



EXCELLENCE IN PUBLIC SECTOR AUDITING

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Audits of Statutory Authorities - December 2012





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File: 102

8th April 2013

Commodore Josaia V. Bainimarama
Prime Minister and Minister for Finance
Office of the Prime Minister
Government Buildings
SUVA

Dear Sir

REPORT OF THE AUDITOR GENERAL

Audit of Accounts of Statutory Authorities - December 2012

In accordance with section 7(7) of the State Services Decree 2009, I am pleased to transmit to you my report on the audits of accounts of the above mentioned entities that were completed during the 2nd half of 2012.

The report should be presented to Cabinet within 30 days of receipt as required under section 7 (8) of the State Services Decree 2009.

Tevita Bolanavanua
Auditor - General



Statutory Authorities

1. Agriculture Marketing Authority
2. Telecommunications Authority of Fiji
3. Fiji National Council for Disabled Persons
4. Consumer Council of Fiji
5. Fiji Independent Commission Against Corruption
6. Western Division Drainage Board
7. Fiji Serviceman's After-Care Fund
8. Fiji Sports Council
9. Fiji Higher Education Commission
10. Maritime Safety Authority of Fiji
11. National Food and Nutrition Center
12. Sugar Industry Tribunal
13. National Substances Abuse Advisory Council
14. Civil Aviation Authority of Fiji
15. Kalabu Tax Free Zone
16. Independent Legal Serviceman's Commission

SECTION 1: AGRICULTURE MARKETING AUTHORITY

Programme Statement

The Agriculture Marketing Authority is established under the Agriculture Marketing Authority Act (2004). The Authority commenced operations on 1 September 2004.

The functions of the Authority as set out in the Act are:

- to assist the producers of Agro produce in marketing of their products;
- to identify markets for and to facilitate and develop marketing of agro produce;
- to purchase, sell and export and import agro produce or import agro input; and
- to do any other things necessary to properly carry out its functions and powers under the Act.

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PART A – FINANCIAL INFORMATION

1.1 Audit Opinion - 2009

The audit of the financial statements of the Agriculture Marketing Authority for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The qualifications are as follows.

- The Authority did not make any provision for doubtful debts for debtors totalling \$344,675. If this was provided, the net deficit would have increased while the Accumulated Fund decreased by the same amount. Moreover, records to substantiate trade debtors were not provided.
- Records to substantiate trade creditors totalling \$77,930 were not provided.
- A sum of \$474,331 which could not be substantiated is incorrectly disclosed under the Statement of Changes in Equity.

1.2 Abridged Income Statement

Year Ended 31 December	2009 (\$)	2008 (\$)
Income		
Sales	1,735,120	357,187

Year Ended 31 December	2009 (\$)	2008 (\$)
Cost of sales	(2,037,599)	(360,657)
Gross Loss	(302,479)	(3,470)
Grants from Government	1,555,556	888,889
Other Income	228,821	129,145
Total Income	1,481,898	1,014,564
Expenditure		
Administration expenses	1,117,983	1,055,000
Distribution and marketing expense	124,067	409,965
Finance cost	0	0
Total Expenditure	1,242,050	1,464,965
Net loss before income tax	239,848	(450,401)
Income tax expense	-	-
Net profit/(loss) after income tax	239,848	(450,401)

AMA recorded a net profit of \$239,848 in 2009 compared to a net loss of \$450,401 in 2008. This was due to the increase in sales and government grant by 385.8% and 75% respectively in 2009. The profit was realised despite an increase in cost of sales by 465%.

1.3 Abridged Balance Sheet

As at 31 December	2009 (\$)	2008 (\$)
Assets		
Cash on hand and at bank	21,369	9,679
Other current assets	512,176	472,890
Non - Current Assets	927,560	501,418
Total Assets	1,461,105	983,987
Liabilities		
Creditors and other payables	213,968	283,191
Borrowings	256,833	71,984
Bank Overdraft	12,965	31,169
Deferred Grants	927,560	501,418
Total Liability	1,411,326	887,762
Net Assets	49,779	96,225
Accumulated Fund	49,779	96,225

AMA recorded a decline in net assets by \$46,446 or 48% in 2009 compared to 2008. This was due to significant increases in borrowings by \$184,849 and deferred grant by \$426,142.

PART B – CONTROL ISSUES

1.4 Provisions for doubtful debts

Financial statement will not show a true and fair position if there is doubt about the value of debtors. This position can be encountered by making a reserve to provide for any doubtful debt. The Fiji Accounting Standard 37 *Provisions, Contingent Liabilities Assets* allow to provide for provisions in the financial statement for debts where recovery appears to be doubtful.

The Authority did not create a provision for doubtful debts for the year ended 31 December 2009 and an aged analysis of the debtors was also not produced for audit.

Debtors may be overstated in the books of accounts because there is a possibility that some debts may be irrecoverable.

Recommendations

- **An aged analysis of the debts should be prepared.**
- **The authority should review its debtors listing and provide for all those balances that appear to be doubtful.**

Authority's Comments

The aged analysis for debts is prepared on a monthly basis. At the end of each year the balances that appear to be doubtful will be discussed with the board when there is a failure to recover the debts.

1.5 Credit Balances for Overseas Debtors

The audit noted that there was a credit balance in one of the debtors account. Refer to Table 1.1 below for details.

Table 1.1: Details of Overseas Debtor with Credit Balance

Overseas Debtors	Amount (\$)	Remarks
Debtor 1	9,615.50	The credit entry was pass in July as revealed in July Trial Balance. However, audit could not verify the journal entries as all journals for July were missing as revealed by the authority. The authority could not justify the credit balance.
Total	9,615.50	

The above credit balances shows that follow up were not done properly by the authority for overseas debtors to ensure that correct amount are written off or credited to the debtors account.

Recommendation

The Authority should regularly reconcile individual debtors account and inform debtors accordingly of their outstanding balance.

Authority's Comments

The credit balances were a result of some entries passed to respective accounts. The authority will ensure that all expenditures are properly recorded.

1.6 Unsubstantiated balances

At least once in every year, the Auditor-General must inspect, audit and report to the Cabinet on:

- public accounts of the State;
- control of public money and public property of the State; and
- all transactions with or concerning the public money or public property of the State.¹

¹ Republic of Fiji Islands Government Gazette – 2009 State Service Decree No. 6 (Part 5 – 7(1))
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In the performance of his duties, the Auditor-General has access to all records, books, vouchers, stores or other government property in the possession or control of any person or authority.²

Records to substantiate the following balances were not provided.

- Trade debtors – \$214,376;
- Trade Creditors – \$77,930; and
- Assets purchase from government grant – \$474,331.

Furthermore, the amount \$474,331 above was incorrectly disclosed under Statement of Changes of Equity merely as a balancing figure.

Thus, it could not be concluded that the financial statements submitted by the Authority were fairly stated.

Recommendations

- **The authority should ensure that records are readily made available for audit verification.**
- **The authority should prepare separate records for each of the trade debtors**

Authority's Comments

The authority will ensure that records are readily available for audit verifications. Most of the files and documents are currently with FICAC which made it difficult to produce records in the office during the time of audit. A separate record is prepared for individual debtors.

1.7 Damaged Furniture & Equipment Recorded in the Fixed Assets Register

The CEO shall be responsible for ensuring that a physical verification of all fixed assets is conducted yearly and reconciled to the Fixed Assets Register. Any discrepancies should be brought to the attention of the CEO and immediately investigated. The CEO shall have the discretion to surcharge any employee for any missing assets under their control. Write offs in excess of \$300 (cost of assets) should be approved by the Board.³

The audited noted that the authority did not conduct a physical verification of all fixed assets for the year 2009.

Moreover, the 2009 fixed assets register contain some of the office and computer equipment which are not in working condition. Refer below for details of equipment which are not in workable condition as per audit inspection.

Table 1.2: Details of Office & Computer Equipment which are not in working condition

Assets	Year Acquired	Written Down Value	Depreciation	Remarks
Office Furniture				
1 x canon laser printer	Oct -04	71.78	50.67	not working
1 x Vodafone	Oct -04	84.81	59.87	not working

² Republic of Fiji Islands Government Gazette – 2009 State Service Decree No. 6 (Part 5 – 7(4))

³ AMA Finance Policies & Procedure Manual – section 7.6 (pg 16)

Assets	Year Acquired	Written Down Value	Depreciation	Remarks
1 x Ricoh Fax Machine	Dec -04	315.87	199.50	not working
3 x Nokia Phones	Dec -04	149.26	94.26	not working
1 x Konica Digital Camera	Dec -04	105.77	66.80	not working
2 x Nokia Phones	Apr-06	224.79	77.07	not working
1 x Panasonic Vacuum Cleaner	Aug-08	146.30	27.87	not working
Post-Harvest equipment				
Time Machine	July-06	3,242.67	1,024.00	Not used
Computer Equipment				
2 desktop computers	July-05	806.00	372.00	1 desktop PC not working
Printer & Fax Machine	Jun-06	240.50	78.00	not working
1 desktop PC	Nov-06	256.67	73.33	not working
2 desktop computers	Feb-08	1,776.00	576.00	not working
Office Equipment				
Office Blinds	May-05	138.51	46.17	The equipment was disposed off but was still recorded & accounted in the register

The inclusion of the above in the fixed assets register will not truly reflect the fair value of the Authority's fixed assets in the financial statement.

Recommendations

- The authority should update the fixed assets register accordingly.
- The authority should write-off the above office furniture and post-harvest equipment to ensure that the value reported in the financial statement truly reflects the authority's financial position.

Authority's Comments

The authority will ensure all damaged equipments and furniture is written off after consultation with the board. This should be reflected in 2010 Financials. Fixed registers are updated accordingly.

1.8 Surcharge not fully recovered

All discrepancies must be reported to the CEO immediately, who should then ensure that proper investigation are carried out and appropriate action taken.⁴

The audit noted that the following officers were terminated by the authority while still owing surcharged sum for misusing the working capital given to them. Refer to Table 1.3 below for details.

Table 1.3: Surcharge balances

Officers Initial	Amount Surcharged (\$)	Amount Recovered (\$)	Balance (\$)	Reason for surcharge
AD	782.94	234.84	548.10	Travel allowance
MD	8,050.75	4,950.00	3,100.75	Missing working capital

⁴ AMA Finance Policies & procedure Manual- section 4.11

Officers Initial	Amount Surcharged (\$)	Amount Recovered (\$)	Balance (\$)	Reason for surcharge
OK	617.90	420.00	197.90	Missing working capital
TOTAL			3,846.75	

It was further established that MD had previous surcharge action taken against him for misusing working capital as follows:

- Officer was surcharge for a sum of \$5,744.20 for fresh ginger working capital on 11/02/08. A Deduction of \$220.93 commenced from 21/02/08. The amount was fully recovered.
- Officer was surcharged for misappropriating an amount of \$639.40 on 13/08/09 being working capital handed over to him.
- Officer was surcharged for a sum of \$8,050.75 on 23/02/09 for misuse of working capital. The amount was not fully recovered from the officer.
- The officer was terminated by the Authority in 2009.

The continuous misappropriation of working capital above was not reported to the police for further actions to be taken against the respective officers.

The above denotes the laxity of the management in ensuring that continuous abuse and misuse of working capital by officers are curtailed.

Failure to impose harsher penalties against officers misappropriating working capital sets a bad precedent to other officers of the authority.

Recommendation

The authority should report to the police any case of misappropriation of working capital and enforce it as a standard disciplinary action to avoid any other misuse of working capital by the officers.

Authority's Comments

The surcharge that was against MD has been fully recovered. This includes \$5744.20 and \$8,050.75. The balance from \$8,050.75 was recovered when MD re-joined the authority in 2011. The issue with AD is currently with FICAC.

1.9 Unsubstantiated Payments and Missing Records

While the Authority's operational manual is silent on disbursement of working capital, it has been the Authority's practise to give working capital in cash to Area Coordinators or Authorities Agents based around the country for the purchase of produce from farmers. The working capitals are either given directly or deposited into the personal bank accounts of the Area Coordinators.

The audit noted that the working capital payments made for the supply of dalo from Taveuni and Savusavu were not adequately supported. Even though working capital reconciliations were prepared by the Area Coordinator, the produce purchase orders used for the procurement, receipts for the carrier charges and labour cost details were not available to verify the accuracy of the reconciliations prepared.

Moreover the audit could not verify payments totalling \$4,292.76 as relevant payment vouchers were missing. Details of missing payment vouchers are shown in the Table 1.4 below.

Table 1.4: Missing Payment Vouchers

Date	Cheque #	Payee	Amount
29/01/09	3482	Telecom Fiji	1,203.61
25/03/09	3531	Telecom Fiji	3,089.15
TOTAL			4,292.76

The absence of records to support the reconciliations prepared and payments made denotes poor record keeping which reflects poorly on the accounting officers responsible.

Recommendations

- **The authority should ensure that all accounting records are properly maintained at all times.**
- **All working capital reconciliations should be adequately supported with the produce purchase orders, receipts and other relevant source documents.**

Authority's Comments

The authority issues working capital and all reconciliations are done after the procurement is done. The PPO's are available for verification. The payment vouchers for 2009 are with FICAC.

1.10 Accounting for Debtors

The financial statements should be prepared in accordance with the Fiji Accounting Standards.⁵

In order to meet their objectives, statements are prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent are received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Financial statements prepared on the accrual basis inform users not only of past transactions involving the payment and receipt of cash but also of obligations to pay cash in the future and of resources that represent cash to be received in the future. Hence, they provide the type of information about past transactions and other events that is most useful to users in making economic decisions.⁶

The audit noted that authority had adopted the cash basis of accounting from March to December 2009 when recording its trade debtors in the general ledger system. Invoices issued were not posted to the trade debtors' account in the general ledger system to reflect that a credit sale has occurred. Therefore the authority had recognised revenue only when cash is received and not at the point when invoices were issued to debtors as required under the accrual basis of accounting.

Moreover, the authority did not maintain separate ledgers for each debtor and as a result audit could not determine the amount owed to the authority by each individual debtor as no reconciliation was prepared for each debtor.

⁵ AMA Finance Policies and Procedures Manual – section 1.2.2

⁶ Fiji Accounting Standards (Framework for the Preparation and Presentation of Financial Statements) – Para 22

The above denotes laxity by the accountant in ensuring that the correct basis of accounting is adopted by the authority and ledgers are maintained and updated accordingly. Hence the debtors' balances as per the general ledger system could be either overstated or understated at year end and cannot be relied upon.

Furthermore, the adoption of the cash basis of accounting by the authority during the financial year contradicts the framework of accounting standards and is a poor reflection on the accountant of the authority.

Recommendations

- **The authority should ensure that the accrual basis of accounting is adopted as required.**
- **Separate ledgers should be maintained for each trade debtors and debtors reconciliation should be carried out on a monthly basis.**

Authority's Comments

The authority will ensure that accrual basis of accounting is fully adopted. This will be fully reflected in 2010 Financials. Debtor's reconciliation is done on a monthly basis.

1.11 Delay in Banking

All cash and cheques should be banked daily and intact. There shall be no substitute of cash and cash should not be utilised for any payments.⁷

The audit noted that the revenue receipted for the month of April was not banked promptly and it took between 6 to 34 days to lodge revenue despite the banking facilities being fully accessible. Refer below for details.

Table 1.5: Delay in the Banking of Revenue Received Daily

Revenue Receipt Number	Collection Date	Lodgements Date	Amount (\$)	No. of Days Delayed
2078	30/04/09	06/05/09	584.65	6
2077	30/04/09	06/05/09	534.95	6
2050	08/04/09	06/05/09	3.50	28
2040	02/04/09	06/05/09	360.00	34
2041	03/04/09	06/05/09	218.00	33
2057	09/04/09	06/05/09	42.80	27
2059	09/04/09	06/05/09	26.50	27
2061	14/04/09	06/05/09	52.00	22
2062	14/04/09	06/05/09	6.00	22
2052	09/04/09	06/05/09	206.50	27
2045	07/04/09	06/05/09	350.00	29
2054	09/04/09	06/05/09	136.90	27
2060	14/04/09	06/05/09	40.80	22
2064	15/04/09	06/05/09	10.50	23
2073	27/04/09	06/05/09	170.00	9
2074	27/04/09	06/05/09	84.00	9

Furthermore, the revenue receipted from Mr. Onisivoro Kamanalagi being for unused working capital on receipt number 2075 totalling \$1,548.00 was not banked by the authority in 2009.

⁷ AMA Finance Policies and Procedures Manual – section 3.2
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The above indicates controls over revenue collections were lacking and there is lack of proper supervision and monitoring which could lead to loss or misappropriation of monies. Moreover, the possibility of teeming and lading cannot be ruled out.

Recommendations

- **Surcharge action should be instigated against the accountant for failing to monitor cash collections and lodgements regularly.**
- **The authority should ensure that supervisory checks are carried out before and after lodgement of revenue.**

Authority's Comments

The noted receipts were deposited between 3-20 days. This was used as working capital and operational expenses as the 2nd Quarter grant was not received. Later this was reimbursed and deposited. This is not the current practice and all receipts are deposited when received. This could be verified using our receipt book and the deposit book. The authority ensures that supervisory checks are carried out before and after lodgement of the revenue.

\$1548.00 was used as working capital and further clarification on this can be given once we get copies of the Payment Voucher from FICAC. The receipt batch has got the Field Vehicle Loading docket attached which shows this was used for freight expenses and working capital for Dalo.

SECTION 2: TELECOMMUNICATIONS AUTHORITY OF FIJI

The Telecommunications Authority of Fiji was established under the Telecommunications Promulgation 2008, which provides for the constitution of the Authority and the manner in which it may function, levy and collect licences, exercise powers and expand funds.

The principal activities of the Authority are to provide rapid expansion of reliable and as affordable as possible telecommunications services on an equitable basis, with particular improvement in rural areas; promote efficient investment and innovation in telecommunications network and services; provide fair competition among service providers and allowing market forces to operate; provide and promote appropriate consumer protection and other safeguards in relation to telecommunications services where market forces are insufficient.

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PART A – FINANCIAL INFORMATION

2.1 Audit Opinion 2010

The audit of the financial statements of the Authority for the five months ended 31 December 2010 resulted in the issue of an unqualified Audit Report.

2.2 Statement of Receipts and Payments 2010

Five Months ended 31 December	2010 (\$)
Receipts	
Government Grant	468,861
Miscellaneous	956
Total Receipts	469,817
Payments	
Administration Expenses	25,507
Operating Expenses	129,029
Capital Expenses	96,007
Value Added Tax	28,417
Total Payments	278,960
Net Surplus	190,857

The Authority recorded a net surplus of \$190,857 for the five months ended 31 December 2010.

2.3 Statement of Financial Position 2010

As at 31 December	2010 (\$)
Current Assets	
Cash on hand	190,857
Total Current Assets	190,857
Net Assets	190,857
Total Accumulated Funds and Reserves	190,857

The Authority recorded a Net Asset of \$190,857 as at 31 December 2010.

2.4 Audit Opinion 2011

The audit of the financial statements of the Authority for the year ended 31 December 2011 resulted in the issue of an unqualified Audit Report.

2.5 Statement of Receipts and Payments 2011

Year ended 31 December	2011 (\$)	Five Months Ended 2010 (\$)
Receipts		
Government Grant	1,130,961	468,861
Miscellaneous	38,525	956
Total Receipts	1,169,486	469,817
Payments		
Administration Expenses	343,231	25,507
Operating Expenses	353,752	129,029
Capital Expenses	157,763	96,007
Value Added Tax	102,605	28,417
Total Payments	957,351	278,960
Net Surplus	212,135	190,857

The Authority recorded a net surplus of \$212,135 in 2011 compared to five months ended 31 December 2010. This was largely attributed by the increase in Government Grant.

2.6 Statement of Financial Position 2011

As at 31 December	2011 (\$)	Five Months Ended 2010 (\$)
Current Assets		
Cash on hand	402,992	190,857
Total Current Assets	402,992	190,857
Net Assets	402,992	190,857
Total Accumulated Funds and Reserves	402,992	190,857

The Authority recorded a Net Asset of \$402,992 in 2011 compared to five months ended 31 December 2010. This was largely attributed by the increase in Government Grant which in turn resulted in increase in cash at bank.

PART B - CONTROL ISSUES

2.7 Basis of Accounting

An enterprise should prepare its financial statements, except for cash flow information, under the accrual basis of accounting.¹

Under the accrual basis of accounting, transactions and events are recognized when they occur (and not as cash or its equivalent are received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.²

Furthermore, the Fiji Accounting Standards 16 states the manner in which property, plant and equipment are to be disclosed in the financial statements.

The audit noted that the Authority's financial statement for the year at 31 December 2010 and 31 December 2011 were prepared using cash basis of accounting and does not take into account arrears and accruals.

In addition property, plant and equipment, debtors, creditors and prepayments were not taken into account in the financial statements.

As a result the financial statements for the year ended 31 December 2010 and 31 December 2011 do not reflect the true financial position of the Authority.

Recommendation

The Authority should adopt the accrual accounting for preparation of its financial statements and comply with the requirements of Fiji Accounting Standards.

Management Comments

TAF will in 2013 review its accounting processes and work with the Ministry of Finance and Ministry of Communication to ensure that it adopts accrual accounting and prepares financial statements and that will comply with the requirements of FIA.

2.8 Failure to Develop and Maintain Manual and Policy Guidelines

An operational manual contains detailed accounting and administrative policies and procedures which would assist new and existing staffs on special areas of operations. The manual would also ensure consistency in the application of policies and procedures by staffs.

The audit noted that the Authority has not developed an operational manual outlining policy guidelines and procedures for the operation of the Authority.

Lack of documented policies and procedures can lead to poor accountability of public funds.

Recommendation

¹ Fiji Accounting Standards (Framework for the Preparation and Presentation of Financial Statements) – Para 25

² Fiji Accounting Standards (Framework for the Preparation and Presentation of Financial Statements) – Para 26

The Authority should consider on the need to develop an operations manual for the operation of the Authority.

Management Comments

As per the TAF Board instructions, TAF is using the Government's Financial Management Act 2004, in the absence of its own Accounting Manual.

TAF will be developing its Accounting Manual as soon as necessary capacity is built into its existing structure.

2.9 Payment of Accommodation and Changes in Airfare

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

According to the Authority's flying board minute³, a Canadian national came to Fiji to undertake a Diploma in Telecommunications Management course and was supposed to leave Fiji on 18/12/10. However, the Canadian national was given the opportunity to attend the interview of the position of Chief Executive Officer (CEO) Telecommunications Authority of Fiji on 21/12/10.

In order for the Canadian to attend the interview on 21/12/10, the Authority paid \$1,208.45 for his accommodation and fees for changes in the air ticket.

Audit noted the following anomalies:

- Our review revealed that the Canadian was not a shortlisted candidate for the CEO position revealed and neither could the Authority provide any documentary evidence to substantiate that the Canadian had applied for the position.
- The interview proper for the 8 shortlisted candidates was held on 11/06/10. Therefore to conduct a separate interview for the Canadian on 21/12/10 (six months later) is highly questionable.
- The Authority failed to provide any documentary evidence to substantiate that the Canadian was interviewed on 21/12/10.

Maintaining proper documentary evidence is essential for proper accounting of public funds.

Recommendation

The Authority should provide appropriate documentary evidence to substantiate that Mr. Khan had applied for the position and was interview on 21/12/10.

Management Comments

The TAF CEO position is a strategic executive position. Due to the importance of the position, the board deemed it necessary to have some flexibility to allow the directors to head hunt potential candidates for the position during the initial advertisement. His background in the field of telecommunications and immense experience suggested that he would have been a likely candidate for this position. He has submitted his CV after a verbal discussion

³ Flying Board Minute Number 11/2010 Dated 21 December 2010

with the Minister for Telecommunications and the Directors of TAF where he expressed his interest to be considered for the position.

SECTION 3: FIJI NATIONAL COUNCIL FOR DISABLED PERSONS

The Fiji National Council for Disabled Persons (FNCDP) was established under Act No. 21 of 1994. The functions of the Council are as follows:

- To be a coordinating body for all organizations dealing with the care and rehabilitation of the disabled;
- To formulate a National Policy that would ensure that services are provided to all disabled persons in Fiji;
- To seek financial assistance from the Government and aid donors for itself and registered organisation providing service to disabled persons;
- To draw up a National Plan of action for rehabilitation services and implement such plan;
- To organise national seminars and workshops relating to the problems and needs of disabled persons and assist in the training of personnel involved in the care, training, education and rehabilitation of disabled persons;
- To create public awareness of the problems and the aspirations of disabled persons through educational media;
- To regularly inform the appropriate Minister(s) of the Government of the problems and need of disabled persons and seek solutions to such needs;
- To establish a National Rehabilitation Fund, the purpose of which will be to attract national and international contributions in terms of funds, expertise, material and equipment to be used in implementing; and
- Periodically review the National Policy and National Plan of action for the purpose of determining their continued relevance to local, regional and international realities.

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PART A – FINANCIAL INFORMATION

3.1 Audit Opinion – 2011

The audit of the financial statements of the Fiji National Council for Disabled Persons for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

3.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Government Grant	200,000	200,000
European Union	82,748	225,435
Other Income	43,078	11,613
Total Revenue	325,826	437,048
Recurrent Expenditure		
Salaries, Wages and Related Expenses	125,239	106,522

Year Ended 31 December	2011 (\$)	2010 (\$)
European Union Project	152,837	89,901
Disability Data Statistic Survey	0	11,753
Travel and Subsistence	10,934	8,299
Telephone/Fax	9,362	8,483
Board & Committee Expenses	4,057	6,895
Maintenance & Repairs	13,424	13,164
International Disabled Persons Day	7,590	7,675
Fiji Vocational Technical Training for Disable People	0	2,112
Workshop/Training Programmes	20,735	26,604
Caregiver Allowance	4,160	4,160
Office Equipment	730	17,350
Nausori Special School	30,000	0
Other Expenses	41,312	32,586
Total Expenditure	420,380	335,504
Surplus/(Deficit) for the year	(94,554)	101,544

The Council recorded a deficit of \$94,554 in 2011 compared to a surplus of \$101,544 in 2010. This was mainly due to the reduction in funding received from the European Union by \$142,687 or 64% in 2011 compared to 2010. The Council's total expenditure also increased by \$84,876 or 26% in 2011 due to increases in E.U. Projects, Nausori Special School, ILO workshop and HQ expenses.

3.3 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Assets		
Cash at Bank	111,188	206,575
Telephone Deposit	600	600
Shares in Unit Trust of Fiji	10,468	9,635
Total Assets	122,256	216,810
Total Accumulated Funds	122,256	216,810

The council's net assets decreased by \$94,554 or 44% in 2011 compared to 2010 as a result of the decrease in cash at bank balance as at 31 December 2011. This was due to the increase in expenses on European Union project, Nausori Special School, ILO workshop and HQ expenses.

PART B – CONTROL ISSUES

3.4 Investment at Unit Trust of Fiji

The Council bought 18,868 units at \$1.59 per unit with total value of \$30,000 from Unit Trust of Fiji in 1995. Since then the Council has been re-investing the dividends received until 2007 when it decided to withdraw 46,808 units valued at \$57,716. The total units held by the Council in 2007 before the withdrawal was 69,606.

After the withdrawal 46,808 in 2007, total of 22,798 units valued at \$6,465 remained with Unit Trust of Fiji as at 31/12/07. The Council continued to reinvest the dividends received after the withdrawal in 2007.

The Council had a total investment as at 31/12/11 of 25,752 units with selling price of \$33,993 at Unit Trust of Fiji. The Council's financial statements for the year ending 31/12/11 stated total investment of 25,752 units valued at \$10,462 at cost.

Unit Trust of Fiji was not able to provide the cost of the units held by the Council as at 31/12/11. Unit Trust of Fiji recorded all investments at selling price or repurchase price.

As a result, the audit was not able to determine whether the total value of units held by the Council at Unit Trust of Fiji was correctly stated in the financial statement as at 31/12/11.

Recommendation

The Council should reconcile the cost of units held at Unit Trust of Fiji.

Council's Comment

No comments

3.5 Northern Disable Persons Centre

The Ministry of Finance approved a budget of \$528,000 for the construction of the Northern Disable Persons Centre in 2011. The building was constructed by Public Works Department with the funding provided by the Ministry of Women and Social Welfare. The construction works were completed in April 2011 and the building was officially handed over to the Fiji National Council for Disabled Persons in June 2011.

The audit noted that as at the date of audit in July 2012 the Council is yet to provide any service for disabled people in the North. The building had five rooms which were not utilized by the Council.

Recommendation

The Council must ensure that it commences its services to disabled persons in the North as soon as possible.

Council's Comment

No comments

3.6 Bonus Payment to Executive Director

A bonus is a form of reward for special efforts and exceptional work done by an employee on a predefined criterion. The employee thus has to meet the Key Performance Indicators set by the Employer in order to qualify for bonus payment. Bonuses are discretionary in nature.

A bonus of up to 15% of basic salary shall be based on performance and the review of the Officer's work at the end of the year. The Performance Indicators will be based on the Executive Director's list of Accountabilities which will be reviewed at the end of the year¹.

The Council paid the Executive Director full 15% bonus totalling \$3,635.60 on his gross salary in 2011. The payment of bonus was approved by the Council in its meeting held on 17/5/2011.

¹ Employment Contract, FNCDP Executive Director and the Council - Section 2.0

The audit noted that the Council paid full 15% or \$3,635.60 bonus to the Executive Director without any performance appraisal. It was also noted that the Council did not have predetermined performance measurement system to assess the performance of the Executive Director. As a result, the payment of bonus to the Executive Director may not be justified.

Recommendations

- **The Council must develop a performance measurement system for the Executive Director.**
- **The Council must ensure that Executive Director's performance is properly assessed and bonus is paid according to his performance.**

Council's Comment

No comments

SECTION 4: CONSUMER COUNCIL OF FIJI

The principal purpose of the Council is to provide the protection and promotion of consumer interests, informing consumers of their rights and responsibilities and mobilising consumers to achieve fairness and safety in the marketplace.

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PART A: FINANCIAL POSITION

4.1 Audit Opinion

The audit of the financial statements of the Consumer Council of Fiji for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

4.2 Abridged Statement of Financial Performance

As at 31 December	2011 (\$)	2010 (\$)
Income		
Government Grant	531,281	517,578
Other Grants	107,852	60
Other Income	39,292	41,116
Total Income	678,425	558,744
Expenditure		
Depreciation	22,244	29,632
Electricity and Water	24,080	15,278
Rent and rates	50,061	49,800
Salaries, wages and related payments	341,233	342,934
Telephone and postage charges	14,879	12,130
Travelling expenses	21,134	19,353
Sundry expenses	118,757	121,578
Total Expenditure	592,388	590,705
Net Surplus/(Deficit) for the year	86,037	(31,961)

The Council recorded a surplus of \$86,037 in 2011 compared to a deficit of \$31,961 in 2010. The increase in surplus was the result of Other Grants totalling \$107,852 received in 2011.

4.3 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Current Assets		
Cash on hand and at bank	273,211	198,103
Other current assets	11,873	9,073
Total Current Assets	285,084	207,176
Non – Current Assets		
Property, plant and equipment	40,891	60,715
Total Non – Current Assets	40,891	60,715
Total Assets	325,975	267,891
Current Liabilities		
Accounts payables and accruals	47,281	43,590
Grants Payable	266,751	180,266
Other current liabilities	125,567	243,696
Total Current Liabilities	439,599	467,552
Total Liabilities	439,599	467,552
Net Assets	(113,624)	(199,661)
Accumulated Funds and Reserves	(113,624)	(199,661)

The Council's total liabilities exceeded total assets by \$113,624 as at 31 December 2011. The Council is not in a position to meet its debts should creditors demand for payments.

SECTION 5: FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION (FICAC)

The Fiji Independent Commission Against Corruption (FICAC) was established on the 4th of April 2007 to investigate acts of corruption by public officers, employees of government and government – related organisations. The Fiji Independent Commission Against Corruption is governed by the FICAC Promulgation 2007 and to maintain its independence, it reports directly to His Excellency the President.

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PART A – FINANCIAL INFORMATION

5.1 Audit Opinion

The audit of the financial statements of the Fiji Independent Commission against Corruption for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

5.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 (\$)	2010 (\$)
Income		
Government Grants	6,127,720	7,288,889
Total Revenue	6,127,720	7,288,889
Expenditure		
Salaries and Wages	3,159,499	2,961,671
Legal Fees – Local and Overseas	82,066	2,250
Fixed Assets	481,586	1,943,833
Traveling Local and Expatriate	290,666	288,667
Other operating expense	1,621,549	1,757,631
Total Expenditure	5,635,366	6,954,052
Net Surplus/(Deficit) for the year	492,354	334,837

FICAC's operation was fully funded by the Government with salaries and wages making up the major component of the expenditure. The Government grant to FICAC decreased by \$1.16 million or 16% in 2011. Despite the decline in grant FICAC recorded a surplus of \$492,354 in 2011 compared to a surplus of \$334,837 in 2010.

5.3 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Assets		
Cash at bank	1,226,539	696,701
Receivables	58,697	115,040
Total Assets	1,285,236	811,741
Liabilities		
Creditors and other accruals	108,109	126,968
Total Liabilities	108,109	126,968
Net Assets	1,177,127	684,773
Net Accumulated Fund	1,177,127	684,773

The Commission's net assets increased by \$492,354 or 72% in 2011 compared to 2010. This was a result of increased cash holdings by \$529,838 (76%) as a result of decrease in operating expenditures by \$1.3 million or 19% in year 2011.

PART B – CONTROL ISSUES

5.4 Recruitment Procedures not Followed

FICAC is an equal employment opportunity employer and is committed to ensuring that all applicants for selection or promotion are not discriminated.¹

As positions become vacant or contract period expires, the vacant post shall be advertised in the daily papers subject to review of the role and function to be undertaken. This review shall include an assessment of the need to maintain the position, its classification and role. Review of recommendations will go to the Commissioner for endorsement.²

On 26/04/11, the Commission appointed a new driver. However, the following anomalies were noted:

- The position was not advertised in 2011.
- The Officer had previous offences of burglary and larceny in 2001 and criminal trespass in 2006.
- The Commission failed to provide the list of applicants for the above mentioned post. Hence, the selection criteria could not be verified.

Failure to follow proper advertising and recruitment procedure could result in best applicant not appointed by the Commission. Lack of transparency in the recruitment processes can lead to nepotism in the selection.

Recommendation

The Commissioner must ensure that proper recruitment procedures are strictly adhered to.

¹ FICAC Promulgation 2007 – Section 2.2

² FICAC Promulgation 2007 – Section 2.7

Commission's Comments

The position of Driver was last advertised in 2008 and based on the large volume of applications received, we utilised the same applications to randomly select the Driver as and when the position became vacant.

We note the audit comments and will ensure the relevant FICAC policy is complied with.

SECTION 6: WESTERN DIVISION DRAINAGE BOARD

The Western Drainage Board was established under the Drainage Act, 1973. The Board is responsible for the maintenance and improvement of drainage of all land within the Western Division drainage area.

Furthermore, subject to any approval or consent which may be required under the Act, the Board may carry out such works and issue such orders concerning drainage works as it deems necessary for the improvement of drainage within the division.

The Board has powers to make, assess and levy rates required to cover the costs of improving, constructing and maintaining drainage works, the carrying out of any drainage measures and the operating costs of the Board.

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PART A – FINANCIAL INFORMATION 2011

6.1 Audit Opinion - 2011

The audit of the financial statements of Western Division Drainage Board for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

6.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 (\$)	2010 (\$)
Income		
Government Grant	512,489	644,762
Other Income	8,966	13,279
Total Operating Income	521,455	658,041
Expenditure		
Wages and Salaries	56,180	52,702
Vehicle and Maintenance	21,988	26,329
Drainage Maintenance	364,577	673,146
Other Expenditure	52,318	54,472
Total Operating Expenditure	495,063	806,649
Net (Deficit)/ Surplus for the year	26,392	(148,608)

The Board recorded a net surplus of \$26,392 in 2011 compared to a net deficit of \$148,608 in 2010. This was due to decline in drainage maintenance expense by \$308,569 or 46%.

6.3 Abridged Statement of Financial Position

Year Ended 31 December	2011 (\$)	2010 (\$)
Current Assets		
Cash	200,113	207,600
Financial Assets – Term Deposits	-	61,228
Receivables	7,812	28,923
Total Current Assets	207,925	297,751
Non Current Assets		
Financial Assets – Term Deposits	127,314	121,759
Property, Plant & Equipment	18,259	28,538
Total Non Current Assets	145,573	150,297
Total Assets	353,498	448,048
Current Liabilities		
Creditors & Other Accruals	71,580	169,608
Employee Benefits	2,564	897
Total Current Liabilities	74,144	170,505
Total Liabilities	74,144	170,505
Net Assets	279,354	277,543
Total Accumulated Funds	279,354	277,543

Net assets increased by \$1,811 in 2011 compared to 2010. The overall change was insignificant but there was a significant decrease in financial assets – term deposit by \$61,228 or 100% due to maturity of BSP term deposit; and creditors & accruals by \$98,028 or 58%.

PART B – CONTROL ISSUES

6.4 Understatement of VAT on Government Grant

Each Accounting Head must ensure that VAT is correctly accounted for and remitted as required.¹

The audit noted that VAT on government grant was understated in the general ledger. Refer Table 6.1 for detail.

Table 6.1: VAT on Government Grant

Particulars	Calculations (\$)	2011 (\$)
Total Government Grant received		580,840.00
Amount of Vat recorded as per GL	580,840 - 56,815 / 7.66667	68,351.08
Audit Calculation	580,840 / 7.66667	75,761.71
Variance		7,410.63

As a result, the grant income reported in the financial statement is over stated by \$7,410.63.

¹ Finance Instructions 2010 – Section 21 (1) (e)

Recommendation

The Secretary should ensure that VAT is correctly accounted for on the government grant received during the year in order to avoid any penalties being charged by FRCA. The amount should also be remitted to FRCA.

Board's Comments

No comments received.

6.5 Non - Compliance to Tender Process

The procurement authorities delegated to Permanent Secretaries and the Board when procuring goods, services or works are as follows –

Permanent Secretaries - \$30,000 and less;
Government Tender Board - \$30,001 and more.²

An Engineering Contractor fabricated and supplied full complete six sets of floodgate doors and accessories worth \$52,392 to the Board during the year.

However, the audit noted that the Board failed to obtain tender approval as required under the Procurement Regulations 2010.

While the need for goods may have been necessary and urgent, it certainly does not require deviations from policies and guidelines governing the purchase of these good and services. Failure to do so could result in unauthorised procurement and over expenditure.

Recommendation

The Secretary must ensure to call for tender of any procurement of goods and services worth \$30,001 and more.

Board's Comments

No comments received.

6.6 Payment of Late Lodgement Penalty

In any case where a return is furnished which understates output tax or overstates input tax or an assessment which understates the persons liability to pay tax and within 30 days from the date of the said assessment that person has not taken all such steps as are reasonable to draw the understatement to the attention of the Commissioner that person shall subject to be liable to a penalty not exceeding the amount of the deficient tax.³

The audit of VAT records noted that the Board paid late lodgement penalties of \$10,995.65 in 2011. These penalties related to financial years 2009 and 2010..

² Procurement Regulations 2010 – Section 27 (1)

³ Value Added Tax Decree 1991, revised 30/04/2004 – Section 76A (1)

Table 6.2: Late Lodgement Penalties

Date	Cheque No.	Details	Amount (\$)
22/02/11	1137	Late lodgement penalty for 2009	5,371.11
22/06/11	1243	Late lodgement penalty for April – June 2010	415.95
22/06/11	1243	Late lodgement penalty for July – September 2010	5,208.59
Total late lodgement payments			10,995.65

In addition, the VAT assessment for July to September 2010 amounting to \$24,580.81 was paid in 2011.

Such practice affects the Board's liquidity position and if not control could result in future cash flow problems.

Recommendations

- **The Secretary must ensure that all dues are paid on time to avoid late payment penalties.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

Board's Comments

No comments received.

6.7 Valuation of Plant and Equipment

The frequency of revaluations depends upon the movement in the fair values of the items of property, plant and equipment being revalue. When the fair value of a revalue asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant and equipment may experience significant and volatile movements in fair value thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant movements in fair value. Instead, revaluation every three or five years may be sufficient.⁴

The audit of fixed assets records noted the following anomalies:

- Most of the plant and equipment reflected in the Fixed Assets Register had been fully depreciated with zero written down value but are still being used by the Board. Also no revaluation policy on fully depreciated assets exists. Refer Table 6.3 for examples.

Table 6.3: Assets with Zero or One Written Down Value

Assets	Written Down Value 31/12/11 (\$)
Office Furniture	0
Office Furniture (Oct 2005)	0
Filing Cabinet (July 2006)	0
Furniture & Fittings	0
Motor Blower (March 2002)	1
Computer (Dec 2002)	1
Motor Blower (Sep 2004)	1

⁴ Fiji Accounting Standard 16 – Section 32

Assets	Written Down Value 31/12/11 (\$)
Furniture & Fittings (June 2005)	1
Office Equipment (August)	0
Office Equipment (December)	0
Vehicle – EN 598 (Oct 2004)	1
Vehicle – EW 934 (Dec 2005)	1

- The Board does not have an asset capitalization policy in place.

The above anomalies indicate that the amount recorded as plant and equipment in the Financial Statement may not be reported at its fair value.

Recommendations

- **The Board should revalue all its plant and equipment to ensure fair values are reflected in the financial statements.**
- **The Secretary should draft a policy in relation to the revaluation of the fully depreciated assets which are in use to assign a value to it.**
- **The Board should have a capitalization policy in order to ensure that items falling under the definition of fixed assets are properly disclosed in the Financial Statement.**

Board's Comments

No comments received.

SECTION 7: FIJI SERVICEMEN'S AFTER-CARE FUND

A committee appointed by the Minister of Finance manages the Fund which was established generally for the aid and care of ex-servicemen and their dependents. The broad scope of activities is covered under Section 13 of the Fiji Servicemen's After-Care Fund Act.

The mission or core business of the Fund is in the following areas:

- To provide funds for the maintenance and welfare of persons who have served at any time during the war in or with the Fiji Naval or Military Forces or any branch of the Allied Forces or any Allied Merchant Service or any Nursing Service attached to any of the Allied Forces and for the aid and care of the wives, widows, children and other dependents of such persons;
- To provide such persons or any of them with medical care and surgical appliances;
- To provide for the education of the children such persons or any of them;
- To assist such persons or any of them to fit and equip themselves for any profession, trade or calling;
- To make loans to persons specified above, subject to such conditions the committee may think fit;
- To make the payment of all reasonable costs, charges and expenses of the Committee or incidental to the applications and the administration of the Fund.

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PART A – FINANCIAL INFORMATION

7.1 Audit Opinion

The audit of the financial statements of the Fiji Servicemen's After-Care Fund for the year ended 31 December 2009 resulted in the issue of a qualified Audit Report. The qualification is as follow:

The Fund's general ledger balance for cash as at 31 December 2009 was \$84,704 while the bank reconciliation undertaken had a debit balance of \$140,578. This resulted in a variance of \$225,282 between the closing balance of cash in the general ledger and the bank reconciliation.

7.2 Abridged Statement of Financial Performance

Year Ended 31 December	2009 (\$)	2008 (\$)
Income		
Government Grant	5,592,000	5,597,666
Other	33,509	83,018

Year Ended 31 December	2009 (\$)	2008 (\$)
Total Income	5,625,509	5,680,684
Expenditure		
Beneficiary Payments	5,606,099	5,306,054
Staff/Personnel Costs	222,775	215,176
Other Operating & Administration Expenses	155,993	160,306
Christmas Island Veterans	0	2,278
Total Expenditure	5,984,867	5,683,814
Net Deficit for the Year	(359,358)	(3,130)

The Fund recorded a deficit of \$359,358 in 2009 compared to a deficit of \$3,130 in 2008 due to increase in beneficiary payments by \$300,045 (6%). Beneficiary payments constitute payments to:

- (i) beneficiaries in accordance with the Fiji Servicemen's Aftercare Fund Act;
- (ii) costs of spectacles and dentures in respect of the beneficiaries; and
- (iii) school fees (including building and enrolment fees), exam fees and school stationeries and uniforms for beneficiaries' children.

7.3 Abridged Statement of Financial Position

As at 31 December	2009 (\$)	2008 (\$)
Current Assets	84,704	444,062
Total Assets	84,704	444,062
Accumulated Funds	84,704	444,062

The Fund's current assets constitute cash at bank balance which declined by \$359,358 in 2009 compared to 2008. This was due to the increase in payments for ordinary activities and expenses in 2009 compared to 2008.

PART B – CONTROL ISSUES

7.4 Value Added Tax on Grant

Ministries and Departments administering operating and capital grant should emphasise to statutory bodies receiving grants from government the Section 3(6) of 1991 VAT Decree states that all grants paid by government are VAT inclusive. This means that Statutory Bodies must meet their VAT payments from within the grant allocated and that Government is not responsible for the clearing VAT arrears owed by Statutory Bodies.

The Fiji Servicemen's Aftercare Fund received \$5,592,000 as grant from the Ministry of Finance under Standard Expenditure Group 6. This amount attracted VAT of \$621,333 that was to be remitted to FRCA.

The audit noted that in 2009 Fund revenue and expenses were recorded at VAT inclusive in the financial statements.

The Fund did not maintain separate VAT records. In addition no VAT return was lodged to FRCA during 2009. As result the audit could not determine the total VAT payable or receivable as at 31/12/09.

The above can be attributed to the laxity of management in accounting for VAT and remitting the required amount to FRCA. This may result in the Fund not being able to pay the VAT which may have been accumulating over the past years.

Recommendation

The Accounts Officer should ensure that VAT records are properly maintained.

Management Comments

There had been an exchange of correspondences over the years between the FRCA on whether or not tax exemption applies to the fund. Our last reminder was in 2004 but since the feedback was not forthcoming the matter was put to rest. Meanwhile your point is taken. Be advised that the Fund is slowly making progress recently in its effort to resolve the issues with the relevant authorities.

7.5 Variance in Cash at Bank Reconciliation

The Secretary is responsible for ensuring that regular reconciliation of expenditure ledgers and cheques are undertaken.¹ Reconciliations of expenditure ledgers and cheques should be made monthly.²

The Fund has two bank accounts with ANZ Bank. The bank reconciliation for the Fund is carried out on a monthly basis by the Assistant Accounts Officer.

The audit noted a variance totalling \$225,282 between the bank reconciliation and the cash at bank balance in the general ledger as at 31/12/09. Refer to table 7.1 below for details

Table 7.1: Variance on Closing Cash Balance

Bank Account No.	Closing balance as per Cash book (\$)	Closing balance as per Bank Reconciliation (\$)	Variance (\$)
ANZ 8519427	65,792	(90,214)	156,006
ANZ 10420592	18,912	(50,364)	69,276
Total	84,704	(140,578)	225,282

The Assistant Accounts officer was not able to provide reasons for the variance noted. As a result our audit could not determine whether the cash at bank balance was correctly stated in the financial statements for the year ended 31/12/09.

Our audit also noted that there was no supervisory checks on the monthly bank reconciliation carried out by the Assistant Accounts Officer.

This indicates poor control in the cash at bank system and there is high risk of misappropriation of funds.

¹ Fiji Servicemen's Aftercare Fund Financial Management Procedure Manual s4.1

² Fiji Servicemen's Aftercare Fund Financial Management Procedure Manual s4.2

Recommendations

- The Secretary should ensure that bank reconciliation is carried out properly and cash at bank balance as per the bank statement is reconciled to the cash book.
- The Chairperson should take appropriate action to ensure proper bank reconciliation is carried out.
- The Chairperson should investigate the variance and take appropriate action.

Management Comments

The Fund reaffirms that the total variances of (\$174,918.73) as stated in the reconciliation and not \$225,282 referred to in the audit findings.

The variance was detected when the accounts was separated. This has been an on-going problem from previous years. The reason for the variance has since been identified which was due to the non-cancellation of cheques when replacement cheque were issued. As a result double entries showed up in the expenses column.

Further OAG Comments

Audit stands by its finding and the total variance is \$225,285 as shown in the table above.

7.6 Chairman's Allowance

The Secretary and the Assistant Secretary and any other officer responsible shall at all times exercise proper economy in the expenditure of funds and also ensure that proper value is obtained for all money used.³

The Committee of Management in its meeting on 16/09/2009 approved the allowance of \$50 per day to be paid to the Chairperson effective from 01/07/2009.

According to the Assistant Secretary the allowance was paid to the Chairman for coming to Office daily to sign cheques and approving death benefits. The Fund paid total of \$6,500 to the Chairperson in 2009.

In addition, the Fund does not require the Chairperson to record his daily arrival and departure time. Hence audit could not establish number of hours the Chairperson works at the Funds Office.

It was also noted that no budget was allocated for payment of allowance to the Chairperson at a rate of \$50 per day.

Recommendations

- The Fund should require the Chairperson to sign his arrival and departure time to Funds office.
- The Fund should ensure that funds are allocated for the payment for Chairperson's allowance.

Management Comments

The Act empowers the Committee to apply the Fund to the payment of all reasonable costs, charges and expenses of the Committee of or incidental to the application and administration of the Fund. The Committee of

³ Fiji Servicemen's Aftercare Fund Financial Management Procedure Manual s3.1

Management considered the issue in depth before agreeing that the granting of allowance was necessary and reasonable. His involvement in the day to day activities in the Fund's office is not only limited to what highlighted in the audit but more importantly the overseeing or monitoring of the Fund's spending in corporation with the Secretary.

7.7 Non Compliance with PSC Circular

Drinking of yaqona is prohibited at all government premises during working hours. Anyone found to be contravening this instruction will be subjected to disciplinary action in line with established procedures.⁴

The audit noted that the Chairman requires staff members to purchase and prepare yaqona for him during official hours at the Fund. The Chairman also required the staff members to serve the yaqona to him whenever he wants. It was also witnessed that the Chairman requires the staff to put a bottle in the rubbish bin for him to urinate and for the staffs to dispose it for him. The Chairman is 85 years old and is on wheel chair.

Such practice is against PSC values and code of conduct.

Recommendations

- **Public Service Commission should investigate the consumption of yaqona at the Fund and take appropriate action.**
- **The Fund should appoint a new Chairperson who is fit to take the responsibilities of the Chairperson.**

Management Comments

Your comment on the consumption of yaqona is noted.

Regarding the condition of the chairperson, the power to appoint the chairperson rests with the Minister alone and no other. Previously, there were recommendations made on some names to replace committee members but the Minister countermanded and appoint names of his choice in exercise of the powers vested in him under the Act. The current Minister of Finance is the Head of Government, the Prime Minister. It is only in the absence of the chairman from any meeting of the committee that the members present at such meetings may elect one of their numbers to preside. The Fund does not have the power to appoint a new chairperson.

7.8 Extravagant Expenditure

The Secretary and the Assistant Secretary and any other officer responsible shall at all times exercise proper economy in the expenditure of funds and also ensure that proper value is obtained for all money used.⁵

All purchases are to be authorised through the issue of the Local Purchase Order (LPO).⁶ In addition, LPO's are to be signed only by the Secretary and Assistant Secretary. LPO must contain all relevant information for the supplier including costs.⁷

⁴ PSC Circular No. 31/2010

⁵ Fiji Servicemen's Aftercare Fund Financial Management Procedure Manual s3.1

⁶ Fiji Servicemen's Aftercare Fund Financial Management Procedure Manual s5.1.1

⁷ Fiji Servicemen's Aftercare Fund Financial Management Procedure Manual s5.1.2

The Fund incurred a total of \$19,807 to prepare its Corporate Plan for 2009 – 2011. Refer to table 7.2 for details of expenses incurred.

Table 7.2: Costs incurred for Corporate Plan

Expenditure Item	Amount (\$)
Consultancy	8,000.00
Design & Printing	6,050.00
Meeting/Workshop	5,258.50
Transport	498.50
Total	19,807.00

The following anomalies were also noted.

- The Fund hired a consultant to prepare the corporate plan for the Fund. However no quotation was obtained for hiring the consultant. The consultant was hired on the recommendation of the Fund's Secretary. A total of \$8,000 was paid by the Fund for consultancy services.
- The Fund engaged a Media Consultant for the designing and printing of the Corporate Plan. No quotation was obtained from at least the suppliers of the service. A total of \$6,050 was paid for designing and printing of the Corporate Plan.
- The Fund held a meeting at a resort for the workshop on the Corporate Plan. No quotation was obtained for the meeting. A total of \$5,258.50 was paid for by the Fund to the resort.
- The Fund hired transport from a car rental company. No quote was obtained for hire of transport. A total of \$498.50 was paid by the Fund to the car rental company.

Proper procurement procedures were not followed by the Fund when purchasing goods and service.

Recommendations

- **The Fund should exercise proper economy in the expenditure of funds and ensure that proper value is obtained for all money used.**
- **The Fund should ensure 3 quotations are obtained before payments are made.**
- **The Ministry of Finance should investigate the appointment and payments made to the consultant and take appropriate action.**

Management Comment

Your point is noted for future guideline. The need to prepare the Corporate Plan (CP) at that time was urgent as the Fund's operation was already entering into the 2009 – 2011 plan periods and the unexpected passing of previous consultant. The consultant is a retired senior civil servant who served as a Permanent Secretary at a number of government ministries before retiring. She also served in government various funded bodies/organizations as its CEO. It was on this ground that her service was hired. We are committed to being effective and doing things right in order to provide maximum value for money for public funds for our customers.

The service of Media Consultant has been hired by the Fund previously for the printing of the Fund's Corporate Plan and quarterly magazines (Au Vura). It was thought necessary to continue using the same service.

7.9 High number of un-presented Cheques

Where cheques remain outstanding in the un-presented cheques lists for an unreasonable time, attempts shall be made to locate the payees in order to obtain presentation of cheques before they become stale.⁸

The audit noted that cheques amounting to \$482,558 remained un-presented as at 31 December 2009. This refers to cheques that were written and dispatched for the monthly beneficiary payments. Details are provided in table 7.3 below.

Table 7.3: Unpresented Cheques at 31 December 2009

Account No.	Month	No. of Cheque issued	Amount Issued (\$)	Amount Presented (\$)	Un-presented Cheque (\$)
ANZ 8519427	July	274	54,666	257	54,409
	August	467	76,168	2,024	74,144
	September	616	181,842	6,879	174,963
	October	243	22,988	11,464	11,524
	November	1,534	147,860	126,635	21,224
	December	2,804	304,571	234,735	69,835
ANZ 10420592	July	27	6,324	0	6,324
	August	10	1,814	0	1,814
	September	90	30,391	85	30,306
	October	10	1,277	310	967
	November	54	39,878	8,468	31,410
	December	89	32,989	26,451	5,638
Total		6,218	900,768	417,308	482,558

In addition, once the cheques in the un-presented cheque list become stale, the Fund records the amounts as revenue without reversing the expenses. As a result the Funds revenue is overstated.

Recommendation

The Fund should ensure that the Fund's Financial Management Procedure Manual is adhered to at all times.

Management's Comments

The monthly beneficiary allowances are paid towards the end of every month. Recipients in the rural areas and outer islands do not have the same opportunity like those living in urban areas to receive or re-encashing their cheques at the bank on due time. In most cases, their cheques reached them after the pay day and en-cashing the same at facilities other than banks like grocery shops, etc. prevents the cheques from reaching the bank for presentation on time. The result of which is normally reflected in the bank statements where a good number of cheques remained un-presented when that particular month ends but they showed up in the bank statements of later months. This practice is normal and has to be expected in the present payment arrangement of monthly allowance.

⁸ Fiji Servicemen's Aftercare Fund Financial Management Procedure Manual s4.5

SECTION 8: FIJI SPORTS COUNCIL

The Fiji Sports Council was established under the Fiji Sports Council Act (Cap 271A REV. 1985). The functions of the Council are to:

- Foster and to promote development of amateur sports and recreation in Fiji;
- Foster support and undertake the provision of facilities for sport and recreation;
- Promote the utilisation of sporting and recreational facilities in Fiji;
- Investigate developments in sports and recreation and disseminate knowledge and information about such developments; and
- Advise the Minister on any matters relating to sports and recreation

The Council is responsible for maintaining major sporting grounds and properties and charges fees for its usage. It also receives grants from government to cover expenses concerning sports developments. The Council also receives funds from Tattersall's and Pacific Instant Lottery in accordance with the Gambling Turnover Tax Decree 1991

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PART A – FINANCIAL INFORMATION

8.1 Audit Opinion

The audit of the financial statements of the Council for the year ended 31 December 2011, resulted in the issue of a qualified audit report. The issue qualified is as follow:

- The carrying amount of property, plant and equipment as at 31 December 2011 was \$53,252,165. The carrying amount were extracted from property, plant and equipment register (PPER) which was not properly maintained and also included large number of assets which could not be identified to satisfy the assertions of existence, valuation and completeness.

The attention of the Council was also drawn to the matter whereby the loan agreement between Fiji Government and the Council specifying the terms and conditions of the loan payable to Fiji Government amounting to \$3,380,381 as at 31/12/2011 has not been finalized.

8.2 Abridged Income Statement

Year ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Operating Revenue	3,526,334	3,480,650
Other Operating Revenue	1,223,363	1,422,591
TOTAL REVENUE	4,749,697	4,903,241
Expenses		
Administrative Expenses	186,447	105,336
Loss on disposal of assets	200	-
Depreciation	1,271,704	1,275,226
Personnel Expenses	1,403,372	1,376,714
Operating Expenses	1,754,397	1,642,964
Finance Expenses	88,870	59,947
TOTAL EXPENDITURE	4,704,990	4,460,187
NET SURPLUS FOR THE YEAR	44,707	443,054

The Council recorded a net surplus of \$44,707 in 2011 compared to a net surplus of \$443,054 in 2010. The decline in net surplus was attributed to the decrease in total income by \$153,544 or 3% and that total expenditure increased by \$244,803 or 5%.

8.3 Abridged Balance Sheet

As at 31 December 2011	2011 (\$)	2010 (\$)
Cash and cash equivalents	206,126	22,947
Other Current Assets	1,203,316	1,401,061
Property, Plant & Equipment	53,252,165	54,112,664
TOTAL ASSETS	54,661,607	55,536,672
Trade & Other Payables	435,605	303,848
Other Current Liabilities	18,012	24,879
Deferred revenue	47,836,536	49,004,535
Borrowings	4,253,518	4,130,181
TOTAL LIABILITIES	52,543,671	53,463,443
NET ASSETS	2,117,936	2,073,229
ACCUMULATED FUNDS	2,117,936	2,073,229

No significant change was noted in the Council's financial position in 2011.

PART B – CONTROL ISSUES

8.4 Corporate Governance Assessment

There should be a clear identification of powers, roles, responsibilities and accountabilities between the Minister, Board and CEO.¹

It is also a best practice that there is a clear separation of duties between the Board and senior management to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision.

¹ Office of the Auditor General – Corporate Governance Assessment Grid

The role of the Chairman is set out and approved by the Board. The Chairman's priority is the management of the Board and its governance.²

The role of the CEO are set out and approved by the Board. The primary role of the CEO is the management of the entity.³

The audit noted that there is no clear separation of duties between the Board and senior management to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision. The facts are provided below:

Mr. Peter Mazey was appointed as the Council's Chairman effective from 15th April 2010⁴ and also on 15th June, 2010⁵ the Department of Youth & Sports endorsed the appointment of Mr. Mazey as the Acting Chief Executive Officer. The Ministry of Youth & Sports in endorsing the appointment failed to practice good governance by not separating the role of the Chairman and the CEO.

In the full Board & Finance Meeting on 31st January 2011, Mr. Mazey resigned from the Acting CEO position. The audit noted that the Board directed Mr. Mazey to continue to work daily to complete all current Board work including the finalization of the accounts for audits for the years 2007 to 2010.

Furthermore, during the Finance and full Board meeting minute dated 18th January 2011 and 31st January 2011 respectively revealed that Mr. Mazey proposed to the Board of being compensated at the rate of \$40 per hour to complete those Board work after his resignation from acting CEO.

Mr. Mazey was then compensated from 23/1/11 to 7/8/11. However he was compensated at a rate of \$23 per hour from 14/8/11 until 18/12/11 for overseeing the financial operations of the Council. There was no evidence to show that approval of this consultancy payment was obtained from the Department of Youth & Sports. Refer to the Table 8.1 for details of payment to Mr. Mazey other than normal remuneration as a chairman.

Table 8.1: Remuneration of the Chairman while acting on other vacant post within the Council

Post held	2011 (\$)	2010 (\$)
Oversee Finance Operations	18,986.50	Nil
Acting as Chief Executive Officer (CEO)	9,228.96	47,378.69
Oversee newly appointed CEO's performance over six months while she was on probation	37,112.00	Nil
Total Chairman's remuneration	65,327.46	47,378.69

Even though the dual roles of the chairman was endorsed by the Ministry of Youth and Sports, the above practice is not an example of good governance practices and could result in an ineffective oversight on any decision taken by the Management and there is a risk of loss of independence of the Board.

Recommendations

- **The Council should ensure that the roles of the Board and the Senior Management are separated to ensure that there is good governance practice.**
- **The Council should adopt the best practice in maintaining good governance.**

² Office of the Auditor General – Corporate Governance Assessment Grid

³ Office of the Auditor General – Corporate Governance Assessment Grid

⁴ Ministry of Education, National Heritage, Culture & Arts, Youth & Sports - Appointment Letter to Mr. Mazey

⁵ Department of Youth & Sports – Letter of Endorsement of appointment of Mr. Mazey as Acting Chief Executive Officer

Management's comment

The Board has done all in its power to ensure it complies not only with its obligations to the Sports Council but also to the transparency of its operations. In 2010, on appointment the Board was faced with the dilemma of their not having been a board, CEO or Financial Manager in place for some time and was under investigation from FICAC.

The Council had no audited accounts since 2005 and the new board's first priority was to ascertain the financial position of the operations.

From April 2007 until February 2010, the Council was controlled by an Executive Chairman as per appointment and on 10th Sept 2008 the Board had resolved and minuted that "FSC have an Executive Chairman until the final outcome of the FICAC investigation is completed."

Note this is yet to be completed to our knowledge.

The importance placed on the financial circumstances was that while the Chairman accepted oversight to ensure Finance and Audit was completed, (Completed October 2011) the full board took responsibility and all became members of the Finance & Audit Committee charged with reviewing each month's results prior to acceptance at full board. Hence transparency and accountability is maintained.

The FSC Board is a responsible board and ensures there is a balance of power and authority by working through the Committees, it is in this way that the affairs of the Council have been put in order with the Board providing oversight and policy direction and the CEO the implementation of policy and daily operations.

The CEO has to work with the board and as such attends all meetings. In answering the deficiencies noted we would point out the following:

- 1. The Chairman was appointed Acting CEO as there was no CEO in place, as per previous boards resolution, and no chain of command set up. The reason the Chairman acted as CEO was to ensure an operating structure including the financial structure was put in place. The appointment letter from the Ministry was signed by Ms Elesi Ketedromo for the Director not on behalf of. Her position on the Board is to ensure a direct line of communication but she is employed by the Ministry.*
- 2. In January 2011, the Minister approved a "CEO designate" to understudy for the position under the acting CEO. The resignation was to make it easier for the CEO designate to work in the position and not to cause confusion with staff with regard to having a CEO designate and an acting CEO. The Council did not have a succession plan or any senior staff member suitable or trained for the position hence the designated role.*
- 3. The FSC Act clearly states point "6a – (1) The Council may appoint a Manager and such other employees as it considers necessary for the proper and efficient carrying out of the functions of the Council."*

The board therefore was not required to advise the Minister of Mr Mazey overseeing the financial operations of the Council.
- 4. It is very common for an Executive Chairman to be appointed and in Fiji Government corporations such as Fiji Sugar, Fiji Dairy, Fiji Pine and Tropic Woods among others all have Executive Chairman. The Board itself therefore becomes the body which has overall oversight and superior decision making of the Council Or Corporation. The Chairman provides leadership to the Board but does not make the decisions of the board this is by vote or consensus.*

The FSC Board in 2010 and 2011 thus found a number of unforeseen circumstances existed which meant the clearly established principals of Corporate Governance were not able to be taken into account and a general framework of principals working through committees was preferable to move the Sports Council forward.

While the Board has been judged in audit by your "Corporate Governance Grid" we have been unable to avail ourselves of this to ensure compliance fully in the future. It is a shame that the Board has been judged on a "grid" and not on their achievements.

In September 2011, the Board endorsed the FSC Good Governance Policy and in July 2012 is holding a Good Governance workshop for Board and Management and adopting a new Corporate Governance doctrine to include recommendations of the Audit.

8.5 Working Capital Deficiency

It is highly imperative that the Council maintains a healthy financial status at all times for an effective operation.

The audit noted that the Council working capital position has been deficient from 2007 to 2011 at the end of each financial year. Refer Table 8.2 for details.

Table 8.2: Deficiency in Working Capital for the Last five years

Financial Year	Deficiency in working capital (\$)
2007	1,599,990
2008	1,588,682
2009	2,376,467
2010	2,108,313
2011	2,618,040

The working capital deficiency is largely attributable to the amount payable to Fiji Government from the loan repayments made to Fiji National Provident Fund on behalf of Fiji Sports Council. The balance owed to Government amounting to \$3,293,251 has been classified under current liabilities as there is no loan agreement in place with regards to the monies owed.

As such, prudent approach has been adopted to classify payable to Fiji Government.

The deficiency in the working capital may indicate that the Council does not have adequate funds to pay its short term debts as and when it falls due. However, this depends on the term of repayment of the amount owing to Government.

Recommendation

The Council should make every effort to ensure that an agreement with Ministry of Finance is prepared and signed relating to the repayment of the FNPF loan. Subsequently, the Council would be in a better position to assess the impact of the loan agreement on the classification of its liabilities.

Management's Comments

The Council has been making every effort to come to an agreement with the Ministry of Finance and all of this correspondence has previously been delivered to your office. On 31st January 2012 the CEO wrote again with a suggested payment schedule.

The Ministries response dated 6th March 2012 gives Governments answer and puts any repayment on hold to be reviewed when the Councils financial position improves in the future. The Council cash flow is positive and has been for the past 2 years.

8.6 Loss from Operation of Damodar City National Aquatic Centre

The enterprise is normally viewed as a going concern that is as continuing in operation for the foreseeable future. Hence, it is imperative that Council generates adequate revenue from its operations so that it is able to meet short as well as long term obligations.

The audit noted that the Damodar City National Aquatic Centre continues to incur losses from its operations. Our audit noted that the income and expenditure report for the National Aquatic Centre at each respective balance dates from 2007 to 2011 showed an increasing trend of losses Refer to Table 8.3 for details.

Table 8.3: Losses for the past five years from National Aquatic Centre

Financial Year Ending	Income (\$)	Expenditure (\$)	Loss (\$)
2011	187,227.86	294,745.37	107,517.51
2010	167,132.52	232,566.29	65,433.77
2009	122,045.17	203,112.67	81,067.50
2008	120,437.45	192,423.79	71,986.34
2007	132,983.39	154,595.42	21,612.03

The above trend indicates that the Centre has not been showing positive result with continued losses which can restrict cash flows from investment to other profitable operations of the Council.

Recommendations

- **The Council should investigate the factors giving rise to the losses made by the Aquatic Centre particularly the Centre's operating policies including reviewing its entry fees and cost structure.**
- **Based on the investigations carried out the Council should make strategic decisions to ensure that the operational costs of the Centre responsible for the losses are minimized.**
- **The Council should take marketing strategies and make long term engagement proposals with schools for a constant cash flow.**

Management's comments

The Council has consistently investigated the operations of the Aquatic centre and is aware that it will continue to be a loss making operation. The Council is tasked by its Act to foster and promote the provision of facilities for sport and recreation. The National Aquatic centre is the only Competition, Olympic swimming complex in Fiji and without it Fijian swimmers would be unable to compete.

The council has ensured operational costs at the pool are minimized however we are governed by OHS requirements on staffing, hence 2011 increase of \$16,090, and the increase in operational costs beyond our control for Electricity, Water, City Rates, and Insurance increased by \$59,624.

Council continues to undertake new initiatives for the Centre such as selling naming rights in 2011, approving a commercial partnership for the establishment of a new café.

The council is obligated to provide access for primary schools free of charge during school hours.

The council continues to work on Government initiatives including Water safety training, swimming training, and the sport to assist in their effort to reduce the high level of drowning in the country. Thus the Council has a social obligation to maintain the pool even though it is a loss making concern.

8.7 Improper Recruitment of Officers

Vacant posts will normally be advertised internally first and the press considered appropriate. When an officer applies for any vacancy whether advertised or not, he/she should send his/her application through his Facility Manager to the Manager Administration and Human Resources.⁶

The Council recruited total of 14 employees in 2011. Our audit noted the following anomalies in their appointments:

- The vacant posts were not advertised;
- No interview was conducted for some posts filled;
- Three referees were not submitted by some applicants selected for the post;
- Application letters not filed in the officers personal files;
- Interview conducted before the application was received by the Council;
- An interview was conducted a day after the application was received by the Council.

Refer to Table 8.4 for details.

Table 8.4: Details of Individual staff Recruitment

Staff Initial	Appointment Date	Audit Observation
AR	28/02/2011	Officer wrote to the CEO on 6/2/11 showing an expression of interest and on 21/2/11 the officer was recruited as Project Officer @ a rate of \$3.80/hour. The officer was then confirmed to Carpenter/Joiner Position in 1/6/11 with salary of \$9,495.20 or \$4.15/hour
BER	23/07/2011	Officer submit her expression of interest through email 24/6/11. Job was not advertised. Interview conducted on 22/6/11, 2 days before she submitted her expression of interest. However, the interviewer did not sign off the interview questions and answer sheet. Officer recruited on 23/7/11 at an approved salary of \$19,000 . The audit also noted that the officer's qualification is Form 7 pass but no transcripts shown in the file.
ET	20/06/2011	Officer submitted his expression of interest on 16/6/11. Interview done on 17/6/11. Job was not advertised. Officer recruited on 20/6/11 at an approved salary of \$17,000
JD	23/05/2011	3 referees not sighted and the interview report not sighted - employed as project worker facility attendant with annual salary of \$6,864
LT	23/05/2011	Officer wrote to the CEO on 17/5/11 showing an expression of interest and on 23/5/11 the officer was recruited as Project Officer – Groundsman @ a rate of \$3.00/hour. The officer was then confirmed to Groundsman Position in 23/8/11 with salary of \$6,864. Officers' post not advertised, failed to submit three referees and interview report not attached.
LR	31/01/2011	The officer wrote a letter on 26/1/11 for an expression of interest to join FSC. <ul style="list-style-type: none"> • Appointed as project officer (HR Manager) on 31/1/11 and was on probation for three months, Rate @ \$5 an hour for 40 hours a week (Feb to July 31 2011 with salary of \$10,400. • On 1/1/11 he was confirmed as Manager HR with salary of \$19,500 commencement date 4/7/11. • The audit noted that there were no grounds for the officer to be confirmed and engaged as Manager HR - Designate as the post was not advertised nor was there any interview for the post of the Manager HR
ML	30/12/2011	Officer's post not advertised, application letter not attached, applicant did not submit three referees, interview report not attached, the only information in the

⁶ Fiji Sports Council Policies and Procedures 2004 – Policy on Appointments Clause 4

Staff Initial	Appointment Date	Audit Observation
		officers personal file is the Curriculum Vitae and the Agreement
MP	01/08/2011	Interview report not attached for officer to be recruited as Painter
PT	01/08/2011	Interview report not attached
SN	28/03/2011	Officer wrote to the CEO on 1/3/11 showing his expression of interest and on 7/3/11 officer was interviewed on. Post was not advertised
VB	14/03/2011	Post not advertised

Anomalies highlighted above indicate that the Human Resources Department is functionally ineffective. The Council may not be able to recruit a suitable officer for any vacant posts in absence of a proper selection procedure.

Recommendations

- **The Council should ensure that proper recruitment and selection process are complied with at all times as stated in the Human Resources Manual of the Council.**
- **Human Resources Department should be more pro-active and responsible in ensuring that proper procedures are followed for recruitment of officers at all times.**

Management's Comments

Staff	Comments
AR	<i>Due to the demand of works and change happening at the Council, there was an urgent need to fill this position immediately to assist with the process in getting works completed etc.</i>
BER	<i>I have checked the files and the audit findings are correct. What I can gather is that Lo may have written the wrong date. I am certain that we interviewed Bulou after receiving her application. CEO's interview sheet was not signed, will ensure that will conform fully.</i> <i>Interview was made after application came in; date put on interview sheet was incorrectly done.</i>
ET	<i>There was a need for the Council to have an Events officer and with the Board approval; there was an urgent need for someone to fill this new role considering the nature of the Council's business demands.</i> <i>The Council will ensure that proper recruitment and selection process are complied with at all times.</i>
LT	<i>Due to the workload and the expansion of the Council, urgent replacement and extra staff was needed to replace employees that have resigned or terminated and also to facilitate the demand on new activities or events that have eventuated.</i> <i>The Council will ensure that proper recruitment and selection process are complied with at all times.</i>
JD	<i>Due to the workload and the expansion of the Council, urgent replacement and extra staff was needed to replace employees that have resigned or terminated and also to facilitate the demand on new activities or events that have eventuated.</i> <i>The Council will ensure that proper recruitment and selection process are complied with at all times.</i>
LR	<i>Role of HR Manager has been advertised on January 11th 2012 and current HR Manager was interviewed with 3 other applicants and has been appointed the HR Manager.</i>

<i>Staff</i>	<i>Comments</i>
	<i>The Council will ensure that proper recruitment and selection process are complied with at all times.</i>
<i>ML</i>	<i>Due to the workload and the expansion of the Council, urgent replacement and extra staff was needed to replace employees that have resigned or terminated and also to facilitate the demand on new activities or events that have eventuated. There was an urgent need to have a part-time concession officer with our finance team so that her role would be separate from the inventory clerk who was carrying out dual roles. Auditors have also mentioned that the two should be separated thus the need for this extra staff.</i> <i>The Council will ensure that proper recruitment and selection process are complied with at all times</i>
<i>MP PT</i>	<i>Internal ad was placed for the role of painter, welder and handyman. Recruitment was based on performance appraisal and recommendation from immediate supervisor.</i>
<i>SN</i>	<i>The post was previously advertised in 2010 and the successful candidate withdrew after appointment in late 2010, thus the Board gave approval for CEO to headhunt.</i>
<i>VB</i>	<i>There was an urgent need in the Council to fill this role of Salary clerk urgently. The Council will ensure that proper recruitment and selection process are complied with at all times</i> <i>Post will be advertised internally shortly.</i>

8.8 No Formal Approval for Extension of Employment

It is imperative that proper approval for re-engagement or extension of employee services are documented and maintained in the personal files of the officers.

The Fiji Sports Council Board approved⁷ the re-engagement of the Manager Human Resources and Administration for a period of two years effective from 1 June 2009 to 30th May 2011.

The audit noted that the officer continued working for the Council without any proper approval after her contract expired on 30th May 2011. In addition, she was paid a total sum of \$10,615.38 for the period 31st May 2011 to 26th September 2011.

Re-engaging officers without proper written approval is a breach of Council's policies on the re-engagement of retired officers.

Recommendation

The re-engagement of any officer after the expiring of the contract should be properly documented and approved by the Human Resources Department.

Management's Comments

There was an understanding between the CEO and Losalini to continue working for the Council to assist the transition for the Council and she was also assisting me in the handover transition and also to see through the Danish Team Tour to Fiji in July. Unfortunately, this was not documented.

We will ensure that proper re-engagement of any officer be properly documented and approved by the Human Resources Department.

⁷ Letter dated 1/6/09

8.9 Property, Plant and Equipment reported in the PPE register

It is a good internal control measure that the PPE register of the Council is properly maintained at all times containing information such as full description of an asset, serial number, location, date purchased, assets properly classified, additional costs relating to the purchase or installation of the assets to be included as part of the asset and not as individual line items, and depreciation adequately charged.

The frequency of revaluations depends upon the movement in the fair values of the items of property, plant and equipment being revalued. When the fair value of revalued asset differs materially from its carrying amount, a further revaluation is necessary.

Some items of property, plant and equipment may experience significant and volatile movements in fair value thus plant and equipment may experience significant and volatile movements in fair value thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant movements in fair value. Instead, revaluation every three or five years may be sufficient.

The following anomalies were noted during the review of Property, Plant and Equipment records:

- The property, plant and equipment register (PPER) as at 31 December 2011 was not properly maintained and also included large number of assets which could not be identified. Thus the assertions of the existence and completeness of physical assets recorded in the PPER cannot be validated.
- Numerous items of assets recorded in the PPE Register do not have sufficient information and these assets were also not depreciated. Refer to Table 8.5 for examples.

Table 8.5: Examples of Assets Recorded in PPE register without any description and depreciation

Location	Fixed Asset Description	Date Purchased	Cost (\$)
National Gymnasium upgrade in 2003	S031	07/03/01	16,689
	A028 Claim 3	14/08/01	10,890
	F026	05/02/02	112,854
	F026	03/01/02	165,328
	L008	01/11/02	20,663
Victoria Tennis Courts upgrade	L008 VTC upgrade	02/01/03	76,305
	F026 VTC upgrade	24/03/03	141,027
	F026 VTC upgrade	04/01/03	123,032
	P036 VTC upgrade	10/01/03	12,020
Lawaqa Park	Lights	24/06/97	92,962
	Lights	23/06/97	43,245
	Legal fee	16/12/97	192,959
	Progress payment 7	23/02/98	242,684
	Progress payment 7	23/02/98	19,649
	Lawaqa payment	31/03/98	38,367
	Lawaqa payment	30/03/98	137,929
Ra Sports Complex	Cert 6	03/02/00	19,251
	Pmt8	15/05/00	27,273
		08/03/00	17,317
		11/08/00	10,937
	Pmt 15	03/01/01	18,398

Location	Fixed Asset Description	Date Purchased	Cost (\$)
National Badminton & Weight Centre	Claim 2 – Weight Centre	31/01/00	32,568
	Weight Centre	14/03/00	37,918
	Weight Centre	04/04/00	78,985
	Weight Centre	17/11/10	51,043
	S035 – Weight Centre	21/02/01	26,903
	S035 – Final Claim	20/06/01	26,390
Multi Purpose Hall	S041	21/09/01	55,996
	A003 – Airfare	10/03/01	40,926
	S045	29/11/01	26,189
	F028	19/11/01	40,000
	L010	12/12/01	47,964
	S006	29/01/02	38,040
	SCC	05/02/02	36,000
	B014	02/04/03	43,381

Discussion with the Chairman and Senior Accounts Officer during the audit noted that most of these assets were transferred to them after South Pacific Games (SPG) held in 2003. The Council does not have proper records in order to properly account for these assets into the PPE register.

The lack of sufficient, accurate and specific descriptions over the property, plant and equipment in the PPE Register resulted in the difficulties in identifying the assets during physical verification exercise.

There is also a risk that assets may have been damaged or missing for various reasons but remained undetected.

- Most of the fixed assets relating to sports equipment, motor vehicle, plant & equipment, office equipment, concession equipment and furniture & fittings reflected in the PPE Register had been fully depreciated with zero written down value and are still in use. No revaluation policy of fully depreciated assets exists. Refer to Table 8.6 for examples.

Table 8.6: Fully Depreciation Asset with Zero Written Down Value

Asset Type	Fixed Asset	Cost (\$)	Accumulated Depreciation (\$)
Motor Vehicle	Toyota Hilux 4*2 Double Cab EV736	33,705	33,705
	Isuzu Cab/Chassis Truck EV870	42,681	42,681
	Hydromain Tractor	4,900	4,900
	Hyundai Accent EY732	24,444	24,444
	Massy Ferguson DF136	27,500	27,500
Concession Equipment – National Stadium	2* Brush cutters & Rover mower	2,696	2,696
	1* Hitachi Grinder	2,429	2,429
	1* Drill Breaker	1,467	1,467
	1* Water Blaster	2,000	2,000
Furniture & Fittings	VIP Lounge – Rugs (5 pieces)	2,650	2,650
	VIP Lounge – Settee & C/Table	8,970	8,970
	Slasher – National Stadium	14,143	14,143
	RFG Equip W-Lifting – Rabuka Fitness Centre	18,933	18,933
	New Stage - National Gymnasium	5,424	5,424
Sports Equipment	Boxing Ring – National Gymnasium	5,508	5,508
	Score Board Building – National Gymnasium	7,779	7,779
	Philips PA & Music System – National Gymnasium	25,577	25,577

Asset Type	Fixed Asset	Cost (\$)	Accumulated Depreciation (\$)
	Goal Post – National Gymnasium	2,893	2,893
Plant and Equipment	Water Blaster – Pool	1,331	1,331
	Husqavana Chainsaw – PPTY	2,000	2,000
	Ride on Mower – TFL	7,789	7,789
	Lawn Mower – PPTY	1,509	1,509

On 19/03/12, Carpenters Motors re-valued the five motor vehicles (EV870, EW798, EV736, EY970 and EY732) with a written down value of \$1,599. The re-valued figure provided by the valuer for these five motor vehicles was \$108,000 (VIP).

The figure could not be incorporated in the PPE as the Council failed to revalue the remaining 7 cars for the whole class of motor vehicles as required by IAS 16.

- The balances of the depreciation as per income statement and the PPE Register/ balance sheet did not reconcile. Refer to Table 8.7 for details.

Table 8.7: Depreciation chargers shown under income statement and Balance Sheet/ FAR

Description	Amount as per Income Statement (\$)	Amount as per Balance Sheet (\$)	Variance (\$)
Depreciation	1,274,181	1,272,226	1,955

No explanation was provided for the variance noted above.

- The Council over charged depreciation on some of the assets. Refer to Table 8.8 for details.

Table 8.8: Depreciation chargers as per Audit and Council's calculation

Asset	Purchase Date	Addition	Expected life	Depreciation as per Fixed Asset Schedule (A) (\$)	Depreciation as per audit calculation (B) (\$)	Variance (A-B) (\$)
Surveillance Camera	01/07/11	19,442.00	5	1960	1944.20	15.80
Exterior ply – upgrade warehouse	31/05/11	7,190.00	40	1,258	104.85	1,153.15
Material – upgrade warehouse	01/07/11	6,533.24	40	980	81.67	898.33
Horn Speakers	08/08/11	2,478.00	3	310	328.62	18.62
Toyota Hiace – FX045	28/12/11 – delivery date	75,652.17	5	622	0	622.00

- A variance was noted between the figures reported in the PPE register and draft financial statement in relation to the written down value of assets. Refer to Table 8.9 for details.

Table 8.9: Variance in the Written Down Value shown in the Two records

Asset Class	PPE Register WDV (\$)	Financial Statement WDV (\$)	Variance (\$)
Leasehold Land	17,821,251.89	17,601,952.00	219,299.89
Building & Improvements	35,764,430.43	35,350,519.00	413,911.43
Sports Equipment	19,829.66	26,551.00	(6,721.34)
Motor Vehicle	77,126.09	58,176.00	18,950.09
Plant & Equipment	15,971.40	11,556.00	4,415.40
Concession Equipment	7,767.00	13,365.00	(5,598)
Office Equipment	55,636.60	167,547.00	(111,910.40)
Furniture & Fittings	35,663.01	35,663.00	0.01
Total	53,797,676.08	53,265,329.00	532,347.08

No explanation was provided for the variance noted above.

- The Council failed to conduct its annual board of survey/annual stock take. None of the assets were tagged hence it was difficult for audit to trace the assets from PPE register during physical verification.

The above anomalies suggest that amount recorded as for Property, Plant and Equipment in the financial statements may either be over or under stated.

Recommendations

- **An annual Board of Survey should be carried out by the Council as part of the asset verification exercise where the PPE is updated for all relevant details relating to the specific items of assets.**
- **The Council should revalue whole class of all its Property, Plant and Equipment to ensure fair values are reflected in the financial statements.**
- **The Council should draft a policy in relation to the valuation of the fully depreciated assets which are in use to assign a value to it.**
- **The Council should review its PPE register and ensure that all assets of the Council are properly taken up in the register so that it could be fairly reflected in the financial statement.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**
- **All assets should be tagged so that it could easily be traced from the PPE register.**

Management's Comments

We agree with the assessment of audit as our records show that the asset register does not clearly identify assets but has been made up of a series of "Audit Adjustments" (Basically allocations against expenditure or donations), since 2000, where a fixed figure was provided and not broken down or identifying individual assets. In some cases as highlighted council land has been incorporated together with buildings and as such is not identified.

Actions being taken by Council to rectify Asset Register.

- Market Valuation of all Sports Council Properties was undertaken by Property Solutions on 28th June 2011. This is currently with Ministry of Lands for verification.*
- Ledgers have been distributed to all facilities to tag and record all fixed asset items plus facility inventory. Each registry will be first checked by the Operations Manager and Finance Manager prior to correction of the Asset Register.*

- c. *Revaluation of all zero rated major assets is being undertaken and as at March 2012, the Valuation of Motor vehicles was revalued from zero to \$105,000.*
- d. *Putting in place for Board approval a revaluation policy.*
- e. *In consultation with the Auditor General establish a realistic set of depreciation timelines to be used against individual assets.*
- f. *Head Accountant has set aside one day per week to reestablish the Asset register clearly identifying all individual assets.*
- g. *In line with the audit recommendation we have commenced the process of write offs of unidentifiable assets and on May 28th 2012 at the Boards resolution we forwarded the AG's office a request for their confirmation of proposed write offs totaling \$470,855.53. This process will continue.*

8.10 Rental of the National Hockey Centre

There was an agreement between Fiji Hockey Federation and Fiji Sports Council dated 1st August 2011 for a term of 1 year from 1st August to 30th September 2012 for the rental of the National Hockey Centre.

The tenant agrees to do the following as per contract:

- Pay a monthly rental of \$3,128.57⁸.
- To take good and proper care of the Centre and make available the Centre for the quarterly operations check by Council⁹.
- At its expense furnish all water, electricity (including use of all turf floodlights) and sanitation services, required in connection with the normal use of the Centre only. All utilises for the Centre are to have its own meter box for correct measures provided at the expense of the Landlord¹⁰.

Our review of the Rental Agreement revealed the following anomalies:

- The Council failed to provide audit with the quarterly inspection report on the operation of the National Hockey Centre.
- The Council paid FEA bills on behalf of Fiji Hockey Federation amounting to \$7,998.50 which is yet to be recovered. Refer to Table 8.10 for details.

Table 8.10: FEA Bill Payment by FSC on Behalf of Fiji Hockey Federation

Invoice No.	Date	Description	Amount (\$)
212454	30/11/11	Electricity charges for the month of August	2,076.90
		Electricity charges for the month of September	2,125.20
		Electricity charges for the month of October	2,096.22
		Electricity charges for the month of November	1,700.16
Total			7,998.48

The above indicates that the tenant is not complying with the terms and condition as stipulated in the contract and the Council failed to take necessary actions to recover this utility bill from the hockey federation.

⁸ Rental Agreement for the National Hockey Centre between Fiji Sports Council and Fiji Hockey Federation – Part 3

⁹ Rental Agreement for the National Hockey Centre between Fiji Sports Council and Fiji Hockey Federation – Part 6(b)

¹⁰ Rental Agreement for the National Hockey Centre between Fiji Sports Council and Fiji Hockey Federation – Part 6(d)

Recommendations

- **The Council should ensure that quarterly inspection report of National Hockey Centre is carried out on a regular basis;**
- **The Council should liaise with National Hockey Centre in order to recover the amount paid on behalf of the Centre;**
- **The Council should deduct all amounts paid on behalf of the Centre from the Security deposit paid by the Centre on the completion of the contract; and**
- **The Council should not entertain payment of its tenant's expenses using their own funds.**

Management's Comments

Noted. A warning letter has been sent to Fiji Hockey that failure to pay the outstanding on the deadline time agreed will result in termination of contract.

It is important to note that prior to agreement with Fiji Hockey the facility sustained annual losses of over \$20,000 per annum.

The CEO, Properties Manager and Operations Manager do quarterly visits and checks of all our facilities

8.11 Loan Agreement Not Drawn Up With Ministry Of Finance

It is important that loan agreement is made between the borrower and the financier and the terms and conditions of such borrowings be complied at all times.

The audit noted that the Government has made repayments on behalf of the Fiji Sports Council in respect of the loan the Council has with the Fiji National Provident Fund. The balance calculated as owed by the Council to the Government as at 31 December 2011 amounts to \$3,380,381.

However, during the audit the formal agreement drawn up between the Government and Fiji Sports Council in relation to the terms and condition of this financial arrangement are yet to be finalised.

In the absence of a formal agreement, the Council is not able to correctly classify the current and long term liabilities in its books and showed a bad picture depicting the negative working capital.

Recommendation

A formal agreement be drawn up between the Council and the Government and should be signed off by representatives of both parties. This would provide guidance on whether the amounts are due within 12 months and correct accounts classification either as current or long term liabilities.

Management's comments

The Council has endeavoured through several letters and meetings over the past two years to have this matter clarified and sorted. The matter is yet to be finalized but that even though the Council had suggested a repayment schedule this was again put on hold.

SECTION 9: FIJI HIGHER EDUCATION COMMISSION

Programme Statement

The Fiji Higher Education Commission was established on 14 October 2008 under the Higher Education Commission Promulgation (Promulgation No. 24 of 2008).

The functions of the Commission are to:

- Register and regulate higher education institutions according to the provisions of the promulgation;
- Foster and safeguard the national interest, the interest of students and parents, and also of local higher education providers;
- Establish national standards for different qualifications;
- Oversee the review process of higher education institutions;
- Provide assurances that the programme developed by the institutions meet national standards;
- Promote the development of Fiji as a knowledge society;
- Allocate government funds marked for higher education annually to higher education institutions according to a transparent and well-publicised criteria for allocation;
- Foster co-operation among higher education institutions and linkages between higher education institutions and industry;
- Maintain a database of higher education information;
- Develop or cause to be developed an academic broadband facility for use by higher education institutions; and
- Make recommendations to the Minister with respect to issues consistent with its functions including special projects.

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PART A – FINANCIAL INFORMATION

9.1 Audit Opinion – 2010

The audit of the financial statements of the Fiji Higher Education Commission (FHEC) for the year ended 31 December 2010 resulted in the issue of qualified audit opinion. FHEC has included in the Statement of Receipts and Payments other expenses totalling \$35,723 which were incurred by Ministry of Education from the Fiji Higher Education Commission's grant funds. The expenses did not relate to FHEC operations.

As a result FHEC total expenditure for the year was overstated and Accumulated Fund balance was understated by the same amount.

9.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 (\$)
Revenue	
Government Grant	311,431
Training and Productivity Authority of Fiji (TPAF) Grant	365,845
Other Income	250
Total Revenue	677,526
Expenditure	
Employee cost	192,776
Consultancy expenses	203,360
Allowances	21,531
Standard setting committees	3,273
Travel and Subsistence	7,079
Equipment and Furniture	17,315
Other Expenses	114,551
Total Expenditure	559,885
Surplus for the year	117,641

Total revenue in 2010 comprises of Government grants (45.96%), TPAF grant (54%) and other income (0.04%). Majority of the expenses for the Commission were related to employee cost (34.4%) and consultancy expenses (36.3%).

9.3 Abridged Statement of Financial Position

As at 31 December	2010 (\$)
Assets	
Cash at Bank and on hand	117,641
Total Assets	117,641
Net Assets	117,641
Accumulated Fund	117,641

Cash at bank balance in 2010 mainly comprised of unutilised grant from government and TPAF.

9.4 Audit Opinion – 2011

The audit of the financial statements of the Fiji Higher Education Commission for the year ended 31 December 2011 resulted in unqualified audit opinion.

9.5 Abridged Statement of Financial Performance

Year Ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Government Grant	347,323	311,431
Training and Productivity Authority of Fiji (TPAF) Grant	1,961,145	365,845
Other Income	0	250
Total Revenue	2,308,468	677,526

Year Ended 31 December	2011 (\$)	2010 (\$)
Recurrent Expenditure		
Employee cost	453,007	192,776
Consultancy expenses	1,369,636	203,360
Allowances	42,366	21,531
Standard setting committees	34,618	3,273
Travel and Subsistence	43,371	7,079
Training facilities and materials	20,762	0
Equipment and Furniture	68,154	17,315
Other Expenses	59,386	114,551
Total Expenditure	2,091,300	559,885
Surplus for the year	217,168	117,641

FHEC recorded a surplus of \$217,168 in 2011 compared to \$117,641 in 2010 due to increase in TPAF grant.

The Commission's total expenses for 2011 also increased by \$1,531,415 or 273%. The increase in total expenses was due to increase in employee cost and consultancy expenses.

9.6 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Assets		
Cash at Bank and on hand	334,809	117,641
Total Assets	334,809	117,641
Net Assets	334,809	117,641
Accumulated Fund	334,809	117,641

The Commission's cash at bank increased by \$217,168 or 184.6% in 2011 compared to 2010 due to increase in TPAF grant.

PART B – CONTROL ISSUES

9.7 Unidentified Expenses

The Principal Accounts Officer (PAO) is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports. Within 3 days of receiving the monthly general ledger balances after the closing from the Ministry of Finance, the Accounts Officer (AO) shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.¹

Included in the Statement of Receipts and Payments for the year ending 31/12/10 were other expenses totaling \$35,723. The audit noted that these expenses were incurred by Ministry of Education using FHEC grant funds which were not related to FHEC's operations.

As a result the total expenses for 2010 were overstated and the accumulated fund balance was understated by the same amount.

¹ Ministry of Education Finance Manual section 16.3.3

Recommendation

FHEC must ensure that grants money is used for the purpose it has been allocated.

Management Comments

The Commission takes responsibility for the unidentified expenses incurred in 2010 as ledger reconciliations were not performed due to the rotation of staff and officers lacked familiarity of the reconciliation process. On the other hand, the FHEC was not in a position to prevent the expenses as the Ministry of Education was in control of the funds and it did not have to seek approval of the FHEC to incur the expenses.

9.8 Anomalies in Payments Made

The Principal Accounts Officer, Senior Accounts Officer and Accounts Officer must not certify a payment as correct unless they are satisfied that there is documentation that the goods, services or works have been received:²

Immediately after payment has been effected, the cashier must stamp "PAID" on all vouchers and supporting documentation to avoid any double payments.³

A local purchase order (LPO) shall be issued when procuring any goods, services or works from a business within Fiji, unless a contract or agreement has been entered into.⁴

The audit noted that on a number of occasions FHEC made advance payment to various suppliers before the goods were received, local purchase orders were not issued for purchases of goods and services and payment vouchers together with supporting documents were not stamp "PAID". Refer to Table 9.1 below for examples.

Table 9.1: Examples of Anomalies in Payments Made

Payment Date	Receiving Date	Amount Paid (\$)	Suppliers Name	Particulars	Remarks
15/11/10	16/11/10	7,050	Supplier 1	Payment of 3 Dell Optiplex 780 Desktop computers.	<ul style="list-style-type: none"> Desktops were received 1 day after payment was made. Voucher and supporting document not stamp "PAID". LPO not issued.
25/01/11	09/03/11	3,390	Supplier 1	Payment for 2 Dell multimedia projectors @ \$1,695 per unit.	<ul style="list-style-type: none"> Projectors were delivered & received 3 months later. Voucher and supporting document not stamp "PAID". LPO not issued.
25/01/11	24/01/11	6,882.88	Supplier 2	Payment for electronic whiteboard with stand and printer.	<ul style="list-style-type: none"> LPO not issued.
04/02/11	04/02/11	6,921	Supplier 3	Payment for 3 HP computer laptops.	<ul style="list-style-type: none"> Voucher and supporting document not stamp "PAID". LPO not issued.
07/03/11	09/03/11	1,575	Supplier 4	Payment for 10 Conference room chairs.	<ul style="list-style-type: none"> Chairs were delivered & received 2 days later.

² Ministry of Education Finance Manual 2011, section 2.8.3 (ii)

³ Ministry of Education Finance Manual 2011, section 2.8.9

⁴ Ministry of Education Finance Manual 2011, section 2.5.1

Payment Date	Receiving Date	Amount Paid (\$)	Suppliers Name	Particulars	Remarks
					<ul style="list-style-type: none"> • Voucher and supporting document not stamp "PAID". • LPO not issued.
22/03/11	18/05/11	3,590	Supplier 1	Payment for 2 Dell desktop computers @ \$1,795 per unit.	<ul style="list-style-type: none"> • Computers were delivered & received 2 months later. • Voucher and supporting document not stamp "PAID". • LPO not issued.
07/3/11	21/2/11 - 01/03/11	1,496	Supplier 5	Payment for catering services for National Qualification Committee workshop held at Nabua from 21/2/11 to 01/03/11	<ul style="list-style-type: none"> • LPO not issued.
01/04/11	14/3/11 - 29/03/11	2,208	Supplier 5	Payment for catering for National Qualification Committee workshop catering held at Nabua from 14/3/11 to 29/03/11	<ul style="list-style-type: none"> • LPO not issued.
07/11/11	05/10/11 - 19/10/11 & 02/11/11 - 04/11/11	2,568	Supplier 5	Payment for catering for National Qualification Committee workshop catering held at Nabua from 05/10/11 to 19/10/11 and 02/11/11 to 04/11/11	<ul style="list-style-type: none"> • LPO not issued.
30/11/11	30/11/11 - 03/12/11	2,040	Supplier 6	Payment for catering services at capacity building workshop on 30/11/11 to 03/12/11.	<ul style="list-style-type: none"> • LPO not issued.
24/11/11	28/11/11 - 03/12/11	2,040	Supplier 7	Payment for accommodation for 4 FHEC staff on capacity building workshop in Lautoka from 28/11 to 03/12/11	<ul style="list-style-type: none"> • LPO not issued.
24/11/11	28/11/11 - 03/12/11	750	Supplier 8	Payment for accommodation for Rajendra Prasad and Praneet Singh on capacity building workshop in Lautoka from 28/11 to 03/12/11.	<ul style="list-style-type: none"> • LPO not issued.

The findings show lack of compliance to internal controls in purchase and payment system at FHEC. Hence there is high risk of misappropriation of funds.

Recommendation

FHEC must ensure that internal controls in purchase and payment system are complied with at all times.

Management Comments

Local Purchase Orders were only issued when purchasing from the government grant as funds were administered from the Ministry of Education. LPOs were not issued for purchases made from the TPAF grant as it was operated on a cash basis and most companies required a credit account to be held before a FHEC LPO could be accepted. Thus, in cases where a LPO was not issued, the expenditure was on TPAF grant.

However, the Commission will consider using LPO for future purchases and will ensure that goods are received before a payment is issued.

9.9 Engagement of Expatriate

It has become necessary to remind Ministries/Departments that all recruitments, including appointments and renewal of contracts of all non-Fiji citizens to the public service, requires the express approval of the Public Service Commission (PSC) and subject to the concurrence of the Prime Minister, as Minister responsible for the public service.

All requests for such appointments should therefore be submitted to the PSC with all supportive details and no recruitment will take place before the PSC's approval is granted.⁵

Expressions of interest should be called for consultancy services.

FHEC hired a consultant from Auckland, New Zealand as Technical Advisor Consultant on 07/05/2011 to develop a funding model termed as 'System for the Funding of Higher Education Institutions' for FHEC.

Review of the consultant's appointment revealed the following anomalies.

- FHEC did not call for 'Expression of Interest' for the consultancy service when appointing the consultant to develop a funding model for FHEC. The selection and appointment of the consultant was made by Minister for Education on behalf of FHEC without PSC's approval.
- The consultancy rate was determined by FHEC without consulting the Ministry of Education or PSC. FHEC agreed to pay the consultancy fee of \$200 per day, accommodation allowance of \$90 per day and to pay for one return air ticket from New Zealand to Fiji.
- FHEC signed an agreement with the consultant on 7/5/2011 for the consultancy services. The agreement did not state the terms of reference, specific deliverables, schedule of payments and the time frame for the consultant's engagement and timetable for completing the task.

The findings indicate lack of transparency and accountability by FHEC for engaging the consultant. In addition there is a risk of non performance of its obligation by the Consultant due to anomalies in the terms of engagement.

Recommendations

- **FHEC must seek PSC's approval and follow proper procedure when engaging any Consultant in future.**
- **FHEC must ensure that terms of engagement for the Consultants are properly drawn up and vetted by Ministry of Education or PCS.**

Management Comments

The Management notes the recommendations and will comply. It agrees that in the light of the current policy, the practice was not transparent and accountability was in question. The management admits that the recruitment of the consultant was made prior to its knowledge of the current policy. It was therefore working only in accordance with section 12 (4) of the Higher Education Promulgation which states that the Commission may, from time to time, appoint such other officers, employees, consultants, agents or other personnel as it thinks fit for the effective performance of its functions.

⁵ PSC Circular 34 of 2008

9.10 Non- Resident Withholding Tax Not Deducted

Notwithstanding anything contrary in the other provisions of this Act, there shall be paid a tax, to be known as “non-resident miscellaneous withholding tax”, in respect of the payments specified in subsection (2) at the rate of 15 percent of the gross amount payable.⁶

Such tax shall be payable in respect of subject to subsection (7), any know-how payment and any sum paid or credited for the management of, or supervision of, or the supply of any similar activity in connection with the carrying on of a business⁷

For the purposes of subsection (2) (b) “management” payments of any kind to any persons, other than to an employee of the person making the payments, for, in respect of, the provision of industrial, agricultural, scientific or commercial advice, or management of technical services, or similar services or facilities including consultancy services, but does not include payments for independent personal services.⁸

The audit noted that non-resident withholding tax was not deducted by FHEC from payments made for the consultancy services. Total of \$13,525.90 was paid by FHEC to the consultant in 2011 as consultancy fees and related expenses. Details are shown in Table 9.2.

Table 9.2: Consultancy Payment Made

Cheque No.	Date of Payment	Payee	Amount (\$)	Remarks
156	29/04/11	Air Pacific	1,241.10	• Payment of return airfares for Auckland – Nadi (07/07/11 to 22/07/11).
172	13/05/11	Contracting Consultant	1,900	• Payment of consultancy fee of \$1,000 for 5 days at 200 per day 7/5/11 to 11/5/11 • Payment of accommodation of \$900 for 10 days at \$90 per day from 7/5/11 to 11/5/11.
176	19/05/11	Contracting Consultant	1,000	• Payment of consultancy fee of \$1,000 for 5 days at \$200 per day.
216	06/07/11	Air Pacific	2,364.80	• Payment of return airfares for Auckland – Nadi (11/07/11 to 24/07/11).
230	12/07/11	Contracting Consultant	1,900	• Payment of consultancy fee of \$1,000 for 5 days at \$200 per day • Payment of accommodation of \$900 for 10 days at \$90 per day from 11/7/11 to 15/7/11.
242	20/07/11	Contracting Consultant	1,000	• Payment of consultancy fee of \$1,000 for 5 days at \$200 per day.
276	22/08/11	Air Pacific	1,220	• Payment of return airfares for Auckland – Nadi (29/08 to 11/09)
284	30/08/11	Contracting Consultant	1,900	• Payment of consultancy fee of \$1,000 for 5 days at \$200 per day. • Payment of accommodation of \$900 for 10 days at \$90 per day from 29/08 to 11/09.
288	06/09/11	Contracting Consultant	1,000	• Payment of consultancy fee of \$1,000 for 5 days at \$200 per day from 29/08 to 11/09.
Total			13,525.90	

⁶ Revised Income Tax Act Chapter 201 section 8A(1) of 1 March 2011

⁷ Revised Income Tax Act Chapter 201 section 8A(2) (b)) of 1 March 2011

⁸ Revised Income Tax Act Chapter 201 section 8A (4) of 1st March 2011

The finding shows that FHEC did not comply with Fiji Income Tax Act and failed to deduct and remit appropriate tax to FRCA.

Recommendations

- **FHEC should comply with Fiji Income Tax Act and pay appropriate tax where applicable.**
- **FHEC should pay FRCA the outstanding non resident withholding tax.**

Management Comments

The management will comply with the Fiji Income Tax Act and will pay FIRCA the outstanding non-resident withholding tax. The audit comments are appreciated.

9.11 Repair of Vehicle GN 909

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.⁹

The Ministry of Education allocated a vehicle, Mitsubishi sedan registration number GN90 to FHEC in 2010. In the same year the vehicle's gear box malfunctioned after which FHEC obtained quotes for Vendor 1 and Vendor 2. Vendor 1 quoted \$4,800 while Vendor 2 quoted \$3,500 to repair the defective gearbox.

FHEC took the vehicle to Vendor 1 even though it quoted higher price than Vendor 2 because Vendor 1 was the distributor and servicing company for known brands. However the repair works to the vehicle was stopped by the Ministry of Education on 29/09/10 and the vehicle was taken to Vendor 2 as they quoted a price which was lower than Vendor 1. FHEC had to pay \$900 to Vendor 1 as it had already commenced the repair works.

Vendor 2 completed the repair work in March 2012 and FHEC paid \$3,500 for repair work to the vehicle. However, FHEC later realized that the vehicle was still having the same problem. The vehicle was then taken over by the Ministry and it decided to take it back to vendor 1 for repairs.

FHEC paid \$3,500 to vendor 2 even though the vehicle was not properly repaired. The audit noted that FHEC did not take any action against vendor 2 for charging full repair cost even though the vehicle was not repaired.

The audit further noted that FHEC incurred expenses totalling \$4,400 but the vehicle was still not repaired. It is highly likely that the Ministry of Education will incur additional expenses around \$4,800 to repair the vehicle at vendor.

The finding shows poor management decision to repair the vehicles at unauthorized dealer.

Recommendation

- **Ministry of Education should ensure that quality of goods and services is not compromised with lowest price when evaluating competitive quotations.**
- **Responsible officers should be surcharge the additional expenditure.**

⁹ Ministry of Education Finance Manual 2011, Part 2

Management Comments

The action taken on this vehicle is regrettable and was outside the control of the FHEC as was observed. It is a Ministry of Education vehicle and action on its repair was dictated by the Ministry.

SECTION 10: MARITIME SAFETY AUTHORITY OF FIJI

The Maritime Safety Authority acts as a regulator, responsible for Fiji's maritime safety, protection of the marine environment and regulation of search and rescue and hydrographical services.

The Authority transitioned from a government Department to a commercial statutory authority in 2011 through the Maritime Safety Authority of Fiji Decree 2009.

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PART A – FINANCIAL INFORMATION

10.1 Audit Opinion 2011

The audit of the financial statements of the Authority for the year ended 31 December 2011 resulted in the issue of a qualified audit report. The qualification is as follows:

Fixed assets with a total historical cost of \$1,402,275 were transferred from the Fiji Island Maritime Safety Authority to the Maritime Safety Authority of Fiji in 2011. These assets, including motor vehicles, recorded with zero written down value, are still being used by the Authority. The assets have not been revalued by an independent valuer to determine their carrying amounts.

10.2 Statement of Comprehensive Income 2011

For the Year ended 31 December	2011 (\$)
Income	
Government Grant	1,773,579
Qualification and Licensing	221,268
Standard and Compliance	325,606
Light Dues	398,136
Deferred Grant	252,002
Port Registration and Emergency	84,734
Miscellaneous	7,175
Total Income	3,062,500
Expenditure	
Payroll and related expenses	1,563,425
Administration Expenses	97,944
Operating Expenses	256,412
Total Expenditure	1,917,781

For the Year ended 31 December	2011 (\$)
Net Surplus	1,144,718

The Authority recorded a net surplus of \$1.1 million for the year ended 31 December 2011, the first year of its operation.

10.3 Statement of Financial Position 2011

As at 31 December	2011 (\$)
Assets	
Cash at Bank	2,297,575
Trade and Other Receivables	35,652
Prepayments and Deposits	418,396
Property, plant & equipment	3,179,134
Total Assets	5,930,757
Liabilities	
Deferred Income	1,764,015
Trade and Other Payables	59,928
Accruals	50,042
Employees Provision	25,478
Total Liabilities	1,899,463
Net Assets	4,031,294
Accumulated Funds and Reserves	4,031,294

The Authority recorded a Net Asset of \$4.03 million as at 31 December 2011.

PART B - CONTROL ISSUES

10.4 Accounting of Fixed Assets

Property, plant and equipment account for 54% of the total assets reflected in the Statement of Financial Position for the year ended 31 December 2011.

A Fixed Assets Register (FAR) is used to ensure that correct information regarding fixed assets is recorded and entered into the accounting system. It is also used as a check for physical existence of fixed assets within the entity. Our review of the fixed assets records revealed the following anomalies:

- The FAR did not include details such as asset codes and descriptions, and locations.
- More than 50% of the assets recorded in the FAR have zero written down value. The dates of acquisitions for these assets are not stated in the FAR. The assets, with a total cost of \$1,402,275, were transferred from the Fiji Island Maritime Safety Authority. There was no independent valuation done to determine the current value of the assets as some assets such as motor vehicles are still used by the Authority. Refer to *Appendix 10.1* for details.

Without an independent valuation, audit could not ascertain the correctness of the value of property, plant and equipment reflected in the financial statements.

Recommendations

- The Authority should update the FAR to include the following information:
 - description of the asset;
 - unique code number for the asset;
 - date of acquisition;
 - original cost;
 - depreciation charged;
 - accumulated depreciation; and
 - carrying amounts/Written Down Value
- All property, plant and equipment with zero carrying amounts should be considered for revaluation.

Management Comments

- ✓ *The entity under FIMSA; being a government Department had no FAR as is expected in the case of statutory organizations and private sectors. MSAF had to begin from scratch and compiled a FAR from the limited information on record after being retrospectively promulgated to 01/01/11 on 11/11/2011. Meanwhile, MSAF has been continuously updating its FAR in compliance with the Audit recommendations.*
- ✓ *Valuation of Assets was placed to tender in 2011, whereby a Valuer was considered for the job. However, the recommended bidder pulled out at the negotiation stage before any contract was signed. Other bids were considered exorbitant and uneconomical for MSAF.*
- ✓ *The Authority will now call for another tender to ensure the valuation is carried out in 2012 and recorded accordingly.*

APPENDIX 10.1 - LIST OF ASSETS WITH ZERO WRITTEN DOWN VALUE

Asset	Purchase Date	Opening Cost	Addition	Disposal	Closing Cost	Dep. Rate	Opening Acc. Dep.	Dep.	Acc. Dep.	WDV 2011
MOTOR VEHICLES										
Toyota Corolla GM545	1998	33,124			33,124	18%	33,124		33,124	-
Mazda Twin Cab GM894	2001	35,000			35,000	18%	35,000		35,000	-
Toyota Hiace GM512 [Underwater Survey]	1999	250,000			250,000	18%	250,000		250,000	-
Mazda Twin Cab GM410 [FIMSA Western]	1997	34,000			34,000	18%	34,000		34,000	-
Mazda Twin Cab GN 461 [Ex-MPAF]	2004	35,000			35,000	18%	35,000		35,000	-
Mazda Twin Cab GN 460 [Ex-MPAF]	2004	35,000			35,000	18%	35,000		35,000	-
Total Motor Vehicles		422,124	-	-	422,124		422,124	-	422,124	-
PLANT & EQUIPMENT										
Pollution Control Boats		79,926			79,926	12%	79,926		79,926	-
Pollution Control Trailers & Caravan		20,700			20,700	18%	20,700		20,700	-
Outboard Motor		22,003			22,003	18%	22,003		22,003	-
Oil Spill Boom Equipment		144,144			144,144	12%	144,144		144,144	-
PVC Top Tarp		4,523			4,523	12%	4,523		4,523	-
Tool Box with Tools		611			611	40%	611		611	-
Battery Charger		690			690	18%	690		690	-
Total Plant & Equipment		272,597	-	-	272,597		272,597	-	272,597	-
COMMUNICATION EQUIPMENT										
VHF Radio Base Set		5,962			5,962	18%	5,962		5,962	-
VHF Radio Handheld		2,750			2,750	18%	2,750		2,750	-
Uniden Speaker[W/R]		1,080			1,080	18%	1,080		1,080	-
Switch Mode Power Supply		380			380	18%	380		380	-
HF Radio Set		4,500			4,500	18%	4,500		4,500	-
Total Communication Equipment		14,672	-	-	14,672		14,672	-	14,672	-
OFFICE MACHINES & EQUIPMENT										
Computer Sets		65,635			65,635	40%	65,635		65,635	-
3 in 1 Printer		11,193			11,193	12%	11,193		11,193	-
Printer		15,386			15,386	12%	15,386		15,386	-

Asset	Purchase Date	Opening Cost	Addition	Disposal	Closing Cost	Dep. Rate	Opening Acc. Dep.	Dep.	Acc. Dep.	WDV 2011
Photocopy Machine		8,700			8,700	18%	8,700		8,700	-
Shredding Machine		1,100	-	-	1,100	12%	1,100		1,100	-
4 Way P/Board		210			210	0%	210		210	-
6 Way P/Board		143			143	0%	143		143	-
Binding Machine		495			495	12%	495		495	-
Laptop		15,200			15,200	40%	15,200		15,200	-
Calculator		280			280	24%	280		280	-
Cassette Recorder		750			750	24%	750		750	-
Integrated Amplifier & Speakers		180			180	24%	180		180	-
Digital Voice Recorder		750			750	18%	750		750	-
Type writer		299			299	18%	299		299	-
Digital Camera		1,266			1,266	18%	1,266		1,266	-
Binoculars		525			525	18%	525		525	-
UPS		2,620			2,620	40%	2,620		2,620	-
Laminator		975			975	24%	975		975	-
Flashdrive USB		540			540	40%	540		540	-
Birko Urn		1,350			1,350	12%	1,350		1,350	-
DVD Player		249			249	24%	249		249	-
Electric Fan		280			280	12%	280		280	-
Wireless Lactern Amplifier		985			985	24%	985		985	-
Panasonic VCR		350			350	18%	350		350	-
TV Screen		2,999			2,999	18%	2,999		2,999	-
Microwave Oven		398			398	24%	398		398	-
Refrigerator		3,196			3,196	18%	3,196		3,196	-
Overhead Projector		8,600			8,600	12%	8,600		8,600	-
Cordless Microphone		120			120	24%	120		120	-
Vacuum Cleaner		199			199	24%	199		199	-
Electric Engraver		95			95	12%	95		95	-
Tv Antenna		75			75	18%	75		75	-
Water Blaster		799			799	18%	799		799	-
Dymo Machine		620			620	6%	620		620	-

Asset	Purchase Date	Opening Cost	Addition	Disposal	Closing Cost	Dep. Rate	Opening Acc. Dep.	Dep.	Acc. Dep.	WDV 2011
Wall Clock		225			225	24%	225		225	-
Barometer		450			450	12%	450		450	-
Guillotine		142			142	12%	142		142	-
Electric Kettle		275			275	12%	275		275	-
CD Alarm Clock Radio		55			55	24%	55		55	-
Nokia Mobile Phone		200			200	12%	200		200	-
Gas Lamp		300			300	6%	300		300	-
Modyl Bar Fridge		449			449	18%	449		449	-
First Aid Box		1,920			1,920	18%	1,920		1,920	-
Philip VCD Radio		500			500	18%	500		500	-
External Hard Drive		1,400			1,400	18%	1,400		1,400	-
Fire Ext.		55			55	12%	55		55	-
Ext. Cable		237			237	24%	237		237	-
Paper Punch		161			161	0%	161		161	-
Stapler		420			420	0%	420		420	-
Rubbish Bin		742			742	24%	742		742	-
Electronic Time Recorder		695			695	12%	695		695	-
Fax Machine		1,775			1,775	24%	1,775		1,775	-
Total Office Machines & Equipment		156,563	-	-	156,563		156,563	-	156,563	-
Beacons		464,000			464,000		464,000		464,000	
OFFICE FURNITURE										
High back Chair		2,500			2,500	12%	2,500		2,500	-
Low back Chair		4,000			4,000	12%	4,000		4,000	-
Visitors Chair		3,800			3,800	12%	3,800		3,800	-
Wooden Chair		3,600			3,600	12%	3,600		3,600	-
Table		24,384			24,384	12%	24,384		24,384	-
Filing Cabinet		17,710			17,710	12%	17,710		17,710	-
Wooden Dip		4,650			4,650	12%	4,650		4,650	-
Computer Table		1,125			1,125	12%	1,125		1,125	-
Bookshelve		1,740			1,740	12%	1,740		1,740	-

Asset	Purchase Date	Opening Cost	Addition	Disposal	Closing Cost	Dep. Rate	Opening Acc. Dep.	Dep.	Acc. Dep.	WDV 2011
Cupboard		3,570			3,570	12%	3,570		3,570	-
White Board		960			960	12%	960		960	-
Coffee Table		590			590	12%	590		590	-
Long Wooden Chair		796			796	12%	796		796	-
Paper rack		50			50	12%	50		50	-
Typing Rack		450			450	12%	450		450	-
Locker 6 Drawer		345			345	12%	345		345	-
Conference Table		1,175			1,175	12%	1,175		1,175	-
Pigeon Hole		520			520	12%	520		520	-
TV Stand		355			355	12%	355		355	-
Total Office Furniture		72,320	-	-	72,320		72,320	-	72,320	-
Grand Total		1,402,275			1,402,275		1,402,275		1,402,275	

SECTION 11: NATIONAL FOOD AND NUTRITION CENTRE

The National Food and Nutrition Centre (NFNC) was created by Government in 1976 and operates as a quasi-government organisation under the Ministry of Health. It is funded through government subvention.

The objective of the National Food and Nutrition Centre are:

- To realise the mandate given by Cabinet to advise the government on the country's food situation and nutritional status of its population;
- To co-ordinate programs and activities carried out by government and non-governmental organisations on matters relating to food and nutrition; and
- To ensure that Fiji's food and nutrition policy is realised and to improve the nutrition policy is realised and to improve the nutritional status of the population.

On 7th April 1998 Cabinet directed that the National Food and Nutrition Centre be integrated into the Ministry of Health rather than continue to be a stand alone entity.

Consequently, on 21st January 1999, there was an agreement signed between the Government of Fiji and the National Food and Nutrition Centre for the provision of advice to the Fiji Government on the country's food situation and the nutritional status of its population. Furthermore, the NFNC will coordinate and monitor all government ministries and non government organisations programs and activities relating to nutrition.

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PART A – FINANCIAL INFORMATION

11.1 Audit Opinion – 2011

The audit of the financial statements of the National Food and Nutrition Centre for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

11.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Government Grant	196,939	226,182
Government Grant – (FPAN)	173,478	200,000
Micronutrient Status of Children Account	43,263	0
Food Based Dietary Guidelines	14,783	0
FPAN – Reimbursement to Operations	12,988	0
WHO – (FPAN)	0	16,712
WHO - Projects	6,554	39,311
Ministry of Health - Research	0	156,444
Ministry of Health – WFD	0	4,356

Year Ended 31 December	2011 (\$)	2010 (\$)
Bank Interest	4,598	4,102
IBANZ	3,696	15,408
Food and Agriculture Organisation	1,332	1,341
Other Income	24,486	1,149
Total Revenue	482,117	665,005
Recurrent Expenditure		
Salaries, Wages and Related Expenses	229,872	227,520
Impact Study – Iron Fortified Flour	71,702	128,880
Fiji Plan for Action	126,676	26,596
World Health Organisation	49,753	0
Capital Expenditure	4,506	12,074
IBANZ	11,234	0
Food Based Dietary Guidelines	10,476	0
World Food Day	0	8,402
Publications	1,173	9,717
Health Promoting Schools	10,983	7,000
Office Expenses	7,647	8,639
Other Expenses	48,145	30,232
Total Expenditure	572,167	459,060
Surplus/(Deficit) for the year	(90,050)	205,945

The Centre recorded a deficit of \$90,050 in 2011 compared to a surplus of \$205,945 in 2010. The deficit was mainly due to the decline in government grant (13%) and research funding by the Ministry of Health (100%) in 2011.

The increase in total expenditure by \$113,107 or 24.6% also contributed to the deficit. The increase in expenditure was due to significant increases in Fiji Plan of Action for Nutrition, World Health Organisation, IBANZ and Food Based Dietary Guidelines expenses.

11.3 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Assets		
Cash at Bank	437,736	467,251
FEA Deposit	50	50
Telephone Deposit	297	297
Total Assets	438,083	467,598
Liabilities		
VAT Payable	78,152	17,617
Total Liabilities	78,152	17,617
Net Assets	359,931	449,981
Total Accumulated Funds	359,931	449,981

The Centre's net assets declined by \$90,050 or 20% in 2011 compared to 2010 as a result of a decrease in cash at bank and an increase in VAT payable. The decrease in cash at bank balance was mainly due to a decline in government grant and research funding by the Ministry of Health in 2011 as well as significant increases in expenditure related to Fiji Plan of Action for Nutrition, World Health Organisation, IBANZ and Food Based Dietary Guidelines.

PART B – CONTROL ISSUES

11.4 Appointment of Executive Officer

Only posts of Executive level (SS04) or equivalent and above shall qualify for acting appointments.¹

NFNC recruited a new staff on 12/04/11 as a Temporary Relieving Clerical Officer (TRCO) for three months. Review of the staff personal file revealed the following anomalies.

- The staff was recruited as TRCO with effect from 12/04/11 on SS05 salary grade with annual salary of \$14,539. The Officer was promoted to Clerical Officer on 18/07/11 with annual salary of \$14,539 in salary scale SS05 \$8,335 - \$15,451. There was no justification why the Officer was paid \$14,539 in salary scale SS05 \$8,335 - \$15,451 when she was appointed as a TRCO or on appointment to Clerical Officer position.
- The Clerical Officer's position was not advertised by NFNC. The staff was appointed to the position just because she was a volunteer and later worked as TRCO. In addition the staff certificate to support her qualification was not filed. The audit could not establish whether the Officer had appropriate qualification and experience for the position.
- The Officer was promoted to Clerical Officer on 18/07/11 and was appointed to act as Executive Officer with effect from 13/10/11. The Officer was considered to act as an Executive Officer within 3 months from her date of appointment as a Clerical Officer.
- The position for an Executive Officer did not exist in the NFNC's organisation structure. NFNC created the post of the Executive Officer without PSC's approval and for the staff to act from 13/10/11 – 12/01/12 and 13/01/12 – 12/07/12 on salary grade SS04 with annual salary of \$15,689.

The findings shows that proper recruitment procedures were not followed to appoint the Clerical Officer.

Recommendations

- **NFNC should cease the acting appointment as an Executive Officer since the post does not exist.**
- **PSC should investigate and take appropriate action against officers responsible for appointing the staff to the Clerical Officer's position and authorising the acting appointment against position which does not exist.**

Management Comments

No comments provided.

¹ PSC Human Resource Manual 2011 S11.12(O)

SECTION 12: SUGAR INDUSTRY TRIBUNAL

The Sugar Industry Tribunal is established under Part III of the Sugar Industry Act (1994). Other Parts of the Act with particular relevance to the Tribunals are part VI Master Awards, Part IX – Collective Agreements, Part X – Restrictions on Industrial Action, Part XI – Dispute Procedure and Part XI – Awards.

The objective of the Sugar Industry Tribunal (SIT) is to resolve disputes. In carrying out its statutory functions, SIT is empowered under section 69 of the Sugar Industry Act, subject to Minister's directive to make and prepare any master award. The Tribunal is also required to hear and determine any question as to whether all or any of the expenses incurred by corporations in providing and maintaining facilities for the storage of sugar should be paid out of, and be a charge on the proceeds of sale of sugar, molasses and other by-products of sugar.

The specific functions of the Sugar Industry Tribunal are stipulated under section 26 of the Sugar Industry Act (Cap 206).

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PART A – FINANCIAL INFORMATION

12.1 Audit Opinion - 2010

The audit of the financial statements of the Sugar Industry Tribunal (SIT) for the year ended 31 December 2011 resulted in the issue of a qualified audit report as it included in receivables VAT receivable totalling \$37,777. There is an un-reconciled difference amounting to \$37,010 between the general ledger and statement of VAT Account provided by Fiji Revenue and Customs Authority.

12.2 Abridged Income Statement

Year ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Grant from government	430,308	441,248
Other income	21,919	19,006
Total Revenue	452,227	460,254
Expenditure		
Salaries and wages	124,024	122,044
Industrial Commissioner's expense	49,234	49,234
Other operating expense	244,334	188,278
Total Expenditure	417,592	359,556
Result For the Year From Ordinary Activities	34,635	100,698

The main source of revenue for SIT is government grant, which it receives annually to meet operational costs. SIT recorded a surplus of \$34,635 in 2011; a decrease of \$66,063 compared to a surplus of \$100,698 in 2010. The decrease was due to a decline in government grant received in 2011 by \$10,940 or 2%. Other operating expenditure increased by \$56,056 or 30% in 2010 which also contributed to the decline in the surplus recorded.

12.3 Abridged Balance Sheet

As at 31 December	2011 (\$)	2010 (\$)
Assets		
Cash at bank and on hand	39,566	103,521
Receivables	54,093	55,278
Non – current assets	105,222	31,638
Total Assets	198,881	190,437
Liabilities		
Current liabilities	37,202	55,922
Non – current liabilities	791	791
Total Liabilities	37,993	56,713
Net Assets	160,888	133,724
Accumulated Funds		
Accumulated Surplus & Capital	145,880	118,716
Asset Revaluation Reserve	15,008	15,008
Total Accumulated Funds	160,888	133,724

The Tribunal recorded an increase in net assets by \$27,164 or 20% in 2011. The increase was mainly attributed to the increase in Non Current Assets by \$73,584 as a result of purchasing a new vehicle.

PART B – CONTROL ISSUES

12.4 Variance in VAT Receivables

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.¹

In respect of each taxable period every registered person shall calculate the amount of tax payable by that registered person. In calculating the amount of tax payable in respect of each taxable period, there shall be deducted from the amount of output tax of a registered person attributable to the taxable period where all the supplies made or to be made by the registered person are or will be taxable supplies, the total amount of input tax.²

The audit noted an un-reconciled difference amounting to \$37,010 between the general ledger and VAT statement provided by Fiji Revenue and Customs Authority. Accordingly, the audit was not able to verify the valuation and completeness of VAT receivable balance as per the general ledger. Refer to Table 12.1 for details.

¹ Value Added Tax Decree 1991 4th edition revised to 30/04/04 – Section 15 (1)

² Value Added Tax Decree 1991, revised 30/04/2004 – Section 39

Table 12.1: Variance in VAT Receivable

VAT Receivables	Amount (\$)
Receivables as per general ledger	37,777.15
Receivables as per SVA	767.57
Variance	37,009.58

The variance noted may result in incorrect financial reporting.

Recommendation

The Tribunal should ensure that a Statement of VAT account is obtained from FRCA and reconciled with the books of the Tribunal on a timely basis. Any variance arising from the reconciliation should be investigated and appropriate adjustments made to the VAT account.

Tribunal's Comments

Tribunal will ensure that statement of Vat is obtained from FIRCA and Reconciled with the Vat lodged for Tribunal on a timely basis.

Tribunal will also work on the un-reconciled difference between general ledger and Statement of Vat account.

12.5 Staff Loan

Any Staff wishing to take a loan must apply to the Registrar for approval. On approval of the loan 12% interest will be applied to the principal loan.³

The audit of the loan records noted that the Tribunal is not consistent in charging interest on the staff loans. Some staffs were charged interest on their principal loan amount whilst others were charged interest on the outstanding balance before the new loan.

In addition, there was a significant increase in loan given to staffs in 2011. The Tribunal has not imposed any limit in approving loans to staffs. Refer to Table 12.2 and Table 12.3 below for details.

Table 12.2: Loan Balance for the two years

Year	Balance (\$)
2010	2,079
2011	8,003
Variance	5,924

Table 12.3: Loan Taken by staffs in 2011

Staffs Initial	Total (\$)
ZY	665
ML	4,174
MG	3,100
AL	1,700
BD	3,000

³ Finance Procedure Manual – Sugar Industry Tribunal – Section 3.5.1.1 & 3.5.1.2

Staffs	Total (\$)
MD	2,700
Total	15,339

Without a loan limit, staff loans could accumulate hence in cases of immediate resignation, the Tribunal may not be able to recover the balances from the staff.

Recommendations

- **The Tribunal must ensure that interest charged on staff loan is consistent. It is recommended that the Tribunal use the reducing balance method while charging interest on staff loan.**
- **The Tribunal should review its loan approval policy and set a loan limit for staffs.**

Tribunal's Comments

Currently we are adding interest on the amount of loan taken without taking into account the reducing balance. Reducing balance methods are used by the financial institutes. Tribunal will not have any problem using reducing balance method since it is the current procedure used by the financial institutes. Tribunal agrees that a loan approval policy be put in place. The policy should set loan limit for staffs.

SECTION 13: NATIONAL SUBSTANCE ABUSE ADVISORY COUNCIL

The National Substance Abuse Advisory Council is a statutory body that was enacted in Parliament on 12 May, 1998 and launched on March 1, 1999. This is in recognition of the growing incidence of drug and substance abuse in the country and the detrimental effects it has on health, our society and the economy.

The Council is responsible to the Government for developing a comprehensive substance abuse prevention education and research effort in Fiji under a grant to the Ministry of Education from the Ministry of Finance.

The primary objectives of the Council are to:

- Promote a healthy lifestyle and safer drinking practices, and the development and promotion of actions and advice which will reduce alcohol-related and substance abuse problems for the nation; and
- Implement strategic plans which will promote health awareness attitudes, collate and disseminate information and statistics on the prevalence of use and abuse of substances, produce publications and researched reports and advise government on policies to reduce problems related to the abuse of alcohol and other substances.

The activities being conducted at present are funded by the World Health Organisation, as government funding is limited to remuneration

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PART A – FINANCIAL INFORMATION

13.1 Audit Opinion - 2011

The audit of the financial statements of the National Substance Abuse Advisory Council for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

13.2 Abridged Income Statement

Year Ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Revenue		
Government Grant	250,000	250,000
UNFPA	21,960	5,606
MOH	0	5,000
FSM	16,110	0

Year Ended 31 December	2011 (\$)	2010 (\$)
NACA Funds	0	12,150
MOE Extra funding	15,000	0
Donations	2,275	5,246
Total Revenue	305,345	278,002
Expenditure		
Payroll Expenditure	211,855	207,192
Other Operating Expenses	103,136	102,844
Capital Expenditure	2,570	14,132
Total Expenditure	317,561	324,168
Net Deficit for the year	(12,216)	(46,166)

The Council recorded a deficit of \$12,216 in 2011 compared to a deficit of \$46,166 in 2010. There were increases in grants from United Nations Population Fund, FSM and the Ministry of Education which contributed to the improvement in the Council's operation.

13.3 Abridged Balance Sheet

As at 31 December	2011 (\$)	2010 (\$)
Current Assets		
Cash at Bank	16,693	28,909
Total Assets	16,693	28,909
Accumulated Funds		
Opening Balance	28,909	75,075
Net Surplus/(Deficit)	(12,216)	(46,166)
Total Accumulated Funds	16,693	28,909

The Council's cash at bank and accumulated funds decreased by \$12,216 or 42.3% in 2011 compared to 2010.

PART B – CONTROL ISSUES

13.4 Accountable Advance Not Cleared on Time

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.¹

Where an advance has not been acquitted within seven days of travel, the principal accounts officers shall effect recovery through a salary deduction from the concerned officers salary within six fortnights.²

The Council provided accountable advances to its staffs travelling on official duties. Our review of the accountable advance records revealed various anomalies such as poor record keeping, advances not retired on time, advances not fully acquitted and short deposits of advances retired. Refer to Table 12.1 for details.

¹ Ministry of Education Finance Manual 2011, s9.1.11 and s9.1.12

² Ministry of Education Finance Manual 2011, s9.1.14

Table 12.1: Anomalies in Retirement of Accountable Advance

Date of Payment	Staff Initial	Amount (\$)	Comments
07/06/11	LR	2,627	<ul style="list-style-type: none"> The Officer was paid accountable advance for the Western Peer Education Training from 9/6/11 – 11/6/11. The Council did not record the date the officer returned to station after the official tour and the date the Officer retired the Accountable advance. The amount retired by the Officer was deposited by the Council on 22/06/11 which was 11 days after the training workshop. The council did not take any action to recover the outstanding advance when it became due.
16/6/11	LR	2,622	<ul style="list-style-type: none"> The Officer was paid accountable advance for the Western Peer Education Training from 17/6/11 – 18/6/11. The Council did not record the date the officer returned to station after the official tour and the date the Officer retired the accountable advance. The amount retired by the Officer was deposited by the Council on 2/9/11 which was 76 days after the training workshop. The council did not take any action to recover the outstanding advance when it became due.
14/07/11	SC	2,101.13	<ul style="list-style-type: none"> The Officer was paid accountable advance for the Central Peer Education Training from 15/7/11 – 16/7/11. The Council did not record the date the officer returned to station after the official tour and the date the Officer retired the accountable advance. The amount acquitted for catering services was \$1,120. However receipts attached was for only \$1,040. Sum of \$80 was not accounted for by the Officer. The amount retired by the Officer was deposited by the Council on 2/9/11 which was 47 days after the training workshop. The council did not take any action to recover the outstanding advance when it became due.
08/07/11	SC	2,215.00	<ul style="list-style-type: none"> The Officer was paid accountable advance for the Central Peer Education Training from 8/7/11 – 9/7/11. The Council did not record the date the officer returned to station after the official tour and the date the Officer retired the accountable advance. The Officer obtained 3 quotes for catering services but payment was made to LRC's mother, from whom no quotes were obtained. A balance of \$265.87 was refunded by the Officer which was deposited by the Council on 02/09/11 together with the balance refunded on 14/07/11 of the same. The total deposit should have been \$531.74 but the amount deposited by the Admin Officer was only \$358.35. Total of \$173.39 was not accounted for. The amount refunded was deposited 54 days after the training.
07/11/11	LRC	4,680	<ul style="list-style-type: none"> The Officer was paid accountable advance for the Drug and Policy Review in Labasa from 8/11/11 – 12/11/11.

Date of Payment	Staff Initial	Amount (\$)	Comments
			<ul style="list-style-type: none"> The Council did not record the date the officer returned to station after the official tour and the date the Officer retired the accountable advance. The payment for catering services was made to Nau's Catering. However the payment was received by LRC's mother.

The audit also noted that the Council did not maintain a register for accountable advance.

When accountable advance are not retired within the stipulated timeframe, public funds are unnecessary tied up.

Recommendations

- The Council must ensure that accountable advance is cleared within 7 days from return to Office from official duties.
- The Council must take appropriate action to recover the outstanding accountable advance from the staff if they do not clear it within 7 days from the date of return to Office.
- The Council must maintain a register for Accountable Advance given to staff.
- The Council must ensure that competitive quotes obtained for all purchase made over than \$100.

Council's Comments

No comments

13.5 Conflict of Interest

An employee must disclose, and take reasonable steps to avoid any conflict of interest (real or apparent) in connection with employment in the public service.³

The Council organised various training workshops for schools around Fiji during 2011. The Project Assistant (PA) for Health was also involved in organising these workshops especially arranging and making payments for the catering services.

The PA obtained quotes for the catering services from 3 suppliers. However she obtained the services from her mother, from whom she never obtained the quotes. The payments for catering services were made from the accountable advance given to the Officers. Refer to Table 12.2 for details.

Table 12.2: Catering Service Obtained from Project Assistant

Date	Payee	Accountable Advance (\$)	Cheque No.	Anomalies	Amount Paid (\$)
14/07/11	SC	\$2,101.13	4703	<ul style="list-style-type: none"> Only one quotation for catering was obtained from catering supplier signed by MD. However payment was received by the mother. 	1,040

³ Public Service Act 1999 Part 2 s6(7)

Date	Payee	Accountable Advance (\$)	Cheque No.	Anomalies	Amount Paid (\$)
08/07/11	SC	\$2,215.00	4702	<ul style="list-style-type: none"> 3 quotes were obtained for catering services but payment for catering does not match with any of the quotes. Payment for catering was made to LRC's mother 	1,120
07/11/11	LC	\$4,680	4891	<ul style="list-style-type: none"> No quotes for catering were obtained. Payment was made to a catering services business owned by LRC's mother 	2,016
Total paid to MC for catering					\$4,176

The audit further noted that the PA did not disclose to the Council that she was obtaining catering services from her mother.

Recommendation

The Council should investigate the matter further and take appropriate action.

Council's Comments

No comments

13.6 Overspent Allocations

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.⁴

The audit noted that the Council overspent several expenditure allocations during 2011. Refer to Table 12.3 for details of allocations overspent.

Table 12.3: Overspent Allocations

Account	Budget (\$)	Actual (\$)	Variance (\$)
Incidentals	1,000	1,696.22	696.22
Stores & Stationary	2,000	2,099.55	99.55
Communication	2,000	3,160.09	1,160.09
Audit Fees	700	760	60.00
Fuel Oil & Vehicle Maintenance	4,000	4,259.81	259.81
Monitoring & Evaluation	2,000	2,016	16.00
Training of Trainers	21,000	21,626.83	626.83
Security	17,000	17,947.82	947.82
Total Overspent			3,866.32

⁴ Finance Manual 2011, Part 2

The finding shows that either the Council's budget was not realistic or expenditures were not properly controlled.

Recommendations

- **The Council must ensure that its annual budgets are properly prepared.**
- **The Council should ensure that expenses are within the approved budget.**

Council's Comments

No comments

13.7 Council Meetings Held in 2011

The first meeting of the Council shall be held on a day to be fixed by the Chairperson. Subsequent meetings of the Council shall be held at such times and places as the Council or the Chairperson may decide⁵.

Audit noted after the review of the minutes register and other correspondences that only 1 Council meeting was convened in 2011.

In absence of Council meetings the members may not be aware of Council's activities and how the government grant was utilised.

Recommendation

The Council should convene regular meeting of the Council members.

Council's Comments

No comments

⁵ National Substance Abuse Advisory Council Act 1998, s13

SECTION 14: CIVIL AVIATION AUTHORITY OF FIJI

The Civil Aviation Authority of Fiji (CAAF) is an aviation regulatory authority and is responsible to discharge its functions on behalf of the Fiji Government under its responsibility to the Chicago Convention on International Civil Aviation Organisation (ICAO).

The Authority regulates the activities of:

- airport operators;
- air traffic control and air navigation service providers;
- airline operators;
- pilots and air traffic controllers, aircraft engineers, technicians and airports;
- airline contracting organisations; and
- international air cargo operations.

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PART A – FINANCIAL INFORMATION

14.1 Audit Opinion

The audit of the financial statements of the Civil Aviation Authority of Fiji for the year ended 31 December 2011 resulted in the issue of an unqualified audit report however the attention of the Authority was drawn to the uncertainty if the taxable profits will be available in future for it to utilize the deferred tax benefit amounting to \$703,373.

14.2 Abridged Income Statement

Year Ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Revenue	1,224,480	6,834,570
Other income	283,426	880,169
Total Revenue	1,507,906	7,714,739
Expenditure		
Administrative expenses	1,030,592	19,999,882

Year Ended 31 December	2011 (\$)	2010 (\$)
Operating expenses	778,400	1,507,610
Personal expenses	2,351,672	2,577,987
Total Expenditure	4,160,664	24,085,479
	(2,652,758)	(16,370,740)
Net financing income	342,110	383,322
Operating (loss)/profit before tax	(2,310,648)	(15,987,418)
Income tax (expense)/benefit	422,004	(6,067,546)
Net (Loss)/Profit after tax	(1,888,644)	(22,054,964)

The net loss after tax declined from \$22,054,964 to \$1,888,644 in 2011 compared to 2010. The main reason for the reduction in the amount was due to the revaluation loss of \$18.6 million incurred by the Authority in 2010 when the land and buildings were transferred to Airports Fiji Limited.

14.3 Abridged Balance Sheet

As at 31 December	2011 (\$)	2010 (\$)
Current Assets		
Cash on hand and at bank	775,068	911,252
Investments	5,100,000	6,550,000
Other current assets	1,138,341	1,847,164
Total Current Assets	7,013,409	9,308,416
Non - Current Assets		
Investments	5,798,950	5,613,383
Property, plant and equipment	4,555,115	4,523,037
Other non-current assets	839,263	428,582
Total-Non Current Assets	11,193,328	10,565,002
Total Assets	18,206,737	19,873,418
Current Liabilities		
Creditors and other payables	1,182,531	1,143,913
Total Current Liabilities	1,182,531	1,143,913
Non-current Liabilities	104,976	107,198
Total Non Current Liabilities	104,976	107,198
Total Liabilities	1,287,507	1,251,111
Net Assets	16,919,230	18,622,307
Shareholders' equity	16,919,230	18,622,307

Net assets declined by \$1,703,077 or 9.1% in 2011 compared to 2010. During the year, the Authority withdrew \$1.45m of interest bearing investments from local financial institutions to successfully carry out their operations.

PART B – CONTROL ISSUES

14.4 Deferred Income Tax Asset

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of any unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be

available against which the deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised¹

The audit noted that the Authority recorded a deferred tax asset arising from tax losses amounting to \$703,373. The audit was not able to ascertain if the Authority will be able to make profits in the future years to utilise the deferred tax asset. The Authority is no longer receiving departure tax income, a portion of which used to comprise a significant amount of its revenue. As a result of this, the Authority has made a considerable loss in the year 2011.

Appropriate supporting documents were unavailable to indicate whether the Authority will return to a profit making entity in-order to utilise the deferred tax asset. Fiji Revenue and Customs Authority allow loss incurred in any year to be carried forward up to only 4 years in succession.

Deferred tax asset may be highly overstated in the Authority's financial statements.

Recommendation

The Authority should assess its financial status in the year 2012 and if it establishes that the Authority will continue to make future losses it should make appropriate provision to deferred tax asset.

Management Comments

The comments are noted.

Since the Authority's funding and funding sources have not been finalised by government, the financial results could not be correctly assessed, however, the issue will be re-visited in 2012 and appropriately addressed.

14.5 Appointment of Flight Operations Inspector Aviation

Employment screenings are essential, as they minimise the risks that businesses take when hiring new recruits. It is even more imperative when vacancies in the company are positions of trust, and employees hired to occupy such positions would handle large sums of money, manage important business deals, or perform any kind of task that could potentially affect the overall operations of the business if anything goes awry.

The audit noted that on 2 August 2010, the Authority entered into a contract of service with a Captain for the position of Flight Operations Inspector (Rotary Wing and General Aviation). Details of engagements are as follows.

- The Captain wrote an expression of interest on 4 May 2010 requesting the Authority to create a Rotary Wing Flight Operation Inspector within the staffing structure of the Authority.
- The Captain mentioned in his letter that he was the Chief Pilot of a helicopter service provider from December 2008 to April 2010.
- On 2 July, 2010, the officer was subsequently appointed to undertake the overseeing of the helicopter operations in Fiji. At the time of entering into contract of service there was only one entity engaged in helicopters operations.

¹Significant Accounting Policies – Notes to and form part of the financial statements, 1.4(n)

The following anomalies were noted:

- The audit gathered that on 24/11/10 IHL sought judicial review proceedings against the Authority with respect to the engagement of the Captain. The Court decided through a Consent Order that the Captain would be excluded from all regulatory, administrative functions and duties involving from 1/4/11 until 1/10/12.

As a result, the officer only oversaw one operator with one helicopter throughout 2011 and received a total remuneration of \$84,579 while the Authority engaged other Inspectors to inspect the operations of IHL. Refer to Table 14.1 below for details of remuneration made to the Captain.

Table 14.1: Total Remuneration Paid for the Year

Description	Amount (\$)
Gross Salary	35,505.08
Inducement Allowance	46,212.71
Medical Benefit	2,862.18
TOTAL	84,579.97

- We also gathered that the Authority spent a total of \$16,399.50 for legal services rendered by a legal firm to attend to the case.
- The Authority failed to obtain reference from the Captain's previous employer despite knowing that he has resigned from the company on 4th May 2010.

The above indicates that the Authority have failed to conduct due diligence in the recruitment of the officer. This anomaly has resulted in the Authority incurring additional costs.

Recommendation

The Authority should ensure effective due diligence process on any new appointments is conducted by its Human Resource Officer.

Management Comments

The comments are noted.

The Captain started work with the Authority on 2nd August 2010 as Flight Operations Inspector – Rotary Wing (FOI-RW). The Contract of Service was terminated on 3 January 2012.

When he was hired, he was to oversight IHL operations which had 5 helicopters but because he was barred from IHL, he over-sighted one helicopter for another company and carried out other duties of FOI not specific to helicopters such as reviewing laws and standards which are also primary functions under the Civil Aviation Authority Act.

The IHL objection letter, dated 18th August 2010, was written after the AOC audit team which included the Captain, carried out the AOC audit from 5th – 11th August 2010 and after the exit meeting on the 11th of August 2010. The AOC exit meeting was also conducted on 11th August 2010 with no adverse comment from IHL.

The Captain was well known to CAAF and Fiji having held a helicopter pilot license for 31 years and chief pilot's position in IHL for 4 years. Because of his qualifications, he was hired by the Authority after he responded to the advertisement for the position of Flight Operations Inspector (Rotary Wing). Given the scarcity of qualified persons in industry, only the Captain applied.

This position was needed to improve the oversight of helicopter operations to mitigate some 4 helicopter accidents which occurred between 2003 and 2008, including the fatal accident in 2006 and criticism by the industry over the years that CAAF had unqualified inspectors.

The dispute between the Captain and IHL were considered by the Authority as professional disagreements on the terms and conditions of employment which CAAF believed should have been left to IHL and the Captain to deal with through the legal system available to them.

The Authority has processes in place validated by International audits (ICAO/ISO) which remove individual elements of bias. Additionally, enforcement committees (and not individuals) are in place to review and make enforcement decisions if required.

Most of the Authority's inspectorate staff is recruited from the industry, similar to the Captain.

Aviation safety is of prime concern to the Authority which did not have any other similar incidences, therefore, the one involving the Captain was a one-off and unfortunate.

Since then, the Authority has strengthened the recruitment process which requires assurances from the previous employers that they will accept and allow their ex-staff to conduct audits on their operations and premises.

14.6 Recruitment of Human Resource Industrial Advisor (HRIA)

It is imperative that proper procedures are followed in recruitment of staffs for the Authority.

The Authority on 1 July 2010 engaged a staff as a Human Resources Industrial Advisor (HRIA) after his contract as a Manager Corporate Services (MCS) ended on 30th June 2010.

Discussion with MCS gathered that the role of the HRIA was to provide trainings to the Human Resource Officer (HRO) who was recruited by the Authority in 2007 and also to assist the newly appointed MCS to facilitate smooth transition.

The Authority paid a total remuneration of \$92,983.88 to the HRIA for the period he was employed as HRIA. Refer to Table 14.2 for details.

Table 14.2: Details of Remuneration Paid

Period	Gross (\$)	Vehicle Allowance (\$)	Bonus (\$)	Insurance Benefit (\$)	FNPF (\$)	Total (\$)
1/7/10 -31/12/10	37,591.17	5,769.30	-	585.72	3,468.72	47,414.91
2011	32,228.95	5,000.06	2,763.64	1,508.00	4,068.32	45,568.97
TOTAL	69,820.12	10,769.36	2,763.64	2,093.72	7,537.04	92,983.88

The following anomalies were noted:

- The position of the HRIA was not in the approved organisation structure.
- The Authority did not advertise the post of the HRIA.

- The determination of the HRIA salary was derived from the officer's previous remuneration package as Manager Corporate Services and the Authority failed to obtain approval from Higher Salaries Commission.

The above anomalies indicate that the Authority failed to follow correct and proper procedures relating to staff recruitment.

Recommendation

Proper procedures should be followed when recruiting staffs in the Authority.

Managements Comments

The comments are noted.

The position of HRIA was a temporary one and therefore not reflected in the organisation structure. HRIA was the former Manager Corporate Services who retired on 30 June 2011 at the age of 61. Following this, the Board approved that he be retained for an additional year to assist and train the newly appointed Human Resources Officer and Manager Corporate Services and to also advise the Chief Executive on Human Resource (HR) and Industrial Relations (IR) matters.

The HRIA had a very wide knowledge and experience in the above mentioned areas having worked previously for the Fiji Government and later for the Authority for approximately 40 years.

Subsequently, he was retained on an 'as and when required' basis to further assist the Authority on HR and IR issues. His services were used for only 22 hours for the whole of 2011 and none in 2012.

He was hired for a specific purpose and since he was within the organisation, an advertisement would have served no purpose and would not have added any value to the recruitment process to the needs of the Authority.

His salary was held as 'personal to holder' and being appointed as a consultant, the approval of the HSC was not sought.

14.7 Payment of Leave Compensation

Annual leave should be liquidated regularly at times mutually agreed between the parties and no accumulation of leave shall be allowed beyond six months of the following year.²

HRIA contract expired on 30 June, 2011 and the officer was compensated for 77 days annual leave amounting to \$13,652. Refer to Table 14.3 for details:

Table 14.3: Payment of leave compensation

EDP No.	Date	Cheque No.	No. of leave days compensated	Amount (\$)	Approved By
17098	5/7/11	75489	77	13,635.32	Chief Executive Officer

Significant amount of leave compensation has arisen due to the poor administration which allowed the HRIA accumulate his leave balance.

² Annex 3 - General Terms and Condition of Service of the Contract of Service dated 1 July 2010

Poor administration of leave would allow staffs to accumulate leave balances resulting in un-necessary compensation of annual leave.

Recommendation

Administration of leave should be improved and staffs should be encouraged to utilise their leave when due.

Management Comments

The comments are noted.

The Authority endeavours and encourages staff to take leave as and when due, however, this is not always possible due to exigency of work.

In the recent past, some staffs have accumulated a lot of leave as they could not be released whilst the re-structure of the Authority was underway and they had to be available to ensure that the various processes were not hindered due to their unavailability.

The restructure started in 1999 and completed in 2010 when the Housing Estate and related staff were transferred.

Leave is not compensated in cash for serving staff; however, balances are determined and paid-off on the completion or termination of their respective contracts and agreements.

14.8 No External Advertisement of Vacant Posts

It shall be the Authority's policy to fill any vacancy from among the serving employees, provided they have the full requirements of the vacant post(s).³

The audit noted that vacant posts were advertised internally and serving employees appointed by the Authority did not meet the full requirements of the vacant post. Refer to Table 14.4 details.

Table 14.4: Details of Vacant Post Advertised Internally

Post	Salary (\$)	Minimum Qualification Requirements (MQR)	Remarks
Human Resource Officer (HRO)	33,582	A recognised degree in Human Resource Management/Management & Public Administration The appointee must have at least 3 years relevant experience in human resource management and related administrative functions and meet TPAF requirements for registration as Training Officer	The applicant has a degree Bachelor of Arts - Economics and Public Administration and was recruited as a trainee HR officer in 2007. However, the Human Resource Industrial Advisor was recruited to provide trainings to the officer after she was appointed on 26/5/10

The audit is of the view that the Authority should have advertised the HRO vacant post externally since the HRO trainee did not meet the minimum qualification requirement.

³ Master Collective Agreement between CAAF and Fiji Public Service Association (1998) – clause 1.2.3

The above findings indicate that the recruitment process was not fairly carried out as the opportunities were not given to potential external applicants.

Recommendation

The Authority should ensure that it is transparent with its recruitment process and vacancies should be advertised externally and widely as possible.

Managements Comments

The comments are noted.

The incumbent was offered the position after the preferred candidate declined; however, since she did not fully meet the MQR as far as experience was concerned but had a basic relevant degree, and had some prior experience in HR from previous employments, she was accepted on a lower position as a HRO (Trainee).

The purpose of such appointment was to provide her with relevant experience and on-the job training (OJT) which she attained with assistance from HRIA.

With the above, she met the MQR for the position of HRO and an external advertisement would not have added any value to the recruitment process as she would have applied with others and with her qualifications and experience and further units towards a second degree of BA (Management & IR), she would make a suitable candidate.

The HRO was recruited on individual contract whose terms of employment are not covered by the Master Collective Agreement.

14.9 Payment of Performance Pay without Approval

Subject to subsection (4) and section 14(4), every determination of the Commission shall continue in force for a period of at least 12 months from the date on which the rate of salary fixed by the Commission takes effect.⁴ Notwithstanding subsection (2), the rates of salary determined at a general review under subsection (3) may continue in force for a period of less than 12 months from the date on which they take effect if the Commission is satisfied that in all the circumstances there are particular and special reasons to justify a period of less than 12 months.⁵

The Authority paid a performance pay of \$34,172.44 to executive officers without the Higher Salaries Commission's approval. Refer to Table 14.5 for details:

Table 14.5: Payment of performance pay without High Salaries Commission's approval

EDP No	Post	Amount (\$)
17147	Chief Executive Officer	8,575.66
17042	Manager Corporate Services	4,684.22
17050	Controller Aviation Safety Security	5,408.57

⁴ High Salaries Commission Act – Section 13(2)

⁵ High Salaries Commission Act – Section 13(4)

EDP No	Post	Amount (\$)
17098	Human Resource Industrial Advisor	2,763.64
17138	Controller Air Safety	6,924.17
17145	Controller Ground Safety	5,816.18
Total		34,172.44

Discussion with the Manager Corporate Services revealed that the Higher Salaries Commission approved⁶ the payment of bonus in 2005 whilst the same approval was used for the 2010 performance paid on 2 February 2011. It was further noted that the approval obtained from the Commission was for 2005 performance pay of which the remaining 60% balance of the 2005 performance pay was approved on 23 July 2010.

The audit is of the view that the Higher Salaries Commissions approval is valid for a period of less than 12 months hence the approval should not be used for 2010 as the approval was for the payment of 2005 performance pay. Thus, bonuses paid to executives after 2005 was made without HSC approval.

The wrong interpretation of the Commission letter by the Manager Corporate Services has resulted in the payment of bonus to Executives without proper approval.

Recommendations

- **The Authority should obtain proper clarifications from relevant authority before making any decision of paying bonuses to Executive officers.**
- **Actions must be taken by the Authority to recover the incorrect amount paid.**

Management Comments

The comments are noted.

As explained, the Higher Salaries Commission (HSC) approval was for a PMS Framework and not for quantum of individual bonuses, which in any case, depends on individual KPI's and individual performance.

A framework, such as the one endorsed by the Board and approved by HSC is an on-going process until rescinded or revoked and HSC has not taken any such action.

Subject to subsection (4) and section 14(4), quoted above "every determination of the Commission shall continue in force for a period of at least 12 months from the date on which the rate of salary fixed by the Commission takes effect" does not limit the application to 12 months but sets 12 months as the minima. PMS Framework is not a short term process which require "on and off" approval every 12 months. Therefore the provision for a minimum of 12 months above does not apply to the PMS Framework endorsed by the HSC in 2005 and finally approved in 2010.

A related matter was also raised recently by the government representative in the Board on whether the Minister's approval was required for payment of PMS.

The issue was referred to the Solicitor General's Office which clarified that;

"current salaries and benefits that was determined by the Higher Salaries Commission continue to remain in effect until an independent assessment approved by the Minister for Public Enterprises in accordance with s3 (2) and s3 (3) of the Higher salaries Commission (Revocation) Decree 2011 was conducted".

⁶ Letter dated 20/9/11 – Performance Pay for the Executive Staff

In other words, all determinations made by the Higher Salaries Commission ("the HSC"), prior to the commencement of the Higher Salaries Commission (Revocation) Decree 2011 ("the Decree") shall remain applicable, until such time they are revised pursuant to Section 3 (2) of the Decree.

Therefore, any benefits (PMS etc.) established by the HSC will remain valid and applicable until Section 3 (2) is undertaken.

Finally, the HSC requires a copy of the Employment Contract be furnished when determining remuneration for the Executives.

In addition to the remuneration, the contracts provides for payment of a performance bonus which the HSC is privy to when approving remuneration.

14.10 Payment of Consolidated Allowance

Allowances paid to officers should be specifically defined. This will ensure that appropriate allowances are paid to the staffs.

Two officers employed by the Authority were remunerated with consolidated allowance in accordance with their contract of service with the Authority. It was noted that the Authority paid the consolidated allowances to the officers despite the separate disclosures of allowances in the contract of services. Refer to Table 14.6 for details.

Table 14.6: Details of the allowances as per the contract

Allowances	Employee 1 (\$)	Employee 2 (\$)
Consolidated Allowance	5,780	2,888
FNPF Employers Contribution	6,510	3,413
Medical Benefit	3,016	1,496
Vehicle Benefit	10,000	-

Although the payment was in accordance with the officer's contract, audit is of the view that consolidated allowances are only paid to officers provided that the allowances are not separately disclosed in the contract.

Recommendation

The Authority should ensure that allowances should be separately disclosed in the contract of service to allow for transparency of payments made.

Management Comments

The comments are noted.

The Terms & Conditions of staff who are paid consolidated allowance were previously governed by the Master Collective Agreement (MCA) and the Board supports that Management could accept staff that opted for individual contracts as and when the situation occurs.

Some of the benefits they enjoyed under the MCA are not paid under individual contract, therefore, to maintain their previous level of remuneration, and attract them to individual contract; a consolidated allowance is paid for those benefits. For this reason, the allowances cannot be separately shown.

Other allowances such as FNPF, medical and vehicle benefits apply to most staff under MCA or under individual contract and therefore shown separately.

14.11 Non Submission of Supporting Documents

Advances given for travelling expenses are to be accounted for by receipts/invoices/cash payment dockets etc. for all expenses.⁷

Any officer is required to fill the application form for an accountable advance against the travelling expenses form before receiving the cash advance. It was noted that officers have agreed to submit copies of receipts /invoices/cash payment dockets upon their return from overseas trips.

Scrutiny of the retirement of advances by the officers of the Authority revealed that some officers failed to retire the advance by not submitting the copies of receipts/invoices/cash payment dockets. Refer to Table 14.7 for details of advances paid to officers.

Table 14.7: Details of payment for accountable advance

Date	Cheque #	Description	Amount (\$)
23/09/11	75813	Payment of accountable advance to attend the 48th DGCA Conference from 8/10-15/10/11	2,631.18
19/04/11	75121	Payment for accountable advance to attend a meeting in Singapore	6,006.14
5/07/11	75490	Accountable advance to attend the 50th ICAO Familiarization Course in Montreal, Canada	4,279.28
24/06/11	75448	Payment for Accountable advance against travelling expenses to carry out game co ANR145C initial approval audit as per Air Pac request	5,213.19
26/09/11	75817	Payment of accountable advance to conduct the C of A de - registration of the Air Pacific	4,084.32

According to the Manager Corporate Services, the form should have been revised as the current practice does not require the officer to retire the advances for per diem payments.

The non-submission of supporting documents is a breach of the instructions stipulated in Application for Accountable Advance against travelling expense. Additionally, this can result in mismanagement of Accountable Advance.

Recommendations

The Authority should ensure that necessary amendments are made to the existing form.

Management Comments

The comments are noted. The Form FN103 has been appropriately revised.

⁷Form FN 103 – Application for Accountable Advance against travelling expense – Section D

SECTION 15: KALABU TAX FREE ZONE

The Kalabu Tax Free Zone (KTFZ) was established in 1997 under European Union Funding. It was declared a Tax Free Zone under the provisions of the Tax Free Zone Decree 1991. In 1997 the management of the KTFZ was under Investment Fiji. Later in September 2010, Cabinet endorsed the immediate transfer of all assets and liabilities including management rights from Investment Fiji to the Ministry of Finance – Asset Management Unit.

The KTFZ site was designed for industrial and commercial purposes. The current facilities include security, water and power supply, a waste management system and basic infrastructure. The factory buildings comprise a total floor area of 137,000 square feet. The entire KTFZ consists of 8 factory buildings, a Customs and Administration building and a Service Centre Complex housing 6 commercial shops inclusive of a crèche for working mothers.

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PART A – FINANCIAL INFORMATION

15.1 Audit Opinion

The audit of the financial statements of the Kalabu Tax Free Zone for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

The attention of KTFZ Management was however drawn to that the legal title for the leasehold land in Vatuwaqa with a written down value of \$2.0 million is still with Investment Fiji. As at balance date, the title transfer process is yet to be finalized contrary to Cabinet Decision 274 of 14/09/2010.

15.2 Abridged Income Statement 2011

Year ended 31 December	2011 (\$)	2010 (\$)
Revenue		
Rental Income	1,606,726	1,694,195
Other Income	78	36,995
Total Revenue	1,606,804	1,731,190
Expenditure		
Personnel Expenses	62,024	107,899
Operating Expenses	1,044,886	1,076,787
Administrative Expenses	209,788	341,894
Interest Expenses	557,756	587,922
TOTAL EXPENDITURE	1,874,454	2,114,502
Prior Year Adjustment	---	(3,844)

Year ended 31 December	2011 (\$)	2010 (\$)
Net Deficit for the year	(267,650)	(387,156)

KTFZ recorded a net deficit of \$267,650 in 2011 compared to \$387,156 in 2010 as a result of better controls excised over expenditure.

15.3 Abridged Balance Sheet 2011

As at 31 December 2011	2011 (\$)	2010 (\$)
Assets		
Cash at Bank	934,911	837,817
Other Current Assets	71,951	511,161
Property, Plant & Equipment	24,454,201	25,066,825
Total Assets	25,461,063	26,415,803
Liabilities		
Trade Creditors	45,533	38,057
Other Current Liabilities	104,959	378,087
Interest Bearing Borrowings	8,102,672	8,524,110
Total Liabilities	8,253,164	8,940,254
Net Assets	17,207,899	17,475,549
Equity		
Accumulated Funds	2,676,877	2,944,527
Asset Revaluation Reserve	14,531,022	14,531,022
Total Equity	17,207,899	17,475,549

Net assets recorded a balance of \$17,207,899 in 2011 compared to a balance of \$17,475,549 in 2010.

PART B: CONTROL ISSUES

15.4 Legal Title of Assets Not Transferred to Government

Cabinet, on the 14 September 2010 endorsed the immediate transfer of all assets and liabilities including management rights from Investment Fiji to Government under the Ministry of Finance Asset Management Unit (AMU).

Following the transfer, the AMU is to immediately explore the opportunity to dispose off these assets in a manner which will give a maximum return to Government with due consideration of augmenting investor and public sector confidence.¹

Contrary to the Cabinet Decision above, the transfer of titles for a freehold land and a motor vehicle registration number FB 775 are yet to be finalised. Refer to Table 15.1 below for details:

Table 15.1: Details of Assets yet to be transferred to Government

Fixed Asset	Written Down Value as at 31/12/2011	Remarks
Land - Vatuwaqa	2,001,416.68	Legal title still with Investment Fiji.
Motor Vehicle – FB 775	14,600.00	Legal title still with Investment Fiji.

¹ Cabinet Paper Number CP (10)274 of 14/09/2010

Fixed Asset	Written Down Value as at 31/12/2011	Remarks
Total	2,016,016.68	

In the absence of the titles, KTFZ does not have any legal right over the land and the motor vehicle.

Recommendation

The Asset Management Unit should ensure that the transfer process of the above assets are finalised as required by Cabinet.

Management Comments

- *The leasehold land is with Investment Fiji since it was purchased during the time they were administering KTFZ*
- *The motor vehicle had already been transferred to government in 2012.*

15.5 Long Outstanding Debtors

The credit officer must promptly follow up accounts that fall due. If recovery is unsuccessful after one month, the following actions shall be taken:

- no further credit shall be extended to the debtor;
- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than one month;
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.

If a final notice had been issued to one of the debtors listed, the Accounting Head may approve that the case be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implications and the probability of recovery.²

The outstanding rental income owed to the KTFZ as at 31/12/11 totalled \$107,999. Refer to Table 15.2 below for details.

Table 15.2: Outstanding Debtors Details

Debtors	Outstanding Balance (\$)
Debtor 1	9,660.00
Debtor 2	1,918.59
Debtor 3	43.10
Debtor 4	37,524.61
Debtor 5	398.04
Debtor 6	672.39
Debtor 7	761.70
Debtor 8	1,456.02
Debtor 9	50,826.04
Debtor 10	43.15
Debtor 11	4,695.75
Total	107,999.39

² Proforma Finance Manual 2011 – s 9.2.4

The audit noted that \$61,158 or 57% of the total outstanding amount relates to rental income owed to the KTFZ by Debtor 9, Debtor 1 and Debtor 6, which are no longer operating within the Tax Free Zones.

No action has been done by the KTFZ to recover the rent from these companies.

Failures to take drastic debt recovery actions may result in the loss of revenue for the KTFZ.

Recommendations

The KTFZ should pursue all debt recovery avenues to be able to recover those debts. Stringent measures should be put in place to ensure that tenants pay their rent on time.

Management Comments

The above debts were inherited from Investment Fiji. For Debtor 9 and Debtor 1, they have been proved bankrupt, and documents are available to prove that. Consequently, a Provision for Doubtful Debts have been created for them while at the same time, a few of the debtors have rental deposits which will be utilized to offset their respective debts.

A proposal had been sent to management on the efforts that are being undertaken to address the current arrears position and this are being addressed in the 2012 financial year.

SECTION 16: INDEPENDENT LEGAL SERVICES COMMISSION

Fiji Independent Legal Services Commission (ILSC) is established and set up under the Legal Practitioner's Decree 2009 and based in large part on the New South Wales legislation. Some of its functions include hearing applications to commence disciplinary proceedings and making interlocutory, interim and final orders against a legal practitioner, law firm or any employee or agent of a legal practitioner or law firm.

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PART A – FINANCIAL INFORMATION

16.1 Audit Opinion 2011

The audit of the financial statements of the Independent Legal Services Commission for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

16.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 (\$)	2010 (\$)
Revenues		
Distribution from contribution fund	284,972	565,428
Interest	48,333	40,686
Amortization of Deferred Income	33,363	33,363
Fines	21,000	10,750
Miscellaneous Income	9,318	1,131
Total Revenue	396,986	651,358
Expenditure		
Professional Fees	172,522	148,754
Employee Benefits Expense	68,458	55,241
Travelling	45,318	42,037
Depreciation	46,499	41,973
Administration and Operating Expenses	34,599	31,945
Accommodation	22,265	26,255
Electricity	10,799	10,181
Total Expenditure	400,460	356,386
Net Surplus for the Year	(3,474)	294,972

The Commission in 2011 recorded a net deficit of \$3,474 compared to a net profit of \$294,972 in 2010. This was due to a significant decrease of \$280,456 or 50% in Distribution from Contribution Fund received by Commission in 2011.

16.3 Abridged Statement of Financial Position – Balance Sheet

As at 31 December	2011 (\$)	2010 (\$)
Current Assets		
Cash on hand and in bank	201,410	121,986
Receivable from contribution fund	33,104	-
Interest Receivable	31,149	40,686
Financial Assets	650,000	750,000
Total Current Assets	915,663	912,672
Non Current Assets		
Plant and Equipment	208,693	239,450
Total Non Current Assets	208,693	239,450
Total Assets	1,124,356	1,152,122
Current Liabilities		
Creditors and Accruals	4,134	4,563
Income received from advance	9,500	-
Total Current Liabilities	13,634	4,563
Non Current Liabilities		
Deferred Capital Grant	116,504	149,867
Total Non Current Liabilities	116,504	149,867
Total Liabilities	130,138	154,430
Net Assets	994,218	997,692
Total Shareholders' Equity	994,218	997,692

No significant change was noted in the Commission's financial position.

PART B – CONTROL ISSUES

16.4 Payroll Assessment of Records

As a good internal control measure the Secretary is responsible for the safekeeping and proper maintenance of all accounting records or documents.

The audit of the payroll records noted the following anomalies:

- No documentations were made available by the Commission to substantiate the increase in salary for the driver from \$8,092 (as per signed contract) to \$8,763 per annum.
- No documents were made available by the Commission to substantiate the increase in salary of for the clerk/reception from \$8,092 (as per signed contract) to \$10,395 per annum.

- The Commission failed to provide any documents in order to validate the renewal of JC(staff) contract after it expired on 31/08/11.
- No salary reconciliation was in effect to align the movement in salary of staffs of the Commission as there were significant variations in salaries and wages paid during the year.

Without proper payroll controls the Commission is exposed to the risk of misappropriation of fund.

Recommendations

- **The Secretary should ensure that proper payroll records are maintained in order to substantiate any changes in salary.**
- **The Commissioner should ensure that regular salaries reconciliations are prepared and checked by the supervising officer.**

Commission's Comments

The driver's salary was adjusted to accord with the salary paid at the Attorney-General's Chambers and to remove an anomaly with respect to the hours worked and the salary was done by the Commissioner from salary pay period 18/06/2010.

The Clerk/Reception was increased from \$8,092 to \$10,395 on 5th of October 2010 as per her performance which is outlined in the staff report.

The Commission does not have on record any documents on JC extension as such same could not be provided to the auditors.

It is acknowledged there was no salary reconciliation maintained as there are only three employees. Salary reconciliation will be done for next financial period. Recommendations are noted.

16.5 Overtime Claims not Supported

A Payroll Procedure or Guideline is essential for the integrity of the payroll system.

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

The audit noted that the Commission failed to maintain an attendance register to monitor the movement of staff during the day. As such the audit could not substantiate the meal and overtime claims made by the staff during the year. In addition no proper overtime or meal claim forms were filled to justify the payments made to the staffs. Refer Table 16.1 for examples.

Table 16.1: Examples of Overtime Claims

Post	Payment Component Affected	Pay Period	Cheque No.	Amount (\$)
Clerk Receptionist	Salary & Overtime	7/5/2011 – 20/05/11	444011	194.40
Secretary	Salary & Overtime	29/01/11 – 11/02/11	381687	1036.55
		12/02/11 – 25/02/11	381694	536.15
		26/02/11 – 11/03/11	381706	536.15
		12/03/11 – 25/03/11	381719	679.12
		26/03/11 – 08/04/11	381732	857.84

Post	Payment Component Affected	Pay Period	Cheque No.	Amount (\$)
		09/04/11 – 22/04/11	381744	929.32
		23/04/11 – 06/05/11	381748	357.43
		23/04/11 – 06/05/11	381748	357.43
		07/05/11 – 20/05/11	444009	643.38
		16/07/11 – 29/07/11	444069	500.41
		08/10/11 – 21/10/11	444141	254.65
		03/12/11 – 16/12/11	444191	348.47
		19/12/11 – 31/12/11	370743	67.01

The payment of overtime without adequate supporting documents increases the risk of abuse or misappropriation of fund.

Recommendation

The Commissioner must ensure that an attendance register is maintained and that a standard meal and overtime claim form is developed to be used by staff when claiming their payment.

Commission's Comments

Overtimes by staffs was only incurred when the Commissioner was in the country and late hours of work was required.

It is acknowledged there was no attendance register maintained as there are only three employees and the monitoring of those employees was done on a daily basis. A sign on/sign off book has now been introduced.

16.6 Payment of Commissioner's Professional Fees

Where an account for professional services has been delivered to a client by a legal practitioner, whether calculated pursuant to an agreement made under the provisions of this Part or any schedule of fees determined by regulation, the client may request of the practitioner particulars of the calculation of those charges.¹

The professional fees charged by the commissioner as per the contract is “FJD \$200/hr to a maximum of FJD \$1200/day”.

The following anomalies were noted in the payment of Commissioner's professional fees:

- The breakdown (details) for the work done by the Commissioner is not provided to support the payment of the fees made to him.
- The Commissioner was overpaid the professional fee of \$5,100 on 07/07/11 through cheque number 444067. Refer Table 16.2 below for details.

Table 16.2: Overpayment of Professional Fees

Date	Particulars	Fees Charged (\$)	Fees Calculated (\$)	Difference (\$)
From 16 th June, 2011 to 22 nd June, 2011	Chambers	8,400	8,400	0
From 23 rd June, 2011 to 24 th June, 2011	Chambers	8,400	2,400	6,000
Total Fees		16,800	10,800	6,000

¹ Legal Practitioners Decree 2009 – Section 80 (1)

Date	Particulars	Fees Charged (\$)	Fees Calculated (\$)	Difference (\$)
	Less Provisional Tax (15%)	2,520	1,620	900
	Net Fees paid to The Commissioner	14,280	9,180	5,100

The Commission could have avoided the above anomaly had they been more vigilant and/or had proper controls in place.

Recommendation

The Commission should ensure that internal control procedures, especially supervisory checks are strengthened to avoid such discrepancies.

Commission's Comments

Payments whilst in Fiji are on a daily basis not an hourly basis and it is for this reason that there is no requirement that time sheets be prepared. Payments for work done whilst in Australia are on an hourly basis not exceeding the daily rate. The Commissioner renders a memorandum of fees to enable payment.

Commissioner's contract was terminated on 3rd of February 2012 and a new commissioner was appointed on part-time basis.

Further OAG Comments

The Commission did not comment on the overpaid professional fees.

16.7 Policy and Financial Administration Guidelines

The Minister may give general policy, administrative & financial guidelines to the Commission and the Commission must act in accordance with any guidelines by the Minister.²

The audit noted that the Commission is yet to formulate policies and financial guidelines to direct its day to day activities.

In addition, the Commission failed to provide any documentation on approval for the investment of term deposit made to an investment company totalling \$650,000.

Discussions with the Secretary revealed that the previous Commissioner was in the process of preparing the finance manual and submit it to the Solicitor General for review and approval. However his contract expired on 31/08/11 resulting in the work partially completed.

Absence of policies and guidelines increases the risk of financial mismanagement.

Recommendations

- **The Commission should draft a financial manual in order to have proper control over financial activities and general operation of the organization.**
- **The Commission should ensure that all investment decisions made are properly approved and documents made available for audit verification.**

² Legal Practitioners Decree 2009 – Section (84(4))

Commission's Comments

Section 86 (4) of the Legal Practitioners Decree provides that "the Minister may give general policy, administrative and financial guidelines to the Commission, and the Commission must act in accordance with any guidelines given by the Minister".

No such policy or financial guidelines have been given to date. Further enquires will be made to the Attorney General's Chambers in an attempt to obtain financial guidelines.

16.8 Fixed Assets Records

Tangible Assets are vital in the delivery of an agency's output, thus it requires proper safeguards and valuations to ensure efficiency in corporate output.

Plant and equipment are depreciated on a straight – line method over their estimated useful lives using the following rates:

Property, Plant & Equipment:	10% -15%
Motor Vehicle:	10% ³

The audit of the Fixed Assets records noted the following anomalies:

- No Capitalisation policy is in place hence minor and low valued items are capitalized by the Commission in the Fixed Assets Register.
- The Fixed Assets schedule revealed variance in the depreciation rate charged to the items compared to the Commission's accounting policies. Refer Table 16.3 for examples.

Table 16.3: Depreciation rate as per Accounting Policy and Fixed Assets Schedule

Assets	Costs (\$)	Accounting Policy Depreciation rate	Fixed Assets Schedule
Panasonic 824 PABX System	2,623	10% to 15%	20%
LCD TV	3,198	10% to 15%	20%
MS Office & Anti Viruses	5,515	10% to 15%	20%
3 * Desktops	7,335	10% to 15%	20%
2 * Laptops	6,000	10% to 15%	20%
Toshiba e-studio 302 Copier	11,858	10% to 15%	20%
Electronic door locks	12,495	10% to 15%	20%
3 * Writing Tables	1,555	10% to 15%	50%
Digital Recording Equipment	16,589	10% to 15%	20%
Server	11,284	10% to 15%	20%
2* Speakers & 1*6 Channel Mixer	2,500	10% to 15%	20%
1* Colour Printer	9,050	10% to 15%	20%

There is a possibility that the assets of the Commission are incorrectly reflected in the books. As a result, there is a risk of incorrect financial reporting done by the Commission.

³ Financial Statements – Note 1.5 Plants and Equipment.

Recommendations

- **The Secretary should ensure that a capitalization policy is in place in order to ensure that items falling under the definition of fixed assets are properly disclosed in the Financial Statement.**
- **The Secretary should ensure that the rate charged for depreciation of specific class of assets are consistent with its policy as stated in Note 1.6 to the Financial Statements.**

Commission's Comments

The fixed asset register on depreciation rates and calculations are done by a chartered accounting firm. The Commission for future financial statements will ensure proper rates are implemented and proper documents are kept.

Recommendations are noted.

