



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2022

AUDIT REPORT ON INFRASTRUCTURE SECTOR



PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 118 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.

INDEPENDENT
& OBJECTIVE

We work independently
and report objectively.

VALUES

COMPETENCE

We deliver to the best
of our abilities and to
the highest standard of
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TRANSPARENCY

Our processes
are transparent.

CONFIDENTIALITY

We maintain audit
related information
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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

Location : Level 1, Modyl Plaza
Karsanji Street, Vatuwaqa
Suva, Fiji

Postal : P O BOX 2214, Government Buildings
Address : Suva, Fiji
Telephone : (679) 8921519
Email : info@auditorgeneral.gov.fj
Website : www.oag.gov.fj

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Karsanji St, Vatuwaqa
P. O. Box 2214, Government Buildings
Suva, Fiji



Telephone: (679) 8921519
E-mail: info@auditorgeneral.gov.fj
Website: <http://www.oag.gov.fj>



File: 102

17 November 2023

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

Dear Sir

2022 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 2022.

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 Promoting Public Sector Accountability and Sustainability through our audits by providing comprehensive analysis and value-adding recommendations.

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

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AUDITOR-GENERAL'S FOREWORD



I am pleased to present the 2022 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 Government Ministries and Departments. I am pleased to advise that there has been significant progress in enabling the tabling of the 2022 reports for Infrastructure Services Sector to Parliament.

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 2022.

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.

A handwritten signature in black ink, appearing to read 'Sairusi'.

Sairusi Dukuno

Acting Auditor-General

Date: 17 November 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 31/10/23
41	Water Authority of Fiji	Draft Financial Statements for 2021 and 2022 received on 25/04/23	Audit reporting for 2021 and 2022 in progress.
43	Fiji Roads Authority	Draft Financial Statements 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 and unmodified audit opinions respectively. 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.

For 2022 financial year, the Ministry of Infrastructure and Meteorological Services was issued with unmodified audit opinion while the Ministry of Waterways and Environment was issued with modified audit opinion over the last 3 financial years.

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	2021-2022 Financial Year		2020-2021 Financial Year	2019-2020 Financial Year
	Date Audit Report Signed	Audit Opinion Type	Audit Opinion Type	Audit Opinion Type
40. Ministry of Infrastructure and Meteorological Services	16/08/23	Unmodified	Modified	Modified
42. Ministry of Waterways and Environment	04/05/23	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.

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

An **Emphasis of Matter** paragraph is included in the auditor's report to highlight an issue that will help the user better understand the financial statements. 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, the modified audit opinion was issued on the following ground.

Ministry of Waterways and Environment - 2022

An unreconciled variance of \$446,552 exists between the bank reconciliations balance and the cash at bank general ledger balance for the Environment Trust Fund Account as at 31 July 2022. In addition, there was an unreconciled variance of \$589,107 between the Trust Fund Account general ledger balance and the cash at bank general ledger balance. Consequently, the audit was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$17,479,496 reflected in the Environment 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 and Heads of Departments 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

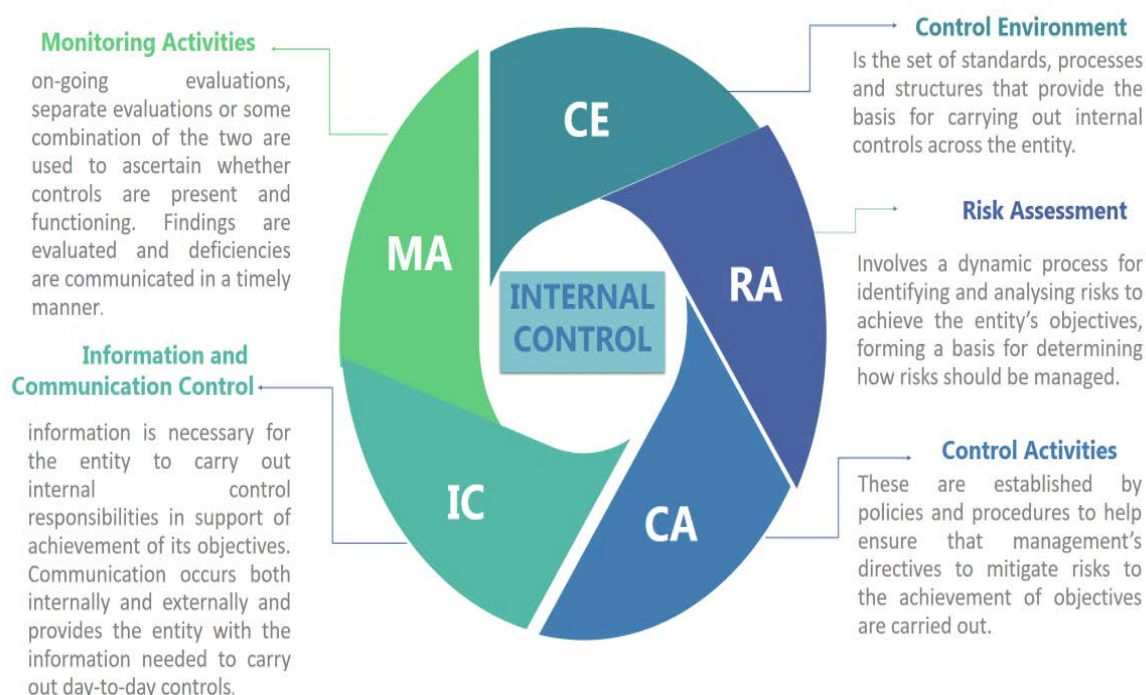
During our audit, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

- Cancellation of unprocessed purchase orders by 18 July 2022
- Retirement of Imprest by 15 July 2022
- Processing of payments by 28 July 2022
- Clearance of stale cheques by 5 August 2022
- Closing date for journal adjustments by 8 August 2022
- Processing of virement by 27 July 2022
- Completion of reconciliation by 26 August 2022
- Clearance of Interdepartmental clearance accounts by 29 July 2022
- Annual Board of Survey on Drawings accounts cheques by 26 August 2022
- Submission of Arrears of Revenue Return by 26 August 2022

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

Rating	Year-end close process assessment
 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 2022
 Generally effective	Acceptable draft financial statements received on or before 31 October 2022
 Ineffective	Acceptable draft financial statements received after 31 October 2022

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 2021-2022 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	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20	'22	'21	'20
Infrastructure Sector																														
40. Ministry of Infrastructure and Transport	🟡	🟡	🟡	🔴	🟢	🟢	🟡	🟡	🟡	🟢	🟢	🟢	🟡	🟡	🟡	🟢	🟢	🔴	🟡	🟡	🟡	🟢	🟢	🟢	🔴	🔴	🔴	🔴	🟡	🟡
42. Ministry of Waterways and Environment	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟡	🟢	🟢	🟢	🟡	🟡	🟡	🟡	🟢	🔴	🟡	🟡	🟡	🟢	🔴	🔴	🟢	🔴	🔴	🔴	🟡	🟡

'20 = 2020 '21 = 2021 '22 = 2022

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

Section 40 Ministry of Infrastructure and Meteorological Services

Roles and Responsibilities

The Ministry of Infrastructure and Meteorological Services consists of the Department of Meteorological Services, Department of Works, Department of Energy and the Department of Water and Sewerage. In line with the Ministry's vision for a 'Resilient and Sustainable Infrastructure', these departments work to improve the lives of all Fijians through the provision of timely and reliable weather, climate and hydrological information, policy advice and resilient infrastructural support services including water and wastewater management. The network of roads, bridges, ports, jetties and services infrastructure is critical to both the well-being of the Fijian people and the nation's economic development. As such, Government is committed to ensuring reasonable access to reliable infrastructure and essential services for every Fijian citizen. In the Revised 2021-2022 Budget, the Ministry is committed to ensuring sound meteorological and hydrological advice, and access to reliable infrastructure through the respective departments.

The Department of Meteorological Services is committed to improving forecasting capabilities through upgrading of its reporting and network facilities and meeting regional and international obligations. The Department of Buildings and Government Architects is committed to providing support services in architectural building design, engineering and structural design, and quantity surveying services to meet the needs of Ministries and Departments in consultation with Construction Implementation Unit under the Ministry of Economy. It also helps strengthen the nation's compliance with the National Building Code for resilient building structures Fiji wide. The Department of Works is committed to strengthening community and stakeholder partnership in supporting reasonable access to infrastructural development, whilst maintaining rapid response capability during times of natural disasters. In its effort to meet national and international carbon emission reduction targets, the Department of Energy is committed to renewable, modern and sustainable energy initiatives while ensuring that all Fijians have access to some form of electricity. The Department of Water and Sewerage is committed to providing policy advice on water and sanitation. The Ministry is undergoing a workforce restructure, allowing it to better align with Government's vision of a streamlined and modern economy across all sectors.

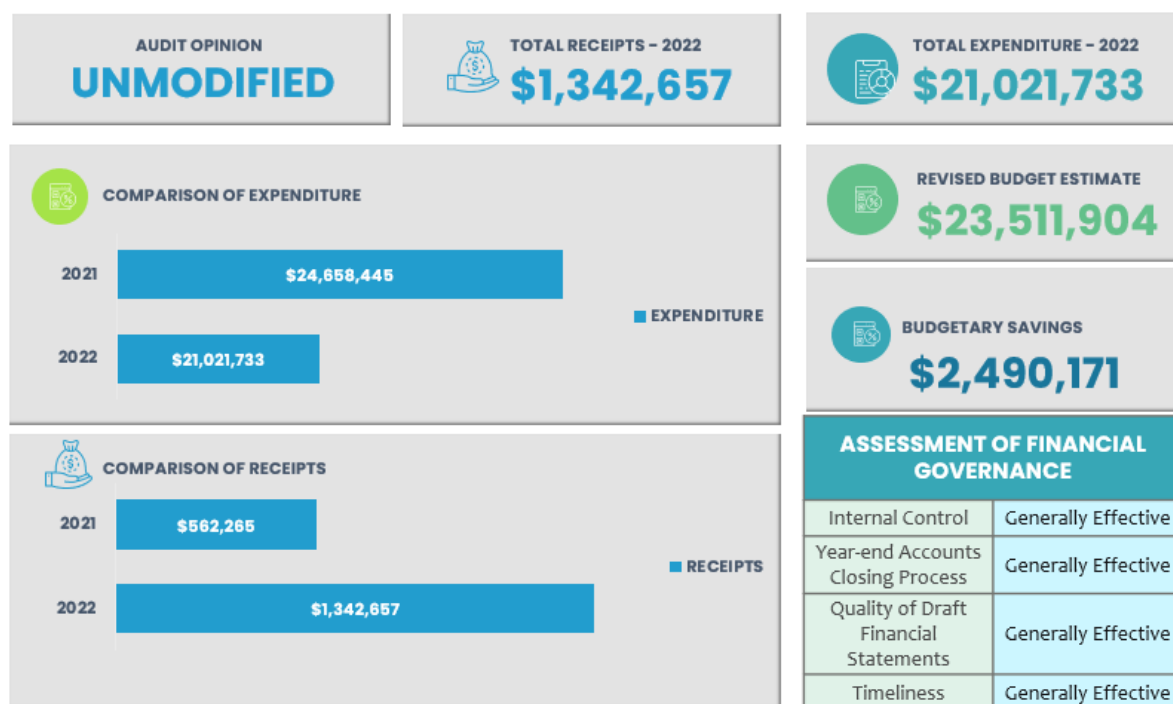
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PART A: FINANCIAL INFORMATION

40.1 Financial Information



40.2 Audit Opinion

The audit of the 2022 accounts of the Ministry of Infrastructure and Meteorological Services resulted in an unmodified audit opinion.

However, attention was drawn to the following matters:

- The financial statements disclose an unreconciled variance of \$1,405,134 that existed between the TMA balance sheet cash at bank balance and bank reconciliation balance since 2006. The unreconciled recurring variance relates to prior years (2006-2010) misappropriation that is under Fiji Independent Commission Against Corruption (FICAC) investigation and pending Court's deliberations and verdicts. These unreconciled recurring variances continue to exist for the financial year 31/07/22. Consequently, the audit could not confirm the accuracy and completeness of the Cash at bank balance of \$2,781,029 stated in the Consolidated TMA balance sheet as at 31 July 2022.
- The Ministry has disclosed the sixteen (16) 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 are not meaningful as comparatives for 2022 have not been reflected in the financial statement.
- The Ministry has disclosed the pending review of the cost structure for Fiji Meteorological Office. Cabinet decisions (05) 310 of 2005 states that Civil Aviation Authority of Fiji and Fiji Airports Limited to reimburse the 50% cost to Fiji Meteorological Services relating to the

Nadi and Nausori Terminal. In addition, it stated that review of the structure of the cost be carried out by the Fiji Meteorological Office. The Ministry is yet to enter into a contractual agreement for the provisions of weather services to the aviation industry. Due to non-review of the cost structure, Fiji Airports Limited is only paying \$50,000 monthly.

40.3 Appropriation Statement for Head 40

The Ministry collected revenue totalling \$1.3 million and incurred expenditure totalling \$21 million against a revised budget of \$23.5 million resulting in savings of \$2.5 million or 11%.

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

Table 40.1: Head 40 – Appropriation Statement for 2022

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	10,113,533	(532,232)	9,581,301	9,562,817	18,484
2	Government wage earners	2,355,772	59,192	2,414,964	2,409,077	5,887
3	Travel & communication	636,000	237,828	873,828	796,475	77,353
4	Maintenance & operations	2,699,600	363,129	3,062,729	2,920,566	142,163
5	Purchase of goods & services	865,040	73,680	938,720	809,665	129,055
6	Operating grants & transfers	57,000	(15,820)	41,180	35,026	6,154
7	Special expenditure	325,000	(198,240)	126,760	93,896	32,864
	Total Operating Expenditure	17,051,945	(12,463)	17,039,482	16,627,522	411,960
8	Capital Construction	1,050,000	60,000	1,110,000	1,078,878	31,122
10	Capital grants & transfers	4,917,151	(70,938)	4,846,213	2,855,489	1,990,724
	Total Capital Expenditure	5,967,151	(10,938)	5,956,213	3,934,367	2,021,846
13	Value added tax	492,808	23,401	516,209	459,844	56,365
	TOTAL	23,511,904	-	23,511,904	21,021,733	2,490,171

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.

The savings in capital grants and transfers is due the delay in obtaining approval from Government Tender Board and the legal vetting from the Solicitor General's Office. There were some delays in groundwork by the contractors due to the weather conditions and the supply of house wiring materials from overseas. These projects are now rolled over to the financial year 2022-2023.

40.4 Appropriation Statement – Head 41

The Water Authority of Fiji incurred expenditure totaling \$199.6 million against a revised budget of \$199.9 million resulting in savings of \$302,001.

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

Table 40.2: Head 41 – Appropriation Statement for 2022

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	80,727,914	3,943,274	84,671,188	84,671,136	52
	Total Operating Expenditure	80,727,914	3,943,274	84,671,188	84,671,136	52
10	Capital grants & Transfers	114,469,418	841,013	115,310,431	115,008,482	301,949
	Total Capital Expenditure	114,469,418	841,013	115,310,431	115,008,482	301,949
	Total Expenditure	195,197,332	4,784,287	199,981,619	199,679,618	302,001

40.5 Appropriation Statement – Head 43

The Fiji Roads Authority incurred expenditure totalling \$346.9 million against a revised budget of \$361.1 million resulting in savings of \$14.2 million or 4%.

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

Table 40.3: Head 43 – Appropriation Statement for 2022

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	13,059,732	-	13,059,732	12,859,732	200,000
	Total Operating Expenditure	13,059,732	-	13,059,732	12,859,732	200,000
10	Capital grants & transfers	325,121,326	23,017,261	348,138,587	334,107,389	14,031,198
	Total Capital Expenditure	325,121,326	23,017,261	348,138,587	334,107,389	14,031,198
	Total Expenditure	338,181,058	23,017,261	361,198,319	346,967,121	14,231,198

The savings in capital expenditures is due the non-release of funds from the Ministry of Finance.

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.

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. This business unit has also ventured in other forms of seeking jobs for the unit by engaging in the manufacturing of chapel seats, coffin boxes, etc.

Plumber Shop

TMA Plumber Shop 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 customers are the 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 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

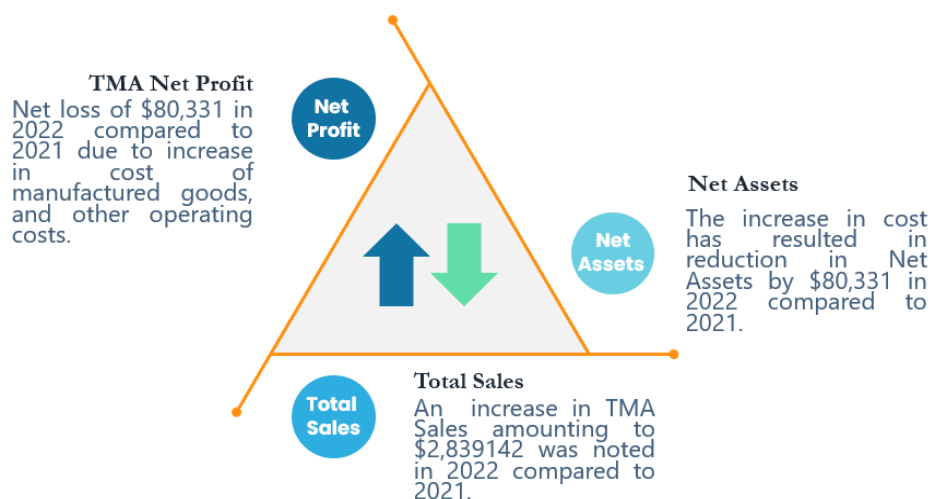
The Block Shed TMA was setup to support the needs of the Building and Roads Section in terms of facilitating the supply of concrete products such as blocks, V – drains, road curbs, marker posts, slabs and other non-structural concrete products needed for building and road construction. That was during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

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

Table 40.4: Details of TMA Ceiling

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

The financial analysis of TMA for the year ended 31 July 2022 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.

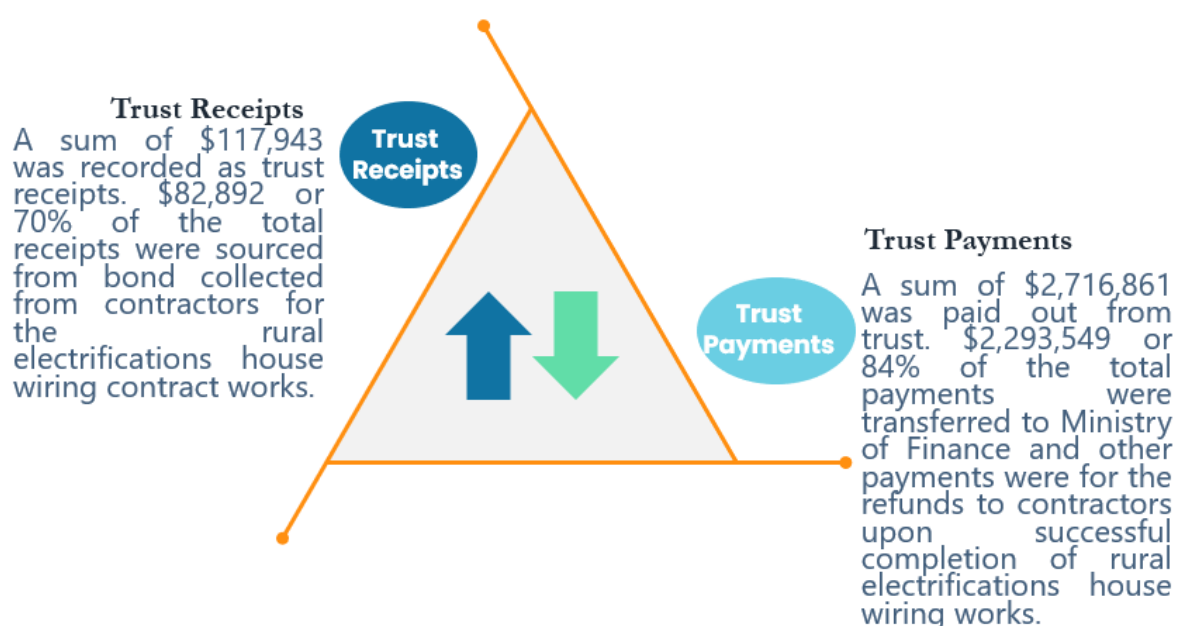
The Policy was amended in 2008, whereby the community contribution for all rural electricity schemes was reduced from ten (10) per cent to five per cent (5). The policy was silent with respect to changing supply between diesel and solar schemes or incorporating either system to one another to improve 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 for Solar Home Systems (SHS) and performance bond for house wiring, supply of materials for 3200 SHS.

The Ministry collected trust fund revenue totalling \$117,943 in 2022 and incurred expenditure totalling \$2,716,861 resulting in a deficit of \$2,598,918 compared to a surplus of \$321,671 recorded in 2021.



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

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 2022.

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 to 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 31/07/22;
- 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 a 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.

The collaboration commenced in 2022 and will be carried out in phases. So far, the WMO has approved the Terms of Reference (TOR) and moving forward to procurement stage with tender closed on 03/08/23 for the engagement of a suitable candidate for the consultancy work. As per Terms of Reference the engagement of consultant should have commence in September 2023 for duration of 4 months for the development of a framework for cost recovery for Aeronautical Meteorological Services in Fiji. However, that exercise is further delayed due to no suitable candidate for the consultancy work, and it proposed to be carried out in March 2024. This is work in progress.

The Ministry cannot pursue the arrears unless this cost recovery exercise is undertaken since the dispute between the two parties is over "what is reasonable charge that Fiji Airports should be paying the Fiji Met" The Department has already submitted to Ministry of Finance a Cabinet Paper requesting their second opinion to write off these as bad debts. Email correspondence attached, indicating discussions currently undertaken with Ministry of Finance on the same.

40.9 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 2022

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 40.5: Details of Variance between Cash Book and FMIS GL

Account Description	Account No.	FMIS Balance (\$)	Reconciliation Balance (cash book) (\$)	Variance (\$)
TMA Cash – Buildings	4-40251-91011-540201	1,038,560	132,043	906,517
TMA Cash – Mechanical	4-40262-91011-540201	748,470	248,751	499,719
Total		1,787,030	380,794	1,406,236

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; and
- 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 brought forward 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 Finance 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 a 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 Finance 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 05/09/23 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 listed to be called on 13 th September 2023 for mitigation and sentencing submissions.
HAC 99/14	Case against Accounts Officer & 11 others (PWD, Stationeries Shop)	This case hearing is already fixed for 31/10/23 to 03/11/2023 and 20/11/2023 to 01/12/2023. Matter is adjourned to 11/09/2023 to check on finalized agreed facts and agreed documents.
HAC 193/14	Accounts Officer & 8 others (PWD 5 Stationery shop)	The hearing of prosecution case is completed and there is a case to answer. Matter adjourned to 07-08/12/2023 for hearing of defense case.
CF: 955/15	Owner of the Hardware Store & 5 others (PWD 6 Hardware Store)	The company director is deceased. Prosecutions has filed Nolle Prosequi to Discontinue the case against the PWD staff Ms. X.

40.10 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:

- The retention money reflected in the Operating Trust Fund account were not supported by actual cash to pay off these liabilities.
- 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.
- A balance of amount \$1,161,884 as of 31 July 2022 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 whose monies were withheld.

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

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.

Ministry's Comments

Comments from Audit is noted. These balances have been carried forward for the past five (5) years without any movement between the financial years.

During the transition from DNR and WAF all relevant documents were transferred to WAF. We had followed up with relevant authorities.

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.

The Ministry has written to Ministry of Finance on 20th September 2023 requesting for write off the said retention security deposit.

40.11 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 that \$41,292 or 63% of the 2022 debtors account balance at year end were noted to be carried forward from 2019 period. This amount is 53% of the 2021 debtors balance and 38% of the of the 2020 debtors account balance. There was no movement during the period. Refer below for details.

Table 40.6: TMA Debtors Balances carried forward from prior years – SEG 56

GL Account Description – SEG 56	2019 (\$)	2020 (\$)	2021 (\$)	2022 (\$)
AR COMPANIES	3,889	3,889	3,889	3,889
DEBTOR-LOCAL GOVERNMENT	21,272	21,272	21,272	21,272
DEBTOR-ENERGY SERVICES	6,780	6,780	6,780	6,780
AR GOV DEPTS & AGENCY	371	371	371	371
AR INDIVIDUALS	8,730	8,730	8,730	8,730
DEBTOR-WATER & SEWERAGE	250	250	250	250
Total	41,292	41,292	41,292	41,292

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.

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

Recommendations**The Ministry should:**

- strengthen its credit policy and debt recovery procedures.
- try exhausting all avenues available on which debt can be recovered.

Ministry's Comments

The other Departments within the Ministry has settled their outstanding accounts receivable total of \$15,116 to Divisional Engineer Central Eastern Office, while the Ministry continues to liaise with other Ministries/Departments via formal letter and meeting with their senior officials regarding the settlement of their outstanding dues.

40.12 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 40.7: Details of Long Pending Trust Account

Account Description	2016 (\$)	2022 (\$)	Remarks
Security Deposits	(13,209)	(13,209)	No movement since 2016
Tender Deposits	(951,202)	(951,202)	
Total	(964,411)	(964,411)	

- The Northern Division operating trust fund account had a debit closing balance of \$19,566 as at 31/07/2022.

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 (\$964,411).

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 Ministry of Finance for the clearance of dormant account.

The Ministry has written to Ministry of Finance via memo dated 20th September 2023 seeking assistance and guidance in clearing the unsubstantiated balance as the Ministry could not identify the details of bulk posting done by Ministry of Finance. The Ministry awaits Ministry of Finance response.

Currently the Divisional Accounting Head Northern is reconciling the carried forward debit balance and should resolve this issue during this FY/2023.

40.13 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 \$48,959 of the TMA Deposits & Deductions account were noted to be carried forward from prior period. There was no movement from 2019 to 2022 for these 84 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 from 2019 and 2022 financial years.

Recommendations**The Ministry should:**

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

Ministry's Comments

The Ministry noted audit comments.

These balances have been carried forward for the past five (5) years without any movement between the financial years. The Ministry will obtain confirmations from third party institutions and clear any outstanding dues owed by the Ministry. For those institutions which are no longer in operations, the Ministry will seek advise from Ministry of Finance for corrective actions to be undertaken.

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

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

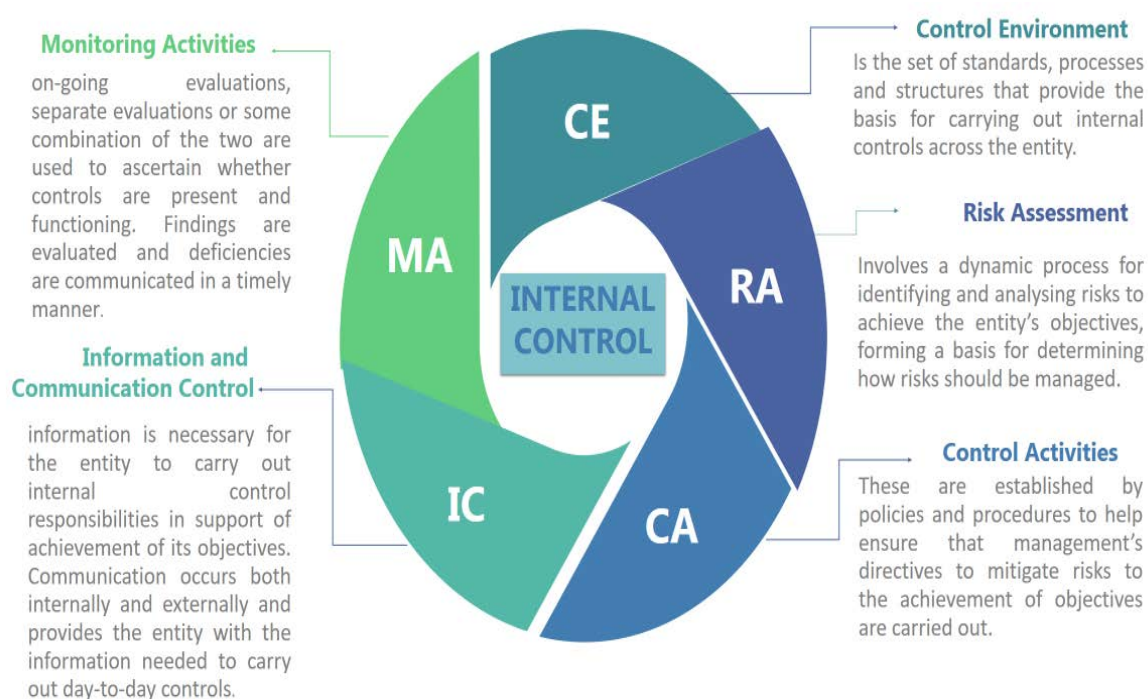
40.14 Internal Controls

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 2022 audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀	☠	☀	☀	☀

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

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

40.15 Submission of Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 06 August 2022	✓	Cancellation of unprocessed purchase orders by 18 July 2022	✓
Clearance of Inter-departmental clearance accounts by 29 July August 2022	✓	Processing of payments by 28 July 2022	✓
Clearance of stale cheques by 05 August 2022	✗	Processing of virement by 27 July 2022	✓
Annual Board of Survey on Drawings Account cheques by 26 August 2022	✓	Completion of reconciliations by 26 August 2022	✓
Retirement of imprests by 15 July 2022	✓	Submission of arrears of revenue returns by 26 August 2022	✓

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 2022 year-end close process as:

Rating	Year-end close process assessment
☀ Generally effective	9 of 10 key processes completed on the specified due date above

40.16 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:

Rating	Quality of draft financial statements assessment
🌿 Effective	No Adjustments were required

40.17 Timeliness of Draft Financial Statements


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


Rating	Timeliness of draft financial statements assessment
🌿 Effective	Acceptable draft financial statements received before 31 October 2022

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

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

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
 Ineffective	Management response received after 14 days

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	Signed accounts was received after 15 days

APPENDIX 40.1: DETAILS OF CONSOLIDATED TMA BALANCES**Consolidated Manufacturing Account**

Description	31 July 2022 (\$)	31 July 2021 (\$)
Opening Raw materials	115,045	125,809
Add: Purchases	943,122	673,390
	1,058,167	799,199
Less: Closing Raw Materials	107,162	115,045
Raw Materials Used	951,005	684,154
Direct Labour	992,170	1,139,268
Opening Work in Progress	17	3,617
Less: Closing Work in Progress	11,543	17
Cost of Goods Manufactured transferred to Trading Account	1,931,649	1,827,022

Consolidated Trading Account

Description	31 July 2022 (\$)	31 July 2021 (\$)
Sales	2,839,143	2,532,059
Finished Goods	107,314	117,167
Add: Cost of Manufactured Goods	1,931,649	1,827,022
Cost of goods available for sale	2,038,963	1,944,189
Less: Finished Goods	89,309	107,314
Cost of Goods Sold	1,949,654	1,836,875
Gross Profit transferred to profit & loss statement	889,489	695,184

Consolidated Profit & Loss Statement

Description	31 July 2022 (\$)	31 July 2021 (\$)
Income		
Gross Profit transferred from Trading Account	889,489	695,184
Other income	(230)	306
Total Income	889,259	695,490
Expenses		
Travel and communications	35,595	35,709
Maintenance and operation	885,138	638,090
Purchase of Goods and Services	48,476	12,450
Special Expenses	381	486
Total Expenses	969,590	686,735
Net Profit/ (Loss)	(80,331)	8,755

Consolidated Balance Sheet

Description	31 July 2022 (\$)	31 July 2021 (\$)
Liabilities		
Deposits and deductions	(523)	38,116
Unearned Revenue	347,434	241,693
Total Liabilities	346,911	279,809

Description	31 July 2022 (\$)	31 July 2021 (\$)
Equity		
TMA Accumulated (Loss)/Surplus	(1,501,237)	(1,420,906)
Net (Loss)/ Profit	4,209,256	4,209,256
Total Equity	2,708,019	2,788,350
Total Equity and Liabilities	3,054,930	3,068,159
Assets		
Cash at Bank	2,781,029	2,767,216
Accounts Receivable	65,887	78,567
Inventory	208,014	222,376
Total Assets	3,054,930	3,068,159

APPENDIX 40.2: ENERGY TRUST FUND ACCOUNT

Description	31 July 2022 (\$)	31 July 2021 (\$)
Opening Balance at 1 January	3,228,672	2,907,001
RECEIPTS		
Bond	82,892	248,207
Solar Home	32,082	82,415
Bank Interest	2,969	3,099
Total Receipts	117,943	333,721
PAYMENTS		
Refund of Performance Bond	109,105	11,935
Bank Fees	34	115
House wiring Refunds	313,127	-
Transfer to Ministry of Finance	2,293,549	-
Solar Deposit Refunds	1,046	-
Total Payments	2,716,861	12,050
Net Surplus	(2,598,918)	321,671
Closing Balance as at 31st July	629,754	3,228,672

Section 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.

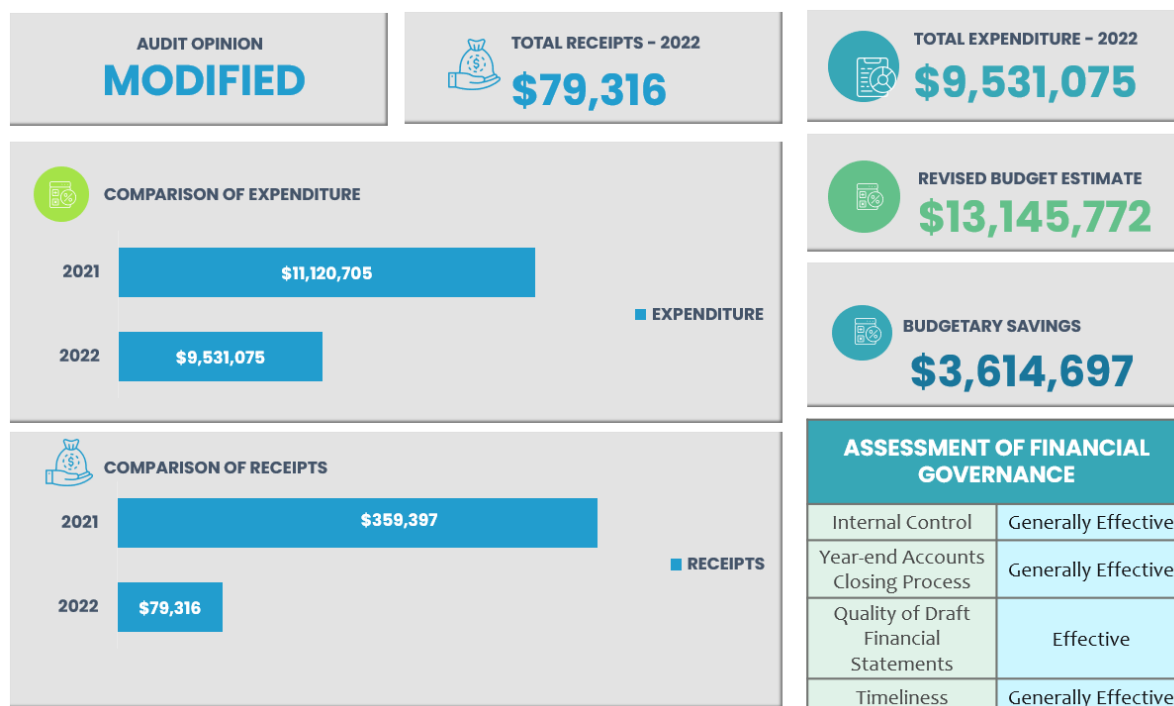
Duties previously carried out by the Ministry of Environment will now fall under the purview of the new Ministry. That includes the steadfast commitment of the Fijian Government to ensure that no development in Fiji comes at the cost of the overall health of our natural environment.

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.

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PART A: FINANCIAL STATEMENTS



42.1 Audit Opinion

The audit of the 2022 accounts of the Ministry of Waterways and Environment resulted in a modified audit opinion. The qualification is related to an unreconciled variance of \$446,552 that exists between the bank reconciliations balance and the cash at bank general ledger balance for the Environment Trust Fund Account as at 31 July 2022. In addition, there was an unreconciled variance of \$589,107 between the Trust Fund Account general ledger balance and the cash at bank general ledger balance. Consequently, audit was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$17,479,496 reflected in the Environment Trust Fund Account Statement of Receipts and Payments.

42.2 Appropriation Statement

The Ministry collected revenue totalling \$79,316 in 2022 and incurred expenditure totalling \$9.5 million against a revised budget of \$13.1 million resulting in a saving of \$3.6 million or 27%.

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

Table 42.1: Appropriation Statement for 2022

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staffs	3,033,390	(154,264)	2,879,126	2,859,917	19,209
2	Government wage earners	1,074,613	(69,596)	1,005,017	995,218	9,799
3	Travel & communications	175,000	31,000	206,000	203,036	2,964

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
4	Maintenance & operations	605,127	111,518	716,645	679,818	36,827
5	Purchase of goods & services	83,000	81,342	164,342	146,659	17,683
6	Operating grants & Transfers	1,464,026	(1)	1,464,025	1,390,677	73,348
7	Special expenditures	217,716	1	217,717	96,982	120,735
	Total Operating Expenditure	6,652,872	-	6,652,872	6,372,307	280,565
8	Capital construction	5,872,500	-	5,872,500	2,790,433	3,082,067
9	Capital purchase	-	-	-	-	-
10	Capital grants & transfers	-	-	-	-	-
	Total Capital Expenditure	5,872,500	-	5,872,500	2,790,433	3,082,067
13	Value added tax	620,400	-	620,400	368,335	252,065
	Total Expenditure	13,145,772	-	13,145,772	9,531,075	3,614,697

The savings of \$120,735 for Special Expenditure was due to Fiji Ridge to Reef (UNDP) not being government funded and its donor funding was done through SLG 84. In addition, the \$45,000 allocated for container deposit regulation was not utilized due to delay in finalizing of the agreement with the consultants.

The savings of \$3,082,067 budget for Capital Construction was largely due to the following:

- Complete Construction Naboro Landfill – the excess approval was declined for claim 18 and 19 amounting to \$355,940. The RIE was approved, however, Treasury Section, Ministry of Finance had requested for reconciliation from 2019 financial year till date on 14/07/2022. The last day for payment was 28/07/2022. Thus, the Ministry was unable to compile the payment vouchers to prepare acquittals on a short notice. These was not requested by Treasury Section, Ministry of Economy for prior requests for excess approvals. Hence the reconciliation was done, and payment cleared in FY 2022-2023.
- Drainage and Flood Protection – The Contract for Nakaile Village River Bank Protection Works Project RFT 87/2022 commence on 02/06/22 and it was roll over to 2022-2023 financial year.
- Watershed Management – Contract not finalised due to Geotech survey and full EIA not conducted on field.
- Maintenance Drainage of Non-Municipal Areas – the Ministry had proposed to Ministry of Economy to carry out fabrications of steel doors and accessories by purchasing material and engaging MOW labourers and welders to fabricate/repair steel works. Ministry of Economy did not approve the request. Only emergency works and Maintenance works under the five Drainage Maintenance Contracts were carried out in this financial year.
- Coastal Erosion Protection Works – The project for Bau Island Seawall Rehabilitation works commence on 04 April 2022 (3rd quarter 2021 -2022) and this project was rolled over to next financial year 2022 - 2023.

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.

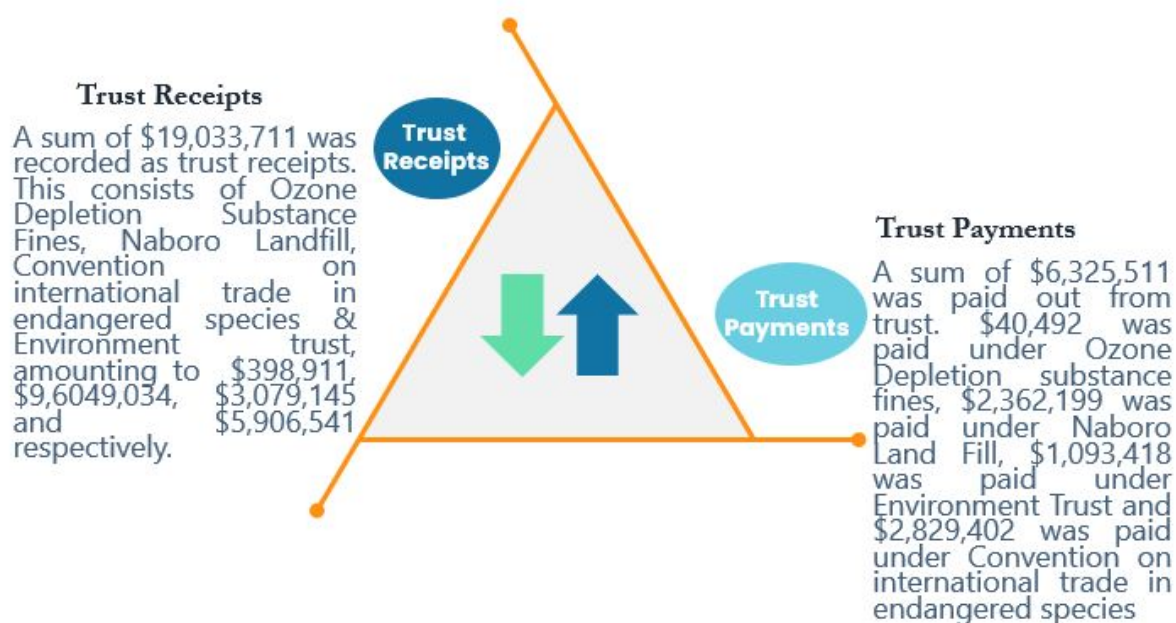
- i. **Ozone Depletion Substance (ODS) Fines** – section 12 of the Ozone Depleting Substance Act 1998 establishes the Ozone Layer Protection Fund which consisted of all money appropriated by Parliament for the purposes of the Fund or required to be paid into the Fund by or under any other Act; fees paid 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 depleting 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.

The Ministry collected Environment Trust Fund revenue totalling \$19,033,711 in 2022 and incurred expenditure totalling \$6,325,511 resulting in a surplus of \$12,708,200 compared to the surplus of \$2,147,133 in 2021.

The financial analysis of the Environment Trust Fund Account for the year ended 31 July 2022 is provided below.



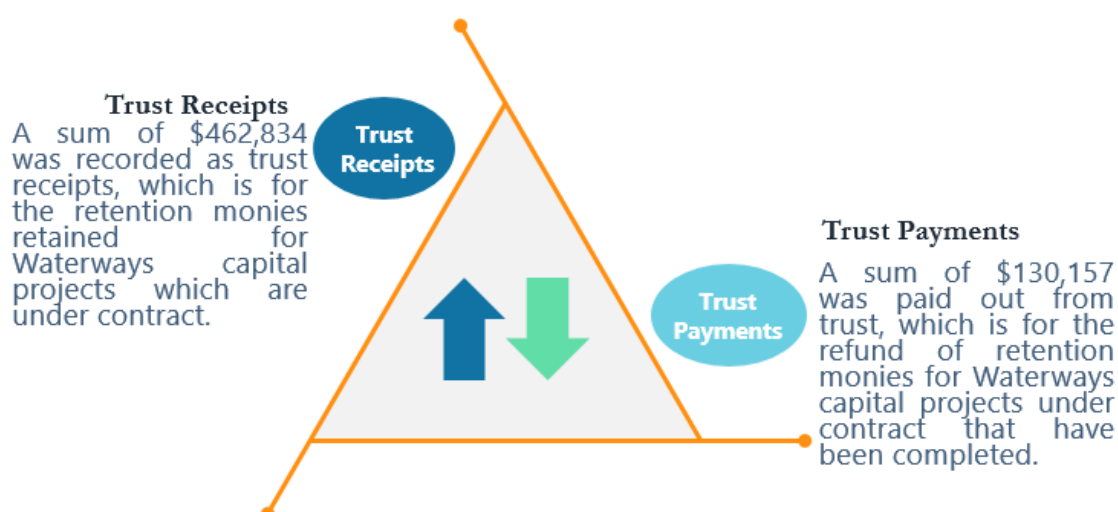
The detailed trust fund account statement of receipts and payments is provided in *Appendix 42.1*.

42.3.2 Waterways Retention Trust Fund Account

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

The Ministry collected retention revenue totalling \$462,834 in 2022 and incurred expenditure totalling \$130,157 resulting in a surplus of \$332,677 compared to a deficit of \$151,648 in 2021.

The financial analysis of the Waterways Trust Fund Account for the year ended 31 July 2022 is provided below.



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

PART B: SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2022.

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

Within 5 days after the end of each month, the Senior Accounts Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹

The Environment Trust Fund consisted of Trust Funds for ODS Fines, Naboro Landfill, Environment and CITES. Verification of the Environment Trust Fund records noted the following anomalies:

- Variances in bank balances – unreconciled variances of \$446,552 existed between the Environment Trust Fund Bank GL balance (SAG 52) and the bank reconciliation balances as at 31 July 2022.

Table 42.2: Variance in Bank Balance

Description	Amount (\$)
Bank Reconciliation	18,137,273
General ledger (SEG 52)	17,690,721
Variance	446,552

- GL Variance between SAG 52 and SLG 89/86/84 – unreconciled variance of \$589,107 existed between the Environment Trust Fund Account balance (SLG 89, 86 and 84) and the Trust Fund cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2022

Table 42.3: Variance between SLG 89/86/84 and SAG 52

Description	Amount (\$)	Total (\$)
Cash GL (SAG 52) balance		18,137,273
SLG 89 – Trust Fund Accounts	17,479,497	
SLG 86 – VAT on Revenue	21,805	
SLG 84 – Withholding Tax	46,864	
Total – SLG 89/86/84 Fund		17,548,166
Variance		589,107

¹ Ministry of Waterways and Environment Finance Manual 2019 – section 14.4.1

The findings indicate non-adherence 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.

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.**
- **Strengthen its supervisory check and review process and ensure compliance with requirements stipulated in the Finance Management Act and Finance Manual.**

Ministry's Comments

The variances have been inherited by Ministry of Waterways & Environment 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.

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

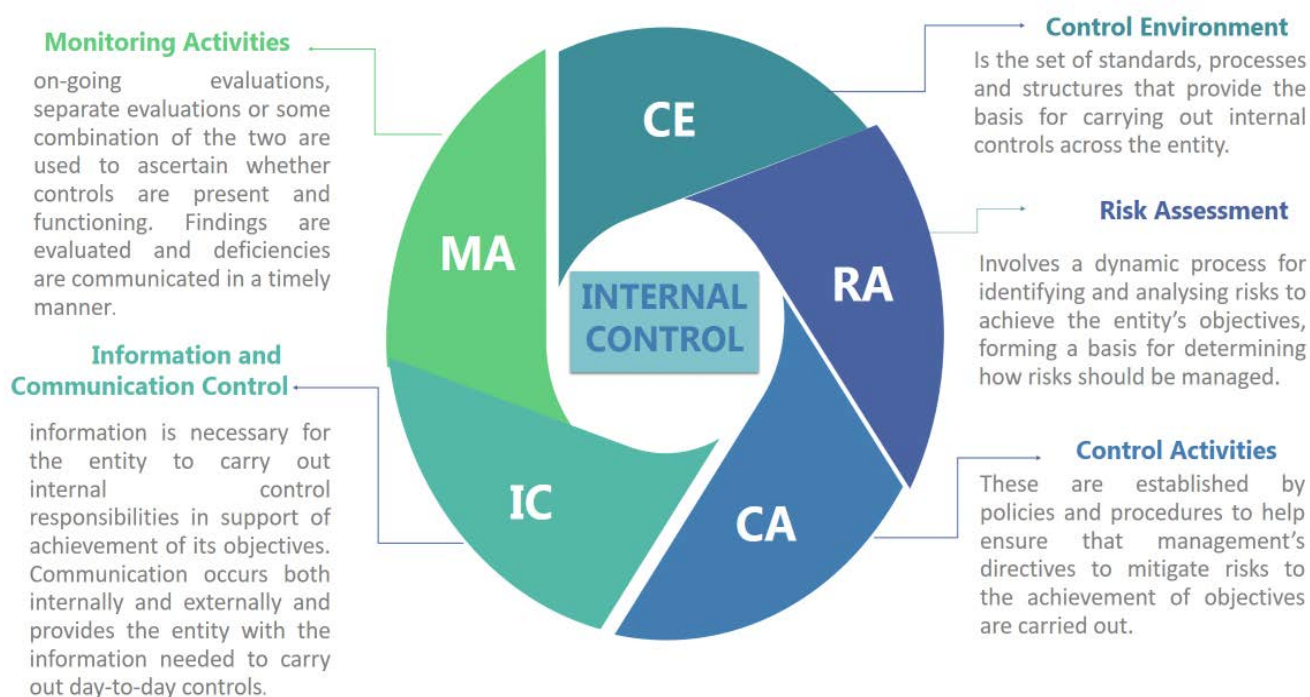
42.5 Internal Controls

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:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀ Generally effective	☀ Generally effective	☀ Generally effective	☀ Effective	☀ Generally effective

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

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

42.6 Submission of FY 2021-2022 Draft Agency Financial Statements

On 29 April 2022, Permanent Secretary for Finance issued Circular No. 06/2021-2022 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2022 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 08 August 2022	✓	Cancellation of unprocessed purchase orders by 18 July 2022	✓
Clearance of Inter-departmental clearance accounts by 29 July 2022	✓	Processing of payments by 28 July 2022	✓
Clearance of stale cheques by 05 August 2022	✗	Processing of virement by 27 July 2022	✓
Annual Board of Survey on Drawings Account cheques by 26 August 2022	✗	Completion of reconciliations by 26 August 2022	✓
Retirement of imprests by 15 July 2022	✓	Submission of arrears of revenue returns by 26 August 2022	N/A

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 year-end close process as:

Rating	Year-end close process assessment
☀ Generally effective	Seven (7) of Nine (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:

Rating	Quality of draft financial statements assessment
🌿 Effective	No adjustments were required

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:

Rating	Timeliness of draft financial statements assessment
☀ Generally Effective	Acceptable draft financial statements received on or before 31 October 2022

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:

Rating	Timeliness of Management Comments Received
● Effective	Management response received within 14 days from the issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
● Ineffective	Signed accounts received after 15 days from issue of Financial Statements for signing

APPENDIX 42.1: ENVIRONMENT TRUST FUND ACCOUNT

Description	31 July 2022 (\$)	31 July 2021 (\$)
Receipts		
Ozone Depletion Substance (ODS) Fines	398,991	362,312
Naboro Landfill	9,649,034	924,155
Environment Trust	5,906,541	3,218,239
Convention on International Trade in Endangered Species	3,079,145	32,228
Total Receipts	19,033,711	4,536,934
Payments		
Ozone Depletion Substance (ODS) Fines	40,492	-
Naboro Landfill	2,362,199	2,003,404
Environment Trust	1,093,418	386,397
Convention on International Trade in Endangered Species	2,829,402	-
Total Payments	6,325,511	2,389,801
Net Surplus	12,708,200	2,147,133
Opening balance as at 1 August	4,771,296	2,624,163
Closing balance as 31 July	17,479,496	4,771,296

APPENDIX 42.2: WATERWAYS RETENTION TRUST FUND

Description	31 July 2022 (\$)	31 July 2021 (\$)
Receipts		
Retention funds Deposits	462,834	2,347
Total Receipts	462,834	2,347
Payments		
Retention pay-outs	130,157	153,995
Total Payments	130,157	153,995
Net Surplus/(Deficit)	332,677	(151,648)
Add Balance as at 1 August	(61,355)	90,293
Closing Balance as at 31 July	271,332	(61,355)



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