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MINISTRY OF
PUBLIC WORKS, METEOROLOGICAL
SERVICES & TRANSPORT

PRESS RELEASE

Findings of the Special Audit on Fiji Roads Authority by Office of the Auditor General (December 2023)

1. This update is to provide a summary of the Findings of the Special Audit commissioned by the FRA Board for the 3 years period beginning from July 2020 to July 2023. The final report was received by my office in late December, 2023.
2. The new Board of the FRA was appointed in April 2023 and they immediately identified systems and governance breakdowns and a huge cash flow crisis that was crippling FRA. FRA had fully utilised its 2022/2023 capital budget allocation within 5 months (by December 31st 2022) without any capital expenditure funds for the remaining 7 months up till July 2023.
3. The Board had literally NO capital funds to operate since its appointment worsened by huge FRA arrears owing to its contractors.

Background and Reason for Special Audit

This cash flow crisis had a significant impact on the delivery of required services by the FRA with mounting public complaints and outcry due to the continuing deterioration of road network systems around Fiji when we came into Govt.

The Board had no choice but to take immediate steps to address this crisis situation and with collaboration and approval by its line Ministry and the Ministry of Finance secured a 50million dollar overdraft facility to pay off arrears to our contractors amounting to over 40million dollars.

With this payment, contractors were able to mobilise immediately and continue the required urgent maintenance works from May 2023 to date.

This also triggered the Board to commission a Special Audit well supported by the Government and the OAG.

Process

In accordance with good governance principles and law, due process was followed for an independent special audit to be carried out by OAG over the 3 year period.

The Audit Scope and Proposal was endorsed by the Board, before the audit began.

Summary of the Findings

1. That a Total cost variation and escalation of 405 million dollars were largely facilitated and approved by the former Board via flying minutes.
This is a very significant amount and exceeded the annual capital budget approved for each of the 3 years. This amount is equivalent to about 10% of the National Budget. Serious questions need to be asked whether proper processes, due diligence and approvals were undertaken before these amounts were paid out.
2. Preliminary and feasibility studies were not carried out.
3. Changes in project scope after tender was awarded and fresh tender was not called for significant changes to scope.
4. Under the maintenance program, there were inconsistencies noted in the application of cost escalation formulas applied by the Rip & Remake Contractors. The OAG observed that the FRA accepted these cost escalation claims made by the contractors and facilitated payments without independent verifications.
5. Retention Funds owed to contractors were utilised by the Authority due to its cash flow crisis.
6. There was largely no allocation of specific budgets for emergency works arising out of natural disasters.
7. The Auditors also noted that a significant number of Key Management and Middle Management positions remained vacant, which were critical to the functions of the FRA during this reporting period.

Recommendations

OAG auditors have also provided 9 key recommendations which my Ministry and Board will ensure to be implemented. The Board has also engaged a consultant to prepare its Strategic Plan and to also to reform the organization to become more efficient and effective in delivering its services and incorporate the recommendations including:

1. There is a need for the Authority to have stringent process for project planning, feasibility study, design and engineering, and overall contract management. During the entire process of project implementation, the timely involvement of all stakeholders such as public utility Companies (EFL, TFL and WAF), relevant Government Ministry and Department and resources owners are critical for successful projects.
2. Managing variations in project scope is a critical aspect of project management. The Authority should develop a step-by-step guide to manage changes to project scope largely not limiting to the following:
 - a) Change request process;
 - b) Identification and evaluation;
 - c) Impact analysis;
 - d) Costing of changes to scope;
 - e) Effective stakeholder consultation and communication;
 - f) Risk management; and
 - g) Approval process;
3. For all major variation, cost escalation and emergency work with significant financial or strategic implications must be approved by the Authority's Board. It is critical that the approving authority should be clearly demarcated in the Authority's Operations Manual.

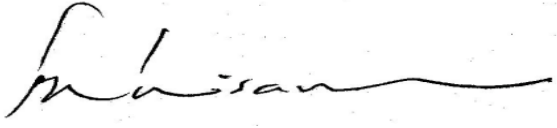
While making quick decision may be necessary in certain circumstances, however its essential for those charged with governance to strike a balance between timely action and thoughtful consideration while approving variation, cost escalation and emergency work with significant financial or strategic implications.

4. The Authority should strengthen its Internal Audit, Risk Management and Compliance function. This function plays a vital role in ensuring project success, maintaining transparency, and adhering to regulatory requirements. The function should report directly to Authority's Board of Directors.
5. The Authority should work with its line Ministry and Ministry of Finance for consideration to allocate funding's for emergency works.
6. The Authority should work on filling all critical technical positions that are currently vacant.
7. Given that a good number of positions at executive and middle management level that have remained vacant during the period under review¹, it would be imperative for the Authority to work on reviewing and aligning its organisation structure to its business plan and work programme. This will ensure that the Authority have the right structure and required resources to bring about efficiency and alignment towards organisational goals and the strategic directions.

8. The Board of the Authority should enhance budget monitoring mechanism. This entails periodic detailed analysis of budget allocated against actual expenditure incurred and review of targets outlined in the annual business plan.
9. The Authority should ensure that all IPC's are authorised by Works Manager and the Contract Administrator as required by the FRA Operations Manual 2022.

Conclusion

Due to the seriousness of the findings in this special report and for transparency ,good governance, and most important accountability for public funds - I have decided to refer this report to the Board and / or relevant Authorities for a forensic and detailed investigation.

A handwritten signature in black ink, appearing to read 'Filipe Tuisawau', with a long horizontal flourish extending to the right.

Hon Ro Filipe Tuisawau

Minister of Public Works, Meteorological Services & Transport

5 January 2024