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**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**REPORT NO. 2 OF 2017**

***Report of the Public Accounts Committee on the Audits of  
Government Commercial Companies and Commercial  
Statutory Authorities 2009-2013***  
***Volume Three of Three***



**PARLIAMENT OF THE REPUBLIC OF FIJI**  
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## Chair's Foreword

This is my third report as the Chair of the Standing Committee for Public Accounts, and concludes the three volumes of oversight of Government commercial entities in Fiji.

There are only two recommendations attached to this report. The Committee is increasing in optimism that entities are making significant improvements in financial management.

There are no issues needing referral to investigative bodies such as FICAC within this report, and the relationship between entities and the Audit Office appears open and transparent.

It should be noted however that the period which this report addresses is from 2009 to 2013 therefore the issues noted may not be current. The future reports would explore the issues which may exist currently in those entities.

I would like to thank the representatives of each entity covered by this report, particularly at the time of the public hearings held by PAC. Although some entities received short notice, most responded in a very positive way.

I also thank fellow committee members for their efforts. Members of both the Government and Opposition engaged in this process in a constructive manner and this is appreciated.

Recommendations have been made in good faith, and we urge the relevant party for which the recommendation is made, to consider and respond accordingly.



Ashneel Sudhakar

Chairperson



## Overall Committee Recommendations

The Committee recommends the following;

1. PAC notes fraud and mismanagement cases, some of which are before the Courts, are primarily due to the following;
  - lack/absence of policies and procedures being followed;
  - poor monitoring and mentoring from line Ministries; or
  - absence of financial policies and standard operating procedures.

PAC therefore recommends all entities be aware of these triggers for fraud and mismanagement, and ensure policies and procedures are up to date, and followed. This particularly applies to financial policies.

2. Some Commercial Statutory Authorities do not have an Internal Audit Unit, and should address this.

## Committee Members

The Standing Committee on Public Accounts comprises the following Members of Parliament:

Hon. Ashneel Sudhakar MP, Chairman  
Hon. Mohammed Abe Dean MP, Deputy Chairman  
Hon. Alex O'Connor MP (Member)  
Hon. Aseri Radrodro MP (Member)  
Hon. Ratu Sela Nanovo MP (Member)

The following Alternate Members were also requested to sit in during the absence of the substantive Members:

Hon. Howard Politini

## Resource Persons

The Committee sought the assistance of officials from the Office of the Auditor General Office and the Ministry of Public Enterprises during public hearings held in the Parliament precincts. The officials that assisted the Committee were:

Office of the Auditor General:	Mr Sairusi Dukuno, Director Corporate Service Group Ms Finau Nagera, Director Audit Mr Dineshwar Prasad, Acting Audit Director Mr Esala Niubalavu, Audit Manager Mr Moshin Ali, Audit Manager Mr Ilaitia Varani, Audit Manager
Ministry of Public Enterprises:	Ms Salote Sukani, Senior Economic Planning Officer Ms Karalaini Matau, Economic Planning Officer
Consultant:	Mr. Robert Oakeshott

## CHAPTER 1: INTRODUCTION

After tabling its first report under the leadership of the newly appointed Chairman of the Fiji Public Accounts Committee (PAC), the Committee continued to undertake its oversight role and examine the accounts of government in respect of each financial year and the reports of the Auditor-General. Even though the Committee had powers under Standing Orders 112(1)(a) to “*summon any person to appear before it to give evidence or provide information*”, all those who were invited to appear before the Committee did so willingly and welcomed the chance to air their views and meet with the new PAC members.

The PAC tabled its first report (1 of 3) in Parliament in September 2016 on the audits undertaken by the Office of the Auditor-General on Government Commercial Companies, Commercial Statutory Authorities, Off-Budget State Entities and Majority-Owned Entities for the years 2009 to 2013. Due to the large number of entities whose audit were spread over the years and the short timeframe involved, the Committee has chosen to split their reporting obligations into several volumes.

Copies of the relevant Auditor-General’s reports are available for perusal on the Parliament website [www.parliament.gov.fj](http://www.parliament.gov.fj) under “*Parliament Business*”.

The organisations which appeared before the Public Accounts Committee are as follows:

- Independent Legal Services Commission
- Fiji Audio Visual Commission (Film Fiji)
- National Substance Abuse Advisory Council
- Fiji Medical and Dental Secretariat
- National Road Safety Council
- Maritime Safety Authority of Fiji
- Ra Rural Local Authority
- Capital Markets Development Authority
- Fiji Flood Emergency Response Project Grant No. 0283 - FIJ (ADB FUNDED)  
– Water Authority of Fiji
- Korovou Rural Local Authority
- Telecom Authority of Fiji

## CHAPTER 2: REVIEW OF STATE-OWNED ENTERPRISES

The Public Accounts Committee acknowledges that the period of audit for most of the State-owned enterprises is four to seven years old, and therefore many issues raised have been addressed and/or are no longer relevant. Nonetheless, the Committee identified several anomalies during their scrutiny of the OAG Reports and called upon the following organisations for clarification of these anomalies:

### 2.1 Independent Legal Services Commission

#### 2.1.1 Background

The roles and functions of the Independent Legal Services Commission:

The Independent Legal Services Commission was established pursuant to section 84(1) of the *Legal Practitioners Decree 2009*.

The Commission hears disciplinary proceedings '*against a legal practitioner or a law firm or any employee or agent of a legal practitioner or law firm*' brought by the Chief Registrar of the High Court pursuant to section 111(1) of the said Decree who makes '*an application to the Commission ... containing one or more allegations of professional misconduct or unsatisfactory professional conduct*'.

In addition, pursuant to section 111(2), '*any complainant whose complaint has been summarily dismissed by the Registrar under section 110(1), may commence proceedings against a legal practitioner or a law firm or any employee or agent of a legal practitioner or law firm by making an application directly to the Commission containing one or more allegations of professional misconduct or unsatisfactory professional conduct*'.

Also, pursuant to section 121(1), '*if, after completing the hearing of an application for disciplinary proceedings against a legal practitioner or law firm or any employee or agent of a legal practitioner or law firm pursuant to this Decree, the Commission is satisfied that the legal practitioner or law firm or any employee or agent of a legal practitioner or law firm has engaged in professional misconduct or unsatisfactory professional conduct, the Commission may make one or more*' orders as set out in section 121(1) paragraphs (a) to (r).

#### 2.1.2 Audit Opinion

The audit of the financial statements of the Independent Legal Service Commission for the years ending **31 December 2010** and **31 December 2011** resulted in the issuance of unqualified audit reports.

### 2.1.3 Audit Issues Raised by the Committee

The Committee noted anomalies and sought further clarification from ILSC. The Members considered the response<sup>1</sup> and appreciates clarity on the following issues:

- *Distribution from Contribution Fund amounting to \$565,428 in 2010:* the Committee was informed that as per the audited financial statements of the Commission for the year ended 31 December 2010, Distribution from Contribution Fund amounting to \$565,428 in 2010 relates to funds received in accordance with Section 22 of the Trust Accounts Act.
- *Drop in “Cash on hand and in bank” from \$702,720 in 2009 to \$121,986 in 2010:* the Committee was informed that the reduction in cash on hand and in bank was principally due to investment of \$750,000 in short term deposits with Credit Corporation \$250,000 and Merchant Finance \$500,000 as disclosed under Note 5 of the audited financial statements for the year ended 31 December 2010.
- *ILSC Policy and Financial Guidelines:* there were no existing Policies and Guideline, the following anomalies were noted:
  - i. Payment Vouchers and supporting documents not stamped ‘PAID’ after payment had been made;
  - ii. Local purchase orders not raised for purchases of goods and services; and
  - iii. There are instances where the payment vouchers were not authorized when payments were made.
- The Committee noted that because of these anomalies the following have occurred:
  - The person who fulfilled the role of Secretary of the Commission from its establishment in 2009 left the Commission and was subsequently charged involving various matters. The charges were as follows:
    - Falsification of documents and one count of obtaining financial advantage;
    - One count of causing a loss.

PAC was informed by the Commissioner that they could not elaborate further as the matter is before the Court.

- Additionally, PAC was also informed that there was a fire in the office of the Independent Legal Service Commission in October 2014 and the current Commissioner has been advised that most of the 2012, 2013 and 2014 financial records including payment vouchers, receipt books

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<sup>1</sup> Copy of response attached as Appendix 1

and deposits went missing around that time. Therefore this incident has been classified "SUSPICIOUS" and the file has been closed for now and will only be reopened once the Commission receives any information to advance the investigation. PAC has noted these comments and will await feedback from the Commission.

#### 2.1.4 Resolution

The case of a former employee of ILSC who has been charged by FICAC is yet to be resolved through the Court.

PAC resolves that apart from the above, all audit queries for the years 2010 to 2011 have been resolved.

## 2.2 Fiji Audio Visual Commission (Film Fiji)

### 2.2.1 Background

Fiji Audio Visual Commission now renamed as Film Fiji in 2012 was established by Government to develop and grow the audio visual industry in Fiji. As a part of its role, Film Fiji promotes Fiji as a destination for film production. They also administer the film incentives offered by Government for film makers.

Over the years they have established an extensive network of producers and production executives and continue to market Fiji through attendance at targeted film markets and advertising through the website and in industry publications.

### 2.2.2 Audit Opinion

The audit of the financial statements of the Fiji Audio Visual Commission (Film Fiji) for the years ending **31 December 2008** and **31 December 2009** resulted in the issuance of unqualified audit reports.

### 2.2.3 Audit Issues Raised by the Committee

The Committee noted anomalies and sought further clarification from Film Fiji. The Members considered the response<sup>2</sup> and appreciates clarity on the following issues:

- *Decrease in Employee Remuneration and Benefits:* the Committee was informed that the decrease from \$358,589 in 2008 to \$270,780 in 2009 was due to the following reasons:
  - The Manager Administration position became vacant in August 2008. The total salary paid was \$38,690 in 2008. In 2009, the position remains vacant and was abolished in the new structure approved by the Board in 2014.
  - The former CEO was charged by FICAC in 2009 and was suspended with reduce pay effective from 27th January 2009 until termination on 30th September 2010. Total salary paid to the CEO in 2009 amounted to \$53,456 compared to \$126,302 in 2008, resulting in a savings of \$72,846.
- *Compliance with VAT Decree:* the Committee was informed that VAT is currently being charged on all Fringe Benefits given to employees and paid

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<sup>2</sup> Copy of response attached as Appendix 2

to FRCA accordingly. All Kula Film Awards ticket prices are now VAT inclusive. All VAT collected from ticket sales are remitted to FRCA during those periods. The Committee was informed that Film Fiji is now fully compliant to VAT Decree.

- *Compliance with Income Tax Act:* the Committee was informed that Film Fiji has since changed the payroll software from MYOB to 'Datec Pay' to ensure compliance with the Income Tax Act. The Committee was further informed that the difference in tax rates has now being resolved with the new payroll software in place.

#### 2.2.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2008 and 2009 have been resolved.



## 2.3 National Substance Abuse Advisory Council

### 2.3.1 Background

The National Substance Abuse Advisory Council (NSAAC) is a statutory body that was enacted in Parliament on 12<sup>th</sup> May 1998 and launched on 1<sup>st</sup> March 1999. NSAAC's mission is "To promote a drug free environment in our schools and other settings by establishing positive education approaches effective substance control programs and appropriate institutional frameworks".

The roles and functions of NSAAC include:

- To encourage, promote, sponsor and cooperate research into the use and abuse of substances in Fiji
- Disseminate information relating to this problem
- Encourage education programmes designed to discourage the abuse of substances
- Promote the treatment and care of persons adversely affected by the abuse of substances.

### 2.3.2 Audit Opinion

The audit of the financial statements of the National Substance Abuse Advisory Council for the years ending **31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issuance of unqualified audit reports.

However, in the audit of the financial statements of the National Substance Abuse Advisory Council for the year ended 31 December 2013 resulted in the issue of a Disclaimer of Opinion.

- The Financial Statements were required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities ("IFRS for SMEs"). The Council was yet to comply with IFRS for SMEs as required for general purpose financial statements.

### 2.3.3 Audit Issues Raised by the Committee

The Committee noted several anomalies and sought further clarification from NSAAC. The Members considered the response<sup>3</sup> and acknowledge clarity on the following issues:

- *Project for the Regional Implementation Development for Education (PRIDE) Project Fund in 2009*: the Committee was informed that the PRIDE Project Fund was given for the Training of Trainers programme for 2008 &

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<sup>3</sup> Copy of response attached as Appendix 3

2009. The total fund of \$50,000 was given in 2008 to run the two (2) year training programme, hence, there was no funding in 2009

- *MOE Extra Funding and National Advisory Committee for AIDS (NACA) Funds received by the entity in 2009:* the Committee was informed that there was no request for Extra Funding from the Secretariat to the Ministry of Education in 2009. Also the Committee was further informed that the NACA Funds are utilized to fund activities of the National Advisory Committee on AIDS. These funds were used for training programmes on HIV and AIDS conducted by the Secretariat in some communities around the country and that these funds were not requested for in 2009.
- *Fiji Education Sector Program (FESP) Funds:* the Committee was informed that the funds for FESP of \$21,028 were used for conducting Peer Education Trainings in schools.
- *Increase in the Payroll Expenditure:* the Committee was informed that there was an increase in the Payroll Expenditure from \$148,026 in 2008 to \$194,690 in 2009 due to the following reasons:
  - There was an increase of staffing as 4 new positions were established by the Secretariat in 2009.
  - There was an increase in the salary of the staff.
  - The Secretariat engaged Relieving Staff on temporary basis to assist the work at the beginning of the year and were paid on Casual rate and overtime.
  - Total of 5 segments were merged together to get the Payroll Expenditure amount and they were PE segment - \$165,389.63, FNPF segment - \$12,957.26, Relieving Staffs - \$1,625.53, Cleaning segment – \$1,799.32 and Security segment - \$12,918.05.
- *Reduction in the Capital Expenditure from \$14,987 in 2008 to \$4,769 in 2009:* the Committee was informed that in 2008, NSAAC undertook two projects and the Secretariat bought new equipment, namely, a new Photocopying Machine worth \$4,609, a new Laptop and Desktop worth \$3,330, a Voice Recorder worth \$330.00 and other necessary equipment and items that were required for the Trainings. Therefore, in 2009, the amount of Capital Expenditure decreased since the equipment were bought in 2008.
- *Implementation of the IFRS for SMEs:* the Committee was informed that the Council has installed the MYOB Accounting Software and the Secretariat has started to transit from cash basis accounting to accrual basis accounting to give a fair picture of the Council's accounts.

#### 2.3.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2008 to 2011 have been resolved.

## 2.4 Fiji Medical and Dental Secretariat

### 2.4.1 Background

The Fiji Medical and Dental Secretariat (FMDS) was established pursuant to Section 25 (1) of the Medical and Dental Practitioners Decree 2010.

FMDS is the administrative arm of both the Fiji Medical Council and the Fiji Dental Council. Both the Councils are the independent regulatory authority of the Medical Practitioners and Dental Practitioners respectively.

The vital roles of both the Councils are:

- To regulate medical and dental practice in the public interest;
- To register medical and dental practitioners and medical and dental students;
- To issue practice licenses and to revoke or suspend such licenses;
- To conduct investigations and take disciplinary proceedings against registered medical and dental practitioners and medical and dental students;
- To refer disciplinary inquiries to the Professional Tribunal;
- To issue codes of practice and professional standards for medical and dental practitioners and medical and dental students; and
- To issue or endorse guidelines on continuing professional development for medical and dental practitioners and medical and dental students.

### 2.4.2 Audit Opinion

The audit of the financial statements of the Fiji Medical and Dental Secretariat for the year ending **31 December 2010** resulted in the issuance of an unqualified audit report.

However in the audit of the financial statements of the Fiji Medical and Dental Secretariat for the year ended **31 December 2012** resulted in the issue of a Disclaimer of Opinion.

The Financial Statements were required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities ("IFRS for SMEs"). The Secretariat was yet to comply with IFRS for SMEs as required for general purpose financial statements.

### 2.4.3 Audit Issues Raised by the Committee

The Committee noted anomalies and sought further clarification from FMDS. The Members considered the response<sup>4</sup> on the following issue:

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<sup>4</sup> Copy of response attached as Appendix 4

- *Inefficient Record Keeping:* the Committee noted that the Secretariat made total disbursements of \$47,408 during the 9 months ending 31 December 2010. However the following anomalies were noted in the payment process:
  - i. The Secretariat did not use payment vouchers to record payments made. The only records availed to audit were the cheque butts. Source document such as invoices and so on were not attached.
  - ii. Quotations were kept in a separate file and it was difficult to match the quotations received to the corresponding purchases.
- The Committee noted that the FMDS had taken the following actions to address the audit issues highlighted:
  - The accounting software, MYOB Account Right Premier was purchased and implemented in 2011 and expert services of a MYOB Certified Consultant with accounting experience were employed in 2011 and all transactions have now been covered by the Finance Manual.
  - Also FMDS has now employed a full-time Accountant since 2013 and retained the services of the MYOB Consultant. The Committee further noted that all the 2010 transactions had been filed as per the recommendations of the Auditor-General's Office and each payment transactions are supported with their respective payment vouchers.

#### 2.4.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the year 2010 have been resolved.

## 2.5 National Road Safety Council

### 2.5.1 Background

In 2010 the National Road Safety Council Act 1994 was repealed and incorporated to the LTA Act 1998. The core function in this incorporation states that the Land Transport Authority (LTA) should set the goals and objectives and implement road safety work in Fiji.

Furthermore, LTA with the vision to, "Steering Fiji Safely" aims to improve and uplift the Land Transportation standard to a whole new level. The Land Transport Authority was established under the Land Transport Act 1998 as a Commercial Statutory Authority with the core function to:

- Establish standards for registration and licencing of vehicles and drivers.
- Develop and implement effective and efficient enforcement strategies consistent with road safety and protection of the environment.
- Develop traffic management strategies in conjunction with relevant authorities.
- Develop and improve customer service levels in all areas of operations.
- Ensure equitable and affordable fare schedule for all Public Service Vehicles.

### 2.5.2 Audit Opinion

The audit of the financial statements of the National Road Safety Council for the years ending **31 December 2009** resulted in the issuance of an unqualified audit report. However, the audit for the year ending **31 December 2006 and 31 December 2007** resulted in the issuance of qualified reports for the following reasons:

- Value Added Tax (VAT) has not been accounted in accordance with the Fiji Accounting Standard (FAS) 103 - Accounting for Value Added Tax which states that incomes and expenditures should be reflected net of VAT. As a result, the amounts for income and expenditure have been overstated by VAT.

### 2.5.3 Audit Issues Raised by the Committee

The Committee noted several anomalies and sought further clarification from NRSC. The Members considered the response<sup>5</sup> and appreciated clarity on the following issues:

- *Qualified Audit Report:* the Committee was informed that the fault detected in qualified audit report in 2007 has been rectified. There have been vast

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<sup>5</sup> Copy of response attached as Appendix 5

improvements since 2008 as there was a Non-Qualified Audit Opinion as per the audited Financial Report for the year ended 31<sup>st</sup> December 2008.

- *Operating Expenditure:* the Committee was informed that the National Road Safety Council had put in place stringent cost controls and as a result, there was a decrease in Operating Expenditure in 2007 mostly in the following expenditure lines:

Expenditure	2007	2006	Variance
Belt Up and Win Promotion	\$ 440.00	\$ 64,948.00	99%
Motor Vehicle expenses	\$ 26,170.00	\$ 54,091.00	52%
Publicity campaign	\$ 63,987.00	\$ 169,849.00	62%

- *Increase in Personnel Expenses:* the Committee was informed that the increase in personnel expenses had been due to the recruitment of additional staff in 2007 in addition to the increase in payment of overtime and meals claims for operational staffs.
- *VAT Registration:* the Committee was informed that the NRSC has been registered for VAT in accordance with VAT decree (1991) in 2008. VAT has been accounted for from 2008 in accordance with the FAS 103-Accounting for Value Added Tax. The prior year's Vat lodgments have been made to FRCA for amendments. After the merger of NRSC and Department of Road Transport, as per the Land Transport (Amendment) Decree 2010 (Decree #41 of 2010), LTA VAT lodgments are done using a separate VAT account. The authority first pays VAT on government grant received and then submits claims on VAT claimable expenditures to FRCA.
- *Compulsory Third Party (CTP) Levy:* the Committee was informed that the Authority has made arrangements with respective Insurance Companies to provide Compulsory Third Party (CTP) Insurance listing upon payment of CTP Levy to LTA. The Committee was further informed that upon receipt of the payment, the authority does necessary reconciliations to determine the amount of CTP Levy payable. In case of any shortfall, the respective insurance companies are advised within 7 working days.
- *PAYE Tax:* the Committee was informed that the Pay As You Earn (PAYE) is calculated as per the legislated FRCA Income Tax Table. The Authority lodges PAYE on a monthly basis as per FRCA requirement. The Authority also does monthly reconciliation of PAYE against FRCA lodgments to ensure that there are no variances.

#### 2.5.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2006 to 2009 have been resolved.



## 2.6 Maritime Safety Authority of Fiji

### 2.6.1 Background

The Maritime Safety Authority of Fiji (MSAF) is a Commercial Statutory Authority that solely regulates activities pertaining to maritime safety and protection of the marine environment as per the IMO and ILO standards.

MSAF has sets forth its vision, mission, specific performance targets that MSAF will pursue in fulfilling its statutory functions, which are:

- Participating in the development, implementation and maintenance (administering and enforcing) of national and international Maritime Legislation standards and any other Law relating to the regulation, registration, safety of shipping, certification of seafarers and protection of the marine environment including consultation with relevant Ministries, statutory bodies and maritime stakeholders on such matters;
- Representing the State regionally and internationally on matters relating to maritime affairs.
- Providing world-class maritime regulatory services to ensure maritime safety, security and protection of the marine environment by continuously improve the customer services.
- Monitoring compliance with operational standards for ships in Fiji waters to promote their seaworthiness, safety and pollution prevention.
- Ships registration and seafarers certification.
- Administering training standards and competency of seafarers and marine pilots.
- Administering compliance of ship builders, providers of life saving appliance, and the like.
- Managing and overseeing the national network of marine Aids to Navigation (AtoN) and navigation systems.
- Collecting levies for pollution, Aids to Navigation (AtoN) and regulated fees for services rendered by MSAF.
- Implement the National Marine Spill Response Strategy and NATPLAN in response to any marine spills in Fiji waters - to avoid, reduce, or remedy pollution, or a significant risk of pollution, by any harmful substance that is causing, will cause, or will likely cause serious harm to the marine environment.

### 2.6.2 Audit Opinion

The audit of the financial statements of the Maritime Safety Authority of Fiji for the year ended **31 December 2011** resulted in the issuance 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.

Also, the audit of the financial statements of the Authority for the year ended **31 December 2013** resulted in the issuance of a qualified audit report. The issue qualified is as follow:

- The Authority in accordance with a circular issued by the Ministry of Public Enterprises accounts for all government grants received from 1 January 2011 as capital contributions. This was a departure from the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SME) Section 24 – Government Grants which requires government grants to be recognized in profit or loss as income when grant proceeds are receivable or when performance conditions are met.
- Had the Authority complied with IFRS for SMEs, the impact would be an increase in income and retained earnings by \$4,931,299 and \$13,769,039 respectively and reduction in capital contribution by \$13, 769,039.

### 2.6.3 Audit Issues Raised by the Committee

The Committee sought further clarification from MSAF and the Members considered the response<sup>6</sup> and appreciated clarity on the following issue:

- *Treatment of Government Grants*: the Committee was informed that the Ministry of Public Enterprise has issued a circular in March 2016 advising that the Cabinet through Decision No.59 of 2016, has rescinded the Cabinet Decision 357/12 on “Treatment of Government Grants and/or Special Funding”.

Given the above, the Committee was further informed that effective from 2016, all Government Grants have been treated as revenue so that it complies with Section 24 of IFRS for SME’s.

### 2.6.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2011 and 2013 have been resolved.

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<sup>6</sup> Copy of response attached as Appendix 6



## 2.7 Ra Rural Local Authority

### 2.7.1 Background

The Rural Local Authority was established under Section 9(3) of the Public Health Act Cap 111. Ra is one of the largest provinces in Fiji and has a population of approximately 27,768 people who are predominantly i-Taukei. The Local Authority serves 93 villages, 118 formal and 45 informal settlements. It also serves two hospitals- Ra District and Ra Maternity Hospital, 4 Health Centres and 5 Nursing Stations.

Rakiraki was declared a town on Thursday the 1<sup>st</sup> of July, 2010. This effectively meant the migration of all Ra Rural Local Authority activities around the urban center to the Rakiraki Town Council. The Council is responsible for the general operation of the Town. General functions are guided through the Local Government Act Cap 125. Primary services include sanitation, traffic management, health and building supervision, market and bus stand management, business housing and shop upkeep management. In addition, the Rakiraki Town Council works closely with stakeholders such as the Fiji Roads Authority in maintaining and up keeping the town. Land use management is also a key function of the Town Council.

### 2.7.2 Audit Opinion

The audit of the financial statements of the Ra Rural Local Authority for the year ended **31 December 2007, 31 December 2008, six month period ending 30 June 2010 and 31 December 2010** resulted in the issuance of qualified audit reports. The qualifications are as follows:

- The Statement of Revenue and Expenditure had been prepared using the cash basis of accounting and did not take into account revenue not received and expenditures not paid at balance date. Similarly, the Statement of Financial Position did not incorporate debtors, prepayments, creditors and accruals and therefore a limited Statement of Financial Position contrary to section 7 (4) of the Public Health (Sanitary Services) Regulations.
- Certain revenue receipts were missing from the receipt books, and which were not accounted for in the cashbook; therefore the completeness and accuracy of the total revenue amounting to \$113,837 cannot be verified.
- The Authority did not perform bank reconciliation for User Pay and Grant Account for the period ended 30 June 2010. Consequently, bank account balances for these two accounts could not be substantiated for completeness. Accordingly, the audit was not able to confirm whether the cash at bank of \$25,131 is fairly stated in the Statement of Financial position.

- The Authority failed to maintain proper records of its market fees, taxi and carrier fees, rent and hall hire revenue and garbage fees revenue for the period ended 30 June 2010. Consequently, the audit was not able to perform necessary audit procedures to substantiate the completeness and accuracy of these revenues. Accordingly, the audit was unable to confirm whether these revenues are fairly reported in the Statement of revenue and expenditure.

### 2.7.3 Audit Issues Raised by the Committee

The Committee noted several anomalies however it found it prudent to highlight the challenges encountered in the presentation of financial statements. The Members considered the response<sup>7</sup> and appreciates clarity on the following issue:

- *Presentation of Financial Statements:* the Committee was informed that the Town Council has complied with the IFRS for SME and Municipal Manual of Accounts.

### 2.7.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2007 to 2010 have been resolved.

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<sup>7</sup> Copy of response attached as Appendix 7

## 2.8 Capital Markets Development Authority

### 2.8.1 Background

The Capital Markets Development Authority (CMDA) ceased operations as a statutory entity on 13 August, 2009 and its administration and operations were subsequently transferred and absorbed into the Reserve Bank of Fiji (RBF).

CMDA's functions were transferred to the RBF via the Capital Markets Decree 2009 (the Decree) and were outlined in Section 5 of the Decree. The Capital Markets Unit was then created under the Financial Systems Development and Compliance Group of the Reserve Bank to perform the principal functions of the CMDA. The Capital Markets Unit did not receive Government grants since 2009 and did not issue separate Annual Accounts and Annual Reports. All capital markets activities are being funded and facilitated by the RBF and its operational highlights have been included in the RBF Annual Report.

### 2.8.2 Audit Opinion

The audit of the financial statements of the Capital Markets Development Authority for the years ending **31 December 2008 and for the period 1 January 2009 to 13 August 2009** resulted in the issuance of unqualified audit reports.

### 2.8.3 Audit Issues Raised by the Committee

The Committee noted several anomalies and sought further clarification from CMDA. The Members considered the response<sup>8</sup> and appreciates clarity on the following issues:

- *Expenditure on Uniform Expenses of \$3,513*: the Committee was informed that it had been the first time CMDA had implemented staff uniforms and each staff was entitled to \$400 each for uniforms, which were provided on a two year basis. There was a total of 13 staff as at 13 August 2009.
- *Expenditure on Public Awareness Programme of \$70,987*: the Committee was informed that CMDA produced a range of public awareness materials such as hanging banners, pull-up banners, booklets in English and vernacular etc in addition to planned public awareness activities.
- *Expenditure on Legal/Consultancy of \$28,262*: the Committee was informed that this expense was relating to the independent review requested for Unit Trust of Fiji which was conducted by G. Lal.

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<sup>8</sup> Copy of response attached as Appendix 8

- *Decrease in the number of workshops and seminar that were carried out in 2008 as compared to 2007:* the Committee was informed that the significant drop in workshop/seminar income from \$116,090 in 2007 to \$14,045 in 2008 was mainly due to 2007 accounts including \$100,000 grant received from AusAID to fund the Corporate Governance Conference. Excluding this AusAID grant, the income received from workshops/seminars between these years were relatively the same.
- *Development of the Accounting Policies and Procedures.* The Committee was informed that prior to CMDA's administration being passed to the RBF, this policy was developed and approved by the CMDA Board. However, now the CMDA does not exist as an entity. As such, separate accounting policies/procedures are not required. The RBF policies and procedures now apply.

#### 2.8.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2008 to 13 August 2009 have been resolved.

## 2.9 Fiji Flood Emergency Response Project Grant No. 0283 - FIJ (ADB FUNDED) – Water Authority of Fiji

### 2.9.1 Background

Water Authority of Fiji (WAF or Water Authority) is a Commercial Statutory Authority (CSA). It was established by the Government of Fiji to provide efficient and effective water and wastewater services in an environmentally sound and sustainable manner. The WAF Promulgation 2007 was effected for this purpose

The functions of the Authority are:

- a) to harvest, treat and reticulate water for supply to its customers;
- b) to comply with standards in relation to the supply and quality of water in its Water System;
- c) to collect, transport, treat and discharge waste water for the purposes of this Promulgation;
- d) to establish, operate and maintain systems for the provision of water and sewerage services;
- e) to maintain any State assets transferred to and vested in it by the Government pursuant to this Promulgation or any other written law;
- f) to provide technical or expert advice to any other person on matters relating to its functions and powers;
- g) to progressively achieve economic viability in the provision of water supply and sewerage services;
- h) to be environmentally responsible in the performance of all its activities;
- i) to assist in protecting, managing and conserving water resources;
- j) to assist in the formulation and implementation of national policies or urban and rural land use planning, relating to the use and control of water bodies and resources.

### 2.9.2 Audit Opinion

The audit of the Statements of Expenditure of the Fiji Flood Emergency Response Project for the period **12 March to 6 September 2012** (Grant No. 0283-FIJ) resulted in the issue of disclaimer of opinion audit report. The disclaimer of opinion was due to the following issues:

- 1) Tenders were not called for services to undertake flood rehabilitation works in the Western parts of Fiji. The total cost of purchases made during the year from these unapproved suppliers exceeded \$20,000. In addition several purchase orders issued were not authorized at all for payment.
- 2) The daily machine tally sheets have provisions for idle and waiting time. None of the tally sheets had entry for idle or waiting time recorded.
- 3) On several occasions the works completed at the site were certified by officers other than the Engineer/Supervisor.

- 4) The contract for vehicle/plant hire expired on 15/6/12. Since then WAF did not take any action to call for fresh tenders and award new contracts. The contract for vehicle/plant hire was extended four times by the Chief Executive Officer without the Board's approval after it expired on 15/06/12.
- 5) A supplier was contracted to supply vehicles for hire in the Western division. However the vehicle registration numbers were not stated in the WAF plant hire contract documents. Instead the word "unregistered" was stated in place of vehicle registration numbers. Since the inception of the contract in June 2011 WAF did not verify with LTA to confirm the registration of these plants as of the date of audit.
- 6) Several cases were noted where purchase orders were issued for hire of plant and equipment after invoices were received for payment from the suppliers of plant and equipment. Purchase orders were issued only to fulfill the requirement of issuing purchase orders.
- 7) Adequate supporting documents such as daily vehicle running sheets and three quotations were not always attached to the payment vouchers.
- 8) Expenses incurred using the grant funds for flood rehabilitation works were posted in the general ledger according to expenditure allocations. WAF was not able to provide details such as grant funds used per Depot, list of projects funded from grant funds and amount of grant funds used for each project.
- 9) The WAF failed to produce the following documents for audit inspection.
  - The periodic progress reports for the flood rehabilitation works carried out.
  - Details of rehabilitation works such as repairs and maintenance plan/design, contractors hired, duration of works, progress report and funds utilised for following projects.
    - Waiwai dam and pipeline
    - Vaturu bulk supply
    - Varaciva pump station
    - Moto bridge
    - Buried meters in various locations

### 2.9.3 Audit Issues Raised by the Committee

The Committee noted several anomalies and sought further clarification from WAF on the Fiji Flood Emergency Response Project Grant. The Members considered the response<sup>9</sup> on the following issues:

- *Job Description:* the Committee noted that there was no job descriptions for the staffs involved with the project for the year 2012 including Tallyman, Technical Officers and Project supervisors. On this note the Committee was informed that WAF has completed 92% of the Job Description for its full time employment staff. This exercise is targeted to be completed by the end of March 2017.

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<sup>9</sup> Copy of response attached as Appendix 9



- *Absence of Accounting Manual:* the Committee noted that WAF had an Accounting Manual namely Cash Management and Treasury Policy number 31.03.2012 however at the date of the Audit the Cash Management and the Treasury Policy was not approved by the Board. On this note the Committee was informed that the finance policies were implemented since March 2012. This covers the areas of; Cash and Treasury, Payroll policies, Fixed Asset, Revenue and receivables and Project Accounting.
- *Tenders not called for Purchases in excess of \$20,000:* the Committee noted that WAF obtained services from 3 suppliers to undertake flood rehabilitation works in the western parts of Fiji in the year 2012, that is from suppliers other than those approved by the WAF Tender Board and the purchases made during the year from these unapproved suppliers exceeded \$20,000. On this note the Committee was informed that in 2013 a Flying Minute was approved by the WAF Board for “Purchases needed for and during Natural Disasters and Emergencies”.
- *Machine Tally Sheet and Certification of works done:* the Committee noted that the entry for idle or waiting time was not recorded. Also there were instances where either the Tally Sheets were not signed at all or they were certified by officers other than the engineer/supervisor in charge. On this note the Committee was informed that the plant hire agreement was updated in 2015 whereby daily submission of running sheet is a mandatory clause. This requires running sheets to be filled by the contractor and verified by a WAF’s tally man and supervisor before payment can be processed.
- *Plant Hire Contract Extension:* the Committee noted that the Vehicle/Plant Hire Contract was extended 4 time by the CEO after its expiry date on 15/06/2012 without the approval of the Board and WAF did not take any action to call for fresh tenders and award new contracts as the contracts had expired and was no longer valid. On this note the Committee was informed that since 2014, fresh Plant hire tender were called and approved by the Board of Directors.
- *Standby time:* the Committee noted that there were contradictory conditions for payment of standby time in the contract plant hire and this could result in the misinterpretations by accounting staff whilst processing contractual claims and this may result in paying for standby charges while it is not permitted by WAF. On this note the Committee was informed that WAF had updated the Plant hire agreement in 2013 to include payment of idle time. Idle rate (50% of normal rate) is applied when a plant lays idle for an hour.

- *Unregistered Vehicle Contracted:* the Committee noted that since the inception of the contract in June 2011 WAF did not verify with LTA to confirm the registration of these plants as of the date of audit and in the absence of vehicle registration numbers in the plant hire contract there is a high risk that the contractor may supply unregistered/private plant for hire, subcontract to other supplier to fulfil WAF's contractual obligation or not have those plant available. On this note the Committee was informed that a LTA search certificate is now a mandatory requirement when bidders submit their bids on plant hire tenders.
- *Discrepancies in Purchase of Good/Services:* the Committee noted the following:
  - There had been several instances noted where the purchase orders issued to Supplier 1 were not authorised for payment
  - Purchase orders were issued after invoices were received for payment from the suppliers of plant and equipment only to fulfil the requirement of issuing purchase orders. Thus, they were not able to adequately ascertain the number of hours' plant and equipment were required to be hired since the purchase orders were issued after the job was completed.
  - Adequate supporting documents such as daily vehicle running sheets and three quotations were not always attached to the payment vouchers
  - Payment vouchers and supporting documents were not always stamped "PAID"

On this note, the Committee was informed that WAF now requires all goods and services to be supported by valid Purchase orders. This has been communicated to all staff via a Circular.

- *General Ledger Postings:* the Committee noted that WAF posted flood rehabilitation expenditure to the general ledger account titled Repair & Maintenance Disaster Risk Management totaling to \$3,396,586.68. Out of this \$ 2,407,095.93 or 71% of expenditure was posted to general ledger with 'Depot' and 'Process' codes in account numbers set to default value of zero. This made it difficult to determine the amount of grant funds used at various Depots. On this note the Committee was informed that Finance introduced the Internal Requisition order form in 2013. The form details the expenses by six segments (expense, SBU, region, depot, process, unit, activity). This segment details is consistent with the chart of accounts structure in the accounting system, SAGE 300 ERP. The Committee was further informed that in regards to projects, job is created in the accounting system whereby all expenses for a particular project are allocated and realised as R&M or fixed asset upon completion.



#### 2.9.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the project period 12 March to 6 September 2012 have been resolved.

## 2.10 Korovou Rural Local Authority

### 2.10.1 Background

The Korovou Rural Local Authority is established under Section 10 of the Public Health Act.

The Authority is a statutory body of the government that is responsible for the provision of sanitary services such as garbage collection, the operation of public market, public toilets and public health projects.

The Authority charges garbage fees, market fees and other charges to meet the costs of these services.

### 2.10.2 Audit Opinion

The audit of the financial statements of the Korovou Rural Local Authority for the year ended **31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 31 December 2010** resulted in the issuance of qualified audit reports. The qualifications include:

- The Statement of Revenue and Expenditure of the Authority was prepared using the cash basis of accounting and did not take into account revenue not received and expenditure not paid at balance date; and
- The Statement of Financial Position did not incorporate debtors, prepayments, creditors and accruals and is therefore a limited Statement of Financial Position contrary to Section 7 (4) of the Public Health (Sanitary Services) Regulations

However in The audit of the financial statements of the Korovou Rural Local Authority for the year ended 31 December 2011 resulted in the issue of a disclaimer audit opinion as follow:

- Authority's financial statements for the year ended 31 December 2011 were not made available for audit. Appropriate accounting records to verify the amounts stated in the

### 2.10.3 Audit Issues Raised by the Committee

The Committee noted several anomalies and sought further clarification from Korovou Rural Local Authority. The Members considered the response<sup>10</sup> and appreciates clarity on the following issues:

- *Absence of Approvals of Decisions undertaken:* The Committee noted the following anomalies:

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<sup>10</sup> Copy of response attached as Appendix 10

- (i) Audit was not provided with the Authority's Board Minutes despite making several requests.
- (ii) The Board approval for the dumping of the garbage at the private land dump in Nabilo could not be sighted.
- (iii) 'Authority' for the payment of \$600 as Christmas Bonus for the year ended 31<sup>st</sup> December 2010 could not be verified.
- (iv) The approval for the increase in the wage rate in 2009 for the authority staff could not be verified.

***Payment of Wages:***

Year	Market Account (\$)	Sanitary Account (\$)	Total (\$)
2008	10,529	8,228	18,757
2009	18,071	10,596	28,667
2010	22,276	4,573	26,849
<b>Total</b>	<b>50, 876</b>	<b>23,397</b>	<b>74,273</b>

The Committee was informed that the Authority now practices obtaining of approvals from resolutions from Board Meetings and provide all minutes needed as evidence to decisions made by the Board in regards to utilisation of funds.

- ***Non-utilisation of Natovi Public Convenience:*** The Committee noted that the authority built a public convenience facility at Natovi which was completed in 2008. However, the facility is yet to be used due to the reluctance of shipping companies to fill the Public Convenience Water Tanks from a thin pipe which take days to fill. The following issues were not determined as it was not provided by the Authority:
  - (i) Name of Contractor for the facility and the approved plan;
  - (ii) Whether consultation were made with shipping companies;
  - (iii) Whether there was any tender called for the building of the facility;
  - (iv) Whether there was a completion certificated issued for the facility.

The Committee further noted that the funds for the construction totaling \$6,606 were provided by the Ministry of Health as renovation assistance and there is no value for money since the facility has remained unused for over 4 years.

The Committee was informed that the Natovi Public Convenience Facility was refurbished by Public Works Department in 2012. Consultations were only made with Patterson Shipping. The Local Authority still awaits the handing over process from Fiji Roads Authority. No completion certificate has been issued and the facility is now temporarily administered by the Korovou Rural Local Authority Attendants from Monday's to Friday's from 6.00 am to 9.00 pm.

- *VAT Registration in accordance with the VAT Decree:* the Committee was informed that the entity is not registered for VAT to date.

#### 2.10.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2006 to 2010 have been resolved except for the Authority's VAT Registration which is yet to be regularized during the time of interview.

## 2.11 Telecom Authority of Fiji

### 2.11.1 Background

TAF is established as the Telecommunications Authority of Fiji, under the Telecommunications Promulgation of 2008 as a body corporate with perpetual succession and a common seal, and the Authority may sue and be sued, enter into contracts and other legal obligations, hold or dispose of properties and perform any such acts as bodies corporate may, by law perform. It is to perform the roles of a telecommunications regulator, in which to implement governmental policies relating to Fiji telecommunications industry. It is managed by a board of directors that report directly to the Minister for Communications as required under its institutional establishment legislation.

TAF's roles are to develop, establish and provide a regulatory framework for telecommunications that promotes the long term interests of end users of telecommunications services, or of services provided by means of telecommunications services, and the efficiency and international competitiveness of the telecommunications industry in Fiji and, as consistently with that objective as is practicable:

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

The functions of TAF are:

- to implement the telecommunications policy in accordance with its powers under the Telecommunications Promulgation;
- to assist through mediation the resolution of disputes between licensees or between licensees and consumers;
- to manage State assets through allocating, assigning and supervising the use of numbering resources;
- to promote investor confidence relating to telecommunications;
- to protect consumer interests and promote consumer awareness relating to telecommunications;
- to represent the Government in regional and international organisations and obligations, when the Minister has officially delegated such tasks to the Authority; and
- to perform any other functions assigned to it by the Telecommunications Promulgation or any other written law.

## 2.11.2 Audit Opinion

The audit of the financial statements of the Telecommunications Authority of Fiji for the year ended **31 December 2012** resulted in an unqualified Auditor's Report.

However, the audit of the financial statements of the Authority for the year ended **31 December 2013** resulted in the issue of a disclaimed opinion. The basis for the disclaimer of opinion is as follows:

- The financial statements of the Authority for the year ended 31 December 2013 was not presented and prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs) as required for its general purpose financial statements. Accordingly, the Auditor General was unable to determine the impact on the financial statements, if any, of adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.

## 2.11.3 Audit Issues Raised by the Committee

The Committee noted several anomalies and sought further clarification from TAF. The Members considered the response<sup>11</sup> and appreciates clarity on the following issues:

- *Why did the Authority not receive the full amount of the Government Grant of \$1.5 million:* the Committee was informed that TAF receives its operational grant on a quarterly basis as and when it requires. It then follows the necessary procedure of acquisition to the Ministry of Communications for additional grant. For this period TAF utilizes \$639,115 from the total grant of \$1.5 million. It must be noted that TAF has at all times been very prudent with Finances and at no point has overspent its allocation.
- *Miscellaneous Receipts of \$104,891 in the Statement of Receipts and Payments:* the Committee was informed that the Miscellaneous Receipts of this amount is represented below for clarifications:

No	ITEM	AMOUNT
1)	CFA (Consolidated Fund Account) Revenue	\$2,562
2)	Refund Vodafone Bills	\$4,225
3)	Refund Airfare	\$6,421
4)	Refund Consultant Work Permit Bond	\$667
5)	Refund VAT	\$48,666
6)	Refund Spectrum Equipment Calibration	\$1,924
7)	Cancelled Cheque	\$38,016
8)	Other Income	\$2,410
9)	<b>TOTAL</b>	<b>\$104,891</b>

<sup>11</sup> Copy of response attached as Appendix 11

- *Reporting Receipts and Payments VAT Inclusive:* the Committee noted that it was reported that TAF submitted its statements in VAT Inclusive either than VAT Exclusive, which distorts the result of its financial performance. The Committee was further informed that TAF has improved on its financial reporting mechanism in using the General Ledger as the basis for drawing up its financial statements and presenting statements in VAT Exclusive.
- *Basis of Accounting:* the Committee was informed that in the period reported, TAF was traditionally operating on cash basis accounting as opposed to accrual basis accounting as it was just initiating its establishment. The Committee was further informed that TAF thereafter migrated to and is currently on accrual basis accounting.
- *Development of Finance Manual:* the Committee was informed that TAF is operating its financial systems under the Government's Financial Management Act of 2014 and uses that as the guiding manual.
- *Accounting for Government Revenue:* the Committee was informed that as recommended by the report of the Office of the Auditor General, TAF have improved its accounting reporting mechanism of the Government Revenue on journal entries and all revenue receipts are deposited into Government Consolidated Fund Account.

#### 2.11.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2012 and 2013 have been resolved.

## CHAPTER 3: CONCLUSION

As an observation, the PAC notes the limited resources within the Office of the Auditor-General and the limited options for outsourcing of audits when audits of GCCs are conducted.

On a positive note, PAC also notes a general trend of improvement across most, if not all entities. However, there are two (2) general recommendations that most entities need to be aware of, and where necessary, address as a matter of priority.



