



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

Remaining 2019 Audit Report on General
Administration, Social Services, Economic
Services and
Infrastructure Services Sectors



PARLIAMENT OF FIJI

PARLIAMENTARY PAPER NO. 109 OF 2021

1.0 SECTOR SUMMARY

This report includes the audit results of the remaining five (5) agency financial statements, for the financial year ended 31 July 2019, for the following:

- Ministry of Economy
- Ministry of Housing & Community Development
- Ministry of Public Enterprises
- Ministry of Local Government
- Ministry of Waterways and Environment

The audit results of the other Ministries and Departments for the year ended 2019 have already been reported and tabled in Parliament on 01/06/2021 as follows:

1. [2019 Audit Report on Economic Services Sector \(Parliamentary Paper No. 24 of 2021\)](#)
2. [2019 Audit Report on General Administration Sector \(Parliamentary Paper No. 25 of 2021\)](#)
3. [2019 Audit Report on Infrastructure Sector \(Parliamentary Paper No. 26 of 2021\)](#)
4. [2019 Audit Report on Social Services Sector \(Parliamentary Paper No. 27 of 2021\)](#)

Results of our Audits – Quality and Timeliness of Financial Statements

Of the five agencies reported in this report, the Auditor-General issued four unmodified audit opinions and one modified audit opinion. The details are contained in Section 2 of the report which can be found on www.oag.gov.fj.

The submission of acceptable draft financial statements for audit were generally delayed impacting the timeliness of financial statements.

2.0 AUDIT OPINION RESULTS

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

Comparatively, for the financial years 2017 – 2019, the quality of the agency financial statement for Ministry of Waterways and Environment has not improved. This indicates that significant matters reported in the independent auditors' report were not given sufficient priority and attention. As a result, most of these matters remain unresolved resulting in modified audit opinion.

The following table presents comparisons of the results of our audit for the past three financial years.

Ministry/Department	2018 – 2019 Financial Year		2017 – 2018 Financial Year	2016 -2017 Financial Year
	Date Audit Report Signed	Audit Opinion Type	Audit Opinion Type	Audit Opinion Type
Ministry of Economy	27/10/21	Unmodified	Unmodified	Unmodified
Ministry of Housing and Community Development	15/11/21	Unmodified	Unmodified	Unmodified
Ministry of Public Enterprise	01/06/21	Unmodified	Unmodified	Unmodified
Ministry of Local Government	02/09/21	Unmodified	Unmodified	Modified
Ministry of Waterways and Environment	18/11/21	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 material misstatements, individually or in the aggregate, were not noted in our audit which would affect the financial statements of an entity.

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 and/or Other Matter paragraph is included in the auditor's report to highlight an issue that will help the user better understand the financial statements.

The financial 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, we issued modified audit opinion on the following grounds.

Ministry of Waterways and Environment

1. Monthly bank and Trust Fund Account reconciliations for the Environment Trust Fund account were not performed during the financial year. As a result, an unreconciled variance of \$4.1 million existed between the bank balance (bank audit confirmation) and the FMIS general ledger balance. Furthermore, the Ministry was unable to provide for verification payment vouchers and supporting documents of the trust fund account for payments totalling \$359,980. Consequently, audit was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$6.05 million reflected in the Environment Trust Fund Account.

Note 6(b) to the financial statements provides the status of the Ministry's effort to resolve the above variance. The Environment Trust Fund account bank reconciliation statements for 2019 - 2021 have been prepared and submitted to the Ministry of Economy.

2. Contrary to the requirements of section 49 of Finance Instructions 2010, the Ministry did not prepare a report for the annual board of survey of assets under its authority. As a result, audit was unable to verify the existence and condition of the Ministry's assets and could not ascertain the accuracy of Loss of Assets recorded in the Statement of Losses.
3. The Ministry disbursed a total of \$3.4 million as capital grants to Municipal Councils for maintenance of drainage. Audit was unable to extend the verification beyond the acquittal reports submitted by the Municipal Councils. The acquittals reports were not supported with appropriate progress reports and project completion reports or engineer's certificate. Furthermore, the Ministry did not carry out independent verification of the projects to ascertain whether the projects were undertaken as per the approved scope and plan. Due to the lack of appropriate supporting documents and evidence of verification by the Ministry, audit was unable to ascertain whether value for money for payments totalling \$3.4 million for maintenance of drainage reflected as Capital Grant and Transfers in the Financial Statements has been achieved.
4. Funds totalling \$50,505 were transferred from the Drainage Boards in accordance with section 26 of the Drainage (Budget Amendment) Act 2018. The funds transferred were

neither based on audited closing cash at bank balance nor supported with closing bank statements balances of the respective Drainage Boards. As a result, audit was unable to ascertain the accuracy and completeness of the Transfer of Drainage Board Fund revenue totaling \$50,505 reflected in the Statement of Receipts and Expenditure.

3.0 ASSESSMENT OF FINANCIAL GOVERNANCE

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, Heads of Departments and other personnel 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 Housing 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](#). *This report is available on www.oag.gov.fj*

3.1 Internal control framework

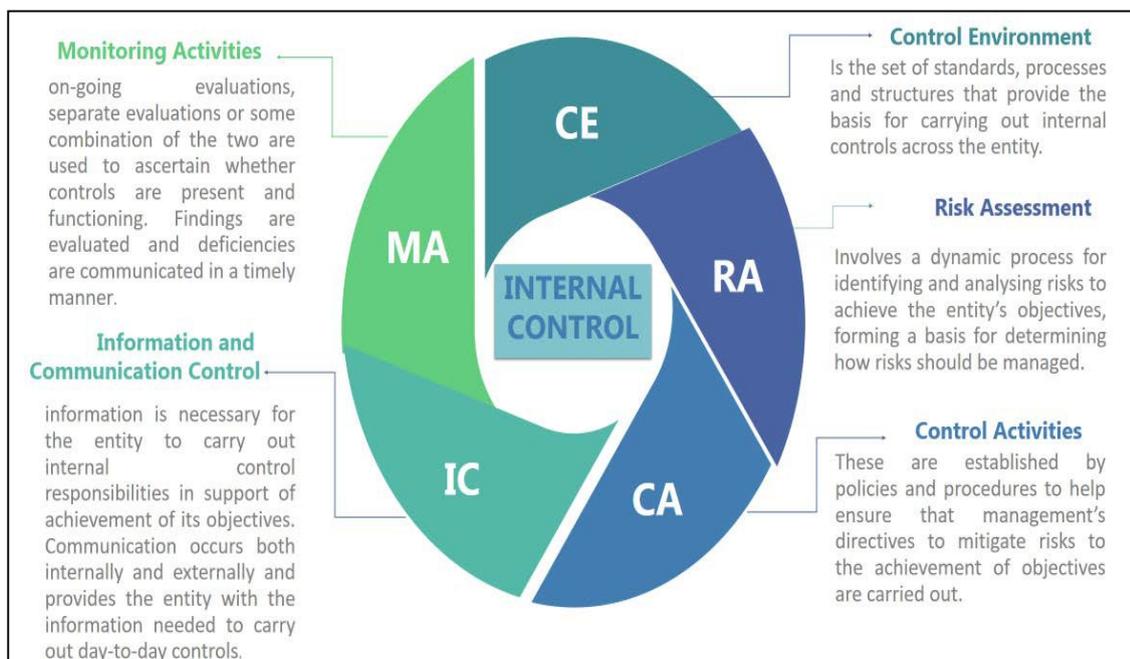
During our audit, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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 categorized against the following five components of internal control. Refer to the next page.



3.3 Preparation of draft 2018 – 2019 agency financial statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

- Cancellation of unprocessed purchase orders by 12 July 2019
- Retirement of Imprest by 19 July 2019
- Processing of payments by 29 July 2019
- Clearance of stale cheques by 5 August 2019
- Closing date for journal adjustments by 7 August 2019
- Processing of virement by 23 August 2019
- Completion of reconciliation by 29 August 2019
- Clearance of Inter departmental clearance accounts by 30 August 2019
- Annual Board of Survey on Drawings accounts cheques by 30 August 2019
- Submission of Arrears of Revenue Return by 30 August 2019

When ministries and departments achieves 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.

Rating	Internal control assessment
● Effective	All 10 key processes completed by due date
● Generally effective	Five or 10 key processes completed within two weeks of due date.

Rating	Internal control assessment
● Ineffective	Less than five or 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	Internal control 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

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	Internal control assessment
● Effective	Acceptable draft financial statements received before or on 15 October 2019.
● Generally effective	Acceptable draft financial statements received before or on 31 October 2019
● Ineffective	Acceptable draft financial statements received after 31 October 2019

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 entity and the date management comments and signed accounts were received.

Rating	Internal control assessment
Timeliness of Management Comments	
🟢 Effective	Within 14 days from the issue of Draft Management Letter
🟡 Generally effective	Within 21 days from the issue of Draft Management Letter
🔴 Ineffective	After 21 days from the issue of Draft Management Letter
Timeliness of Signed Accounts 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

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