenditure incurred for hosting the Event.

Recommendations

- **The Events team should be fully resourced, experienced and well-structured to manage the entire process of organising such meetings in future;**
- **Procurement of suppliers and services for events of such magnitude should be finalized at least 5 months prior to the event date;**
- **Consideration should be given to engage an internal auditor to conduct real-time audit and provide oversight function during the procurement process for large events; and**
- **The standing rules and regulation pertaining to the procurement of goods and services must be followed at all times.**

The above anomalies noted for procurement of goods and services should be referred to relevant law enforcement agencies for further investigation as the risk of fraud through collusion is rated very high.

Objective 3: To establish if the limitations in the FMIS over the processing of payments and/or other transactions provide avenues for the misappropriation of government funds particularly in the instance under review.

9.3.1 Voiding of Payment Process

Review of the processes available for a FMIS user to perform voiding of payments noted the following:

- (i) FMIS allows for re-opening of prior year open payables although payments being already made and accounting period had closed;
- (ii) FMIS also allows for voiding of current year transactions although payments were issued and presented to bank;
- (iii) FMIS users responsible for voiding payments were usually encouraged to void payments from AP 490 (voiding of individual payment panel) rather than AP 491 (voiding of multiple payments panel). However, there is no documented instruction regarding this;
- (iv) There was no evidence of documented policies and guidelines in place to follow in the event where voiding becomes necessary due to error;
- (v) There is no back up copy of the system report generated when voiding payment in AP 491 except those generated in the user's spool folder; and
- (vi) Although voiding is discouraged from AP 491 panel, there is no restriction in place in the system to prevent users from accessing it.

It can be concluded that limitations within the FMIS system allowed voiding of transactions to take place which resulted in loss of financial data.

Based on the evidence gathered during the audit, we conclude that limitations over the processing of payments and/or other transactions in FMIS exists and allows for misappropriation of funds and/or loss of financial data when exploited.

Recommendations

Ministry of Economy FMIS Division should:

- ensure that adequate controls are put in place to restrict and detect the voiding of transactions;
- issue guidelines to all FMIS users to follow should voiding become necessary due to accounting errors;
- ensure that the Head of Accounting in each agency provides a copy of the delegated authority for transactions to be voided into the system; and
- restrict voiding of transactions following closure of account.



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