



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2020 & 2021

AUDIT REPORT ON INFRASTRUCTURE SECTOR



**PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 57 OF 2023**



OFFICE of the AUDITOR GENERAL
Republic of Fiji

VISION

**Promoting public sector accountability
and sustainability through our audits**

To provide independent value adding
audit services

MISSION

To provide an environment where
our people can excel

RESPECT

We uphold respect
in our relationships.

INTEGRITY

We are ethical, fair and
honest in our duties.

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& OBJECTIVE

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and report objectively.

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the highest standard of
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Our processes
are transparent.

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PROFESSIONAL FRAMEWORK

International Standards for Supreme Audit Institutions

International Standards on Auditing

LEGAL FRAMEWORK

2013 CONSTITUTION OF THE
REPUBLIC OF FIJI

AUDIT
ACT 1969

ENVIRONMENT
MANAGEMENT ACT

NDP AND OTHER
LEGISLATION

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File: 102

08 June 2023

The Honourable Ratu Naiqama Lalabalavu
Speaker of the Parliament of the Republic of Fiji
Parliament Complex
Constitution Drive
SUVA.

Dear Sir

2020 AND 2021 AUDIT REPORT ON INFRASTRUCTURE SECTOR

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the Infrastructure Sector for 2020 and 2021.

A copy of the report has been submitted to the Minister for Finance 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

Sairusi Dukuno
ACTING AUDITOR-GENERAL



Encl.

The Office of the Auditor-General – Republic of Fiji

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

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

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

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

TABLE OF CONTENTS

AUDITOR-GENERAL’S FOREWORD	3
1.0 SECTOR SUMMARY	5
2.0 AUDIT OPINION RESULTS	6
3.0 ASSESSMENT OF FINANCIAL GOVERNANCE	9
3.1 Internal control framework	9
3.2 Internal controls	10
3.3 Preparation of Draft Agency Financial Statements	10
3.4 Quality of Draft Financial Statements by Entities	11
3.5 Timeliness of Draft Financial Statements for Entities	11
3.6 Timeliness of provision of management comments and signing of financial statements	12
4.0 RESULT SUMMARY – FINANCIAL GOVERNANCE	13

AUDITOR-GENERAL'S FOREWORD



I am pleased to present the 2020 and 2021 report on the Infrastructure Sector.

With effect from 24 February 2022, I took up the acting appointment of the Auditor General. Over this period, I brought upon strategies to update the audits of Ministries and Department.

Permanent Secretaries and those charged with governance of the agencies under the Infrastructure Sector, are responsible for the preparation and fair presentation of the financial statements in accordance with requirements of Finance Management Act 2004 and Finance Instructions 2010.

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

It is important to note that the deficiencies highlighted in this report were identified during our audit and may have been subsequently resolved. These have been included in this report as they impacted on the overall system of control of the Ministries and Departments as at 31 July 2020 and 2021.

Status of the Audits

As at 31 May 2023, we have completed the audits of the Infrastructure Sector for the year ended 31 July 2022 and they will also be reported to Parliament.

Report

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

The issues discussed in this report require the prompt action by Permanent Secretaries to improve their financial accountability. On the same note, I would like to commend the entities that have already made efforts to improve their financial reporting, governance, and internal controls.

I hope my reports to Parliament are a catalyst for change in public sector. While I believe that real change required the resolve and action of public sector entities themselves through continuous learning and development. I hope that these entities recognize the value of audit, welcome the scrutiny to act upon my recommendations to foster a culture of change and continuous improvement.

I would also like to acknowledge the assistance and cooperation rendered to my Office by these entities throughout the audit process.



Sairusi Dukuno

Acting Auditor-General

Date: 08 June 2023

1.0 SECTOR SUMMARY

This report includes the audit for agencies under the Infrastructure Sector, namely:

Head 40	Ministry of Infrastructure and Meteorological Services ¹
Head 41	Water Authority of Fiji
Head 42	Ministry of Waterways and Environment
Head 43	Fiji Roads Authority

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

Head	Agency	Date Acceptable Draft Accounts Received for Audit	Audit Status as at 05/05/23
41	Water Authority of Fiji	Draft Financial for 2021 and 2022 received on 25/04/23	Audit conduct for 2021 and 2022 to commence on 05/06/23.
43	Fiji Roads Authority	Draft Financial for 2022 received on 03/02/2023	Audit opinion issued on 30/03/2023

Results of our Audits - Quality and Timeliness of Financial statements

The audit of the Ministry of Infrastructure and Meteorological Services and the Ministry of Waterways and Environment resulted in the Auditor-General issuing modified audit opinions. The details are contained in [Section 2.0](#).

The submission of acceptable draft financial statements for audit have generally improved.

¹ In 2020, Head 40 was the Ministry of Infrastructure and Transport. In 2021, it was the Ministry of Infrastructure and Meteorological Services

2.0 AUDIT OPINION RESULTS

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

Comparatively, for the financial years 2020 and 2021, the quality of the agency financial statements for Infrastructure Services Sector has not improved. This indicates that significant matters reported in the independent auditors' report were not given adequate attention. As a result, these matters remain unresolved resulting in modified audit opinion.

For financial years 2020 and 2021, both the Ministry of Infrastructure and Meteorological Services and the Ministry of Waterways and Environment were issued with modified audit opinions.

The following table presents comparison of the results of our audit for last three financial years for Ministry of Infrastructure and Meteorological Services and the Ministry of Waterways and Environment under the Infrastructure Sector.

Head of Appropriation/ Ministry	2020-2021 Financial Year		2019-2020 Financial Year	2018-2019 Financial Year
	Date Audit Report Signed	Audit Opinion Type	Audit Opinion Type	Audit Opinion Type
40. Ministry of Infrastructure and Meteorological Services	19/08/22	Modified	Modified	Modified
42. Ministry of Waterways and Environment	26/10/22	Modified	Modified	Modified

In accordance with International Standards on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the Financial Management Act 2004, Finance Instructions 2010 and with relevant legislative requirements.

This type of opinion indicates that the financial statements are free from material misstatements, individually or in aggregate.

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

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

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

Based on the above, I issued modified audit opinion on the following grounds presented in the next page.

Ministry of Infrastructure and Transport - 2020

1. An unreconciled variance of \$1,405,243 exists between the TMA balance sheet cash at bank balance of \$1,648,451 and bank reconciliation balance of \$243,209 as at 31/07/20. Consequently, the audit could not confirm the accuracy and completeness of the cash at bank balance of \$2,650,934 stated in the Consolidated TMA balance sheet as at 31 July 2020.
2. Energy Trust Account closing balance of \$2,907,001 was not supported with a detailed listing. Consequently, the audit was unable to perform appropriate verifications to confirm the accuracy of the balance stated in the Energy Trust Account Receipts and Payments.
3. The Ministry was unable to explain or provide relevant supporting documents to substantiate part of the accounts receivable balance amounting to \$39,285. As a result, audit could not confirm the accuracy and completeness of the Accounts Receivable balance of \$109,495 stated in the Consolidated TMA balance sheet as at 31 July 2020.

Ministry of Infrastructure and Meteorological Services - 2021

1. An unreconciled variance of \$1,413,023 exists between the TMA balance sheet cash at bank balance of \$1,636,578 and bank reconciliation balance of \$223,556 as at 31/07/21. Consequently, the audit could not confirm the accuracy and completeness of the Cash at bank balance of \$2,767,216 stated in the Consolidated TMA balance sheet as at 31 July 2021.
2. Energy Trust Account closing balance of \$3,228,672 was not supported with a detailed listing. Consequently, the audit was unable to perform appropriate verifications to confirm the accuracy of the balance stated in the Energy Trust Account Receipts and Payments.
3. The Ministry was unable to explain or provide relevant supporting documents to substantiate part of the accounts receivable balance amounting to \$31,564. As a result, audit could not confirm the accuracy and completeness of the Accounts Receivable balance of \$78,567 stated in the Consolidated TMA balance sheet as at 31 July 2021.

Ministry of Waterways and Environment - 2020

1. An unreconciled variance of \$6,619,431 exists between the bank reconciliations balance and the cash at bank general ledger balance for the Environment Trust Fund Account as at 31 July 2020. In addition, an unreconciled variance of \$640,470 exists between the Trust Fund Account cash general ledger balance and the cash at bank general ledger balance. Furthermore, the Ministry was unable to provide me with payment vouchers totalling \$247,706 for the Environment Trust Fund Account Expenditure. Consequently, the audit was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$2,624,163 reflected in the Environment Trust Fund Account Statement of Receipts and Payments.
2. Waterways Trust Fund revenues totalling \$511,548 for the 2020 financial year that were deposited into the Waterways Retention Trust Fund Bank Account, were not posted in the general ledger during the year. As a result, Trust Fund revenue for Waterways Trust Fund Account was understated by \$221,004 in the financial statements. In addition, there was an

unreconciled variance of \$303,370 between the bank reconciliations balance and the cash at bank general ledger balance for the Waterways Trust Fund Account. Consequently, the audit was unable to ascertain the accuracy and completeness of the trust fund account balance of \$90,293 reflected in the Waterways Retention Trust Fund Account Statement of Receipts and Payments.

Ministry of Waterways and Environment - 2021

1. An unreconciled variance of \$8,225,767 exists between the bank reconciliations balance and the cash at bank general ledger balance for the Environment Trust Fund Account as at 31 July 2021. In addition, there was an unreconciled variance of \$641,185 between the Trust Fund Account general ledger balance and the cash at bank general ledger balance. Furthermore, the Ministry was unable to provide me with payment and journal vouchers totalling \$2,103,929 for the Environment Trust Fund expenditure. Consequently, the audit was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$4,771,296 reflected in the Environment Trust Fund Account Statement of Receipts and Payments.
2. Waterways Trust Fund revenues totalling \$103,608 for the 2021 financial year that were deposited into the Waterways Retention Trust Fund Bank Account, were not posted into the general ledger during the year. As a result, the Waterways Retention Trust Fund Accounts had an overdrawn (debit) balance of \$61,355 as at 31 July 2021. In addition, Trust Fund revenue for Waterways Trust Fund Account was understated by \$101,261 in the financial statements. Furthermore, there was an unreconciled variance of \$406,910 between the bank reconciliations balance and the cash at bank general ledger balance for the Waterways Trust Fund Account. Consequently, the audit was unable to ascertain the accuracy and completeness of the Trust Fund Account balance of \$(61,355) reflected in the Waterways Retention Trust Fund Account Statement of Receipts and Payments.

3.0 ASSESSMENT OF FINANCIAL GOVERNANCE

This section evaluates the effectiveness of the internal controls maintained by the two Ministries.

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

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

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

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

3.1 Internal control framework

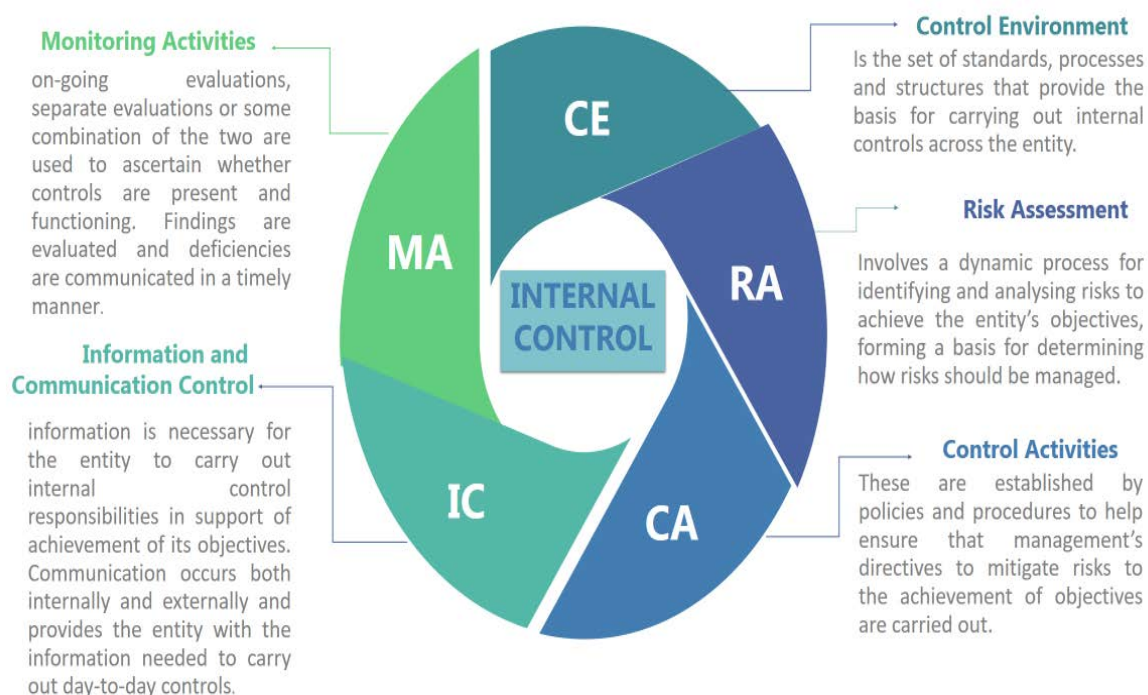
During our audit, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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

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

3.2 Internal controls

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



3.3 Preparation of Draft Agency Financial Statements

2020

On 01 May 2020, Permanent Secretary for Finance issued Circular No. 03/2019-2020 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2020 accounts and times were detailed.

- Cancellation of unprocessed purchase orders by 20 July 2020
- Retirement of Imprest by 17 July 2020
- Processing of payments by 29 July 2020
- Clearance of stale cheques by 6 August 2020
- Closing date for journal adjustments by 6 August 2020
- Processing of virement by 21 August 2020
- Completion of reconciliation by 28 August 2020
- Clearance of Interdepartmental clearance accounts by 7 August 2020
- Annual Board of Survey on Drawings accounts cheques by 28 August 2020
- Submission of Arrears of Revenue Return by 28 August 2020

2020-2021

Similarly, on 30 April 2021, Permanent Secretary for Finance issued Circular No. 08/2020-2021 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2021 accounts and times were detailed.

- Cancellation of unprocessed purchase orders by 19 July 2021
- Retirement of Imprest by 16 July 2021
- Processing of payments by 29 July 2021
- Clearance of stale cheques by 6 August 2021
- Closing date for journal adjustments by 6 August 2021
- Processing of virement by 20 August 2021
- Completion of reconciliation by 27 August 2021
- Clearance of Interdepartmental clearance accounts by 6 August 2021
- Annual Board of Survey on Drawings accounts cheques by 27 August 2021
- Submission of Arrears of Revenue Return by 27 August 2021

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

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

3.4 Quality of Draft Financial Statements by Entities

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

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

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

3.5 Timeliness of Draft Financial Statements for Entities

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

Rating	Timeliness of draft financial statements assessment
Effective	Acceptable draft financial statements received before or on 15 October 2020 and 2021
Generally effective	Acceptable draft financial statements received on or before 31 October 2020 and 2021
Ineffective	Acceptable draft financial statements received after 31 October 2020 and 2021

3.6 Timeliness of provision of management comments and signing of financial statements

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

Rating	Timeliness of Management Comments Received
🟢 Effective	Within 14 days from the issue of Draft Management Letter
🟡 Ineffective	Within 21 days from the issue of Draft Management Letter
🔴 Ineffective	After 21 days from the issue of Draft Management Letter
Rating	Timeliness of Signed Financial Statements Received
🟢 Effective	Within 5 days from the issue of Financial Statements for signing
🟡 Generally Effective	Within 15 days from the issue of Financial Statements for signing
🔴 Ineffective	After 15 days from the issue of Financial Statements for signing

4.0 RESULT SUMMARY – FINANCIAL GOVERNANCE

The following table comparatively summarises our assessment of controls, the financial statement preparing processes and responses to the Office of the Auditor-General by the Ministries in the Infrastructure Sector for financial Years 2019-2021 which were subject to our audit.

	Internal controls										Financial Statement Preparation					Responses to OAG					
	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS											
Financial Year	'21	'20	'19	'21	'20	'19	'21	'20	'19	'21	'20	'19	'21	'20	'19	'21	'20	'19	'21	'20	'19
Infrastructure Sector																					
40. Ministry of Infrastructure and Transport	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀
42. Ministry of Waterways and Environment	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀	☀

'19 = 2019 '20 = 2020 '21 = 2021

CE=Control Environment

RA=Risk Assessment Q=Quality of draft financial statements

IC=Information and Communication Control

CA=Control Activities YE= Year-end close processes

T=Timeliness of draft financial statements

MA=Monitoring Activities

MC=Management Comments provided

SFS=Signed Audited financial statements returned

Head 40

Ministry of Infrastructure and Meteorological Services

Roles and Responsibilities

The Ministry of Infrastructure and Meteorological Services ('Ministry') consists of the Government Shipping Services, Department of Works, Department of Energy, Department of Water and Sewerage and the Department of Meteorological Services.

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

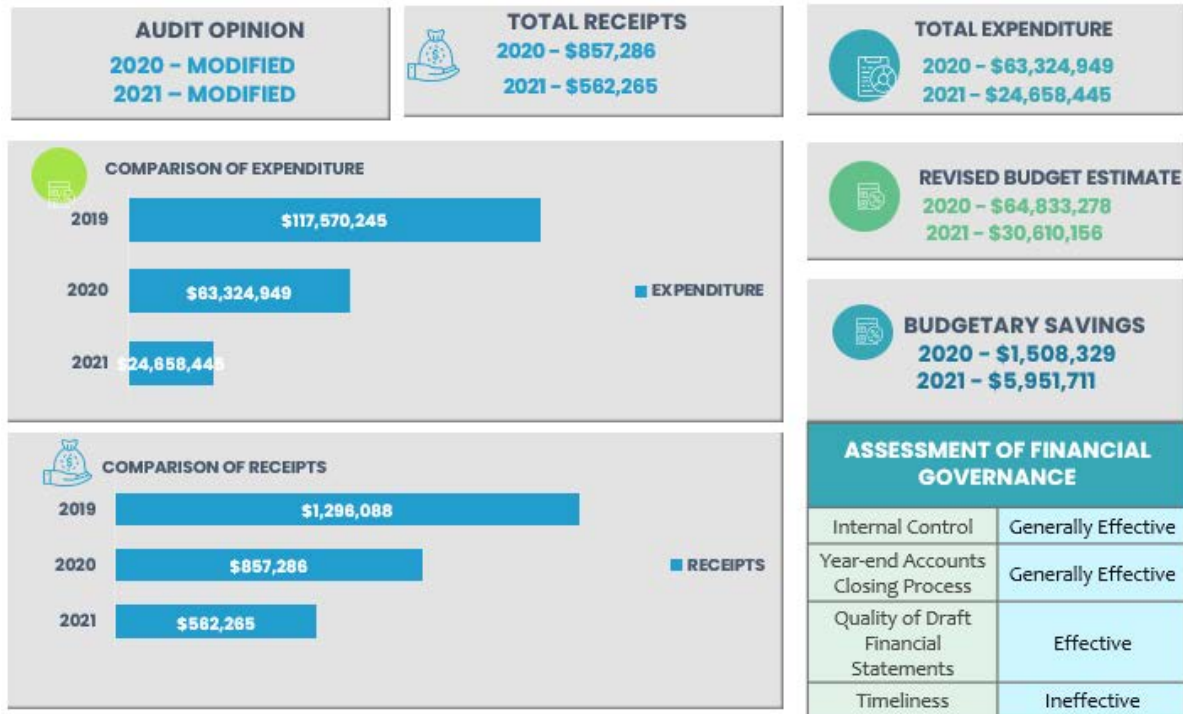
Table of Contents

PART A: FINANCIAL INFORMATION	3
40.1 Financial Information.....	3
40.2 Audit Opinion	3
40.3 Appropriation Statement for Head 40	4
40.4 Appropriation Statement – Head 41	7
40.5 Appropriation Statement – Head 43.....	8
40.6 Trading and Manufacturing Account (TMA)	9
40.7 Trust Fund Account.....	12
PART B: OTHER SIGNIFICANT MATTERS	14
40.8 Significant Arrears of Revenue Owed by CAAF & AFL – Meteorology Department...	14
40.9 VAT Portion of Capital Expenditure not posted to VAT allocations.....	15
40.10 Unsubstantiated Balance for the Energy Trust Fund Account.....	16
40.11 Variance between TMA Building Cash Book and FMIS GL.....	17
40.12 Unsubstantiated General Ledger Account Balance - Head 41 – WAF	19
40.13 Unsubstantiated and Carry Forward TMA Accounts Receivable Account	20
40.14 Significant Dormant Operating Trust Account Balances.....	21
40.15 Dormant TMA Deposits & Deductions Balances	22
PART C: ASSESSMENT OF FINANCIAL GOVERNANCE	24
40.16 Internal Controls	24
40.17 Submission of FY 2020 and 2021 Draft Agency Financial Statements	25
40.18 Quality of Draft Financial Statements by the Ministry.....	26
40.19 Timeliness of Draft Financial Statements	26
40.20 Timeliness of Provision for Management Comments and Financial Statements for Signing	26
APPENDIX 40.1: DETAILS OF CONSOLIDATED TMA BALANCES.....	27

APPENDIX 40.2: ENERGY TRUST FUND ACCOUNT - 2020	30
APPENDIX 40.2: ENERGY TRUST FUND ACCOUNT - 2021.....	31

PART A: FINANCIAL INFORMATION

40.1 Financial Information



40.2 Audit Opinion

2020

The audit of the 2020 accounts of the Ministry of Infrastructure and Transport resulted in a modified audit opinion. The qualification issues were as follows:

- An unreconciled variance of \$1,405,243 exists between the TMA balance sheet cash at bank balance of \$1,648,451 and bank reconciliation balance of \$243,209 as at 31/07/20. Consequently, the audit could not confirm the accuracy and completeness of the cash at bank balance of \$2,650,934 stated in the Consolidated TMA balance sheet as at 31 July 2020.
- Energy Trust Account closing balance of \$2,907,001 was not supported with a detailed listing. Consequently, the audit was unable to perform appropriate verifications to confirm the accuracy of the balance stated in the Energy Trust Account Receipts and Payments.
- The Ministry was unable to explain or provide relevant supporting documents to substantiate part of the accounts receivable balance amounting to \$39,285. As a result, audit could not confirm the accuracy and completeness of the Accounts Receivable balance of \$109,495 stated in the Consolidated TMA balance sheet as at 31 July 2020.

Furthermore, attention was also drawn to the following matters:

- The Ministry has disclosed the seventeen Trading and Manufacturing Accounts in the financial statements by consolidating them according to divisions. The change in the format of the presentation has resulted in the limited information being disclosed in the financial statements for each type of TMA in terms of its performance and cash flows. In addition, the explanations for variances noted in the note to the financial statements are not meaningful as comparatives for 2019 have not been reflected in the financial statements.
- The Ministry has disclosed status of the Rural Electrification Projects (REU) contracted out to Energy Fiji Limited (EFL) in the financial statements. As at 31 July 2020, Energy Fiji Limited was yet to implement a total of 90 Rural Electrification Project totalling \$46.7 million.

2021

The audit of the 2021 accounts of the Ministry of Infrastructure and Transport resulted in a modified audit opinion. The qualification issues were as follows:

- An unreconciled variance of \$1,413,023 exists between the TMA balance sheet cash at bank balance of \$1,636,578 and bank reconciliation balance of \$223,556 as at 31/07/21. Consequently, the audit could not confirm the accuracy and completeness of the Cash at bank balance of \$2,767,216 stated in the Consolidated TMA balance sheet as at 31 July 2021.
- Energy Trust Account closing balance of \$3,228,672 was not supported with a detailed listing. Consequently, the audit was unable to perform appropriate verifications to confirm the accuracy of the balance stated in the Energy Trust Account Receipts and Payments.
- The Ministry was unable to explain or provide relevant supporting documents to substantiate part of the accounts receivable balance amounting to \$31,564. As a result, audit could not confirm the accuracy and completeness of the Accounts Receivable balance of \$78,567 stated in the Consolidated TMA balance sheet as at 31 July 2021.

Furthermore, attention was also drawn to the following matters:

- The Ministry has disclosed the seventeen Trading and Manufacturing Accounts in the financial statements by consolidating them according to divisions. The change in the format of the presentation has resulted in the limited information being disclosed in the financial statements for each type of TMA in terms of its performance and cash flows. In addition, the explanations for variances noted in the note to the financial statements are not meaningful as comparatives for 2020 have not been reflected in the financial statements.
- The Ministry has disclosed status of the Rural Electrification Projects (REU) contracted out to Energy Fiji Limited (EFL) in the financial statements. As at 31 July 2021, Energy Fiji Limited was yet to implement a total of 49 Rural Electrification Project totalling \$27.57 million.

40.3 Appropriation Statement for Head 40

2020

The Ministry collected revenue totalling \$857,286 in 2020 and incurred expenditure totalling \$63.3 million against a revised budget of \$64.8 million resulting in savings of \$1.5 million or 2%.

Details of expenditure against the revised budget are provided in Table 40.1 below.

Table 40.1: Head 40 – Appropriation Statement for 2020

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	8,820,912	408,669	9,229,581	9,140,714	88,867
2	Government wage earners	6,247,933	(346,351)	5,901,582	5,808,086	93,496
3	Travel & communication	509,322	131,549	640,871	618,397	22,473
4	Maintenance & operations	6,287,675	982,877	7,270,552	7,111,494	159,058
5	Purchase of goods & services	742,391	349,129	1,091,520	1,051,541	39,979
6	Operating grant & transfers	23,459,724	1,776,629	25,236,353	24,831,912	404,441
7	Special expenditure	576,145	(41,953)	534,192	291,638	242,554
	Total Operating Expenditure	46,644,102	3,260,549	49,904,651	48,853,782	1,050,869
8	Capital construction	1,440,000	(455,439)	984,561	983,283	1,278
9	Capital purchase	93,000	-	93,000	93,000	-
10	Capital grants & transfers	14,031,221	(1,146,332)	12,884,889	12,460,618	424,271
	Total Capital Expenditure	15,564,221	(1,601,771)	13,962,450	13,536,901	425,549
13	Value added tax	836,900	129,277	966,177	934,266	31,911
	Total Expenditure	63,045,223	1,788,055	64,833,278	63,324,949	1,508,329

The budget savings were largely due to the following:

1. The savings for payroll is due to reduction in overtime work.
2. The savings in travel and communication, maintenance and operations, purchase of goods and services is due to implementation of controls to reduce expenditure for the respective expenditure allocations.
3. The savings in operating grants and transfers is due to decrease in operating grants for Land Transport Authority.
4. Savings in special expenditure is due to reprioritising of the New Government Vessel budget for Government Shipping Services during the Covid-19 period.
5. Savings in capital grants and transfers is due to decrease in budget allocation and utilisation for rural electrification projects.

2021

The Ministry collected revenue totalling \$562,265 in 2021 and incurred expenditure totalling \$24.7 million against a revised budget of \$30.6 million resulting in savings of \$5.9 million or 19%.

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

Table 40.2: Head 40 – Appropriation Statement for 2021

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	11,274,676	(799,887)	10,474,789	10,297,919	176,870
2	Government wage earners	3,031,242	(198,546)	2,832,696	2,767,167	65,529
3	Travel & communication	553,300	455,008	1,008,308	884,908	123,400
4	Maintenance & operations	2,811,637	605,495	3,417,132	3,130,856	286,276
5	Purchase of goods & services	882,700	43,747	926,447	792,721	133,726
6	Operating grant & transfers	50,000	22,814	72,814	63,121	9,693
7	Special expenditure	1,161,100	(12,631)	1,148,469	270,082	878,387
	Total Operating Expenditure	19,764,655	116,000	19,880,655	18,206,774	1,673,881
8	Capital construction	925,000	(116,000)	809,000	695,290	113,710
9	Capital purchase	-	-	-	-	-
10	Capital grants & transfers	9,381,963	-	9,381,963	5,305,655	4,076,308
	Total Capital Expenditure	10,306,963	(116,000)	10,190,963	6,000,945	4,190,018
13	Value added tax	538,538	-	538,538	450,726	87,812
	Total Expenditure	30,610,156	-	30,610,156	24,658,445	5,951,711

The budget savings were largely due to the following:

1. The savings for payroll, is due to the transfer of 140 post of Government Shipping Services to Ministry of Commerce, Trade, Tourism and Transport effective 1st August 2020.
2. The savings in travel and communication, maintenance and operations, purchase of goods and services is due to transfer of Government Shipping Services to Ministry of Commerce, Trade, Tourism and Transport effective 1st August 2020.
3. The savings in capital expenditures is due the Covid 19 travel restrictions which halted most of the Ministry's Capital Works.

40.4 Appropriation Statement – Head 41

2020

The Water Authority of Fiji incurred expenditure totaling \$175.2 million in 2020 against a revised budget of \$183.5 million resulting in savings of \$8.3 million or 5%.

Details of expenditure against the revised budget are provided in Table 40.3 below.

Table 40.3: Head 41 – Appropriation Statement for 2020

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	82,506,692	-	82,506,692	82,506,692	-
	Total Operating Expenditure	82,506,692	-	82,506,692	82,506,692	-
10	Capital grants & Transfers	100,512,616	489,686	101,002,302	92,665,761	8,336,541
	Total Capital Expenditure	100,512,616	489,686	101,002,302	92,665,761	8,336,541
	Total Expenditure	183,019,308	489,686	183,508,994	175,172,453	8,336,541

The savings in capital expenditures is due to the non-release of funds from the Ministry of Finance due to the Covid 19 pandemic situations and less operations for the Water Authority of Fiji.

2021

The Water Authority of Fiji incurred expenditure totaling \$160.6 million in 2021 against a revised budget of \$180.4 million resulting in savings of \$19.8 million or 11%.

Details of expenditure against the revised budget are provided in Table 40.4 below.

Table 40.4: Head 41 – Appropriation Statement for 2021

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	75,138,730	-	75,138,730	74,707,602	431,128
	Total Operating Expenditure	75,138,730	-	75,138,730	74,707,602	431,128
10	Capital grants & Transfers	120,255,067	(15,000,000)	105,255,067	85,909,012	19,346,055
	Total Capital Expenditure	120,255,067	(15,000,000)	105,255,067	85,909,012	19,346,055

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Expenditure	195,393,797	(15,000,000)	180,393,797	160,616,614	19,777,183

The savings in is due the non-release of funds from the Ministry of Finance due to the Covid 19 pandemic situations and less operations for the Water Authority of Fiji.

40.5 Appropriation Statement – Head 43

2020

The Fiji Roads Authority incurred expenditure totalling \$272.7 million in 2020 against a revised budget of \$317.9 million resulting in savings of \$45.2 million or 14%.

Details of expenditure against the revised budget are provided in Table 40.5 below.

Table 40.5: Head 43 – Appropriation Statement for 2020

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	16,544,054	-	16,544,054	16,544,054	-
	Total Operating Expenditure	16,544,054	-	16,544,054	16,544,054	-
10	Capital grants & transfers	260,000,000	41,328,756	301,328,756	256,112,299	45,216,457
	Total Capital Expenditure	260,000,000	41,328,756	301,328,756	256,112,299	45,216,457
	Total Expenditure	276,544,054	-	317,872,810	272,656,353	45,216,457

The savings in capital expenditures is due the non-release of funds from the Ministry of Finance due to the Covid 19 pandemic situations and less operations for Fiji Roads Authority.

2021

The Fiji Roads Authority incurred expenditure totalling \$277.1 million in 2021 against a revised budget of \$339.9 million resulting in savings of \$62.8 million or 18%.

Details of expenditure against the revised budget are provided in Table 40.6 below.

Table 40.6: Head 43 – Appropriation Statement for 2021

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	14,191,952	-	14,191,952	14,191,952	-
	Total Operating Expenditure	14,191,952	-	14,191,952	14,191,952	-
10	Capital grants & transfers	334,751,846	(9,000,000)	325,751,846	262,933,340	62,818,506
	Total Capital Expenditure	334,751,846	(9,000,000)	325,751,846	262,933,340	62,818,506
	Total Expenditure	348,943,798	(9,000,000)	339,943,798	277,125,292	62,818,506

The savings in capital expenditures is due the non-release of funds from the Ministry of Finance due to the Covid 19 pandemic situations and less operations for Fiji Roads Authority.

40.6 Trading and Manufacturing Account (TMA)

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

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

The activities of the TMA are as follows:

Joinery

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

Plumber shop

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

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

Fuel and Oil

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

Lube Bay

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

Plant Hire

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

Workshop Wages

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

Blocks Shed

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

until this day. The volume of work that the Block shed TMA undertakes each year varies depending on the needs of other government ministries and department.

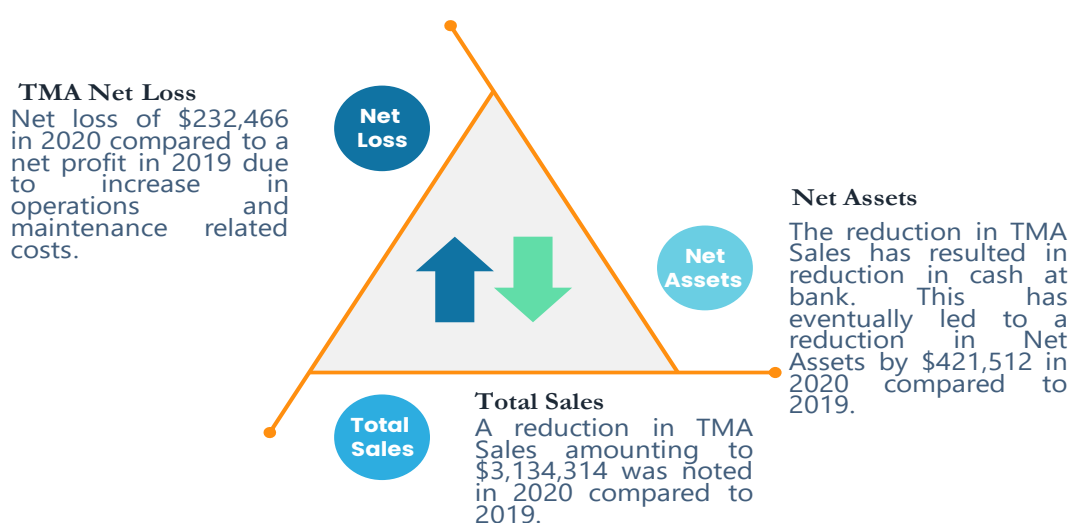
All Trading and Manufacturing Account in the respective Divisions has a ceiling as noted below:

Table 40.7: Details of TMA Ceiling

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

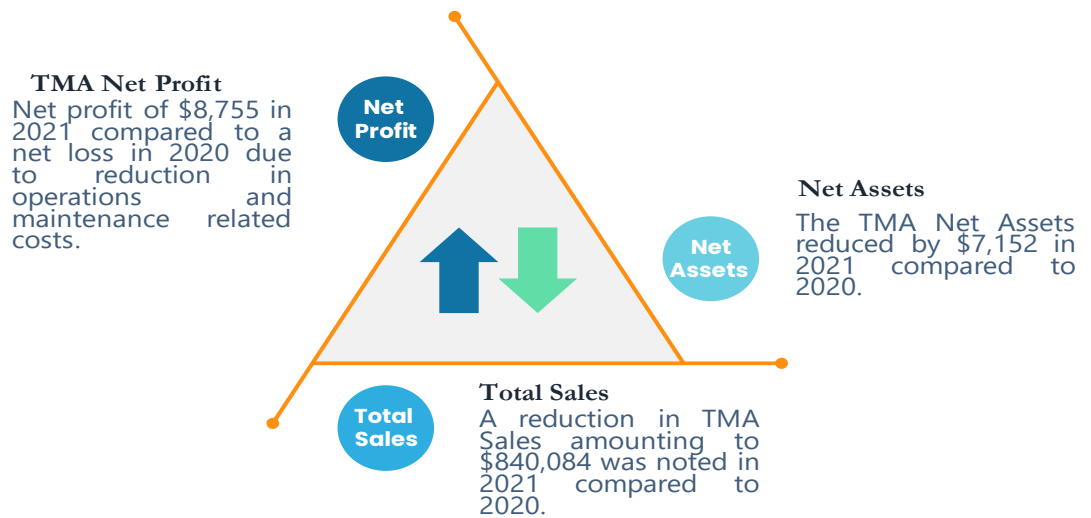
2020

The financial analysis of TMA for the year ended 31 July 2020 is provided below. Detailed Statements for the TMA are provided in Appendix 40.1.



2021

The financial analysis of TMA for the year ended 31 July 2021 is provided below. Detailed Statements for the TMA are provided in Appendix 40.1.



40.7 Trust Fund Account

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

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

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

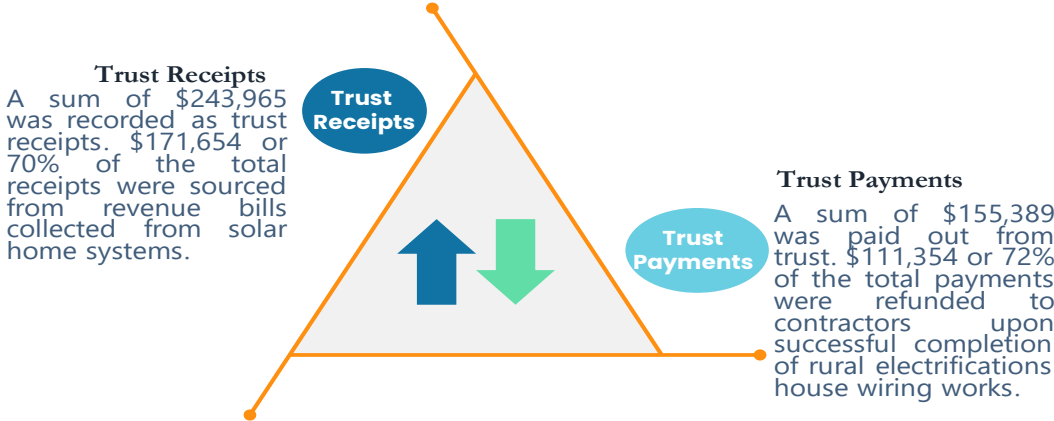
- Waiver of community contribution to reciprocate community contribution in kind;
- Removal of finite assistance for diesel schemes recipients making them eligible for electrification via renewable based technologies like solar home systems;
- Increase in the Energy Fiji Ltd 's annual Rural Electrification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

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

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

2020

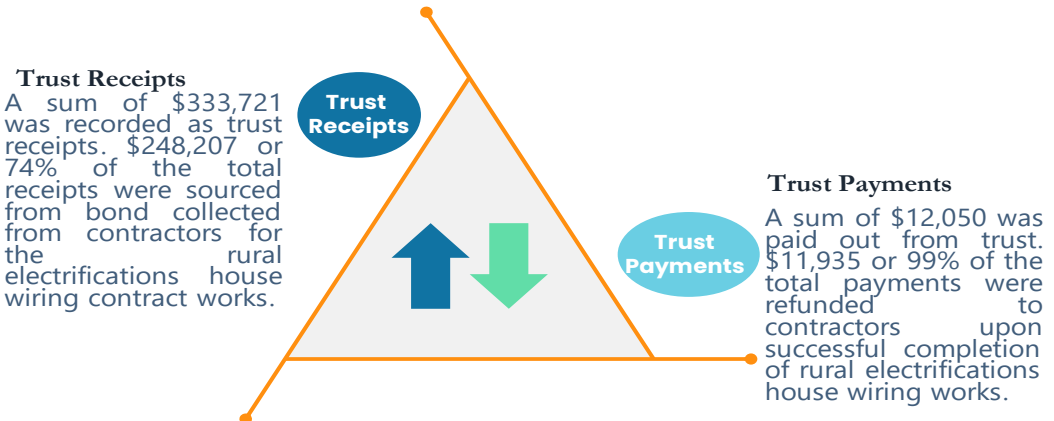
The Ministry collected trust fund revenue totalling \$243,965 in 2020 and incurred expenditure totalling \$155,389 resulting in a surplus of \$88,576 compared to a surplus of \$373,230 recorded in 2019.



The detailed trust fund account statement of receipts and payments is provided in Appendix 40.2.

2021

The Ministry collected trust fund revenue totalling \$333,721 in 2021 and incurred expenditure totalling \$12,050 resulting in a surplus of \$321,671 compared to a surplus of \$88,576 recorded in 2020.



The detailed trust fund account statement of receipts and payments is provided in Appendix 40.3.

PART B: OTHER SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2020 and 31 July 2021.

40.8 Significant Arrears of Revenue Owed by CAAF & AFL – Meteorology Department

Cabinet decision (05) 310 of 2005 ratified that Civil Aviation Authority of Fiji (CAAF) and Airports Fiji Limited (AFL) reimburse the Fiji Meteorological Services 50% of meteorological aviation costs in relation to the Nadi, Nausori terminal and the en-route only backdating the same to 1 July 1978.

The same cabinet decision also approved that a review of the structure of costs be carried out and funded by the Meteorological Office. Following which a contract be entered into between the Meteorological Office and the AFL for the provision of weather services to the aviation industry with effect from 1 January 2006.

The AFL, since 2005 reimbursed the Meteorological Office at 50% of the total expenditure instead of aviation costs.

However, from 2008 the AFL commenced to reimburse a fixed amount of \$50,000 per month. According to a letter from AFL dated 15 April 2008, the AFL informed the Meteorological Office that until an independent study is carried out determine the cost related to the aviation sector, the AFL will only reimburse a fixed amount of \$50,000 per month.

The audit noted that the Meteorological Office:

- Has yet to abide by the Cabinet Decision to undertake a review of the structure of the aviation costs and enter into a contract with the AFL for the provision of weather services to the aviation industry;
- Has yet to collect the arrears of revenue owed by CAAF of \$2,144,106 as at 31/07/21;
- Has not billed the AFL since 2008; and
- Since the issue was raised in 2010 has yet to make any progress on the observations raised.

While there were talks between the entities, the Meteorological Office is yet to undertake the review of the cost structure on the provision of meteorological services to the aviation industry and resolve the differences with AFL and CAAF.

Additionally, the continuous changes in officers handling the issue over the years has impacted the lack of significant efforts towards the recovery of arrears of revenue owed to the Meteorological Office by CAAF.

The Department's revenue may be understated, and this has resulted in loss of potential cash flow to the Government.

Recommendations

It is recommended that the Meteorological Office:

- **undertake a review of the cost structure on the provision of meteorological services to the aviation industry and resolve the issue with AFL and CAAF.**
- **pursue recovery of the arrears of revenue owed by CAAF.**

Ministry's Comments

The Department of Meteorology are currently working on designing a cost recovery framework to adopt and to that extent, the department is grateful to the World Meteorological Organization (WMO) who are assisting the Department in addressing recommendation on (recommendation number 1) reviewing the cost structure related to provision of aviation services to the Fiji Airports formerly AFL. From collaboration with WMO experts, it is clear that we may need to approach the issue in phases. The final phase will involve an expert consultant who can conduct the review of costs and provide a report. At this point, the WMO is agreeable to bearing the cost of the exercise once we commence with engaging the consultant. It is also part of our plan to involve the Fiji Airports in every phase so there can be agreement when the final report is arrived at.

As for collection of current arrears, be advised that everything is dependent on review of costing since the calculation employed when arriving at the initial charges invoiced to the then AFL was the issue of the dispute in the resulting in the existing arrears. Therefore, recommendation number 2 will have is indirectly dependent on outcome of review above.

The department is currently working closely with the World Meteorological Services (WMO) who have agreed to provide the necessary resources and the expertise for the Cost Recovery exercise to be undertaken by the Fiji Met Services. But this process may not be as swift as we would like it due to the processes that need to be undertaken following given the stage, we are currently at in collaboration with WMO. We cannot pursue the arrears until this exercise of cost recovery is undertaken since the dispute between the two parties is over "what is reasonable charge that Fiji Airports should be paying the Fiji Met". This can only be ascertained once the Cost Recovery Exercise is done.

40.9 VAT Portion of Capital Expenditure not posted to VAT allocations

All payments, including VAT, must be immediately recorded in the financial management information system.

Audit noted VAT portion of capital project payments for the year ended 2020 and 2021 amounting to \$871,067 and \$237,465 respectively was recorded as capital expenditure rather than VAT expenditure.

The VAT portion were not accounted for in the VAT general ledger allocation when posting in the FMIS general ledger.

Proper checking was also not done by the Supervising officer for financial information recorded in the general ledger system.

As a result, the various expenditure allocation recorded in the general ledger system may not accurately reflect the correct expenditure incurred for the period.

Recommendation

The Supervising Officer should ensure that all financial information is correctly recorded in the general ledger account.

Ministry's Comments

The Ministry does not agree with the audit that VAT portion of Capital (SEG10) to be posted to SEG 13. As the Approved Budget Estimate does not have SEG 10 VAT component in SEG 13. This is also confirmed by the Budget Team that SEG 6 and SEG 10 any VAT component to meet within those SEGs.

40.10 Unsubstantiated Balance for the Energy Trust Fund Account

The Energy Trust Fund Account had a balance of \$2,907,001 as at 31 July 2020 and \$3,228,672 as at 31 July 2021.

The component of the closing balance comprises of:

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

The Ministry could not provide a detailed breakdown of the Individual component or line items as reported in the Statement of Receipts and Payments for the total amount of \$2,907,001 as at 31 July 2020.

The audit noted that the Ministry maintains a database of all the receipts and payments in excel which only have claimant listing totalling \$951,656 from the closing balance of \$3,228,672 as at 31/07/2021. Hence the remaining balance of \$2,277,016 could not be substantiated as at 31 July 2021.

We also noted refunds to customers for Grid and House Wiring were slow which could be attributable to lack of appropriate information.

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

Due to lack of adequate records, the timely refunds for FEA Grid and House wiring is hindered and the accuracy of trust fund account balances reported in the Energy Trust Fund Account could not be substantiated.

Recommendations

The Ministry should:

- ensure that monthly reconciliation of each component under the Energy Trust Fund Accounts is performed against the FMIS general ledger.
- ensure that the Accounts Sections is well resourced to perform accounting and financial reporting functions.
- identify all the beneficiaries of the trust fund and reconcile their record against the general ledger (FMIS) balance and cash balance at year end.

Ministry's Comments

The unsubstantiated balance of \$2,293,549 has been transferred to Ministry of Finance Consolidated Fund Account on 30 June 2022 as per Ministry of Finance advise as per Financial Management Act No.13 of 2022. As such, this issue is resolved as of June 2022.

40.11 Variance between TMA Building Cash Book and FMIS GL

An unreconciled variance of \$1.4 million exists between the Divisional Engineer Central Eastern (DECE) TMA cash at bank balance recorded in the FMIS general ledger and the closing cash book balance for the year ended 31 July 2020 and 31 July 2021.

The audit noted that the variance was brought forward from 2017 financial year as a result of a fraud case that occur in the Central Eastern Division. The issues are yet to be rectified as the case is before the court. Refer to Table below for detail.

Table 40.8: Details of Variance between Cash Book and FMIS GL

Account Description	Account No.	FMIS Balance (\$)	Reconciliation Balance (cash book) (\$)	Variance (\$)
2020				
TMA Cash – Buildings	4-40251-91011-540201	1,046,688	140,955	905,733
TMA Cash – Mechanical	4-40262-91011-540201	601,763	102,254	499,509
Total		1,648,451	243,209	1,405,242
2021				
TMA Cash – Buildings	4-40251-91011-540201	1,034,815	121,302	913,513
TMA Cash – Mechanical	4-40262-91011-540201	751,013	251,503	499,509
Total		1,785,828	372,805	1,413,022

The above findings may indicate absence of adequate review of bank reconciliation.

Recommendations

The Ministry should:

- **maintain proper records of cash received and paid for every TMA.**
- **ensure that Cash at Bank account is also updated and included in the TMA Balance Sheet for all TMA's.**
- **take appropriate action to ensure that a correct set of accounts is presented for audit in future.**

Ministry's Comments

The case is before the court.

The unsubstantiated recurring variance of \$1,405,134 appearing in the Cash at Bank reconciliation relates to prior year's (2006 - 2010) misappropriation that is under Fiji Independent Commission Against Corruption (FICAC) investigation and pending Court's deliberations and verdicts.

The Variances were identified by the Ministry and Legal opinion were sought from Solicitors General's Office regarding the eligibility for writing off variances. We had written to Ministry of Economy for the write off and waiting for their approval.

We have made tremendous effort in trying to rectify the variances and made request to relevant authorities for write off however we are still unable to get the required approval till to date.

We had made the following request from:

- 13/09/17: we had made formal submission of SG's Office to seek approval for write off of these unsubstantiated variances.
- 22/02/18: SG's Office advise that since the amount is more than \$ 50,000 the request for write off be referred to Minister of Finance under Section 57 (c) (3) of the Finance Instruction 2010.
- 19/03/18: Ministry had written to Ministry of Finance seeking for Write Off of these unsubstantiated variances based on SG's Advice.
- 04/07/18: Asset Management Unit (AMU) email from them requesting Ministry to request FICAC on the status of the case.
- 23/07/18: Ministry had meeting with FICAC on the status of the case.
- 13/08/18: FICAC responded that large quantity of evidence was destroyed thus it was very difficult the determine the actual amount which was misused.
- The Ministry had written again to Ministry of Economy on the 26/11/19 requesting for Write Off however till to date there is no response to our request.
- The Ministry had requested an additional update on the cases on 18/09/22 which they have responded to our request and the status of the case is shown below:

Case No.	Allegation	Prosecution Stage
HAC 53/14	Case against Accounts Officer & 11 others (PWD 2 Professional)	The matter is currently at the Hearing Stage. The Hearing should be completed by 23 September 2022.

Case No.	Allegation	Prosecution Stage
HAC 99/14	Case against Accounts Officer & 11 others (PWD, Stationeries Shop)	This case is yet to be fixed for Hearing and the Hearing for 2023 should be fixed by the next date which is 28 October 2022.
HAC 193/14	Accounts Officer & 8 others (PWD Stationery shop)	The Hearing for this case was concluded on 24 March 2022 and the defence had made an application for a No Case to Answer. The matter will be heard next on 29 September 2022 for Ruling on that application.
CF: 955/15	Owner of the Hardware Store & 5 others (PWD 6 Hardware Store)	The matter will be called on 14 November 2022 to fix a hearing date for next year.

40.12 Unsubstantiated General Ledger Account Balance - Head 41 – WAF

All Principal Accounts Officer/ Senior Account Officer/Accounts Officer /Assistant Accounts Officer is responsible for maintaining ledger and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹ The Senior Account Officer/Accounts Officer /Assistant Accounts Officer must ensure that all balances are accurate and adequately supported.²

Audit noted that the Ministry maintained retention money totaling \$1,161,884 deducted from the contractors engaged in water and sewerage projects. The funds are recorded in the Ministry's Operating Trust Fund account number 1-40000-00000-862100 since 2009. It was noted that the contractors yet to make claims for the refund of retention monies held.

Audit review noted the following anomalies:

- (i) The retention money reflected in the Operating Trust Fund account were not supported by actual cash to pay off these liabilities.
- (ii) The Ministry does not have the details of contractors from whom retention monies were withheld and other supporting documents such as contract documents, completion certificates and progress certificates relating to the retention monies.
- (iii) A balance of amount -\$1,161,884 as of 31 July 2021 has still not been cleared.

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

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

Recommendation

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

¹ Ministry of Infrastructure and Transport 2017/2018 Agency Financial Manual - Ledger Accounts, Part 16

² Ministry of Infrastructure and Transport 2017/2018 Agency Financial Manual – Reconciling Ledgers, Section 16.3.6

Ministry's Comments

During the transition from DNR and WAF all relevant documents were transferred to WAF. We had followed up with relevant authorities and copies of relevant correspondences are attached as Appendix 6.

We had a meeting with WAF Officials on 10th June 2020 e.g., CFO/SFO and PAO/SAO and it was mentioned also by their Team that they do not have those records and are unable to assist to confirm claims on Retention Security Deposits for those contractors totaling up to \$1,161,884.

Some of these contractors are no longer operational and most no longer deal with WAF anymore.

40.13 Unsubstantiated and Carry Forward TMA Accounts Receivable Account

An accounts receivable (or debtor) generally arises after a sale of goods or services where payment is not immediately received. It is important to have in place a stringent credit policy and debt recovery procedures to counter the risk of losses from irrecoverable debts.³

Audit review of the Ministry's TMA Debtors account revealed the following anomalies:

- \$41,292 or 53% of the 2021 debtors account balance at year end were noted to be carried forward from 2019 period. This amount is 38% of the of the 2020 debtors account balance at year ended 31/07/2020. There was no movement during the period. Refer below for details.

Table 40.9: TMA Debtors Balances carried forward from prior years – SEG 56

GL Account Description – SEG 56	2019 (\$)	2020 (\$)	2021 (\$)
AR COMPANIES	3,889	3,889	3,889
DEBTOR-LOCAL GOVERNMENT	21,272	21,272	21,272
DEBTOR-ENERGY SERVICES	6,780	6,780	6,780
AR GOV DEPTS & AGENCY	371	371	371
AR INDIVIDUALS	8,730	8,730	8,730
DEBTOR-WATER & SEWERAGE	250	250	250
Total	41,292	41,292	41,292

- \$39,285 or 40% of the debtors account balance at year ended 31/07/21 cannot be substantiated as supporting documents was not provided for audit verifications. This amount is 36% of the of the 2020 debtors account balance at year ended 31/07/2020. Refer to Table below for details.

Table 40.10: TMA Debtors Unsubstantiated balances – SEG 56

GL Account Description – SEG 56	2019 (\$)	2020 (\$)	2021 (\$)
AR GOV DEPTS & AGENCY	21,556	21,556	21,556
DEBTOR-ENERGY SERVICES	6,780	6,780	6,780
AR GOV DEPTS & AGENCY	371	371	371

³ Ministry of Infrastructure and Transport 2017/2018 Agency Financial Manual - Part 9

GL Account Description – SEG 56	2019 (\$)	2020 (\$)	2021 (\$)
AR GOV DEPTS & AGENCY	1,599	1,599	1,599
AR INDIVIDUALS	8,729	8,729	8,729
DEBTOR-WATER & SEWERAGE	250	250	250
Total	39,285	39,285	39,285

Non movement in the debtors account balance may indicate weaknesses in the Ministry's credit policy and debt recovery procedures. This increases the risk of losses from irrecoverable debts.

Absent of supporting documents to substantiate debtors account balance indicate weakness in the controls governing over debtors' account. This could result in misstatement of debtors' balance in the financial statement.

Recommendations

The Ministry should:

- **strengthen its credit policy and debt recovery procedures.**
- **try exhausting all avenues available on which debt can be recovered.**
- **ensure that proper records of debtors' balance are maintained.**

Ministry's Comments

The Ministry is currently in the process of drafting a credit policy for TMA.

Efforts are continually made to recover debtors via formal correspondence, emails, and visits to clients however, there have been no response from some of the TMA debtors.

40.14 Significant Dormant Operating Trust Account Balances

Audit review of the Ministry's operating trust account revealed the following anomalies.

- Tender deposits amounting to (\$951,202) and security deposits amounting to (\$13,209) has been dormant and has been carried forward since 2016. Refer to Table below for details.

Table 40.11: Details of Long Pending Trust Account

Account Description	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)	2020 (\$)	2021 (\$)	Remarks
Security Deposits	(13,209)	(13,209)	(13,209)	(13,209)	(13,209)	(13,209)	No movement since 2016
Tender Deposits	(951,202)	(951,202)	(951,202)	(951,202)	(951,202)	(951,202)	
Total	(964,411)	(964,411)	(964,411)	(964,411)	(964,411)	(964,411)	

- The Northern Division operating trust fund account had a debit closing balance of \$30,125 as at 31/07/2020.

The FMIS general ledger account show that JV# MPSUM8 was posted by Ministry of Finance and the Ministry does not have relevant supporting documentation.

This has resulted in the overstatement of operating trust ending balance by (\$951,202).

The debit balance occurs when deduction payment has been made in the current period but will appear in general ledger report in the next period. The findings may indicate weakness in the supervisions of the reconciliation process.

Recommendations

The Ministry should:

- **consider liaising with Ministry of Finance on clearance and removal of dormant account balances.**
- **strengthen its reconciliation process over operating trust accounts.**

Ministry's Comments

The Ministry agrees with audit and will liaise with MOE for the clearance of dormant account.

Currently the Divisional Accounting Head Northern is reconciling the carried forward debit balance and should resolve this issue during this FY/2022.

40.15 Dormant TMA Deposits & Deductions Balances

Liabilities represent the amounts the agency owes and is expected to pay at some time in the future. It is important to be fully aware of commitments and the resources that will be required to settle these obligations in future. Funds need to be appropriately managed to enable liabilities to be paid on time.⁴

The TMA Liabilities consist of TMA Deposit and Deductions of payroll to be paid out at the end of every month.

Audit review of the TMA Deposits & Deductions account revealed that \$39,753 of the TMA Deposits & Deductions account were noted to be carried forward from prior period. There was no movement from 2019 to 2021 for these 71 general ledger allocations.

The findings indicate the existence of dormant account balances in the total ending balance.

The findings may indicate weakness in the supervisions of the reconciliation process.

This may result in the overstatement of the ending balance disclosed in the Ministry's TMA consolidated balance sheet for the 2020 and 2021 financial years.

⁴ Ministry of Infrastructure and Transport 2017/2018 Agency Financial Manual - Part 13
Ministry of Infrastructure and Meteorological Services

Recommendations

The Ministry should:

- **identify dormant accounts and attempt to clear balances from the general ledger.**
- **strengthen its reconciliation process over operating trust accounts.**

Ministry's Comments

The Ministry noted audit comments.

The Division is currently working with Assets Management Unit to clear the 86 TMA outstanding balances.

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

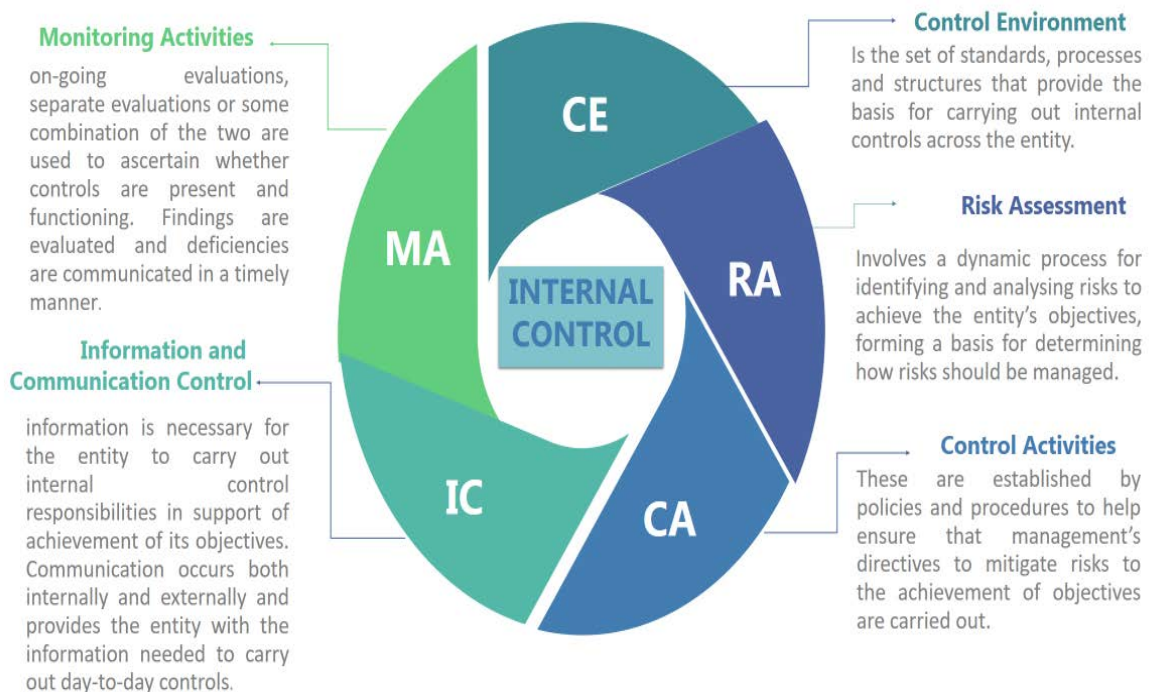
40.16 Internal Controls

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

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

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

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



A summary of assessment of key controls based on our 2020 and 2021 audit was as follows:

Year	Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
2020	🟡	🟢	🟡	🟢	🟡
2021	🟡	🟢	🟡	🟢	🟡

In view of the above, we have assessed the internal controls of the Ministry of Infrastructure and Meteorological Services as:

Year	Rating	Internal control assessment
2020	☀ Generally effective	Deficiencies identified in internal controls
2021	☀ Generally effective	Deficiencies identified in internal controls

40.17 Submission of FY 2020 and 2021 Draft Agency Financial Statements

On 01 May 2020, Permanent Secretary for Finance issued Circular No. 03/2019-2020 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2020 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 06 August 2020	✓	Cancellation of unprocessed purchase orders by 10 July 2020	✓
Clearance of Inter-departmental clearance accounts by 07 August 2020	✓	Processing of payments by 29 July 2020	✓
Clearance of stale cheques by 06 August 2020	✗	Processing of virement by 21 August 2020	✓
Annual Board of Survey on Drawings Account cheques by 28 August 2020	✓	Completion of reconciliations by 28 August 2020	✓
Retirement of imprests by 17 July 2020	✓	Submission of arrears of revenue returns by 28 August 2020	✓

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 06 August 2021	✓	Cancellation of unprocessed purchase orders by 09 June 2021	✓
Clearance of Inter-departmental clearance accounts by 06 August 2021	✓	Processing of payments by 29 July 2021	✓
Clearance of stale cheques by 06 August 2021	✗	Processing of virement by 20 August 2021	✓
Annual Board of Survey on Drawings Account cheques by 27 August 2021	✓	Completion of reconciliations by 27 August 2021	✓
Retirement of imprests by 16 July 2021	✓	Submission of arrears of revenue returns by 27 August 2021	✓

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

Based on information received, we have assessed the 2020 and 2021 year-end close process as:

Year	Rating	Year-end close process assessment
2020	☀ Generally effective	Nine of 10 key processes completed on the specified due date above
2021	☀ Generally effective	Nine of 10 key processes completed on the specified due date above

40.18 Quality of Draft Financial Statements by the Ministry

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

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

Year	Rating	Quality of draft financial statements assessment
2020	☀ Effective	No Adjustments were required
2021	☀ Effective	No Adjustments were required

40.19 Timeliness of Draft Financial Statements

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

Year	Rating	Timeliness of draft financial statements assessment
2020	☹ Ineffective	Acceptable draft financial statements received after 31 October 2020
2021	☀ Effective	Acceptable draft financial statements received before 31 October 2021

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

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

Accordingly, we have assessed timeliness as:

Year	Rating	Timeliness of Management Comments Received
2020	☹ Ineffective	Management response received after 21 days
2021	☹ Ineffective	Management response received after 21 days

Year	Rating	Timeliness of Signed Financial Statements Received
2020	☀ Generally effective	Within 15 days from the issue of Financial Statements for signing
2021	☀ Generally effective	Within 15 days from the issue of Financial Statements for signing

APPENDIX 40.1: DETAILS OF CONSOLIDATED TMA BALANCES

2020

Consolidated Manufacturing Account

Description	31 July 2020 (\$)	31 July 2019 (\$)
Opening Raw materials	139,082	245,999
Add: Purchases	933,470	1,422,585
	1,072,552	1,688,584
Less: Closing Raw Materials	125,809	139,082
Raw Materials Used	946,743	1,549,502
Direct Labour	1,743,546	3,165,255
Opening Work in Progress	71	2,955
Less: Closing Work in Progress	3,617	71
Cost of Goods Manufactured transferred to Trading Account	2,686,743	4,717,641

Consolidated Trading Account

Description	31 July 2020 (\$)	31 July 2019 (\$)
Sales	3,372,143	6,506,457
Finished Goods (01/01/17)	125,781	153,413
Add: Cost of Manufactured Goods	2,686,743	4,717,641
Cost of goods available for sale	2,812,524	4,871,054
Less: Finished Goods (31/7/17)	117,167	125,780
Cost of Goods Sold	2,695,357	4,745,274
Gross Profit transferred to profit & loss statement	676,786	1,761,183

Consolidated Profit & Loss Statement

Description	31 July 2020 (\$)	31 July 2019 (\$)
Income		
Gross Profit transferred from Trading Account	676,786	1,761,183
Other income	2,229	2,944
Total Income	679,015	1,764,127
Expenses		
Travel and communications	105,265	92,931
Maintenance and operation	802,842	1,598,519
Purchase of Goods and Services	3,216	6,880
Special Expenses	158	780
Total Expenses	911,481	1,699,110
Net (Loss)/Profit	(232,466)	65,017

Consolidated Balance Sheet

Description	31 July 2020 (\$)	31 July 2019 (\$)
Liabilities		
Deposits and deductions	140,962	251,199
Unearned Revenue	70,558	136,517
Total Liabilities	211,520	387,716
Equity		
TMA Accumulated (Loss)	(1,413,754)	(1,082,502)
TMA Surplus transferred to CFA	4,209,256	4,299,516
Total Equity	2,795,502	3,217,014
Total Equity and Liabilities	3,007,022	3,604,730
Assets		
Cash at Bank	2,650,934	3,189,465
Accounts Receivable	109,495	150,332
Inventory	246,593	264,933
Total Assets	3,007,022	3,604,730

2021

Consolidated Manufacturing Account

Description	31 July 2021 (\$)	31 July 2020 (\$)
Opening Raw materials	125,809	139,082
Add: Purchases	673,390	933,470
	799,199	1,072,552
Less: Closing Raw Materials	115,045	125,809
Raw Materials Used	684,154	946,743
Direct Labour	1,139,268	1,743,546
Opening Work in Progress	3,617	71
Less: Closing Work in Progress	17	3,617
Cost of Goods Manufactured transferred to Trading Account	1,827,022	2,686,743

Consolidated Trading Account

Description	31 July 2021 (\$)	31 July 2020 (\$)
Sales	2,532,059	3,372,143
Finished Goods (01/01/17)	117,167	125,781
Add: Cost of Manufactured Goods	1,827,022	2,686,743
Cost of goods available for sale	1,944,189	2,812,524
Less: Finished Goods (31/7/17)	107,314	117,167
Cost of Goods Sold	1,836,875	2,695,357
Gross Profit transferred to profit & loss statement	695,184	676,786

Consolidated Profit & Loss Statement

Description	31 July 2021 (\$)	31 July 2020 (\$)
Income		
Gross Profit transferred from Trading Account	695,184	676,786
Other income	306	2,229
Total Income	695,490	679,015
Expenses		
Travel and communications	35,709	105,265
Maintenance and operation	638,090	802,842
Purchase of Goods and Services	12,450	3,216
Special Expenses	486	158
Total Expenses	686,735	911,481
Net Profit/ (Loss)	8,755	(232,466)

Consolidated Balance Sheet

Description	31 July 2021 (\$)	31 July 2020 (\$)
Liabilities		
Deposits and deductions	38,116	140,962
Unearned Revenue	241,693	70,558
Total Liabilities	279,809	211,520
Equity		
TMA Accumulated (Loss)/Surplus	(1,420,906)	(1,413,754)
Net (Loss)/ Profit	4,209,256	4,209,256
Total Equity	2,788,350	2,795,502
Total Equity and Liabilities	3,068,159	3,007,022
Assets		
Cash at Bank	2,767,216	2,650,934
Accounts Receivable	78,567	109,495
Inventory	222,376	246,593
Total Assets	3,068,159	3,007,022

APPENDIX 40.2: ENERGY TRUST FUND ACCOUNT - 2020

Description	31 July 2020 (\$)	31 July 2019 (\$)
Opening Balance at 1 January	2,818,425	2,445,195
RECEIPTS		
FEA Grid & House wiring	-	-
Bond	68,915	312,995
Solar Home	171,654	133,632
Bank Interest	3,396	3,597
Total Receipts	243,965	450,224
PAYMENTS		
Bond Payment	-	30,903
Refund of Performance Bond	111,354	30,791
Bank Fees	90	130
House wiring Refunds	17,857	15,170
Refund of RGS Revenue	26,088	-
Total Payments	155,389	76,994
Net Surplus	88,576	373,230
Closing Balance as at 31 July	2,907,001	2,818,425

APPENDIX 40.2: ENERGY TRUST FUND ACCOUNT - 2021

Description	31 July 2021 (\$)	31 July 2020 (\$)
Opening Balance at 1 January	2,907,001	2,818,425
RECEIPTS		
Bond	248,207	68,915
Solar Home	82,415	171,654
Bank Interest	3,099	3,396
Total Receipts	333,721	243,965
PAYMENTS		
Refund of Performance Bond	11,935	111,354
Bank Fees	115	90
House wiring Refunds	-	17,857
Refund of RGS Revenue	-	26,088
Total Payments	12,050	155,389
Net Surplus	321,671	88,576
Closing Balance as at 31st July	3,228,672	2,907,001

Head 42

Ministry of Waterways and Environment

Roles and Responsibilities

The Ministry of Waterways and the Ministry of Environment have been combined to form the newly established Ministry of Waterways and Environment ('Ministry'), in recognition that waterways management and the preservation of Fiji's natural environment share many inherent linkages. Fiji's waterways, as part of our natural environment, also share a unique vulnerability to the worsening impacts of climate change.

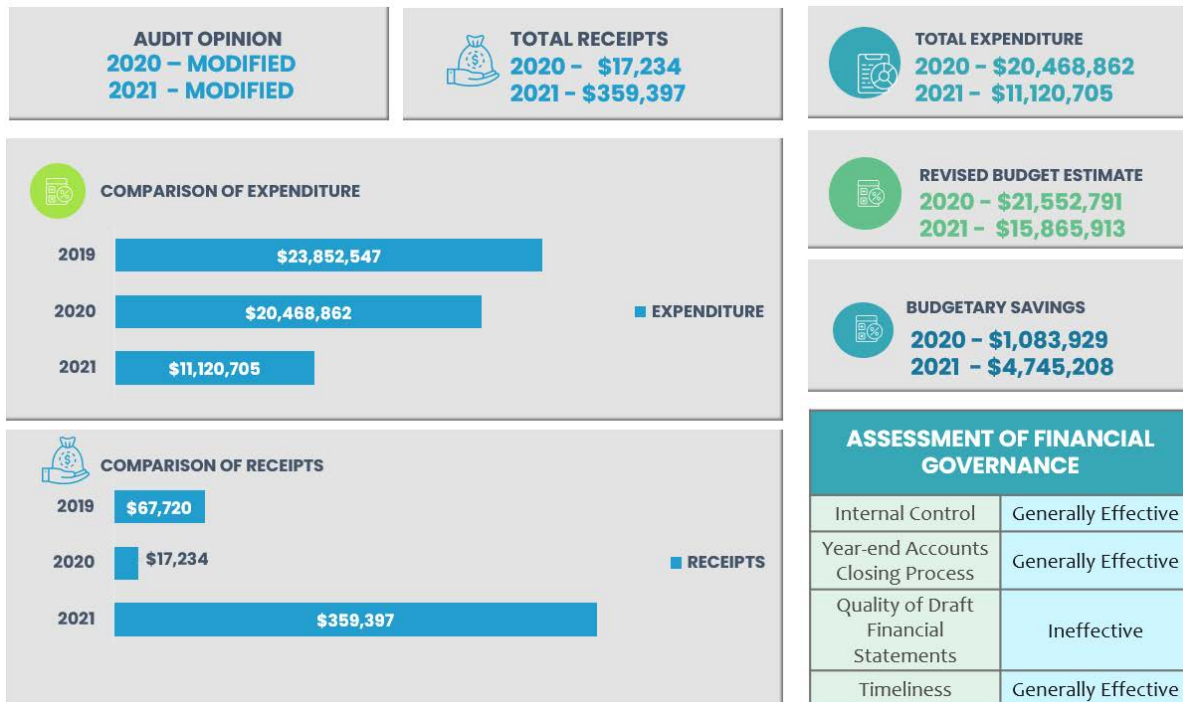
Duties previously carried out by the Ministry of Environment will now fall under the purview of the new Ministry. That includes the steadfast commitment of the Fijian Government to ensure that no development in Fiji comes at the cost of the overall health of our natural environment.

The new Ministry also carries out the full mandate of the previous Ministry of Waterways to address the growing threat that flooding poses to Fijian cities, towns and communities, a threat that is projected to worsen due to the effects of climate change. The Ministry maintains drainage systems and manages waterways in Fiji, including creeks, tributaries and rivers, to build Fiji's overall resilience to the economic setbacks of extreme and widespread flooding.

Table of Contents

PART A: FINANCIAL STATEMENTS.....	2
42.1 Audit Opinion	2
42.2 Appropriation Statement	3
42.3 Main Trust Fund Account	5
PART B: OTHER SIGNIFICANT MATTERS	9
42.4 Unreconciled variances in the Ministry's Main Trust Fund Account.....	9
PART C: ASSESSMENT OF FINANCIAL GOVERNANCE	12
42.5 Internal Controls	12
42.6 Submission of 2020 and 2021 FY Draft Agency Financial Statements.....	13
42.7 Quality of draft financial statements by entities.....	14
42.8 Timeliness of Draft Financial Statements	14
42.9 Timeliness of Provision of Management Comments and Financial Statements for Signing.....	14
APPENDIX 42.1: ENVIRONMENT TRUST FUND ACCOUNT – 2020	16
APPENDIX 42.2: ENVIRONMENT TRUST FUND ACCOUNT – 2021	17
APPENDIX 42.3: WATERWAYS RETENTION TRUST FUND – 2020.....	18
APPENDIX 42.4: WATERWAYS RETENTION TRUST FUND – 2021	19

PART A: FINANCIAL STATEMENTS



42.1 Audit Opinion

2020

The audit of the 2020 accounts of the Ministry of Waterways and Environment resulted in a modified audit opinion. The qualification issues are as follows:

1. An unreconciled variance of \$6,619,431 exists between the bank reconciliations balance and the cash at bank general ledger balance for the Environment Trust Fund Account as at 31 July 2020. In addition, an unreconciled variance of \$640,470 exists between the Trust Fund Account cash general ledger balance and the cash at bank general ledger balance. Furthermore, the Ministry was unable to provide me with payment vouchers totalling \$247,706 for the Environment Trust Fund Account Expenditure. Consequently, I was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$2,624,163 reflected in the Environment Trust Fund Account Statement of Receipts and Payments.
2. Trust Fund revenues totalling \$511,548 for the 2020 financial year that were deposited into the Waterways Retention Trust Fund Bank Account, were not posted in the general ledger during the year. As a result, Trust Fund revenue for Waterways Trust Fund Account was understated by \$221,004 in the financial statements. In addition, there was an unreconciled variance of \$303,370 between the bank reconciliations balance and the cash at bank general ledger balance for the Waterways Trust Fund Account. Consequently, I was unable to ascertain the accuracy and completeness of the trust fund account balance of \$90,293 reflected in the Waterways Retention Trust Fund Account Statement of Receipts and Payments.

2021

The audit of the 2021 accounts of the Ministry of Waterways and Environment resulted in a modified audit opinion. The qualification issues are as follows:

3. An unreconciled variance of \$8,225,767 exists between the bank reconciliations balance and the cash at bank general ledger balance for the Environment Trust Fund Account as at 31 July 2021. In addition, there was an unreconciled variance of \$641,185 between the Trust Fund Account general ledger balance and the cash at bank general ledger balance. Furthermore, the Ministry was unable to provide me with payment and journal vouchers totalling \$2,103,929 for the Environment Trust Fund expenditure. Consequently, I was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$4,771,296 reflected in the Environment Trust Fund Account Statement of Receipts and Payments.
4. Waterways Trust Fund revenues totalling \$103,608 for the 2021 financial year that were deposited into the Waterways Retention Trust Fund Bank Account, were not posted into the general ledger during the year. As a result, the Waterways Retention Trust Fund Accounts had an overdrawn (debit) balance of \$61,355 as at 31 July 2021. In addition, Trust Fund revenue for Waterways Trust Fund Account was understated by \$101,261 in the financial statements. Furthermore, there was an unreconciled variance of \$406,910 between the bank reconciliations balance and the cash at bank general ledger balance for the Waterways Trust Fund Account. Consequently, I was unable to ascertain the accuracy and completeness of the Trust Fund Account balance of \$(61,355) reflected in the Waterways Retention Trust Fund Account Statement of Receipts and Payments.

42.2 Appropriation Statement

2020

The Ministry incurred expenditure totalling \$20.4 million in 2020 against a revised budget of \$21.5 million resulting in a saving of \$1.1 million or 5%.

Details of expenditure against the revised budget are provided in Table 42.1.

Table 42.1: Appropriation Statement for 2020

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staffs	3,079,978	171,660	3,251,638	3,214,347	37,291
2	Government wage earners	1,145,563	185,749	1,331,312	1,309,057	22,255
3	Travel & communications	184,500	21,965	206,465	205,330	1,135
4	Maintenance & operations	668,500	48,000	716,500	697,014	19,486
5	Purchase of goods & services	210,400	20,461	230,861	226,753	4,108
6	Operating grants & Transfers	1,073,320	70,936	1,144,256	1,124,361	19,895
7	Special expenditures	759,000	7,334	766,334	564,459	201,875
	Total Operating Expenditure	7,121,261	526,105	7,647,366	7,341,321	306,045

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital construction	10,615,000	(56,057)	10,558,943	9,859,375	699,568
9	Capital purchase	-	-	-	-	-
10	Capital grants & transfers	2,260,000	-	2,260,000	2,260,000	-
	Total Capital Expenditure	12,875,000	(56,057)	12,818,943	12,119,375	699,568
13	Value added tax	1,092,339	(5,857)	1,086,482	1,008,166	78,316
	Total Expenditure	21,088,600	464,191	21,552,791	20,468,862	1,083,929

Savings of \$201,875 under Special Expenditures was due to the COVID-19 movement restrictions and lockdowns whereby most of the programmes under Special Expenditure were not implemented.

Savings of \$699,568 under Capital Construction was mainly attributed to bad weather conditions and COVID-19 movement restrictions and lockdowns whereby most of the capital projects were not implemented.

2021

The Ministry collected revenue totalling \$359,397 in 2021 and incurred expenditure totalling \$11.1 million against a revised budget of \$15.8 million resulting in a saving of \$4.7 million or 30%.

Details of expenditure against the revised budget are provided in Table 42.2.

Table 42.2: Appropriation Statement for 2021

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staffs	3,654,508	(387,832)	3,266,676	3,153,232	113,444
2	Government wage earners	1,207,866	(42,010)	1,165,856	1,057,441	108,415
3	Travel & communications	108,000	71,592	179,592	159,017	20,575
4	Maintenance & operations	586,500	361,132	947,632	877,933	69,699
5	Purchase of goods & services	145,500	23,011	168,511	159,140	9,371
6	Operating grants & Transfers	1,069,100	11,057	1,080,157	1,013,835	66,322
7	Special expenditures	480,000	(104,855)	375,145	288,345	86,800
	Total Operating Expenditure	7,251,474	(67,905)	7,183,569	6,708,943	474,626
8	Capital construction	7,806,550	37,821	7,844,371	3,932,265	3,912,106
9	Capital purchase	-	-	-	-	-
10	Capital grants & transfers	-	-	-	-	-
	Total Capital Expenditure	7,806,550	37,821	7,844,371	3,932,265	3,912,106
13	Value added tax	807,889	30,084	837,973	479,497	358,476
	Total Expenditure	15,865,913	-	15,865,913	11,120,705	4,745,208

Savings of \$113,444 under Established Staffs was due to the 19 Established Staff vacant positions that were not filled by the end of the 2021 financial year. The Ministry had advertised majority of the above vacant positions; however, they were later withdrawn. The reason for withdrawal was to save costs and due to freeze in the hiring of new positions across Civil Service as advised by Ministry of Economy.

Savings of \$108,415 for Government Wage Earners was due to the 13 Wage Earners vacant positions that were not filled by the end of the 2021 financial year. The Ministry had advertised majority of the above vacant positions; however, they were later withdrawn. The reason for withdrawal was to save costs and due to freeze in the hiring of new positions across Civil Service as advised by Ministry of Economy.

Savings of \$3,912,106 for Capital Construction was largely due to the Ministry not being able to carry out almost 50% of the capital projects due to Covid-19 pandemic. Most staffs were unable to report to the project sites to complete the activities and contractors were not mobilized due to border restrictions. Stakeholder meetings and handovers could not be facilitated due to Covid-19 restrictions. Contractual payments amounting to \$239,113 was not processed due to delays in RIE and Excess Approvals. The submission was made after the closing of accounts circular deadlines since the accounts staff were in isolation due to Covid-19.

42.3 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry operates and maintains 2 main trust fund bank accounts which include the Environment Trust Fund Account and the Waterways Retention Trust Fund Account.

42.3.1 Environment Trust Fund Account

The Environment Trust Fund Account consisted of four trust fund accounts. They are Ozone Depletion Substance (ODS) Fines, Naboro Landfill, Environment Trust and Convention on International Trade in Endangered Species (CITES) Trust Fund Accounts.

- i. **Ozone Depletion Substance (ODS) Fines** – section 12 of the Ozone Depleting Substance Act 1998 establishes the Ozone Layer Protection Fund which consisted of all money appropriated by Parliament for the purposes of the Fund or required to be paid into the Fund by or under any other Act; fees paid under this Act; and all money paid from any source outside Government for the purposes of this Act, and which will be dealt with as a special account under the Financial Management Act 2004.

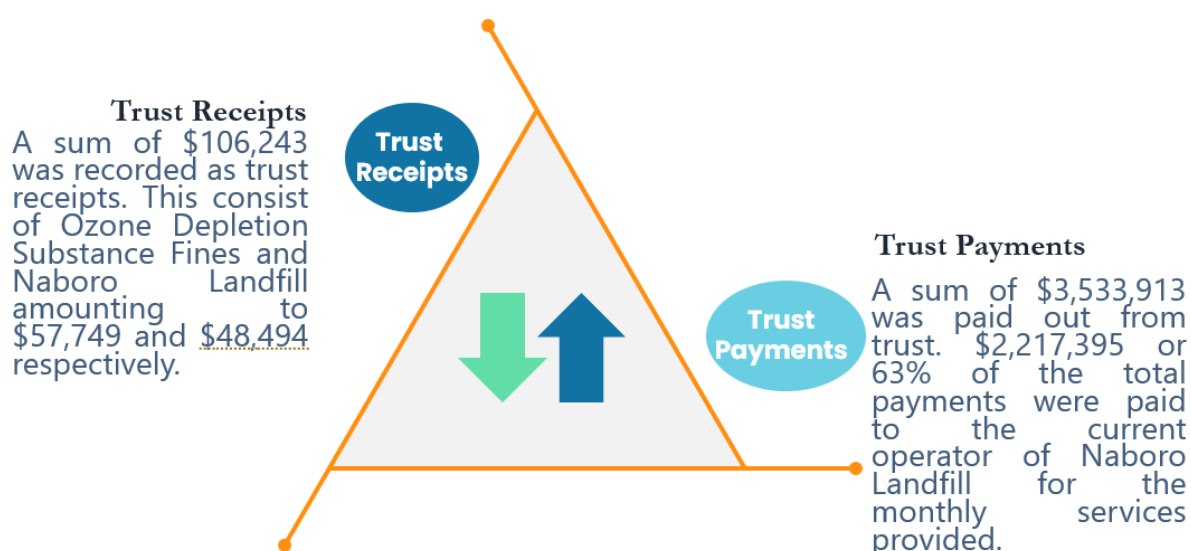
The objects and purposes of the Fund are for programmes for the establishment or management of any strategy or action plan required for the protection of the ozone layer; and the administration of programmes established to give effect to the Vienna Convention for the protection of the Ozone Layer and Montreal Protocol on substances not deplete the Ozone layer.

- ii. **Naboro Landfill Trust Fund Account** - the Naboro Landfill Trust Fund Account consisted of gate fees collected at the Naboro Landfill. This fund is used to pay monthly progressive claims to the nominated contractor, HG Leach.
- iii. **Environment Trust** – section 55 of Environment Management Act 2005 establishes the Environment Trust Fund Account into which shall be paid, money appropriated by Parliament, any environment bond, any contribution or donation, fines of fixed penalties or any other money required under the Act or any other written law to be paid into the fund. The Department of Environment administer the trust fund for various purpose including payment for debts for nature swaps, payment for necessary expenses incurred in the negotiation, monitoring, investigation or analysis of any matter or the undertaking of any environmental monitoring or audit programme, payment for environmental rehabilitation work, research programmes, refund of environment bonds and security of costs and rewards under the act.
- iv. **Convention on International Trade in Endangered Species (CITES) Trust Fund Accounts** – in accordance with section 31 of the Endangered and Protected Species Act 2002, any money received by or on behalf of the Fiji CITES Management Authority for the purpose of protecting any species listed in section 3 of the Act will be deposited into this Trust Fund Account. Monies for the Trust are utilised for the purpose of protecting endangered and protected species.

2020

The Environment Trust Fund had an opening balance of \$6,051,833 in 2020. The Ministry collected Environment Trust Fund revenue totalling \$106,243 and incurred expenditure totalling \$3,533,913 during the year, resulting in a closing balance of \$2,624,163.

The financial analysis of the Environment Trust Fund Account for the year ended 31 July 2020 is provided below.

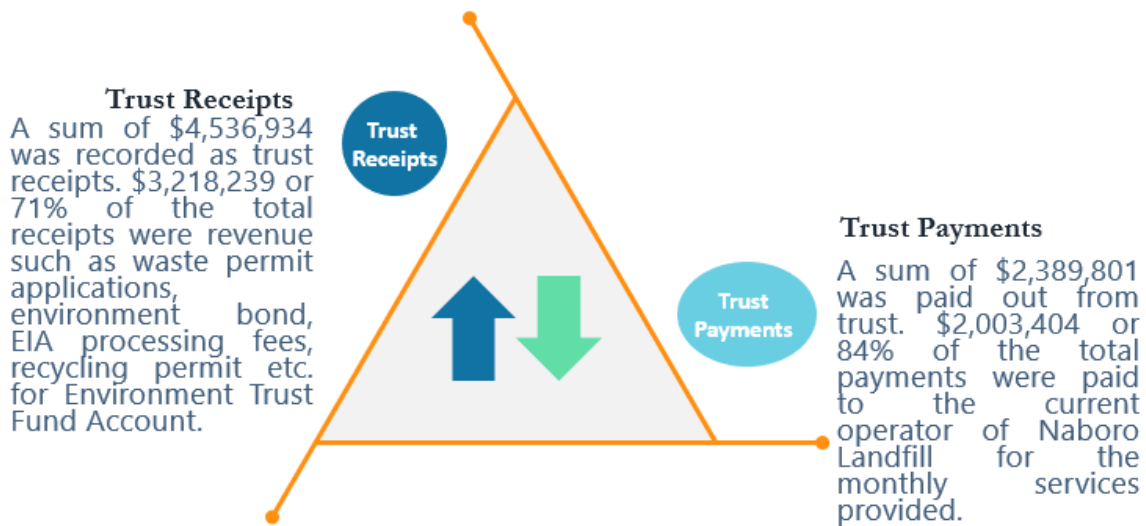


The detailed trust fund account statement of receipts and payments is provided in **Appendix 42.1**.

2021

The Environment Trust Fund had an opening balance of \$2,624,163 in 2021. The Ministry collected Environment Trust Fund revenue totalling \$4,536,934 and incurred expenditure totalling \$2,389,801 during the year, resulting in a closing balance of \$4,771,296.

The financial analysis of the Environment Trust Fund Account for the year ended 31 July 2021 is provided below.



The detailed trust fund account statement of receipts and payments is provided in **Appendix 42.2**.

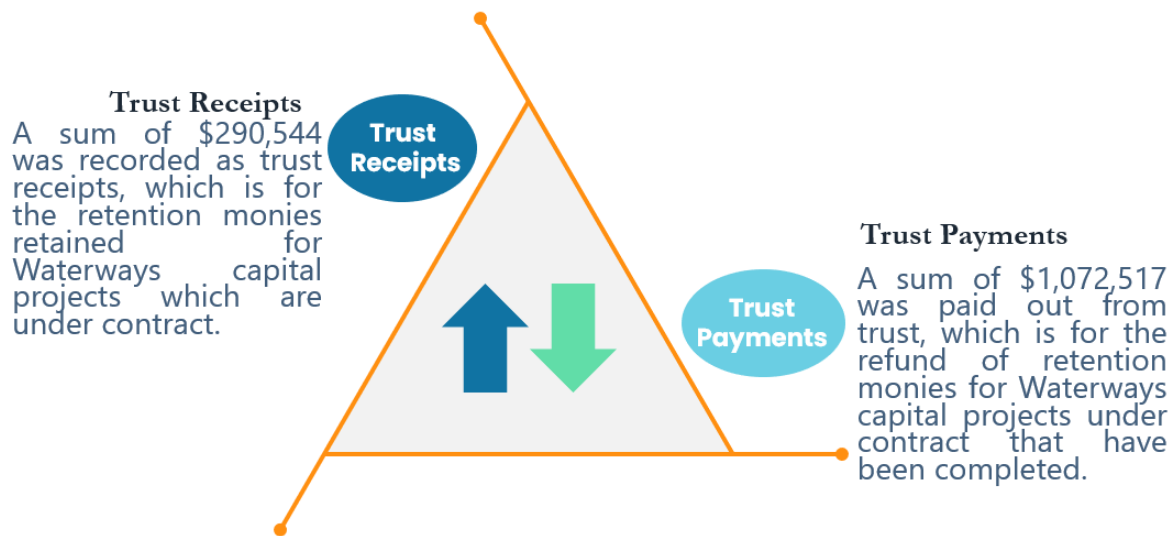
42.3.2 Waterways Retention Trust Fund Account

The Department of Waterways Retention Trust Fund Account includes deposits and refund of retention monies for the Department's capital projects which are under contract.

2020

The Waterways Retention Trust Fund Account had an opening balance of \$872,266 in 2020. The Ministry collected retention revenue totalling \$290,544 and incurred expenditure totalling \$1,072,517 during the year, resulting in a closing balance of \$90,293.

The financial analysis of the Waterways Trust Fund Account for the year ended 31 July 2020 is provided below.

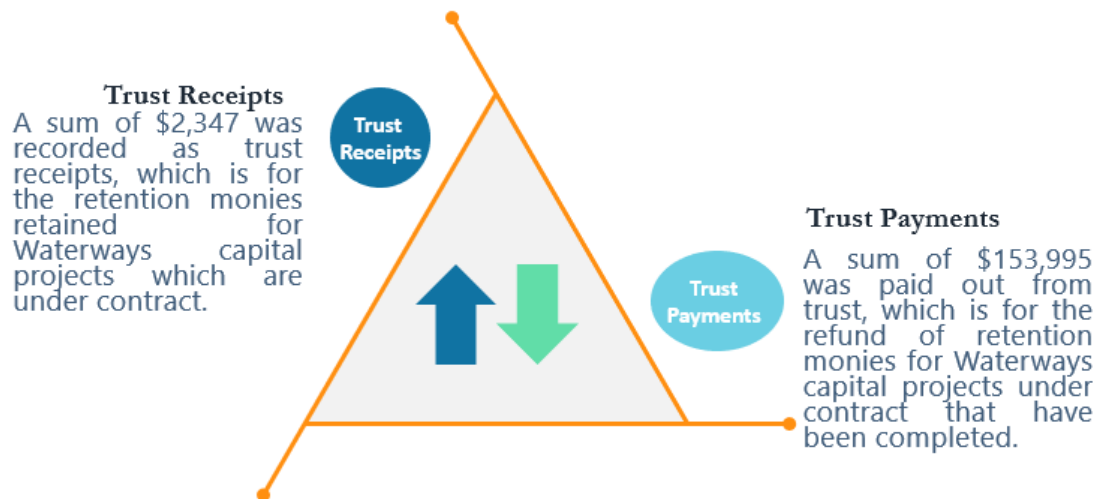


The detailed trust fund account statement of receipts and payments is provided in **Appendix 42.3**.

2021

The Waterways Retention Trust Fund Account had an opening balance of \$90,293 in 2021. The Ministry collected retention revenue totalling \$2,347 and incurred expenditure totalling \$153,995 during the year, resulting in an overdrawn balance of \$(61,355).

The financial analysis of the Waterways Trust Fund Account for the year ended 31 July 2021 is provided below.



The detailed trust fund account statement of receipts and payments is provided in **Appendix 42.4**.

PART B: OTHER SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2020 and 31 July 2021.

42.4 Unreconciled variances in the Ministry's Main Trust Fund Account

The Ministry maintained the following Main Trust Fund Accounts:

1. *Waterways Trust Fund* – for Retention funds for Waterways projects
2. *Environment Trust Fund* – includes Trust Funds for ODS Fines, Naboro Landfill, Environment and CITES.

The following anomalies were noted:

GL variances between SLG 89 and SAG 52 – Unreconciled GL variance of \$640,470 and \$641,185 existed between the *Environment Trust Fund Account balance (SLG 89)* and the *Environment Trust Fund bank balance (SAG 52)* in the FMIS general ledger as at 31 July 2020 and 31 July 2021, respectively. Refer to Table 42.3 for details

Table 42.3: Environment Trust Fund GL variance

Particulars	2020 (\$)	2021 (\$)
Environment Trust Fund GL (SLG 89) balance	2,624,163	4,771,297
Environment Cash at Bank GL (SAG 52) balance	3,264,633	5,412,482
Variance	640,470	641,185

Variances in bank balances – Unreconciled variances existed between the Ministry's *Trust Fund Bank GL balance (SAG 52)* and the *bank reconciliation balances* for the following:

- *Waterways Trust Fund Account* – bank balance variances of \$303,370 and \$406,910 were noted for the year ended 31 July 2020 and 31 July 2021, respectively. Refer to Table 42.4 for details. The variances were due to the delay in posting of Waterways Trust Fund revenue to the general ledger. The audit noted that Trust Fund revenue totalling \$511,548 and \$103,608 for the 2020 and 2021 FY respectively, were deposited into the Waterways TFA bank account but were not fully posted in the general ledger.

Table 42.4: Waterways Trust Fund Bank variance

Particulars	2020 (\$)	2021 (\$)
Waterways Trust Fund bank reconciliation balance	390,245	(64,774)
Waterways Cash at Bank GL (SAG 52) balance	86,875	342,136
Variance	303,370	406,910

- *Environment Trust Fund Account* - bank balance variances of \$6,619,431 and \$8,225,767 were noted for the year ended 31 July 2020 and 31 July 2021, respectively. Refer to *Table 42.5* for details.

Table 42.5: Environment Trust Fund Bank variance

Particulars	2020 (\$)	2021 (\$)
Environment Trust Fund bank reconciliation balance	9,884,064	13,638,249
Environment Cash at Bank GL (SAG 52) balance	3,264,633	5,412,482
Variance	6,619,431	8,225,767

The findings indicate nonadherence to stipulated trust fund account processes and procedures and lack of oversight. Also, reconciliations were not prepared and properly reviewed on a timely basis contributing to accumulated variances over the years.

As a result of the delay in posting of Waterways TFA revenue to the general ledger, the Waterways Trust Fund revenues were understated by \$221,004 and \$101,261 for the 2020 and 2021 FY respectively. In addition, the Waterways Trust Fund Account had an overdrawn balance of \$(61,355) as at 31 July 2021.

Due to the variances highlighted, the audit was not able to ascertain the accuracy and completeness of the Trust Fund account balances reflected in the Environment and Waterways Retention Trust Fund Accounts at year end.

Recommendations

The Ministry should:

- Properly carry out on a timely manner the monthly trust fund and bank reconciliations for both the Ministry's Main Trust Fund Account. Any errors or variances identified should be investigated and rectified immediately;
- Ensure that the Trust Fund Account revenues are posted to the general ledger on a timely manner; and
- Strengthen its supervisory check and review process and ensure compliance with requirements stipulated in the Finance Instructions and Finance Manual.

Ministry's Comments

GL variances between SLG 89 and SAG 52

Environment Trust Fund Account

The variances have been carried forward initially when it was transferred from org 37 and org 38 to org 42. The amount debited was more than amount credited. As such only credit postings need to be made to reconcile the variances. However, the FMIS does not allow only credit postings to be made as it is a dual entry system. Proper reconciliation must have been made prior to the transfer of balances from old org to new org. Recommending if this variance can be written off as it prevails from more than 7 years.

Variances in Bank Balances

Waterways Trust Fund Account

There is no variance in the Waterways Trust Fund.

Environment Trust Fund Account

The variance has reduced to \$227,702.22. The Ministry is still working backwards to do the postings. The drawback that Ministry faces is retrieving documents prior to 2017.

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

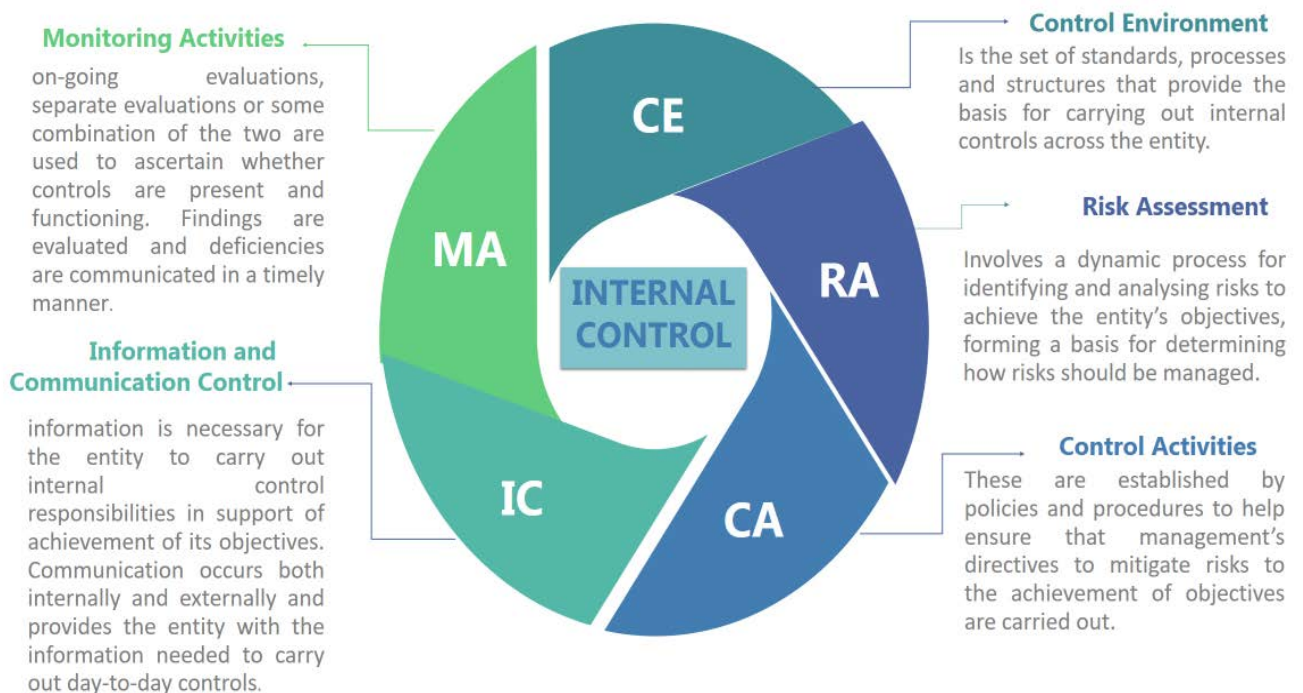
42.5 Internal Controls

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

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

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

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



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

Year	Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
2020	★	★	★	★	★
2021	★	★	★	★	★

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

Year	Rating	Internal control assessment
2020	☀ Generally effective	Deficiencies identified in internal controls
2021	☀ Generally effective	Deficiencies identified in internal controls

42.6 Submission of 2020 and 2021 FY Draft Agency Financial Statements

2020

On 01 May 2020, Permanent Secretary for Finance issued Circular No. 03/2019-2020 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2020 accounts and times were detailed

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 06 August 2020	✓	Cancellation of unprocessed purchase orders by 10 July 2020	✓
Clearance of Inter-departmental clearance accounts by 07 August 2020	✗	Processing of payments by 29 July 2020	✓
Clearance of stale cheques by 06 August 2020	✗	Processing of virement by 21 August 2020	✓
Annual Board of Survey on Drawings Account cheques by 28 August 2020	✗	Completion of reconciliations by 28 August 2020	✗
Retirement of imprests by 17 July 2020	✓	Submission of arrears of revenue returns by 28 August 2020	N/A

2021

On 30 April 2021, Permanent Secretary for Finance issued Circular No. 08/2020-2021 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2021 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 06 August 2021	✓	Cancellation of unprocessed purchase orders by 09 June 2021	✓
Clearance of Inter-departmental clearance accounts by 06 August 2021	✗	Processing of payments by 29 July 2021	✓
Clearance of stale cheques by 06 August 2021	✗	Processing of virement by 20 August 2021	✓
Annual Board of Survey on Drawings Account cheques by 27 August 2021	✗	Completion of reconciliations by 27 August 2021	✗
Retirement of imprests by 16 July 2021	✓	Submission of arrears of revenue returns by 27 August 2021	N/A

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

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

Year	Rating	Year-end close process assessment
2020	☀ Generally effective	Five of 9 key processes completed within two weeks of due date
2021	☀ Generally effective	Five of 9 key processes completed within two weeks of due date

42.7 Quality of draft financial statements by entities

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

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

Year	Rating	Quality of draft financial statements assessment
2020	☹ Ineffective	Adjustments on total expenditure, operating results/net assets were more than one percent.
2021	☹ Ineffective	Adjustments on total expenditure, operating results/net assets were more than one percent.

42.8 Timeliness of Draft Financial Statements

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

Year	Rating	Timeliness of draft financial statements assessment
2020	☹ Ineffective	Acceptable draft financial statements received after 31 October 2020.
2021	☀ Effective	Acceptable draft financial statements received before 31 October 2021.

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

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

Accordingly, we have assessed timeliness as:

Year	Rating	Timeliness of Management Comments Received
2020	☹ Ineffective	Management response received after 21 days
2021	☹ Ineffective	Management response received after 21 days

Year	Rating	Timeliness of Signed Financial Statements Received
2020	☀ Generally Effective	Within 15 days from the issue of Financial Statements for signing
2021	☀ Generally Effective	Within 15 days from the issue of Financial Statements for signing

APPENDIX 42.1: ENVIRONMENT TRUST FUND ACCOUNT – 2020

Description	31 July 2020 (\$)	31 July 2019 (\$)
Receipts		
Ozone Depletion Substance (ODS) Fines	57,749	7,031
Naboro Landfill	48,494	348,317
Environment Trust	-	977,089
Convention on International Trade in Endangered Species	-	8,334
Total Receipts	106,243	1,340,771
Payments		
Ozone Depletion Substance (ODS) Fines	112,768	-
Naboro Landfill	2,217,395	1,945,030
Environment Trust	1,203,750	392,288
Total Payments	3,533,913	2,337,318
Net (Deficit)/Surplus	(3,427,670)	(996,547)
Opening balance as at 1 August	6,051,833	7,048,380
Closing balance as 31 July	2,624,163	6,051,833

APPENDIX 42.2: ENVIRONMENT TRUST FUND ACCOUNT – 2021

Description	31 July 2021 (\$)	31 July 2020 (\$)
Receipts		
Ozone Depletion Substance (ODS) Fines	362,312	57,749
Naboro Landfill	924,155	48,494
Environment Trust	3,218,239	-
Convention on International Trade in Endangered Species	32,228	-
Total Receipts	4,536,934	106,243
Payments		
Ozone Depletion Substance (ODS) Fines	-	112,768
Naboro Landfill	2,003,404	2,217,395
Environment Trust	386,397	1,203,750
Total Payments	2,389,801	3,533,913
Net (Deficit)/Surplus	2,147,133	(3,427,670)
Opening balance as at 1 August	2,624,163	6,051,833
Closing balance as 31 July	4,771,296	2,624,163

APPENDIX 42.3: WATERWAYS RETENTION TRUST FUND – 2020

Description	31 July 2020 (\$)	31 July 2019 (\$)
Receipts		
Retention funds Deposits	290,544	929,000
Total Receipts	290,544	929,000
Payments		
Retention pay-outs	1,072,517	189,490
Total Payments	1,072,517	189,490
Net Deficit	(781,973)	739,510
Add Balance as at 1 August	872,266	132,756
Closing Balance as at 31 July	90,293	872,266

APPENDIX 42.4: WATERWAYS RETENTION TRUST FUND – 2021

Description	31 July 2021 (\$)	31 July 2020 (\$)
Receipts		
Retention funds Deposits	2,347	290,544
Total Receipts	2,347	290,544
Payments		
Retention pay-outs	153,995	1,072,517
Total Payments	153,995	1,072,517
Net Deficit	(151,648)	(781,973)
Add Balance as at 1 August	90,293	872,266
Closing Balance as at 31 July	(61,355)	90,293



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