Accountability In The Public Sector
Through Quality Audit Services

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Audits of Statutory Authorities – June 2011

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THROUGH QUALITY AUDIT SERVICES

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REPUBLIC OF FIJI

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8th July, 2011

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

Audits of Accounts of Statutory Authorities – June 2011

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 as at 30th June, 2011.

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
Acting Auditor - General

AUDITOR-GENERAL FIJI

Foreward

This report covers the financial audits of the following statutory authorities completed during the 1st half of 2011.

Entity	Year Audited	Audit Report	Operating Result
Price Incomes Board	2009	Unqualified	Surplus
Consumer Council	2009	Unqualified	Surplus
National Fire Authority	2008	Unqualified	Surplus
Fiji Institute of Technology	2007	Unqualified	Surplus
Fiji Servicemen Aftercare Fund	2008	Unqualified	Deficit
Agriculture Marketing Authority	2008	Qualified	Deficit
Coconut Industry Development Authority	2007	Qualified	Deficit
Commerce Commission	2010	Unqualified	Deficit
Fiji Independent Commission Against Corruption	2009	Qualified	Surplus
Fiji Sports Council	2007-2009	Qualified	Surplus/Surplus /Deficit
National Centre for Small and Micro Enterprise Development	2008-2009	Qualified	Surplus/Deficit
Western Division Drainage Board	2007-2008	Unqualified	Deficit/Surplus

Statutory authorities that submitted their financial statements by 31st May 2011 were audited whilst those received after 31st May will be audited during the 2nd half of 2011. Out of the 12 statutory authorities audited 6 recorded deficits in their operation while the other 6 recorded operating surpluses.

The OAG audited 3 financial statements from 2007 to 2009 for Fiji Sports Council for which the Council recorded operating surpluses for 2007-2008 and a deficit in 2009. 2008 and 2009 financial statements were also audited for the National Centre for Small and Micro Enterprise Development of which a surplus was recorded for 2008 and a deficit for 2009. The Western Division Drainage Board accounts for 2007 and 2008 were also audited for which the Board recorded deficit for 2007 and a surplus for 2008.

Qualified audit reports were issued to 5 statutory authorities whilst the financial statements of 7 statutory authorities were unqualified. A qualified audit report is issued when the overall financial statements are fairly stated but either the financial data indicated a failure to follow applicable accounting standards or there was a significant uncertainty concerning certain financial data. An unqualified audit report is issued when the financial statements give a true and fair view or are presented fairly in all respects in accordance with the identified reporting framework.

The report of each entity has 2 parts. Part A covers the financial information while Part B includes control issues identified during our audit.

The financial information summarizes the financial statements of each statutory authority whilst the control issues represent our audit findings, recommendations and the management comments.

Statutory Authorities

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1. Agriculture Marketing Authority
2. Coconut Industry Development
3. Commerce Commission
4. Consumer Council of Fiji
5. Fiji Independent Commission Against Corruption
6. Fiji Institute of Technology
7. Fiji Serviceman After Care Fund
8. Fiji Sports Council
9. National Center for Small and Micro Enterprises Development
10. National Fire Authority
11. Prices and Incomes Board

12 Western Division Drainage Board

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 - 2008

The audit of the financial statements of the Agriculture Marketing Authority for the year ended 31 December 2008 resulted in the issue of a qualified audit report. The qualifications are as follows.

- The Authority did not provide for doubtful debts for debtors totalling $210,106. 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.

- A total of $393,317 was written off as bad debts in 2008, of which $29,717 was not approved by the Board.

- Negative expenditure items totalling $91,271 could not be substantiated to appropriate supporting documents.

- The accounting policy and the cost formula used for measuring inventories were not disclosed in the financial statements in accordance with Fiji Accounting Standards 2 – Inventories.

1.2 Income Statement

Year Ended 31 December	2008 ($)	2007 ($)
Income		
Sales	357,187	1,310,866
Cost of sales	(360,657)	(1,332,293)
Gross Loss	**(3,470)**	**(21,427)**
Grants from Government	888,889	888,889
Other Income	129,145	99,743
Total Income	**1,014,564**	**967,205**
Expenditure		
Administration expenses	1,055,000	1,233,339
Distribution and marketing expense	409,965	297,404
Finance cost	0	1,834
Total Expenditure	**1,464,965**	**1,532,577**
Net loss before income tax	**(450,401)**	**(565,372)**
Income tax expense	-	-
Net loss after income tax	**(450,401)**	**(565,372)**

The reduction in net loss in 2008 by $114,971 or 20.3% as compared to 2007 mainly due to slight increase in income and the decline in administration cost. There were increases in rental income and realisation of deferred income in 2008.

High costs of sales have resulted in trading losses for the past two years.

1.3 Balance Sheet

As at 31 December	2008 ($)	2007 ($)
Assets		
Cash on hand and at bank	9,679	77,163
Other current assets	472,890	782,789
Non - Current Assets	501,418	530,149
Total Assets	**983,987**	**1,390,101**
Liabilities		
Creditors and other payables	283,191	256,620
Lease Liability	71,984	56,706
Bank Overdraft	31,169	-
Deferred Grants	501,418	530,149
Total Liability	**887,762**	**843,475**
Net Assets	**96,225**	**546,626**
Capital Endowment Fund	**96,225**	**546,626**

Net assets declined by $450,401 or 82.4% in 2008 compared to 2007 which resulted from the decreases in cash at bank by $67,484 and receivables and payments by $325,764.

PART B – CONTROL ISSUES

1.4 Provisions for Doubtful Debts

Fiji Accounting Standard 37 - Provisions, Contingent Liabilities Assets allows for the provisions in the financial statement for debts where recovery appears to be doubtful.

The Authority did not provide for doubtful debts for the year ended 31 December 2008. In addition, records to substantiate trade debtors totalling $210,106 were not provided. An aged analysis of the debtors was also not provided for audit verification.

The value of debtors may not be correctly stated in the financial statement because there is a possibility that some debts may be not recoverable.

Recommendations

- **The Authority must prepare an aged analysis of all debtors.**
- **The Authority should review its debtors listing and provide for doubtful debts for all debts that appear to be doubtful.**
- **The Authority should maintain proper record of trade debtors.**

Authority's Comment

The aged analysis of debts is now prepared on a monthly basis.

1.5 Bad Debts – Unauthorised Write Off

Bad debts should be written off during the period in which they are identified.[1]

The Authority had written off a total of $393,316.95 of debtors as bad debts in 2008 of which $29,717 was not approved by the Board. Refer to Table 1.1 for details:

Table 1.1: Details of Debts Written Off

Overseas Debtors	Amount Written Off ($)	Remarks
Overseas Debtor 1	316,576.05	Poor quality & shortage in packaging
Overseas Debtor 2	29,716.74	The amount was written off by the Authority on 31/05/08 without the board approval. The Authority could not justify the reasons as supporting documents were missing.
Overseas Debtor 3	47,024.16.	The board approved the bad debts since the account has been in existence since 2006.
Total	**393,316.95**	

[1] AMA Finance Policies & Procedure Manuals 1.2.11

Recommendation

The Authorities should review its export process and procedure to ensure that all goods exported meet international export standards and is received in good condition.

Authority's Comment

Overseas debtors were refusing to settle any payment and claiming either poor quality produce or loss of weight of produce being sent by AMA. The authority is trying its best to export the best quality and follows with proper export processes so that the produce exported meets the buyer demand. A HACCP compliance warehouse has been recommended to the board and it should be done soon to avoid further problems in the quality of the produce exported.

1.6 Losses Incurred in Trading Activities

The Authority shall provide the following services as covered in the Agricultural Marketing Authority Act.[2]

- To assist the producers of Agro-producers in marketing of their Product.
- To identify markets for and to facilitate and develop marketing of agro-products.
- To purchase, sell and export and import agro-produce or import agro-input.
- To do any other thing necessary to properly carry its functions and powers under this AMA act.

Government grants should be utilised on a cost recovery basis.

The Authority incurred significant losses in a number of their trading activities in 2008. Refer to Table 1.2 for details:

Table 1.2: Details of Trading Losses

Particulars	Sales ($)	Cost of Goods Sold ($)	Gross Loss ($)
Root Crops			
Dalo	134,882.30	193,026.63	(58,144.33)
Marine Products			
Fish	5,405.61	11,422.30	(6,016.69)
Vegetables and Fruits			
Ginger	75,242.29	91,011.48	(15,769.19)
Watermelon	-	713.15	(713.15)
Other vegetables	-	5,932.43	(5,932.43)
Papayas	-	8,028.00	(8,028.00)
TOTAL	**215,530.20**	**310,133.99**	**(94,603.79)**

The above cost of goods sold excluded the total freight costs of $13,532 in 2008.

The continuous losses recorded for the above product lines indicate that either the products are not commercially viable or the Authority's operation is inefficient.

[2] Agricultural Marketing Authority Corporate Plan 2010

Recommendations

- **The Authority should immediately revise its current rate of profit margin to at least recover the cost and breakeven.**
- **The Authority should seriously consider reviewing the operation and management of its trading activities to improve its efficiency.**

Authority's Comment

This issue has been addressed and we are now making sure that such losses does not re-occur. The authority at the moments is adopting to ways in which AMA can sell at break even or make some profit.

1.7 Negative Expenditures

Financial statements should present fairly the financial position, financial performance and cash flows of an entity. The appropriate application of Fiji Accounting Standards with additional disclosure when necessary, results in virtually all circumstances in financial statements that achieve a fair presentation. [3]

The Authority had recorded negative expenditure items totalling $91,271, which could not be substantiated to appropriate supporting documents. Refer to Table 1.3 below for details:

Table 1.3: Negative Expenditures

Expense	Amount ($)
Air Freight	11,039.42
Working Capital	62,232.29
General Expense	16,242.36
Trade Shows	1,153.33
Exchange Difference	604.80
Total	**91,272.20**

Negative closing balances for expenditure accounts indicate that transactions may be incorrectly posted in the General Ledger.

Recommendations

- **The Authority should ensure that all entries in the general ledger are authentic and properly supported with source documents.**
- **The Authority should review the expenditure accounts with negative balances and carry out the necessary adjustments to correct the General Ledger.**

Authority's Comment

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

[3] Fiji Accounting Standards 1 – Presentation of Financial Statements (paragraph 10

1.8 Anomalies in Inventory System

Inventories should be valued at lower of cost and net realisable value. Financial statements should disclose the accounting policies adopted in measuring inventories including the cost of formula used.[4] The following anomalies in the accounting of inventory by the Authority were noted:

- Inventory cards were not maintained to record the movement of inventories;
- Stock cards were not provided to substantiate that the amount reflected in the accounts as closing stock; and
- The accounting policy and the cost formula used for measuring inventories were not disclosed in the financial statements.

Due to inherent limitations resulting from the above irregularities, it was not possible to determine the accuracy of the closing stock reflected in the 2008 financial statements. This issue has been previously reported but the Authority has yet to take any remedial action.

Recommendations

- **The Authority should maintain stock cards for receipt, loss and issue of all inventories.**
- **The person undertaking the stock-take should sign-off the stock cards to verify the closing stock at the year end.**
- **The Authority should comply with Fiji Accounting Standards 2.**

Authority's Comment

Inventory system is now being taken care of and any losses and disposals are closely monitored to make sure such losses and disposals are accounted for. The authority is complying with FAS2.

1.9 Working Capital Payments

While the Authority's operational manual is silent on disbursement of working capital, it has been the Authority's practise to provide working capital in cash to Area Coordinators or Authorities Agents based around the country for the purchase of procurements.

The working capitals are either given directly or deposited into the personal bank accounts of the Area Coordinators.

Scrutiny of the working capital payments made in 2008 revealed the following anomalies:

- For each deposit made, it was not possible to verify the quantity of products purchased from suppliers as proper records were not maintained by the Authority. Only the bank deposit slips were attached to the individual payment vouchers. Refer to *Annexure 1* for details.

- There was no record maintained to substantiate that funds disbursed to Area Coordinators or Agents had been paid to the suppliers of dalo.

- The Authority did not keep proper records of the quantity of products received at the warehouse in comparison to the amount of working capital paid.

[4] Fiji Accounting Standards 2 - Inventories

- Working capital reconciliations were not properly maintained therefore audit is unable to substantiate whether money deposited has been used for the sole purpose of buying produces.

Failure to reconcile working capital payments together with the quantity of products received raises serious concern given the huge amount of money expended on purchases.

The Authority is in no position to establish whether the working capitals sent to the Area Coordinators were solely used for purchasing products and that the quantity of products received equates to the working capital sent.

Recommendations

- **The Authority should immediately review and improve the internal control procedures regarding the purchases of its products.**
- **Working capital reconciliation with all the supporting documents such as product purchase orders should be attached to the respective payment vouchers to support the individual payments.**
- **The warehouse manager should maintain proper records against the individual working capital paid.**

Authority's Comment

The authority now issues working capital and all reconciliations are now done as soon the funds has been acquitted. Working capital funds are still being deposited into area coordinators bank accounts and the authority is negotiating with the BSP for any rural banking facility available. The PPO'S are now available for verification and is sent to the head office. The warehouse records all produce received in terms of weight etc.

1.10 Records not produced for Audit Verification

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.[5]

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. [6]

The Authority uses the MYOB accounting package. The following records were not provided for audit verifications:

- General Ledger (GL) General Journals – August, September, October, December
- GL all journals – June, July, November, December
- GL posting details – June, October, November, December
- GL posting summary – June, October, November, December
- GL trial balance for December
- GL bank register – April, June, July, December

[5] Republic of Fiji Islands Government Gazette – 2009 State Service Decree No. 6 (Part 5 – 7(1))
[6] Republic of Fiji Islands Government Gazette – 2009 State Service Decree No. 6 (Part 5 – 7(4))

Furthermore, audit could not view the 2008 General Ledger system during the audit[7] since the system was locked. As a result, audit could not substantiate some account balances at year end without proper justification and supporting details from the Authority.

Recommendation

The Authority should ensure that records are readily made available for audit purposes.

Authority's Comment

The authority will make sure to print and maintain all general ledger account balances at the end of every month. Records were printed and due to the number of separate audits the authority went through somehow some of the pages were missing.

1.11 Overpayment of Acting Allowance

When an acting appointment requires an officer to undertake the full duties and responsibilities of a single officer higher than his own, he will be eligible to receive acting allowance at a rate equal to 95% of the difference between his own basic salary and the minimum salary of the higher officer's grade. [8]

The Business Development and Operational Manager[9] was appointed Acting Chief Executive Officer (CEO) effective from 11/1/08.

Scrutiny of the payroll records revealed the following anomalies:

- While making the appointment, the Board did not specify the allowance to be paid on acting appointment. The Business Development and Operational Manager(BDOM) than calculated the acting allowance to be paid to him by using $95,000 as the minimum salary of the CEO even though the outgoing CEO was only paid an annual salary of $83,148.15.

  The officer was paid $21,451.68 as acting allowance for the period 11/01/08 to 31/03/08.

- The officer also continued to receive acting allowance until 31/03/08 even though the new CEO, resumed duties with effect from 17/03/08. He was paid $7,405.94 as acting allowance for the period 17/3/08 – 31/3/08.

The Board did not provide a clear directive on the acting allowance to be paid to the Business Development and Operational Manager when appointing him as Acting CEO. As result, acting allowance have been overpaid to the officer.

Recommendations

- **The Board should ensure that all acting appointment clearly indicate the rate of acting allowance to be paid in compliance with its Policies and Procedures Manual.**
- **The Authority should recover any overpaid acting allowance from BDOM.**

[7] 01/09/2010
[8] AMA Human Resources Policies and Procedures Manual – s1.14.5
[9] Mr. Aca Domolailai

Authority's Comment

The current board will ensure that all acting appointments are indicated clearly in terms of acting allowance etc. This issue is before the FICAC investigations and should be recovered in due course.

1.12 Non-compliance with Purchases and Payments Procedures

The main method of purchasing goods and services is by means of Purchase Order. All Purchase Orders should be numbered sequentially. The CEO or nominee shall approve all Purchase Orders. There will be two copies of the Purchase Order:

i. Original – issued to the supplier of the goods.
ii. Copy – for file. [10]

The CEO must ensure that the best prices and conditions are obtained for any expenditure. Quotations from not less than three suppliers should be obtained for all purchase orders in excess of $5,000 apart from Capital Purchases and Produce. [11]

A total of $34,798.50 was paid to a carrier company for hiring of carriers for the ginger operations in 2008. Refer to Table 1.4 for details of payments:

Table 1.4: Detail Payments to Carrier Company

Date	Cheque No.	Amount ($)
25/02/08	2963	10,365.00
07/02/08	69	3,863.50
07/03/08	2990	4,050.00
30/03/08	3016	3,660.00
30/03/08	3016	1,840.00
19/05/08	3115	7,710.00
12/08/08	3246	1,510.00
31/10/08	3347	1,800.00
Total		**34,798.50**

The audit noted the following anomalies;

- Three quotation were not obtained for payments made that were above $5,000; and
- Service purchase orders were not issued by the Authority while obtaining the above services.

Moreover, the audit also noted that Purchase Orders were not issued for procurements of other goods and services. Refer to Table 1.5 for examples:

Table 1.5: Details of Procurements of Other Goods & Services without Purchase Orders

Cheque No.	Date	Amount	Supplier	Details
000065	05/02/08	$1,428.00	Supplier 1	Payment for purchase of 4 shelf cabinets.
003011	18/03/08	$2,786.00	Supplier 1	Payment for purchase of office furniture-

[10] AMA Finance Policies and Procedures Manual – s5.2
[11] AMA Finance Policies and Procedures Manual – s5.4

Cheque No.	Date	Amount	Supplier	Details
				Office chairs, worktables, shelf cabinets.
003112	15/05/08	$1,941.31	Supplier 2	Payment for purchase of soft drinks for re-sale at the retail shop.
003165	17/06/08	$2,393.80	Supplier 3	Payment for repair and maintenance of office vehicle EN 754.
003233	07/08/08	$2,910.00	Supplier 4	Payment for hire of twin cabs for Northern operations.
003371	24/08/08	$1,860.22	Supplier 5	Payment for the advertisement of vacant positions in September.
000106	23/12/08	$731.25	Supplier 6	Payment for replacement of telephone system.

Regulations pertaining to procurement of goods and services were not followed, increasing the risk of abuse in the purchase of goods and services and mismanagement of funds.

Recommendation

The Authority's Finance Policies and Manual should be complied with in the procurements and payments of goods and services.

Authorities Comment

The authority now issues purchase orders for any hiring of vehicles. The authority now issues purchase orders for services rendered.

1.13 Operation of Bank Accounts

The Authority maintains three bank accounts at the Bank of the South Pacific. The details of the bank accounts are as follows:

Table 1.6: Details of the three Bank Accounts Maintained by the Authority

Account No.	Account Name	Purpose of the Account
4337098	Main Account	Daily operational expenses
6532767	Payroll Account	Payroll expenses
4610058	Project Account	Procurements of agro- produce from farmers

Funds from all three bank accounts were used interchangeably and not used solely for the purpose they were maintained. The Authority normally transferred funds from one bank account to the other to maintain credit balances. Receipts were normally deposited into the bank accounts which had the lowest credit balance.

Bank charges were incurred in all three accounts.

Unnecessary expenditures have been incurred through bank charges for maintaining three separate bank accounts which have not been used for the purposes they have been maintained.

Recommendation

Unless for the purpose of maintaining trust funds, it is recommended that the Authority close two of the bank accounts and operate only one account to avoid additional bank fees and charges and record keeping .

Authority's Comment

These 3 accounts were in existence before 2008. The current board has decided to close the 2 bank accounts and this should be done by the mid of this year (2011). The authority then will have only one bank account.

ANNEXURE 1: WORKING CAPITAL PAYMENTS WITHOUT PRODUCT PURCHASE ORDERS

Cheque No.	Date	Amount $	Details
002965	27/02/08	36,300.00	Payments for Baby Ginger operations for 2nd week 18/02/08-23/02/08: Waisere/Naterumai: 10,500kg $6,300.00 Nadakuni: 4,000kg $2,400.00 Nabukaluka/Vanuakula: 20,000kg $1,200.00 Naqali,Gusuisuva: 22,000kg $13,200.00 Namuamua: 9,000kg $5,400.00 Nadevotu: 13,000kg $7,800.00
002964	22/02/08	42,000.00	Ginger purchasing from Waisere/Nadonuma: 20,000kg $12,000.00 Naterumai: 35,000kg $21,000.00 Nasama: 9,000kg $5,400.00 Waisa. 6,000kg $3,600.00
003094	15/05/08	1,180.00	Fish purchases from Vatulele: Fish- $800.00 Inward freight - $160.00 Outward freight - $160.00 Ice purchases - $60.00
003133	26/05/08	4,130.00	Papaya consignment from the Western division: 3 tonnes x 1kg = $3,000.00 Carrier hire = $700.00 Packing materials = $100.00 Accommodation:Tute's: 1night x $90.00 = $90.00 Melanesian Hotel: 2nights x $120.00 = $240.00
000046	07/07/08	3,000.00	Purchase of dalo from Eroni Dolavi,Kadavu 2 tonnes x $1.50 = $3000.00
000097	07/07/08	20,000.00	Purchase of Dalo for Montalvan (USA) consignment on 13/07/08. Varasiko Gasau,Bua: 7 tonnesx $1.70/kg = $11.900.00 Expenses $600.00 Taveuni: IT : 5 tonnesx$2 = $10,000.00 Expenses $500.00
003194	14/07/08	520.00	Purchase of vegetables for retail sales from Sigatoka $500.00 TMO fees $20.00
003241	08/08/08	12,600.00	Purchase of Dalo for export, Montalven on 17/08/08. Manueli,Ra: 3 tonnes x $1.60 = $4,800.00 Expenses $700.00 Eroni D,Kadavu: 2tonnes x $1.60 = $3,200.00 Expenses $250.00 JS,Tailevu: 2tonnes x$1.60= $3,200.00 Expenses $400.00 TMO fees $50.00

Cheque No.	Date	Amount $	Details
003243	11/08/08	9,420.00	Purchase of dalo from Navatu,Cakaudrove 5000kg x $1.60 = $8000.00 Inland freight = $800.00 Sea freight Bua-Suva = $500.00 Empty bags = $120.00
003250	13/08/08	4,636.00	Purchase of cassava from Dama,Bua. 5000kg x $0.50 = $2,500.00 Empty bags 130 x $1.20 = $156.00 Dalo from Savusavu: 875kg x $1.60 = $1,400.00 Inland freight =$520.00 Casuals = $60.00
003272	20/08/08	13,030.00	Ginger seedlings 7.5 tonnes x $1.60/kg Local inland freight $700.00 Casuals for 2 days $80.00 200empty bags x $1.00
003296	28/08/08	1,600.00	Purchase of Ginger seed @1.60/kg 1000 Nylon bags x $0.20
003335	23/09/08	200.00	Purchase of 250kg (5 bags) of cassava from Cakaudrove-$100.00. Processing materials for honey at Raiwai -$100.00
003321	09/09/08	6,460.00	Purchase of Dalo (Malekadina) from Savusavu 8000kg x $0.70/kg 100empty bags @ $1.00 Local inland freight $760.00
003430	17/11/08	7,445.00	Dalo (Malekadina) shipment for Kaiming Exports Ltd from the Northern division. 8tonnes x $0.70= $5,600.00 200 bags x $1.00 = $200.00 Labors/person $20.00/person x 3days = $240.00 Truck hire Nabua-Savusavu = $500.00 Rafia:2 rolls x $10.00 = $20.00 Truck hire, Consort Shipping = $850.00

SECTION 2: COCONUT INDUSTRY DEVELOPMENT AUTHORITY

Programme Statement

The Coconut Industry Development Authority was established to administer the development of the coconut industry in the Fiji Islands on an integrated basis in order to achieve increased production of coconut lands in the traditional and plantation areas.

The principal activity of the Authority was to foster:
- Research and agricultural extension activities relating to the coconut industry, design to improve hybrid and other high yielding varieties and their use in planting and replanting;
- The application of inter-cropping and mixed farming systems in coconut lands;
- Innovative land - use and land tenure systems and farming techniques on coconut land.

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PART A - FINANCIAL INFORMATION 2007

2.1 Audit Opinion 2007

The audit of the financial statements of the Coconut Industry Development Authority and its subsidiary, Copra Millers of Fiji Limited for the year ended 31 December 2007 resulted in the issuing of a qualified audit report. The qualification was as follows:

The Authority's advance to subsidiary had a balance of $240,000 as at 31 December 2007. The balance of the advance in the subsidiary company's records was $180,000. The Authority had taken up an allowance for doubtful debts of $60,000 to reconcile its balance to the subsidiary company. I could not verify the accuracy and completeness of the variance of $60,000 in related parties and the formal approval by the Board of Directors.

2.2 Statement of Financial Performance

Year Ended 31 December	2007 ($)	2006 ($)
Income		
Sales	5,400,333	4,871,434
Cost of sales	(5,247,407)	(4,530,299)
Gross profit	**152,926**	**341,135**
Government grant	844,444	1,155,556
Other income	38,823	165,917
Total Income	**1,036,193**	**1,662,608**
Expenditure		
Depreciation	232,401	223,929
Doubtful Debts	60,000	15,245
Personnel Expense	521,692	698,849
Operating Expense	520,706	715,164
Total Expenditure	**1,334,799**	**1,653,187**
(Loss)/Profit/ from operations	(298,606)	9,421
Finance cost	6,194	483
(Loss)/Profit before tax	**(304,800)**	**8,938**
Income tax expense	-	-
(Loss)/Profit after tax	**(304,800)**	**8,938**
(Loss)/Profit attributable to Minority Interest	16,981	43,161
Net Surplus/(Deficit) for the Year	**(287,819)**	**(34,223)**

Net deficit of the Authority increased by $253,596 or 741% in 2007 compared to 2006 as a result of decrease in total revenue by $626,415 or 38%.

2.3 Statement of Financial Position

As at 31 December	2007 ($)	2006 ($)
Current Assets		
Cash	366,690	192,193
Term Deposits	20,829	185,794
Trade Receivable	301,569	132,969
Inventories	980,172	1,331,682
Other Assets	221,573	141,323
Total Current Assets	**1,890,833**	**1,983,961**
Non Current Assets		
Future Income Tax Benefit	67,913	67,913
Property, Plant & Equipment	1,934,788	1,959,457
Total Non-Current Assets	**2,002,701**	**2,027,370**
Total Assets	**3,893,534**	**4,011,331**
Current Liabilities		
Payables	163,800	218,148
Revenue Received in Advance	430,706	789,948
Trust Fund	8,718	8,718

As at 31 December	2007 ($)	2006 ($)
Borrowings	26,092	105,465
Total Current Liabilities	**629,316**	**1,122,279**
Non Current Liabilities		
Borrowings	374,983	0
Account due to MOF Miller's Fund	816,286	511,303
Total Non Current Liabilities	**1,191,269**	**511,303**
Total Liabilities	**1,820,585**	**1,633,582**
Net Assets	**2,072,949**	**2,377,749**
Accumulated Fund		
Accumulated Profit	2,003,423	2,291,242
Minority Interest	69,526	86,507
Total Accumulated Fund	**2,072,949**	**2,377,749**

Net assets had declined by $304,800 or 13% in 2007 compared to 2006 as the result of decline in total assets by 3%. Total liabilities in 2007 also increased by 11% compared to 2006.

PART B - CONTROL ISSUES 2007

2.4 Inter Company Balances to be properly reconciled

There were variances noted in the inter company balances between the Authority and Copra Millers of Fiji Limited. These variances also indicated that the inter company balances were not reconciled on a regular basis.

The variance amounting to $60,000 was taken up as an allowance for doubtful debts to ensure that there was alignment of balances between the Authority and Copra Millers of Fiji Limited. The accuracy and completeness of the variance of $60,000 in related parties and the formal approval by the Board of Directors could not be verified.

The lack of regular reconciliations could result in significant misstatements in the inter company account balances in the financial statements.

Recommendation

The inter company balances should be reconciled and confirmed at regular intervals during the year with reference to the appropriate supporting documents and the management accounts.

Management Comment

No comments provided.

PART C - FINANCIAL INFORMATION 2006

2.5 Audit Opinion 2006

The audit of the financial statements of the Coconut Industry Development Authority and its subsidiary, Copra Millers of Fiji Limited for the year ended 31 December 2006 resulted in the issuing of a qualified audit report. The qualifications were as followers:

- There was an unreconciled difference of $80,055 in the inter-company Term Loan. An adjustment for the alignment of balances was passed to accumulated funds.

- The Authority had advanced $70,000 to its subsidiary, Copra Millers of Fiji Limited. My review indicated that this amount was not recoverable from the subsidiary and the Authority did not provide for doubtful debts for the financial year ending 31 December 2006. Accordingly, the Authority's total assets are overstated by $70,000.

The Authority's attention was also drawn on the fact that the Board on 15 February 2006 approved, from its subsidiary, Copra Millers of Fiji Limited amounting to $726,446 to be converted to grant. However this conversion was not approved by the Ministry of Finance and the Cabinet.

2.6 Consolidated Income Statement

Year Ended 31 December	2006 ($)	2005 ($)
Income		
Sales	4,871,434	5,146,659
Cost of sales	4,530,299	5,249,218
Gross profit/(deficit)	**341,135**	**(102,559)**
Government grant	1,155,556	613,656
Other income	165,917	77,744
Total Income	**1,662,608**	**588,841**
Expenditure		
Depreciation	223,929	176,084
Doubtful debts	15,245	-
Personnel expense	698,849	408,415
Operating expense	715,164	487,265
Total Expenditure	**1,653,187**	**1,071,764**
Profit/(Loss) from operations	**9,421**	**(482,923)**
Finance cost	483	5,915
Profit/(Loss) before tax	**8,938**	**(488,838)**
Income tax expense	-	-
Profit/(Loss) after tax	**8,938**	**(488,838)**
(Loss)/Profit attributable to minority interest	(43,161)	28,321
Net Surplus/(Deficit) for the Year	**(34,223)**	**(460,517)**

The reduction in the net deficit by the Authority in 2006 as compared to the previous year resulted mainly from the increase in Government Grant received in 2006.

2.7 Statement of Financial Position

As at 31 December	2006 ($)	2005 ($)
Current Assets		
Cash	192,193	287,715
Term Deposits	185,794	125,781
Current Assets		
Trade Receivable	132,969	215,282
Inventories	1,331,682	977,482
Other Assets	141,323	92,697
Total Current Assets	**1,983,961**	**1,698,957**
Non Current Assets		
Future Income Tax Benefit	67,913	67,913
Property, Plant & Equipment	1,959,457	1,925,932
Non-Current Assets	**2,027,370**	**1,993,845**
Total Assets	**4,011,331**	**3,692,802**
Current Liabilities		
Payables	218,148	191,990
Revenue received in Advance	789,948	0
Bank Overdraft	26,819	55,933
Trust Fund	8,718	8,718
Borrowings	78,646	281,680
Total Current Liabilities	**1,122,279**	**538,321**
Non Current Liabilities		
Borrowings	0	39,354
Amount due to MOF Millers Fund	511,303	583,267
Total Non Current Liabilities	**511,303**	**622,621**
Total Liabilities	**1,633,582**	**1,160,942**
Net Assets	**2,377,749**	**2,531,860**
Accumulated Fund		
Accumulated Profit	2,291,242	2,488,514
Minority Interest	86,507	43,346
Total Accumulated Fund	**2,377,749**	**2,531,860**

Net assets had declined by $154,111 or 6% in 2006 compared to 2005 as the result of increase in current liabilities by $583,958 or 108%.

PART D - CONTROL ISSUES 2006

2.8 Inter-Company Balances to be Properly Reconciled

There were variances noted in the inter company balances between the Authority and Copra Millers of Fiji Limited. These variances also indicated that the inter company balances were not reconciled on a regular basis.

The variances, amounting to $192,013, during the year were adjusted by effecting journal entries to ensure that there is alignment of balances between the Authority and Copra Millers of Fiji Limited.

This could result in misstatements in significant account balances in the financial statements if reconciliations are not done on a regular basis.

Recommendation

The inter-company balances should be reconciled and confirmed at regular intervals during the year by referring to the management accounting records, preferably at quarterly interval.

Management Comment

No comments provided.

2.9 Conversion of Loan to Grant

On 15 February 2006, the Board of approved that receivables from the subsidiary, Copra Millers of Fiji Limited, amounting to $726,446 be converted to grant. However, this conversion was not approved by the Ministry of Finance and Cabinet.

Due to the conversion, the Authority incurred a significant loss for the year ended 31 December 2006.

Recommendation

The Authority should obtain approval from Ministry of Finance and from Cabinet to formalize this conversion.

Management Comment

No comments provided.

2.10 Provision for Doubtful Debts

The Authority recorded an advance to its subsidiary, Copra Millers of Fiji Limited, of $70,000.

Our review indicated that this amount was not recoverable from the subsidiary and the Authority did not provide for doubtful debts for the financial year 31 December 2006. Accordingly, the Authority's total assets were overstated by $70,000.

Recommendation

The Authority should make provision for doubtful debts and consider writing off the advance as bad debt with the approval from the Ministry of Finance.

Management Comment

No comments provided.

2.11 Trade Creditors and Accruals to be Reconciled

Trade Creditors and Accruals, amounting to $19,259 were not reconciled and accruals related to the 2005 financial year were not adjusted in 2006.

The composition of this carried forward balance was unknown.

Inadequate reconciliation of Trade Creditors and Accruals increase the risk of non-detection of errors or anomalies in the General Ledger account balances.

Recommendation

Trade Creditors and Accruals should be properly reconciled on a regular basis and these reconciliations should be reviewed by a senior officer.

Management Comment

No comments provided.

2.12 Payroll Accruals to be Reconciled

Payroll accruals such as housing allowances, FNPF entitlements and PAYE were inadequately reconciled. The total variance amounting to $25,602 was still in the process of being substantiated during the 2007 general ledger posting. In addition, audit was unable to trace the housing allowances deducted to the payroll reports as adequate reconciliations were not maintained in this aspect.

Inadequate reconciliations of payroll accruals may lead to non-compliance with laws and regulations on employee entitlements. The Authority may be subject to penalties and that the General Ledger account balances may be misstated.

Recommendation

Payroll accruals should be properly reconciled on a regular basis and reconciliations reviewed by a senior officer.

Management Comment

No comments provided.

SECTION 3: COMMERCE COMMISSION

Programme Statement

The objective of the Commerce Commission is to promote effective competition in the interests of consumers, facilitate an approximate balance between efficiency and environmental and social considerations, and to ensure non-discriminatory access to monopoly and near monopoly infrastructure or services.

The Commission has the following functions in relation to regulated industries:

- the provision of advice to the Minister about proposed access agreements;
- the maintenance of a register of access agreements;
- the facilitation of negotiations about access to infrastructure facilities or service under access regimes;
- the arbitration of disputes about access to infrastructure facilities or services under access regimes;
- if, under a law relating to a regulated industry, the referring authority delegates to the Commission the power to impose, modify or revoke conditions in respect of licenses granted under that law-the imposition modification and revocation of those conditions in accordance with the relevant delegation.

The Commission has the following functions in relation to the Fair Trading Decree:

- to administer those provisions of the Decree in respect of which functions are conferred to it on or under the Decree;
- to facilitate the operation of the Decree.

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PART A: FINANCIAL INFORMATION

3.1 Audit Opinion

The audit of the financial statements of the Commerce Commission for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

3.2 Statement of Financial Performance

Year ended 31 December	2010 ($)	2009 ($)
Income		
Government Grant	619,849	293,777
Amortization of Deferred Income	12,857	11,286
Professional Fees	31,133	48,889

Year ended 31 December	2010 ($)	2009 ($)
Miscellaneous income	7,993	3,896
Total Income	**671,832**	**357,848**
Expenditure		
Personnel Expense	517,644	170,788
Rent	54,324	34,667
Advertising	21,792	50,567
Misappropriation of Funds	-	16,608
Other Expense	165,004	117,242
Total Expenditure	**758,764**	**389,872**
Net Surplus/(Deficit) for the Year	**(86,932)**	**(32,024)**

The substantial increases in both income and expenditures in 2010 as compared to 2009 are primarily due to the merger of the Prices and Income Board and Department of Fair Trading with the Commerce Commission. The merger of the three agencies became effective in July 2010.

3.3 Statement of Financial Position

As at 31 December	2010 ($)	2009 ($)
Assets		
Cash at bank and on hand	66,176	44,243
Deposits	4,724	4,199
Other receivables	9,643	6,784
Property, Plant & Equipment	141,323	51,492
Total Assets	**221,866**	**106,718**
Accounts Payable	32,904	5,007
Provisions	18,005	4,134
Deferred Income	99,708	32,978
Total Liabilities	**150,617**	**42,119**
Net Assets	**71,249**	**64,599**
Accumulated Fund	**71,249**	**64,599**

Total assets of the Commission increased by $115,148 or 108% in 2010 compared to 2009 and were largely attributed by increase in Property, Plant & Equipment. The transfer of assets from the Prices and Incomes Board to the Commission resulted in the increase.

SECTION 4: CONSUMER COUNCIL OF FIJI

Programme Statement

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 2009 resulted in the issue of an unqualified audit report.

4.2 Abridged Statement of Financial Performance

As at 31 December	2009 ($)	2008 ($)
Income		
Government Grant	512,167	560,192
Other Income	83,620	30,767
Total Income	**595,787**	**590,959**
Expenditure		
Depreciation	21,178	20,178
Rent and rates	50,200	50,200
Salaries, wages and related payments	341,306	361,723
Telephone and postage charges	14,060	15,296
Travelling expenses	40,973	10,835
Sundry expenses	121,363	83,038
Total Expenditure	**589,080**	**541,270**
Net Surplus/(Deficit) for the year	**6,707**	**49,689**

The Council recorded a surplus of $6,707 in 2009 compared to $49,689 in 2008. This is due to increases in travelling and sundry expenses by $30,138 (278%) and $38,325 (46%) respectively. The surplus recorded in 2009 constitutes 1% of total income.

4.3 Abridged Statement of Financial Position

As at 31 December	2009 ($)	2008 ($)
Current Assets		
Cash on hand and at bank	255,498	119,156
Other current assets	12,440	17,313
Total Current Assets	**267,938**	**136,469**
Non – Current Assets		
Property, plant and equipment	69,582	88,128
Deferred finance charges	---	7,644
Total Non – Current Assets	**69,582**	**95,772**
Total Assets	**337,520**	**232,241**
Current Liabilities		
Accounts payables and accruals	46,029	43,973
Grant – AusAid project	213,967	106,634
Other current liabilities	110,635	108,050
Total Current Liabilities	**370,631**	**258,657**
Non-Current Liability		
Loan	---	7,088
Total Non – Current Liability	**---**	**7,088**
Total Liabilities	**370,631**	**265,745**
Net Assets	**(33,111)**	**(33,504)**
Accumulated Funds and Reserves	**(33,111)**	**(33,504)**

Very little improvement was noted in the Council's financial position as at 31 December 2009. The Council is also not in a position to meet its debts should creditors demand for payments from the Council.

SECTION 5: FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION (FICAC)

Programme Statement

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 2009 resulted in the issue of a qualified audit report. The qualifications were as follows:

- The closing balance of Accumulated Fund as at 31 December 2008 was $149,168 (credit) against the opening balance in 2009 of $101,615(debit). The difference of $250,783(debit) resulted from various adjustments made by the Commission to numerous accounts during 2009 for which necessary accounting details and information were not made available.

- Supporting documents for salaries and wages were not made available during the audit in order to carry out necessary audit procedures to confirm salaries and wages of $2,161,161.

5.2 Abridged Statement of Financial Performance

Year Ended 31 December	2009 ($)	2008 ($)
Income		
Government Grants	4,800,000	2,547,284
Other Deposits	28,454	-
Total Revenue	**4,828,454**	**2,547,284**
Expenditure		
Salaries and Wages	2,161,161	1,219,422
Legal Fees – Local and Overseas	185,899	470,315
Fixed Assets	437,998	190,186
Traveling Local and Expatriate	329,248	118,745
Other operating expense	1,079,560	399,448
Total Expenditure	**4,193,866**	**2,398,116**
Net Surplus/(Deficit) for the year	**634,588**	**149,168**

FICAC's operation was fully funded by the government with salaries and wages making up the major component of the expenditures. The government grants to FICAC were increased by $2,252,716 or 88% in 2009. Operating expenses also increased by $1,795,750 or 75%.

5.3 Abridged Statement of Financial Position

As at 31 December	2009 ($)	2008 ($)
Assets		
Cash at bank	1,219,741	112,590
Receivables	2,784	82,310
Total Assets	**1,222,525**	**194,900**
Liabilities		
Creditors and other accruals	72,704	45,732
VAT Payable	616,848	-
Total Liabilities	**689,552**	**45,732**
Net Assets	**532,973**	**149,168**
Net Accumulated Fund	**532,973**	**149,168**

There was a significant increase in cash balance in 2009 compared to 2008 resulting in an increase in net assets by $383,805.

PART B – CONTROL ISSUES

5.4 Limitation on Scope of Audit

In the performance of his or her duties, the Auditor-General or a person authorised by him or her has access to all records, books, vouchers, stores or other government property in the possession or control of any person or authority.[1]

Salaries and wages comprised 52% of the total expenditures incurred by the Commission in 2009. The verification of salaries and wages was limited to the general ledger. Related records to substantiate the balances in the general ledger were not provided for audit to enable the performance of relevant audit procedures. Documents with regards to recruitment, termination, resignation and other human resource issues were not found in the Salaries Files that were provided during the audit.

The Human Resources Officer explained that a directive was issued to her not to release Personal Files and information regarding the Human Resources Section for audit. She further revealed that the Commission had written to the Solicitor General for an opinion on the release of documents for audit and unless a feedback from the Solicitor General is received, the Human Resource Section will not release any files for audit purposes.

Due to the limitation on the scope of our work, the issue was taken up as a qualification in the Audit Report.

Recommendation

As required under the State Service Decree and the Audit Act, all documents necessary for the successful completion of an audit should be provided to the Auditor General or a person authorised by him.

Management Comments

FICAC acknowledges and appreciate the comments made by the Office of the Auditor General. Prior to the commencement of the 2009 audit, FICAC had received various legal interpretation and opinion on Section 16 of the FICAC Promulgation which states:

16. (1) The Auditor General shall at anytime be entitled to have access to all accounts maintained under section 15(1) and he may require such information and explanation thereon as he thinks fit.

16. (2) The Auditor General shall audit the statement of accounts prepared under section 15(2) and report thereon to the President.

The various legal opinion received contradicted the interpretation of the State Service Decree and Audit Act in which the Auditor General should be auditing only the finances of the organization and not staff personal files as stipulated under Sections 15 & 16 of the FICAC Promulgation.

[1] State Services Decree 2009 – Section 7 (4)

For ease of doubt, we sought the legal opinion and clarification of the Solicitor General on the matter. It was during this period that the Solicitor General had agreed to hold off on the release of FICAC Officers' personal files until a legal opinion is received from his office.
Although the legal opinion provided by the Solicitor General concurs with the Office of the Auditor General, it was unfortunate that the opinion was received after the audit was conducted.

Nonetheless, FICAC appreciates the work of the Office of the Auditor General and welcome the audit of its Officers' personal files.

5.5 Loss of Previous Years Records - MYOB

The Manager Finance is responsible for the safekeeping and proper maintenance of all accounting software, records or documents. Accounting records may be destroyed after a period of seven years provided that these are not required for audit purposes or have already been audited.[2]

Due to the expiration of MYOB software license, accounting and financial data for 2008 maintained on MYOB could not be accessed, limiting the scope of audit. The Commission did not maintain backups for its 2008 data.

In addition, the Commission passed a number of adjustments to the 2008 audited accounts which could not be validated.

The limitation of scope of audit due to the loss of previous year's records on MYOB was taken up as a qualification in the Audit Report.

Recommendations

- **The Commission should ensure that backups of accounting data are made at a regular interval.**
- **All adjustments to prior years audited accounts should be properly supported with all relevant documents produced for audit purposes.**

Management Comments

FICAC has maintained all its financial records via payment vouchers, cash book and bank statements since 2008. All these transactions were also recorded in MYOB for preparation of financial reports.

The operation of MYOB was a monopoly user and there were no contracts and agreement sought for this software at the time of purchasing. The user licence expired and as a result the records were not assessable. Thus, this lead to FICAC being unable to justify the records provided during the preparation of the financial records.

FICAC now has the JIWA Financials software purchased from Link Technology where Accounting Transactions are recorded from February 2010.

[2] FICAC Promulgation 2007 – Part A – Administration, Logistics & Finance – Chapter 2 – Finance – Part 11 – Miscellaneous

5.6 Accumulated Fund

Financial statements portray the financial effects of transactions and other events by grouping them into broad classes of assets, liabilities and equity according to their economic characteristics. It is frequently described as showing a true and fair view of, or presenting fairly, the financial position, preference and changes in financial position of an enterprise.[3]
A variance of $250,783 was noted in the opening balance of the accumulated fund for the year. Refer to Table 5.1 below for details.

Table 5.1: Variance in the Opening Balance of the Accumulated Fund

Particulars	2008 Audited Closing Balance ($)	Commission's 2009 Opening Balance ($)	Variance ($)
Accumulated Fund Account	149,168	(101,615)	250,783

The Accounts Officer revealed that adjustments to the accumulated fund were passed as a result of incorrect balances reported in the 2008 audited financials. However, he could not provide any supporting evidences to validate the discrepancies. The systems records for which the 2008 financials were prepared were lost due to the expiration of MYOB license.

The 2009 audited financials was qualified on the above issue.

Recommendations

- **Any adjustments to the accumulated fund account should be properly documented with appropriate supporting evidences.**
- **Proper record keeping should be maintained as the Commission failed to provide proper documentations in order to validate the adjustments passed.**

Management Comments

FICAC was not able to use the audited figure for 2008 ($149,168) as opening balance of 2009 due to the fact that there were no documents and data to justify the figures.

The 2008 manual records were reconciled and the exact balances were obtained to prepare the 2009 Financial Statements.

This adjustment was necessary to maintain clean and clear records for future reporting.

5.7 Value Added Tax

Output VAT is payable to the Commissioner of Inland Revenue for the supply of all goods and services with the exception of zero rated and exempted supplies.

[3] Fiji Accounting Standard – Framework 46 & 47

There were variances in the VAT Payable as per the VAT Return and the General Ledger for the years 2008 and 2009. Refer to Table 5.2 below for details.

Table 5.2: Variance between VAT Return and VAT Payables in General Ledger

Particulars	2009 ($)	2008 ($)
VAT Payable as per VAT Return	429,875.54	213,762.00
VAT Payable as per General Ledger	415,203.59	201,644.58
Variance	**14,671.95**	**12,117.42**

It was noted that the figures stated in the VAT Returns were extracted from the systems record (MYOB) and the VAT as per General Ledger was extracted from the payment vouchers after the records on MYOB were lost due to the expiration of the MYOB license.

Recommendation

The Commission should ensure that figures reflected in the VAT Returns reconcile to the General Ledger before any payments are made to FIRCA.

Management Comments

FICAC did not pay VAT in 2008 and 2009 due to clarification on whether FICAC Grant was VIP or VEP. In early 2010 special clarification was sought from Ministry of Finance and it was declared that FICAC Grants are VIP and are eligible to pay VAT.

To avoid future discrepancies, FICAC paid a lump sum of VAT to FIRCA based on their assessment.

FICAC noted that there was no previous reconciliation done. However, FICAC was able to reconcile the manual records and filed the objection and lodged amended tax returns. There has been some adjustment done by FIRCA and FICAC in which FICAC has received VAT refunds.

5.8 Variance in the Opening Cash Balance

The Senior Accounts Clerk shall prepare bank reconciliation within 5 days of the end of the month. Details of unpresented cheques and other reconciling items should be attached to the reconciliation statement. The reconciliation should be signed and dated by the Senior Accounts Clerk and submitted to the Manager Finance who must verify balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation before certifying it.[4]

Audit noted a variance of $138.20 in the opening cash balance brought forward from the previous year. Refer to Table 5.3 for details.

[4] FICAC Promulgation 2007 – Administration, Logistics & Finance – Chapter 2 – Part 4 – Cash Management

Table 5.3: Variance in Opening Cash Balance Brought Forward From Previous Year

Particulars	2008 Closing Cash Balance ($)	FICAC's Adjustments ($)	2009 Opening Balance After Adjustments ($)	2009 Opening Balance as per Commission's record ($)	Total Variance ($)
Cash	112,590.00	14,329.80	126,919.80	127,058.00	138.20

The Commission made adjustments to the cash balance reflected in the audited accounts for 2008 stating that the balance was understated by $14,468 and was able to adjust $14,329.80 leaving an unreconciled balance of $138.20.

Recommendation

Any adjustments to the cash account should be properly supported with appropriate documentary evidence which should be produced for audit verification.

Management Comments

FICAC used the Bank Reconciliation for 2008 and 2009 from the data obtained from MYOB.

As explained in paragraph 13.5 FICAC was unable to justify some of its figures which have resulted in a variance in the opening of cash balance. Through our manual records most of the cash figures provided by FICAC were justified accordingly leaving $138.20 unjustified.

FICAC takes into account that in future there will be no unidentified figures recorded and Bank Reconciliation will be carried out as stated in the above comments.

5.9 Fixed Asset Register

The Senior Administration Officer shall be responsible for maintaining the Fixed Assets Register (FAR). The FAR shall provide the relevant details such as the date of acquisition, cost, description, serial number, model and location and other relevant information pertaining to the fixed assets.[5] The Senior Administration Officer must ensure that the fixed asset register is kept updated.[6]

FAR is a way of recording and tracking all fixed assets owned by the entity and helps identify loss of assets through theft or carelessness and provides a place where depreciation can be calculated.

FICAC maintains both a manual FAR and a computerized inventory system known as the link software inventory system. In 2009, the Commission purchased fixed assets totaling $437,998.

The audit noted that fixed assets purchased in 2009 were not taken on charge in the manual FAR. In addition, information such as date of acquisition of fixed assets was not documented in the FAR as required.

[5] FICAC Finance Manual - Section 7.2.1
[6] FICAC Finance Manual - Section 7.2.2

The link software inventory system report was also inadequate for the following reasons.

- Date of acquisition was not reflected in the system making it difficult to determine if all assets acquired in 2009 were taken on charge.
- The costs of asset reflected in the system did not correspond to the costs of asset reflected in the payment vouchers. The Inventory Officer revealed that the system was inbuilt as such that it was recording fixed asset at its previous price. Refer to Table 5.4 for examples.

Table 5.4: Costs of Asset in the System Did Not Correspond To the Costs of Asset in Payment Vouchers

Cheque Number	Particulars	Vendor Name	Quantity/Cost as per System Report	Quantity/Cost as per Payment Voucher
1651	Purchase of 1 HP Laser Jet P1505 Printer	Datec Fiji Limited	1 printer at a cost of $795	1 printer at a cost of $545
1780	Purchase of 5 dell computers and 5 multipath 650 VA UPS	Office Products	30 dell computers at a cost of $1,795 each 63 UPS at a cost of $295 each	5 dell computers at a cost of $1,895 each 5 UPS at a cost of $220 each
1766	Purchase of 2 printers – HP LaserJet CP1518N	Office Products	1 HP LaserJet CP1518N at a cost of $795	2 HP LaserJet CP1518N at cost of $795 each
1933	Purchase of 1 HP color LaserJet CP 1518ni printer	VT Solutions	4 printers at a cost of $792.38 each	1 printer at a cost of $880.
2484	Purchase of 5 computers dell optilex 360 DT	Office Products	30 dell computers at a cost of $1,795 each	5 dell computers at a cost of $1,995 each

The above findings imply inadequate controls over the custody of fixed assets. In addition, the costs of assets stated in the inventory system report do not reflect the true value of assets purchased and owned by the Commission, which in the long term will have an impact on the financials of the Commission if it decides to adopt accrual accounting.

Recommendations

- **FICAC should comply with its Finance Manual with regards to information to be included in the FAR.**
- **The link inventory system should be upgraded so that the reports generated from the system disclose the correct costs of fixed assets purchased and owned by the Commission.**

Management Comments

Since the transfer of FICAC accounts from the Office of the Attorney General on 1 April 2008, FICAC has had a difficult task in trying to obtain copies of documents from our previous Accountants for the purchase of items.

Despite the above, FICAC has a good inventory system & proper control mechanism in place and we intend to have our records updated accordingly.

The Auditor General's comments above are noted and FICAC will ensure its system and reports comply with its Finance Manual.

5.10 Accounting of Revenue

Revenue is the gross inflow of economic benefits during the period arising in the course of ordinary activities of an enterprise when those inflows result in increases in equity, other than increases relating to contributions from equity participants[7].

Each Accounting Head shall ensure that revenue is recorded against the correct account[8].

Verification of the revenue records revealed that the Commission accounted $28,454 (Other Deposits) as revenue in the Statement of Revenue and Expenditure, which do not meet the revenue recognition criteria. Other deposits include:

- Meal reimbursements from staff;
- Payment received for personal calls made by staff;
- Repayment of salary loan;
- Unutilized funds from accommodation;
- Rebate of purchasing Air Pacific tickets.

The inclusion of the above receipts as revenue may have resulted in the overstatement of revenue in the Statement of Revenue and Expenditure.

Recommendation

In accounting for revenue, FICAC should comply with *Fiji Accounting Standards 18 – Revenue*.

Management Comments

In 2008 and 2009 there were no accounts created by FICAC to record such transactions (mentioned above). Hence, revenue received for the above were receipted and deposited in FICAC's Bank account leaving an increase in our income. There were no adjustments made to the expense account.

The recommendation provided above is highly noted and FICAC will adjust the Particular expense account to avoid any future discrepancies.

[7] Fiji Accounting Standard (FAS) 18
[8] Finance Instruction 2005 – Section 30 (1) (a)

5.11 Management of Petty Cash

The Commissioner shall approve the holding of annual petty cash for incidental payments. Petty cash limit not to exceed $500 per month.[9]

Audit noted the following anomalies in the operation of the Petty Cash Imprest System.

- Petty cash was replenished as and when the petty cash funds were utilized. The limit of $500 per month was not complied with. Refer to Table 5.5 for examples.

Table 5.5: Petty Cash Expenses in Excess of Petty Cash Limit

Month	Date	Amount ($)
June	02/06/09 - 09/06/09	400.00
	11/06/09 - 17/06/09	355.30
	17/06/09 - 02/07/09	422.20
Total		**1,177.50**
July	02/07/09 - 08/07/09	495.00
	13/07/09 - 22/07/09	456.50
	27/07/09 – 29/07/09	487.00
Total		**1,438.50**
September	28/08/09 – 01/09/09	442.30
	02/09/09 – 04/09/09	367.00
	07/09/09 – 14/09/09	477.90
	14/09/09 – 17/09/09	462.00
	17/09/09 – 21/09/09	466.75
	21/09/09 – 23/09/09	475.70
	27/09/09 – 28/09/09	412.50
Total		**3,104.15**

- Some payments that should have been made by cheques were made from the Petty Cash. The Accounts Officer explained that due to the nature and the urgency of the work carried out by FICAC, it is difficult to write cheque hence Petty Cash was utilized.

The practice of making large payments from the petty cash increases the risk of fraud and mismanagement of funds.

<u>**Recommendations**</u>

- **Petty cash should be used only for small incidental expenditures and not as a method to bypass the Commission's financial policies and procedures.**
- **As an internal control to mitigate fraud and mismanagement of funds the Commission should set a limit on the expenses that can be paid from the petty cash.**
- **The Petty Cash expenses should not exceed the monthly Petty Cash ceiling.**

[9] FICAC Finance Manual – Section 4.3.1

Management Comments

FICAC was established in 2007 and at that time the operations for FICAC were not in large scale and petty cash required was limited ($500 per month).

FICAC has developed rapidly including its operations but there were no changes made to the limit of the petty cash. Therefore, FICAC continued utilising the cash more than the limit.

In any case, FICAC notes the above comments and recommendations and will take necessary actions to comply.

SECTION 6: FIJI INSTITUTE OF TECHNOLGY

Programme Statement

The Derrick Technical Institute which was established in 1963 was renamed Fiji Institute of Technology in 1978, under the control of the Ministry of Education. The institute has played a major role in the development of manpower for the nation and also to some Pacific island nations.

From 1 January 1996, FIT became fully autonomous. Under government's Decree number 18 of 1992, a FIT Council was set up to control the resources and operations of the Institute.

The objectives of the Institute include provision of a broad spectrum of post-secondary programmes particularly in technical and vocational education, in accordance with the educational and economic developmental policies of the government and the needs of the government, major industries and commerce, placing emphasis on pursuits of excellence and equity.

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PART A – FINANCIAL INFORMATION

6.1 Audit Opinion

The audit of the financial statements of the Fiji Institute of Technology for the year ended 31 December 2007 resulted in the issue of an unqualified audit report.

6.2 Abridged Statement of Financial Performance

Year Ended 31 December	2007 $	IFRS Restated 2006 $
Income		
Government Grant	9,026,228	8,000,000
Benefits Realized – Government Grant	497,813	543,042
Tuition Fees	9,848,386	10,360,836

Year Ended 31 December	2007 $	IFRS Restated 2006 $
Other Income	2,055,308	1,586,236
Total Income	**21,427,735**	**20,490,114**
Expenditure		
Course Related Expenses	1,685,655	1,560,514
Personal Expenses	13,997,500	13,843,323
Depreciation and Amortization	1,363,604	1,749,551
Loss on sale of plant and equipment	574	18,821
Other Operating Expenses	3,596,549	3,150,231
Total Expenditure	**20,643,882**	**20,322,440**
Net Surplus/(Deficit) for the Year	**783,853**	**167,674**

The Institute recorded an operating surplus of $783,853 in 2007 compared to $167,674 in 2006. This was caused largely by the substantial increase in Government Grant by $1,026,228 (12.8%) and the significant reduction in the depreciation and amortisation expenditure by $385,947 (22%) in 2007 compared to 2006.

6.3 Abridged Statement of Financial Position

As at 31 December	2007 $	IFRS Restated 2006 $
Assets		
Cash and cash equivalents	832,919	30,154
Trade and other receivables	837,403	937,669
Inventories	107,022	124,131
Prepayments	28,888	98,766
Operating Grant Due	1,026,228	---
Financial Assets	---	3,056,936
Property, Plant & Equipment	37,245,820	25,273,057
Total Assets	**40,078,280**	**29,520,713**
Liabilities		
Bank Overdraft	1,849,645	5,463,003
Trade and Other Creditors	5,851,010	3,925,579
Provisions	615,969	247,002
Project Funds	281,937	217,287
Deferred Revenue	12,480,057	7,586,870
Total Liabilities	**21,078,618**	**17,439,741**
Net Assets	**18,999,662**	**12,080,972**
Reserves and Accumulated Losses		
Capital Reserve	11,430,604	10,725,137
Revenue Reserve	1,434,221	1,355,835
Asset Revaluation Reserve	6,134,837	---
Total Accumulated Funds	**18,999,662**	**12,080,972**

Net assets increased by $6,918,690 or 57% in 2007 compared to 2006. This was due to increases in cash and cash equivalent by $802,765 or 2662%, property, plant and equipment by $11,972,763 or 47% and operating grants by $1,026,228 or 100%. The bank overdraft declined significantly by $3,613,358 or 66%.

PART B – CONTROL ISSUES

6.4 Assets transferred from Government

The Institute was granted an autonomous status through the 1992 Fiji Institute of Technology Decree.[1]

In a financial audit, management assertions or financial statement assertions is the set of information that the preparer of financial statements (management) is providing to another party.[2]

In accordance to this decree, the Institute arranged for an independent valuation of the property, plant, machinery and other chattels. These were valued at $30,872,201 in June 1997.

The Institute also owns three buildings situated on Lot 1, 2 and 3 on Plan ND4758 at CAFFI compound in Namaka, Nadi. However, the leases for these buildings had expired. The Institute is in the process of getting these lease renewed.

Based on the valuation, the Institute submitted a draft Cabinet Paper to the Ministry of Education on 3rd September 1997 to obtain Parliament's approval for the transfer of ownership of the assets from Government to the Institute. However, audit of the Institute's records noted that the necessary approval has not been obtained.

Though the assets have been incorporated in the Institute's financial statements, without finalizing the relevant legal formalities, the Institute had circumvented the audit assertions of the Auditing Standards such as assets existence, completeness, rights and obligations.

Recommendation

The Institute should follow up with the Ministry of Education to expedite the process and take necessary action to ensure the ownership of the assets are transferred to the Institute.

Institute's Comment

In order to meet auditing standards, FNU now has to have these assets transferred under the FNU decree 2009. Process has already begun.

6.5 Non-Compliance with FIT Decree 1992

The Director shall not later than 31st day of March following the immediately preceding financial year submit duly audited financial statements to the Council of FIT.[3]

[1] Fiji Institute of Technology Decree 1992
[2] http://en.wikipedia.org/wiki/Management_assertions
[3] Section 15 of Fiji Institute of Technology Decree 1992

Section 11 of FIT Decree 1992 specifies that the Institute should prepare a profit and loss account, an appropriation account and a balance sheet for hostel or other trading accounts operated by the Institute.[4]

Contrary to the above regulations, the Institute neither prepared a comprehensive financial statement for the year ended 31/12/07 nor was the deadline of 31st March adhered to.

Non compliance with stipulated regulation could affect the release of grants by the Ministry of Education.

Recommendations

- **The Institute should take urgent steps to expedite the finalisation of audit for the financial year ended 31 December 2008 and 31 December 2009.**
- **Management of the Institute should ensure that appropriate actions are taken to present the results of the Institute as required under the FIT Decree 1992.**

Institute's Comment

The 2008 and 2009 Accounts has been already sent to the OAG's office to facilitate the audit process. KPMG has been contracted to complete the 2008 and 2009 audit. 2008 audit has already started.

6.6 Fixed Assets

Each item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.[5]

Audit of fixed assets records noted the following exceptions:

(i) Although the Institute maintains a depreciation schedule, a detailed listing of fixed assets is not maintained. Detailed listing of fixed assets should include all assets of the Institute categorized under different classes of assets;

(ii) For each category of fixed assets, only a lump sum amount was provided in the depreciation schedule for assets brought forward from prior years instead of showing the cost of individual fixed asset separately;

(iii) Verified manual fixed assets register maintained at Departmental level showed the listing of fixed assets but these manual registers were not consolidated and verified with the consolidated depreciation schedule and general ledger; and

(iv) The following land titles were not made available during audit. Refer to Table 6.1 for details

[4] Section 11 of Fiji Institute of Technology Decree 1992
[5] IAS 16 (43) Property, Plant & Equipment IFRS (2007)

Table 6.1: Land titles not provided

School	Location
Samabula	51930 LD 19/572
Maritime	Lots 2, 3 and 4, S. 1503 Queen Elizabeth Drive
Ba	Tauvegavega (Part of) LD 78/1 File: LD 4/1/3010
Hostel	Lot 2, S-089, Corner of Fulaga Street & Ono Street, Samabula

Lack of proper documentation does not confirm the existence and ownership of these properties by the Institute which could distort the true and fair value of the assets disclosed in financial statements.

Recommendations

- **Fixed asset register to be maintained and regularly updated for all fixed assets to show initial cost, purchase date, identification number, depreciation amount, accumulated depreciation, written down values and other relevant details.**
- **All land titles should be maintained and made available for audit review.**

Institute's Comment

A Board of Survey has been completed and all the asset listing has been given to the valuers. All the Building valuations are complete and we are waiting for the other valuations to be completed. Fixed Asset Register has already been uploaded in Navision but without values. As soon values are provided to us it will be uploaded.

6.7 PAYE Annual Summary

In the performance of his or her duties, the Auditor General or a person authorised by him or her has access to all records, books, vouchers, stores or other government property in the possession or control of any person or authority.[6]

The PAYE Annual Summary for the year ended 31 December 2007 was not made available for audit review.

The PAYE Annual Summary acts as a control mechanism as it discloses the total PAYE paid during the year which is reconciled to the monthly PAYE deductions made from employees.

The above practice increases the risk of fraud and error if the necessary reconciliation is not carried out on a timely basis.

Recommendation

Proper records of PAYE Annual Summary should be kept by the Institute and provided for audit to perform appropriate audit procedures.

[6] Section 7 (4) – State Services Decree 2009

Institute's Comment

The 2007 PAYE summary was not supplied to Auditors nor was it submitted to FIRCA. This has now been rectified and the summary has been lodged to FIRCA. 2008 and 2009 PAYE summaries have been lodged in a timely manner.

6.8 International Financial Reporting Standards – Compliance

Adoption of the full suite of International Financial Reporting Standards (IFRS) issued by IASB from 1 January 2007 for entities falling within the category of Government majority owned institutions and Government entities established under the statute with annual turnover over $5million.[7]

FIT had adopted International Financial Reporting Standards (IFRS) effective from 01/01/07 with 01/01/06 being the effective date of transition.

During the audit there was a need for continuous review and improvement of the accounting policies, practices and methods adopted by the Institute in compliance with IFRS.
Thus, it took quite a considerable amount of time to finalise the audit as so many adjustments needed to be performed on an ad hoc basis by the accounting firm which prepared the IFRS compliant financial statement before submitted for audit.

In addition, the Institute may not have fully complied with all the IFRS requirements. Some of the areas requiring particular attention are summarized in the table provided as required by its consulting accounting firm (Ernst and Young).

Table 6.2: Areas Needing Particular Attention

IFRS/IAS Descriptions	Observations	Remarks
Intangible Assets (IAS 38)	The costs relating to computer software are capitalized as part of property, plant and equipment and are depreciated. However, IAS 38 requires costs relating to computer software, where the software is not integral to the operation of the related computer hardware to be classified as intangibles. On adoption of IFRS no reclassification adjustments of the software costs from property, plant and equipment to intangible assets were made by the management. It appears that there were software balances requiring re-classification to intangible assets.	• IFRS requires significant additional accounting related assessments, estimates and calculations including impairment assessments. • Furthermore, IFRS requires significant additional disclosures.

Consistent review and improvement in the application of the IFRS requirements should guarantee the adequate disclosure requirements by the Institute.

[7] Accounting & Auditing Standards Committee Report – *The Fiji Accountants* (September 2009)

<u>Recommendations</u>

- **The Institute should fully implement the recommendations of independent consultants engaged by the institute for the IFRS convergence.**
- **The Institute should continuously monitor, update and enhance their accounting systems, procedures and calculations in order to comply with the IFRS requirements.**

<u>Institute's Comment</u>

Ernst & Young have been appointed as internal auditors for the year 2011.

SECTION 7: FIJI SERVICEMEN'S AFTER-CARE FUND

Programme Statement

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 ware 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 2008 resulted in the issue of an unqualified audit report.

7.2 Abridged Statement of Financial Performance

Year Ended 31 December	2008 ($)	2007 ($)
Income		
Government Grant	5,597,666	5,340,000
Other	83,018	64,879

Year Ended 31 December	2008 ($)	2007 ($)
Total Income	**5,680,684**	**5,404,879**
Expenditure		
Beneficiary Payments	5,306,054	4,569,257
Staff/Personnel Costs	215,176	204,209
Other Operating & Administration Expenses	160,306	111,572
Ex-Servicemen's Association	---	70,589
Christmas Island Veterans	2,278	8,938
Total Expenditure	**5,683,814**	**4,964,565**
Net Surplus/(Deficit) for the Year	**(3,130)**	**440,314**

The Fund recorded a deficit of $3,130 in 2008 compared to a surplus of $440,314 in 2007. This was mainly due to the increase in beneficiary payment by $736,797 (16%) and the Other Operating and Administration costs by $48,734 (44%).

7.3 Abridged Statement of Financial Position

As at 31 December	2008 ($)	2007 ($)
Current Assets	444,062	447,192
Total Assets	**444,062**	**447,192**
Accumulated Funds	**444,062**	**447,192**

Currents assets reduced by $3,130 in 2008 compared to 2007 as the result of the deficit from the ordinary activities.

PART B – CONTROL ISSUES

7.4 Inefficient Record Keeping

The draft financial statements submitted by the Fund for the ended 31 December 2008 contained numerous errors, which were later corrected after being identified by audit. Some of the errors picked up during the audit are shown in Table 7.1 below.

Table 7.1: Errors in Draft Financial Statements

Month	Item	Amount ($)	Understated / Overstated
February	School Fees	250	Understated
June	FNPF	100	Understated
July	School Fees	2,000	Overstated
September	Stale cheques	38,041	Overstated
December	Salary and wages	95	Understated
December	Reversal Deposit	1,500	Understated

Furthermore, the following were also noted from the audit:

- The Operational Grapple accounts were not incorporated in the Financial Statement;
- The Fund failed to maintain general journals and prepare a proper trial balance using the double-entry system.

Although the Fund used the cash book to prepare the financial statements, it should maintain proper and systematic records with proper audit trails that could be verified and relied upon when making decisions.

Recommendations

- **The Fund should maintain a general ledger preferably computerized to minimize errors and omissions.**
- **Proper trial balance should be drawn up to ensure that the double-entry system is followed.**
- **The Fund should consider purchasing an accounting software or alternatively have one developed by ITC for their internal use.**

Fund's Comments

Your point is noted and the Fund is working towards minimizing those errors on future Financial Statements. Operation Grapple was funded by government separately for the purpose under which it was established hence the maintaining of an account of its own with separate accounts records. Government has withdrawn its funding for the Operation Grapple because it has served its purpose well. The account has since been closed. As regard to developing an accounting system, the Fund is arranging for the purchasing and installation of MYOB accounting system which should be in place by early 2011.

7.5 Extravagant Expenditure

The Secretary and Assistant Secretary and any other officer responsible for expenditure shall at all times exercise proper economy in the expenditure of funds and ensure that proper value is obtained for all money used.[1]

In 2002, a contractor was engaged by the Fund to supply pot plants for the office. The contract stated that the engagement of supply to be initially for a 12 months period but the contract was not duly signed and authorized by the Fund.

The following discrepancies were noted:

- Competitive quotation was not obtained and no tender was called for the initial engagement process.
- To date there is no contract or a Memorandum of Understanding, or an Agreement made for this engagement.
- The fund had spent $8,000 as at 31/12/08 for this service.

[1] Financial Management Procedure Manual – Committee of Management. (3.1 Control of Expenditure)

This expense could be regarded as an unnecessary expenditure which ought to be reconsidered by the Fund. Refer to Table 7.2 which shows the amount paid each year for providing this service, since 2002.

Table 7.2: Details of Payments to Pot plant provider

Year	Amount Paid ($)
2002	800
2003	1,200
2004	1,200
2005	1,200
2006	1,200
2007	1,200
2008	1,200
Total	**8,000**

The Governments interest was not adequately safeguarded by the Fund resulting in the extravagant expenses.

Recommendations

The Fund should:

- **Obtain Boards approval for any Contract for Service.**
- **Consider purchasing pot plants outright rather than hiring them.**
- **Draw up terms and conditions or agreements for all dealings made with outside parties and tenders should be advertised before committing expenditure.**
- **Ensure that funds given by government are utilized economically for the benefit of those that they cater for.**

Fund's Comments

Having potted plants in the office is a general accepted norm internationally and also locally in a number of government ministries, statutory bodies and firms. Indoor potted plants remove airborne pollutants, enhance internal air quality and improve occupant wellbeing. Your recommendation is noted and the Fund will see to the drawing up of a Contract for the current supplier.

SECTION 8: FIJI SPORTS COUNCIL

Programme Statement

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 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 - 2007

The audit of the financial statements of the Fiji Sports Council (FSC) for the year ended 31 December 2007 resulted in the issue of a qualified audit opinion. Issues qualified are as follow:

1. The carrying amount of property, plant and equipment as at 31 December 2007 was $57,463,007 and the depreciation expenses for the year was $1,566,273. The carrying amount and depreciation

expenses were extracted from the property, plant and equipment register ("PPER") as at 31 December 2007. The PPER was not properly maintained and I could not satisfy myself on the existence or completeness of physical assets recorded in the PPER nor the valuation of the cost, depreciation and net carrying amounts recorded.

2.

Accordingly, I am unable to verify the reasonableness of the assets depreciation expenses for the year ended 31 December 2007 and the carrying values of the property, plant and equipment disclosed in the financial statements as at 31 December 2007 and determine the impact, if any, of any adjustments which may be necessary had a complete and accurate PPER been available for verification.

3. The financial statements of the Fiji Sports Council for the year ended 31 December 2007 have been prepared under the Fiji Accounting Standards ("FAS"). The Council is a Government statutory body and the financial statements are required to be prepared in accordance with the International Financial Reporting Standards ("IFRS").

Accordingly, I am unable to provide an audit opinion that the financial statements of the Council are prepared in accordance with the requirements of IFRS and determine the impact, if any, of any adjustments which may be necessary if the financial statements were prepared under IFRS.

8.2 Abridged Income Statement 2007

Year ended 31 December	2007 ($)	2006 ($)
Income		
Hire of Facilities	2,157,224	2,464,042
Other Operating Revenue	2,574,801	2,492,969
Total Income	**4,732,025**	**4,957,011**
Expenditure		
Operating Expenses	4,091,749	4,080,714
Administrative Costs	182,519	173,779
Finance Costs	170,362	236,532
Total Expenditure	**4,444,630**	**4,491,025**
Net Surplus/(Deficit) for the Year	**287,395**	**465,986**

The Council recorded a surplus of $287,395 in 2007 compared to a surplus of $465,986 recorded in 2006. The decline in surplus was due to the decrease in total income of the Council by 4.5%. 38% was in Net Surplus

8.3 Abridged Balance Sheet 2007

As at 31 December 2007	2007 ($)	2006 ($)
Assets		
Cash at Bank & Deposit	727,336	377,613
Other Current Assets	269,197	467,465
Property, Plant & Equipment	57,463,007	59,127,128
Total Assets	**58,459,540**	**59,972,206**
Liabilities		
Trade & Other Payables	2,226,721	2,474,625

As at 31 December 2007	2007 ($)	2006 ($)
Other Current Liabilities	270,802	302,097
Borrowings	1,648,409	2,001,272
Total Liabilities	**4,145,932**	**4,777,994**
Net Assets	**54,313,608**	**55,194,212**
Shareholders' Equity		
Donor Grant Reserve	52,499,620	53,667,619
Capital Reserve	8,912	8,912
Accumulated Funds	1,805,076	1,517,681
Total Shareholders' Equity	**54,313,608**	**55,194,212**

Net assets declined by $880,604 or 1.6% in 2007 compared to 2006 as a result of decrease in property, plant and equipment by $1,664,121 or 2.8%.

8.4 Audit Report - 2008

The audit of the financial statements of the Fiji Sports Council (FSC) for the year ended 31 December 2008 resulted in the issue of qualified audit opinion.

1. The carrying amount of property, plant and equipment as at 31 December 2008 was $56,203,226 and the depreciation expenses for the year was $1,290,332. The carrying amount and depreciation expenses were extracted from the property, plant and equipment register ("PPER") as at 31 December 2008. The PPER was not properly maintained and I could not satisfy myself on the existence or completeness of physical assets recorded in the PPER nor the valuation of the cost, depreciation and net carrying amounts recorded.

   Accordingly, I am unable to verify the reasonableness of the assets depreciation expenses for the year ended 31 December 2008 and the carrying values of the property, plant and equipment disclosed in the financial statements as at 31 December 2008 and determine the impact, if any, of any adjustments which may be necessary had a complete and accurate PPER been available for verification.

2. The financial statements of the Fiji Sports Council for the year ended 31 December 2008 have been prepared under the Fiji Accounting Standards ("FAS"). The Council is a Government statutory body and the financial statements are required to be prepared in accordance with the International Financial Reporting Standards ("IFRS"). Accordingly, I am unable to provide an audit opinion that the financial statements of the Council are prepared in accordance with the requirements of IFRS and determine the impact, if any, of any adjustments which may be necessary if the financial statements were prepared under IFRS.

8.5 Abridged Income Statement 2008

Year ended 31 December	2008 ($)	2007 ($)
Income		
Hire of Facilities	1,726,630	2,157,224
Other Operating Revenue	2,421,141	2,574,801
Total Income	**4,147,771**	**4,732,025**
Expenditure		

Year ended 31 December	2008 ($)	2007 ($)
Operating Expenses	3,796,967	4,091,749
Administrative Costs	167,111	182,519
Finance Costs	142,288	170,362
Total Expenditure	**4,106,366**	**4,444,630**
Net Surplus/(Deficit) for the Year	**41,405**	**287,395**

Significant decrease in net surplus was noted in 2008 compared to 2007. This was due to decline in total income by $584,254 or 12%.

8.6 Abridged Balance Sheet 2008

As at 31 December 2008	2008 ($)	2007 ($)
Assets		
Cash at Bank & Deposit	764,668	727,336
Other Current Assets	455,009	269,197
Property, Plant & Equipment	56,203,226	57,463,007
Total Assets	**57,422,903**	**58,459,540**
Liabilities		
Trade & Other Payables	2,576,231	2,226,721
Other Current Liabilities	232,128	270,802
Borrowings	1,427,530	1,648,409
Total Liabilities	**4,235,889**	**4,144,932**
Net Assets	**53,187,014**	**54,313,608**
Shareholders' Equity		
Donor Grant Reserve	51,331,621	52,499,620
Capital Reserve	8,912	8,912
Accumulated Funds	1,846,481	1,805,076
Total Shareholders' Equity	**53,187,014**	**54,313,608**

Net assets declined by $1,126,594 in 2008 compared to 2007 as a result in the decrease in property, plant and equipment by $1,259,781 or 2%.

8.7 Audit Opinion - 2009

The audit of the financial statements of the Fiji Sports Council (FSC) for the year ended 31 December 2009 resulted in the issue of qualified audit opinion.

1. The carrying amount of property, plant and equipment as at 31 December 2009 was $55,324,582 and the depreciation expenses for the year was $1,257,486. The carrying amount and depreciation expenses were extracted from the property, plant and equipment register ("PPER") as at 31 December 2009. The PPER was not properly maintained and I could not satisfy myself on the existence or completeness of physical assets recorded in the PPER nor the valuation of the cost, depreciation and net carrying amounts recorded.

   Accordingly, I am unable to verify the reasonableness of the assets depreciation expenses for the year ended 31 December 2009 and the carrying values of the property, plant and equipment disclosed in the financial statements as at 31 December 2009 and determine the impact, if any, of any adjustments which may be necessary had a complete and accurate PPER been available for verification.

2. The financial statements of the Fiji Sports Council for the year ended 31 December 2009 have been prepared under the Fiji Accounting Standards ("FAS"). The Council is a Government statutory body and the financial statements are required to be prepared in accordance with the International Financial Reporting Standards ("IFRS").

   Accordingly, I am unable to provide an audit opinion that the financial statements of the Council are prepared in accordance with the requirements of IFRS and determine the impact, if any, of any adjustments which may be necessary if the financial statements were prepared under IFRS.

3. We noted that the Council had implemented a salary increment for staff during the year ended 31 December 2009. This largely resulted in the increase in personnel expenses from $598,666 for the year ended 31 December 2008 to $853,802 for the year ended 31 December 2009. We were unable to verify whether the Councilors had formally approved the implementation of the increment of wages and salaries to staff.

8.8 Abridged Income Statement 2009

Year ended 31 December	2009 ($)	2008 ($)
Income		
Hire of Facilities	2,179,355	1,726,630
Other Operating Revenue	1,933,433	2,421,141
Total Income	**4,112,788**	**4,147,771**
Expenditure		
Operating Expenses	4,131,497	3,796,967
Administrative Costs	145,913	167,111
Finance Costs	93,756	142,288
Total Expenditure	**4,371,166**	**4,106,366**
Net Surplus/(Deficit) for the Year	**(258,378)**	**41,405**

The Council recorded a deficit of $258,378 in 2009 compared to a surplus of $41,405 in 2008. This was due to increase in expenditure by $264,800 or 6%.

8.9 Abridged Balance Sheet 2009

As at 31 December 2009	2009 ($)	2008 ($)
Assets		
Cash at Bank & Deposit	707,123	764,668
Other Current Assets	375,162	455,009
Property, Plant & Equipment	55,324,582	56,203,226
Total Assets	**56,406,867**	**57,422,903**
Liabilities		
Trade & Other Payables	3,054,133	2,576,231
Other Current Liabilities	404,619	232,128
Borrowings	1,187,478	1,427,530
Total Liabilities	**4,646,230**	**4,235,889**
Net Assets	**51,760,637**	**53,187,014**
Shareholders' Equity		

As at 31 December 2009	2009 ($)	2008 ($)
Donor Grant Reserve	50,163,622	51,331,621
Capital Reserve	8,912	8,912
Accumulated Funds	1,588,103	1,846,481
Total Shareholders' Equity	**51,760,637**	**53,187,014**

Net assets declined by $1,426,377 or 3% in 2009 compared to 2008. This was due to the decline in property, plant and equipment by $878,644 or 2%. The increase in total liabilities by $410,341 or 10% also contributed to the decline in net assets.

PART B – CONTROL ISSUES

8.10 Verification of property, plant and equipment register

The Fiji Sports Council ("the Council") has over $55 million in the carrying value of property, plant and equipment, which makes up the largest component of the Council's assets.

However, it was noted that no physical verification of the property, plant and equipment register ("PPER") has been performed to ensure that assets of the Council exist and that the PPER is complete and accurate.

In addition, many items listed in the PPER cannot be traced to the physical assets as the description of the assets on the PPER is not adequate. This makes the process of physically verifying the assets a very difficult exercise.

Furthermore, there were a number of errors highlighted in our review of the PPER. This included:

- Depreciation expense was not correctly calculated for a number of assets. This has subsequently been rectified;
- Items that are either damaged or not in working condition still remain on the PPER. In the absence of a physical asset verification exercise, these items cannot be identified and removed from the PPER.

It was also noted that the PPER was prepared by the Senior Accounts Officer and this was not reviewed by an independent officer for the three financial years ended 31 December 2009.

Without a verification exercise, the existence of assets and the completeness and accuracy of the PPER may not be confirmed. The lack of diligence in preparation and independent review of the PPER also increases the risk of errors and anomalies not being detected.

<u>Recommendations</u>

The Council should:

- **Undertake a full verification of its property, plant and equipment. This will enable the Council to determine if its assets exist and whether the assets register is complete and accurate.**

- **Ensure that the register is properly prepared and thoroughly reviewed for accuracy and completeness.**

Management Comments

Fixed Asset register was an additional task given to our Payable Officer to look after. In 2010 we have appointed a Property Clerk within the Finance Department to;-

1. *Identify assets as per register*
2. *Journalise all assets that no longer existed which had been fully depreciated.*
3. *Verify depreciation amount and calculate depreciation on new assets.*
4. *Update schedule every month for management review.*

8.11 Increase in salaries not authorised by the Councillors

The audit noted that certain staff and management of the Council received increases in respect of their salary in 2009. However, the audit was not able to determine whether increases in salaries were properly authorised by the Councillors.

Examples of such cases are noted below:

Title	Percentage Increase
CEO	36%
Finance Manager	21%

In the absence of appropriate approval from the Councillors, the increases in salaries are considered unauthorised. This also raises the risk that the Council's corporate governance framework is weak and should be strengthened.

Recommendation

Management should report and seek the Councilors' approval of matters that have significant financial or operational impact on the Council such as the salary increase.

Management comment

It is Fiji Sports Council Policy for any salary increases to be approved by the full board. No increase has been agreed to at any level since that pay increase was given in 2009.

8.12 Weak financial and internal controls

There were a number of issues in relation to the finance reconciliation process and internal controls, which suggests that the accounting system, processes and procedures at the Council are weak and requires improvement. Some of the issues noted include:

- There is lack of proper general ledger reconciliation process or procedures. As a result, a number of general ledger reconciliations were not available for audit;

- Independent reviews of reconciliations and supporting documents such as banking summaries, banking reconciliations, PPER were not performed;
- There are number of long outstanding debts and balances which have not been effectively followed up and cleared or recovered;

Without proper reconciliation and review function, there would be a lack of reliable accounting information from which management can gauge future plans. Additionally, poor accounting systems, processes and procedures could lead to errors, irregularities or even fraud.

In absence of the above, internal financial reports may be significantly misstated.

Recommendation

Management should ensure that effective reconciliation and review function is implemented. Appropriate follow up of long outstanding balances should be performed to ensure that these are cleared.

Management comment

In 2010, a restructuring of all financial operations was undertaken and as such standard checks and balances have been put in place and are strictly monitored with full reports being presented to the Board on the Monthly basis.

8.13 Working capital deficiency

The Council has a negative working capital position, where it current liabilities significantly exceeded its current assets. Audit noted that the working capital was as follows for the 2007, 2008 and 2009 financial years.

Year	Deficiency in working capital ($)
2007	1,500,990
2008	1,588,682
2009	2,376,486

It was further noted that one of the main contributing factors for this deficiency is the amount payable to Government with regard to the repayment of the FNPF loan paid by them on the Council's behalf to FNPF. The balance owed to Government has been classified under current liabilities as there is no repayment agreement in place with regards to the monies owed. The balance payable to Government was $2,667,586 for the year ended 31 December 2009.

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 develop a strategy to minimize the deficiency in the working capital position. Appropriate options should be considered for the treatment of the amount payable to Government, which is largely attributing to the negative working capital position.

Management comment

We believe this position would be addressed and with strict controls put in place in 2010 there will be significant improvement.

8.14 Cash management function to be strengthened

The cash management function at the Council is weak and requires strengthening. Audit noted that the Council had invested funds in term deposits facilities totalling $852k as at 31 December 2009. However, the Council's main bank account was in overdraft with a balance of $128k as at 31 December 2009.

This indicates the lack of proper cash management function and has resulted in the Council incurring interest expense at a higher rate than interest on term deposits.

Recommendation

The Council should strengthen its cash management process to minimize the level of interest expenses. In such instances, the Council should liquidate its term deposits to ensure that its cash position does not fall into an overdraft.

Management comment

The full review of the Financial Operation of the Council undertaken in 2010 has meant that since April 2010, we have not had to use our overdraft at all.

8.15 Adoption of IFRS

Audit noted that the financial statements for the Council are being prepared under the Fiji Accounting Standards. Moreover, it was noted that the Council is a government affiliated entity with assets exceeding $55m.

Therefore the Council should consider preparing its statutory accounts in compliance with IFRS.

There is a risk that the accounting framework which is being used to prepare the statutory financial statements for the entity is incorrect and hence the financial statements do not reflect some key information such as:

- Risk management policies
- Key management personnel information including benefits paid to them
- Other Disclosure requirements as per the International Financial Reporting Standards

Recommendation

Management should try and ensure that the Council adopts the IFRS framework and ensure that the statutory accounts comply with the policies and disclosures of the standards

Management comment

In 2010, the Board held discussions with KPMG to look at the best way forward for the Council to adopt IFRS Policies and Disclosures. The Board has accepted this in principle and intends to proceed as recommended.

SECTION 9: NATIONAL CENTRE FOR SMALL AND MICRO ENTERPRISES DEVELOPMENT

Programme Statement

The National Centre for Small and Micro Enterprise Development was incorporated in Fiji under the Small and Micro Enterprise Development Act No. 1 of 2002. The objective of the National Centre for Small and Micro Enterprises Development is to develop, promote and support the establishment of small and micro enterprises especially for the benefit of economically or socially disadvantaged groups including women, youths and other persons. The vision of NCSMED is to be the driving corporate force behind the uplifting of SME's in Fiji and a role model for Pacific Island Nations, through a sustained and bold search for excellence and creativity. The mission of NCSMED is to foster the emergence and the development of a strong and sustained national socio-economic movement based on small and micro-enterprises.

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PART A – FINANCIAL INFORMATION 2008

9.1 Audit Opinion

The audit of the financial statements of the National Centre for Small and Micro Enterprises Development for the year ended 31 December 2008 resulted in the issue of qualified audit report. The qualifications were as follows:

- Included in Other Receivables is VAT Receivable totalling $70,035. There is an un-reconciled difference amounting to $56,587 between the general ledger and the Statement of VAT Account provided by FRCA. I was not able to verify the valuation and completeness of VAT Receivable balance. Consequently, I am unable to satisfy myself if VAT Receivable is fairly stated in the financial statements.

- Included in the Statement of Accumulated Funds is a balance of Additional Fixed Assets amounting to $137,333. I was not able to verify the existence and valuation of this amount due to lack of appropriate supporting documents. Consequently, I am unable to satisfy myself if Accumulated Funds and Fixed Assets balances are fairly stated.

9.2 Abridged Income Statement

Year Ended 31 December	2008 ($)	2007 ($)
Income		
Government grant	2,865,987	743,528
Overseas aid	173,143	-
Workshops and training fees	73,207	38,528
Other income	9,153	18,708
Total Income	**3,121,490**	**800,764**
Expenses		
Depreciation expense	73,776	39,635
Operating expenses	2,187,435	199,263
Personnel expenses	624,719	488,437
Total Expenses	**2,885,930**	**727,335**
Net Surplus for the Year	**235,560**	**73,429**

Surplus for the year increased by $162,131 or 220% in 2008 compared to 2007 as the result of increase in Government grant.

9.3 Abridged Balance Sheet

As at 31 December	2008 ($)	2007 ($)
Current Assets		
Cash	3,576,303	1,917,100
Other receivables	79,101	19,525
Total Current Assets	**3,655,404**	**1,936,625**
Non-Current Assets	191,632	46,700
Total Non-Current Assets	**191,632**	**46,700**
Total Assets	**3,847,036**	**1,983,325**
Current Liabilities		
Deferred revenue	3,214,612	1,712,209
Employee entitlements	17,859	16,467
Accruals and other payables	26,316	39,293
Total Current Liabilities	**3,258,787**	**1,767,969**
Total Liabilities	**3,258,787**	**1,767,969**

As at 31 December	2008 ($)	2007 ($)
Net Assets	**588,249**	**215,356**
Total Equity	**588,249**	**215,356**

Net assets increased by $372,893 or 173% in 2008 compared to 2007. The increase was due to the increase in government grant which improved the cash flow position of the Centre in 2008. Other receivables and non-current assets also increased by $59,576 and $144,932 respectively which contributed to the increase in Net Assets.

PART B - CONTROL ISSUE 2008

9.4 Journal Vouchers Not Maintained

To be reliable, information must represent faithfully the transaction and other events it either purports to represent or could reasonably be expected to represent.[1] Journal voucher system is an important internal control measure to record and report all accounting adjustments and transactions of non-cash in nature.

We were not able to sight and verify any journal voucher for accounting adjusting entries and adjustments which were of non-cash nature that were passed in the general ledger during the year. This is a significant breakdown in the internal control over control of adjusting entries.

The audit noted an instance where an entry amounting to $137,333 was passed in the general ledger and disclosed under Accumulated Funds. This entry was not supported with approved journal voucher.

Discussions with the Accountant revealed that this was the adjustment for prior year fixed assets not brought to account in those year's financial statements. However, audit calculation revealed that only $93,862.25 actually relate to assets that were acquired in prior years which were not recorded. Refer to table 9.1 below for details:

Table 9.1 Prior year fixed assets

Particulars	Amount ($)
Amount as per financial statements	137,333.00
Amount as per audit calculation	93,862.25
Variance	**$43,470.75**

The variance of $43,470.75 could not be substantiated due to lack of appropriate supporting documents. Non preparation of journal vouchers to record non cash transactions, balance day adjustments and other accounting adjustments increases the risk of unauthorized entries passed in the general ledger. This will result in the incorrect financial reporting of the Centre.

[1] Fiji Accounting Standards, Framework for Preparation and Presentation of Financial Statements, Faithful Representation, section 33

Recommendations

- **It is recommended that management seriously consider the above matter and implement journal voucher system to record all non cash transactions and accounting adjustments.**
- **The journal vouchers should be reviewed and approved by a senior officer and evidence of such approval should be stated on the journal vouchers.**

Management Comment

A journal voucher system is now implemented as recommended.

9.5 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.[2]

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.[3]

Our review of VAT records revealed substantial variance in VAT receivables as per the Centre's VAT reconciliation and FRCA's Statement of VAT account. Refer to table 9.2 for details:

Table 9.2 Vat Receivables

VAT Receivables	($)
Receivables as per Centres reconciliation	69,870.08[4]
Receivables as per FRCA's Statement	13,448.14
Variance	**56,421.94**

The variance noted between the Centre's record and that of FRCA's indicated that VAT receivables may be overstated.

Recommendation

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

Management Comment

Every effort will be made to comply with the recommendation.

[2] Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)
[3] Value Added Tax Decree 1991, revised 30/04/2004, section 39
[4] Differ from balance reflected in the financial statements and exclusive of audit adjustment.

9.6 Motor Vehicle Ownership

In 2007, the Ministry of Finance and National Planning purchased a vehicle for the Centre for use in the Northern Development Project. The vehicle's Third Party was not registered under the Centre's name; therefore, the Centre has no legal ownership on the vehicle. However, scrutiny of Fixed Assets Schedule revealed that this asset was recorded and accounted in the Balance Sheet as Plant and Equipment of the Centre.

Reporting assets in the Balance Sheet which is not legally owned by the Centre will results in incorrect financial reporting. Fixed assets have been overstated by the value of the vehicle.

Recommendations

- **Assets not legally owned by the Centre should not be taken into account in the financial statements.**
- **It is recommended that the Centre seek clarification from the Ministry of Finance before accounting the vehicle as fixed assets.**

Management Comment

Clarification will be sought from Ministry of Finance.

9.7 Anomalies in Procurement of Goods and Services

It is good practice to obtain competitive quotations or call for tender for purchases of goods and services involving substantial amounts.

The review of purchases and payments records revealed that the Centre failed to obtain quotations on most services and goods acquired. Refer to Table 9.3 for examples:

Table 9.3: Quotations not obtained

Date	Cheque No.	Particulars	Amount ($)
21/08/08	4380	Paid to JJ's for BIC Workshop	1,671.11
9/10/08	4417	Paid to Everett for BIC	1,285.00
9/12/08	4418	Paid to Julian Webb for BIC fees	4,483.56
22/09/08	4433	Paid to JJ's for BIC Workshop	2,073.11

Furthermore, audit noted the following instances when the tenders were not called for:

- A total of $58,061.41 was actual cash payments both including the cost of the Tyson Turbine and other administration for the cost for Tyson Turbine. We did not sight any evidence of a contract between the Centre and the service provider.
- Total of $170,000 was agreed upon between the Centre and Fiji Institute of Applied Science (FIAS) to undertake a review of Micro Small Medium Enterprise (MSME) legislation. A payment of $85,000[5] (50% upfront payment as per contract) was made in 2008.

[5] Cheque number 50

Failure to obtain competitive quotations or calling for tenders for procurements of goods and services involving substantial amounts deprives the Centre of obtaining goods and services from the most economical source available at the least cost price.

The absence of a Finance Manual detailing policies and procedures regarding procurement of goods and services also contribute to the Centre not implementing internal controls and best practices.

Recommendations

- **It is recommended that the Centre at least obtain three competitive quotations from suppliers prior to acquiring goods and services.**
- **Management should ensure to call for a tender where the amount involved is very substantial to be in line with good procurement practices.**

Management's Comments

The recommended practice of obtaining at least three quotes and calling for the tender for substantial amount is now being carried out and as stated in our recently approved Standard Operating Procedures under the Policies on Procurement of Goods and Services.

However, in case of parts for motor vehicles that are serviced by the authorized dealer this is not possible, i.e. Mitsubishi vehicle purchase from an authorized dealer should only be fitted with genuine Mitsubishi parts.

9.8 Approved Fees Schedule for CEFE Training

A function of the Centre is to prepare and co-ordinate training programmes in entrepreneurship and business management. The Centre may charge prescribed service fees in carrying out any of the functions referred to in subsection (1) or its aims under Section 4.[6]

Our review of revenue records revealed that the Centre does not maintained an approved fees schedule endorsed and approved by the Board for the CEFE Training courses it offers. This was confirmed by the Centre that participant for CEFE Trainings are usually charged $200 per participant. However, larger organisations will be charged more and those individual who cannot afford to pay will be exempted.

The current practice of charging service fees is not standardised nor documented as a policy.

Recommendation

Management should ensure that CEFE fees charged to participants are endorsed and approved by the Board.

Management Comment

Matter will be taken to the Board for relevant approval of a standardized fee to be charged.

[6] SME Act 2002 Section 5 (1) & (2)

PART C – FINANCIAL INFORMATION 2009

9.9 Audit Opinion 2009

The audit of the financial statements of the National Centre for Small and Micro Enterprises Development for the year ended 31 December 2009 resulted in the issue of qualified audit report. The qualification is as follow:

Included in Other Receivables is VAT Receivable totalling $130,047. There is an un-reconciled difference amounting to $110,925 between general ledger and Statement of VAT Account provided by Fiji Revenue Customs Authority. I was not able to obtain sufficient appropriate audit evidence to verify the valuation and completeness of VAT Receivable balance. Consequently, I am unable to satisfy myself if VAT Receivable is fairly stated in the financial statements.

9.10 Abridged Income Statement

Year Ended 31 December	2009 ($)	2008 ($)
Income		
Government grant	3,316,248	2,865,987
Overseas aid	45,844	173,143
Workshops and training fees	8,166	73,207
Other income	29,327	9,153
Total Income	**3,399,585**	**3,121,490**
Expenses		
Depreciation expense	59,431	73,776
Operating expenses	2,658,901	2,187,435
Personnel expenses	689,881	624,719
Total Expenses	**3,408,213**	**2,885,930**
Net (Deficit)/Surplus for the Year	**(8,628)**	**235,560**

The Centre recorded a deficit of $8,628 in 2009 compared to a surplus of $235,560 in 2008. This was due to the increase in the operating expenses in 2009. Furthermore, Overseas Aid and Workshop and Training Fees declined significantly in 2009 by $127,299 and $65,041 respectively.

9.11 Abridged Balance Sheet

As at 31 December	2009 ($)	2008 ($)
Current Assets		
Cash	1,661,027	3,576,303
Other receivables	134,647	79,101
Total Current Assets	**1,795,674**	**3,655,404**
Non-Current Assets	258,839	191,632
Total Non-Current Assets	**258,839**	**191,632**
Total Assets	**2,054,513**	**3,847,036**

As at 31 December	2009 ($)	2008 ($)
Current Liabilities		
Deferred revenue	1,371,401	3,214,612
Employee entitlements	27,399	17,859
Accruals and other payables	76,092	26,316
Total Current Liabilities	**1,474,892**	**3,258,787**
Total Liabilities	**1,474,892**	**3,258,787**
Net Assets	**579,621**	**588,249**
Total Equity	**579,621**	**588,249**

No significant change was noted in net asset however cash at bank and deferred revenue declined by 54% and 57% respectively.

PART D - CONTROL ISSUE 2009

9.12 Non compliance with Accounting Policy

The carrying amount of the Centre's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amounts are estimated at each balance date[7]

The audit noted that the Centre did not carry out any impairment testing on its assets at year end as required by the policy above. The Centre is not complying with its Accounting Policy.
Non compliance with accounting policies will result in incorrect financial reporting.

Recommendation

The Centre should comply with its accounting policies as stated in the notes to the financial statements.

Management Comment

Every effort is being made to comply with the recommendation..

9.13 Un-identified Income

To be reliable, information must represent faithfully the transaction and other events it either purports to represent or could reasonably be expected to represent.[8]

From our review, we noted that an amount of $2,030, included as Other Income could not be substantiated to any record. There was no accounting trail in the cash receipts summary or in any journal voucher form.

[7] Note 1 (e) Notes to Forming Part of the Financial statement
[8] Fiji Accounting Standards, Framework for Preparation and Presentation of Financial Statements, Faithful Representation, section 33

Lack of accounting trail for revenue increases risk of incorrect financial reporting. It further indicated that such entries were passed to conceal variances in the financial statements.

Recommendation

In future, all revenue items must be supported with cash receipts or journal vouchers to give evidence of its occurrence.

Management Comment

Every effort is being made to comply with the recommendation.

9.14 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.[9]

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.[10]
Our review of VAT records revealed substantial variance in VAT Receivables as per the Centre's VAT reconciliation and FRCA's Statement of VAT Account. Refer to Table 9.4 below for details.

Table 9.4 VAT Receivables

VAT Receivables	Amount ($)
Receivables as per Centres reconciliation	130,047.00
Receivables as per STA-VAT	19,122.06
Variance	**110,924.94**

The variance noted between the Centre's record and that of FRCA's indicated that VAT receivables may be overstated.

Recommendation

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

Management Comment

Every effort is being made to comply with the recommendation.

[9] Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)
[10] Value Added Tax Decree 1991, revised 30/04/2004, section 39

9.15 `Trial Balance not Prepared

A trial balance is a statement of ledger account balances within a ledger, at a particular instance. It is prepared to check the mathematical/arithmetic accuracy of accounting of which amounts are than used to prepare the financial statements.

The Centre did not prepare a Trial Balance. Discussion with the Accountant revealed that the balances reflected in the financial statements were taken directly from the cash book.

Non preparation of a Trial Balance increases the risk of balancing amounts being posted to the financial statements.

Recommendation

It is recommended that the Centre prepare a Trial Balance to ensure the accuracy of the balances reflected in the financial statements. A Trial Balance is also required for audit purposes.

Management Comment

The Section will ensure that a Trial Balance is prepared for all future audit purposes.

9.16 Lodgement of VAT Returns

Every registered person, for each taxable period, shall not, later than the last day allowed under this Decree for furnishing a return for that taxable period, pay to the Commissioner the tax payable for that period as calculated pursuant to Section 39 of this Decree.[11]

The VAT Returns for the Centre were not lodged for the period May to December 2009.

Failure to lodge VAT Returns on monthly basis is a breach of a statutory requirement and exposes the Centre to late lodgement and payment penalties.

Recommendation

The Management should ensure that VAT Returns are lodged on monthly basis.

Management Comment

This is now being carried out as recommended
.

9.17 Plant and Equipment

An item of property, plant & equipment which qualifies for recognition as an asset should initially be measured at its cost. The cost of an item of property plant and equipment comprises its purchase price, including import duties and non –refundable purchase taxes.[12]

[11] VAT Decree 1991 revised to 28th February 2009 Section 40 (1)

The following anomalies were noted:

- Fixed assets purchased during the year were depreciated for the whole year. Refer to Table 9.5 below for details:

Table 9.5: Depreciation Calculation

Date Acquired	Assets	Amount ($)	Dep Rate	Depreciation Charged ($)	Depreciation Entitled ($)	Difference ($)
06/02/09	Ups	1,984.00	24%	476.16	427.89	48.27
10/02/09	Air Condition	782.00	18%	140.76	124.95	15.81
02/04/09	Hot Water urn	287.00	18%	51.66	38.50	13.16
07/04/09	External hardware	376.00	18%	67.68	60.82	6.86
14/05/09	IT server	9,115.00	18%	1,640.70	1,033.87	606.83
11/11/09	Safe Box	844.00	18%	151.92	20.81	131.11
11/12/09	Computer	1,974.00	24%	473.76	25.96	447.80
23/06/09	Computer	4,392.00	24%	1,054.08	551.59	502.49
28/05/09	work station	2,355.00	18%	423.90	252.02	171.88
09/10/09	Chair	355.00	18%	63.90	14.53	49.37
02/04/09	Vehicle	40,328.00	18%	7,259.04	5,409.48	1,849.56
16/11/09	Vehicle	46,500.00	18%	8,370.00	917.26	7,452.74
Total		**109,292.00**		**20,173.56**	**8,877.66**	**11,295.90**

  Failure to depreciate assets on pro-rata basis from the time of its purchase will lead to overstatement of depreciation expense and understatement of fixed assets. The 2009 financials were therefore adjusted to rightfully reflect the depreciation expense.

- A vehicle (FD792) purchased from a prominent car dealer for $46,500 was capitalized with a refundable VAT portion of $5,166.67 attached to it. Capitalization of VAT expense has resulted in the overstatement of fixed assets and depreciation expense. Necessary audit adjustments were made to correct the above anomaly.

- Scrutiny of the motor vehicle records revealed that a vehicle with registration number ED 166 was sold for $10,200 in 2009 without any tender or valuation process. Instead, an internal email was sent to all staffs for offers of sale. It was also noted that despite receiving an offer of $10,500 from a staff, the vehicle was sold for $10,200.

  Failure to carry out a valuation or tender process may result in sale of assets below market value.

- In 2007, the Ministry of Finance purchased a vehicle for the Centre for use in Northern Development Project. The vehicle's Third Party was not registered under the Centre's name. Therefore, the Centre has no legal ownership on the vehicle. However, scrutiny of Fixed Assets Schedule revealed that this asset was recorded under Plant and Equipment in Balance Sheet. This issue was also raised in 2008 Draft Management Letter.

[12] Fiji Accounting Standards 16.14 &15

Reporting assets in Balance Sheet which is not legally owned by the Centre will results in incorrect financial reporting and overstatement of the fixed assets in the financial statements.

Recommendations

- **It is recommended that assets are depreciated on pro- rata basis from the date of purchase.**
- **Refundable VAT portion should not be capitalised.**
- **Proper valuation and tender process should be carried out for any disposal of fixed assets.**
- **Assets not legally owned by the Centre should not be taken into account in the financial statements.**

Management Comment

Every effort is being made to ensure compliance with the recommendation.

9.18 Seed Loan

Seed loans are given by the Centre to business incubators training at the Centre. The loan repayments are to be done a month after the loan is drawn with a flat rate of 10% interest rate per annum.

It was noted that disbursements made to business incubators for seed funding loan were expensed in the 2009 financial statements. These disbursements were made under a loan contract for 3 years which are to be repaid with 10% interest rate per annum. Refer to table 9.6 for details:

Table 9.6 Seed Loan expensed during the year

Disbursement Date	Applicant Initials	Amount ($)
06/11/09	MT	4,746
18/12/09	MT	4,000
31/08/09	AK	1,200
31/08/09	AK	1,327
31/08/09	AK	2,950
21/12/09	ML	3,000
22/12/09	ES	5,000
Total		**22,223**

Failure to capitalize the disbursement of loans as debtors has resulted in the overstatement of expenses and understatement of receivables. Necessary adjustments were made to rightfully reflect the loan and interest expense in the financials.

Recommendation

It is recommended that any future similar disbursements are accounted as receivables instead of expenses.

Management Comment

Noted as recommended.

SECTION 10: NATIONAL FIRE AUTHORITY

Programme Statement

The National Fire Authority (NFA) was established as a corporate body in 1994 under the National Service Act 1994. The duties of the Authority are:

- establish Fire Districts in the areas to which they cover and ensure that the District Fire Officer conforms to the NFA Act and maintains an efficient fire service having regard to the life and property, which he is under an obligation to protect and to the financial capacity of the district;
- coordinate the units of fire services for the purposes of fire protection, reinforcement at serious fire or other emergencies;
- encourage, supervise or carry out fire prevention activities and also experiment or research work with respect to fire service methods, equipment, organization or coordination with other services;
- establish courses of training and generally direct the training of the members the fire services;
- provide for the inspection of training of brigades, and for such degree of standardization of plan, equipment and training as it considers necessary for combined operations;
- inspect in relation to fire safety premises whether public or otherwise;
- arrange for obtaining, by inspection or otherwise, information required for fire fighting purposes with respect top the character of the building and other property in the Fire District and in any area in which the Authority is under an obligation to protect, the available water supplies, means of access thereto, and other material circumstances;
- provide consultancy services on fire fighting and fire fighting equipment and
- Perform such other duties as the Minister may from time to time direct.

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PART A – FINANCIAL INFORMATION

10.1 Audit Opinion

The audit of the financial statements of the Authority for the year ended 31 December 2008 resulted in the issue of an unqualified audit report.

10.2 Abridged Statement of Financial Performance

Year Ended 31 December	2008 ($)	2007 ($)
Income		
Fire Levy	4,945,864	4,974,546
Government Grant	1,422,222	1,422,222
Other Income	944,453	1,031,397
Total Revenue	**7,312,539**	**7,428,165**
Expenditure		
Salaries and Wages	4,035,053	3,589,032
Depreciation & Amortization	713,478	655,059
Travel and Accommodation	134,253	196,325
Others	2,349,201	1,737,991
Total Expenditure	**7,231,985**	**6,178,407**
Net Surplus/(Deficit) for the Year	**80,554**	**1,249,758**

The Council recorded a surplus of $80,554 in 2008 compared to $1,249,758 in 2007, a decrease of $1,169,204 or 94%. This is largely due to increases in salaries and wages by $446,021 or 12%, and other expenditure by $611,210 or 35%.

10.3 Abridged Statement of Financial Position

As at 31 December	2008 ($)	2007 ($)
Assets		
Cash & Cash Equivalents	327,379	455,059
Trade & Other Receivables	2,057,671	1,144,499
Inventories	77,323	31,353
Financial Assets – Short Term	---	700,000
Property, Plant & Equipment	5,066,120	5,208,123
Total Assets	**7,528,493**	**7,539,034**
Liabilities		
Trade & Other Payables	611,012	656,916
Provisions	202,650	189,968
Deferred Revenue	408,119	465,992
Total Liabilities	**1,221,781**	**1,312,876**
Net Assets	**6,306,712**	**6,226,158**
Accumulated Funds		

As at 31 December	2008 ($)	2007 ($)
Retained Profits	6,306,712	6,226,158
Total Accumulated Funds	**6,306,712**	**6,226,158**

The Authority's net assets increased by $80,554 or 1% in 2008 compared to 2007. The Trade and Other Receivables increased significantly in 2008 by $913,172 or 80%; however, this was cushioned by the maturing of short term investment of $700,000.

PART B – CONTROL ISSUES

10.4 Procurement of official uniform

All tenders are to be called for the sale and procurement of goods and services exceeding $20,000 for the National Fire Authority.[1]

The Authority failed to follow proper procurement procedures by not calling tenders when purchasing uniforms from a Garment supplier worth $63,229.50. The uniforms were for the fire fighters and the office staffs.

Furthermore, it was noted that no quotation was obtained from other suppliers at any point in time.

During a discussion, the Accountant revealed that the Garment supplier was giving the Authority economical prices for the uniforms; however audit could not substantiate her statement as no records were provided for verification during the audit.

The above indicates that the Authority has breached the regulations pertaining to the procurement procedures.

Failure to obtain competitive quotations from other suppliers could result in Authority foregoing opportunities to purchase from the most economical source, resulting in unnecessary spending.

Recommendations

- **The Authority should ensure that proper procurement procedures are adhered to while procuring goods and services.**
- **Appropriate actions should be taken against the Officer(s) for not complying with the Tender Policy.**

Authority's Comment

When a tender was called for uniforms in respect to the year 2010, the Garment supplier tender was the most economical option and had the best quality of uniforms to offer. We have been using this supplier for a long time and are happy with the service provided to us. Sticking to one good supplier means we are able to better negotiate deals with the same supplier rather than going to a new supplier whom we have no idea about and the quality and reliability of their service.

[1] National Fire Authority – Tender Policy, Section B (1) (viii)

Please note that appropriate action has been taken currently to ensure proper procurement procedures are being followed.

10.5 Consultancy Services

All tenders are to be called for the sale and procurement of goods and services exceeding $20,000 for the National Fire Authority.[2]

In addition, the CEO shall have the authority to approve purchase of goods and services up to $20,000 on the basis that a tender or expressions of interest advertisement has taken place when the purchase is expected to cost over $5000 and the Tender Board has endorsed the recommendation from the Evaluation Committee.[3]

Contrary to the above regulations, the Authority failed to either call a tender or obtain quotations for the following consultancy work:

Table 10.1: No Tender Called or Quotations Obtained for these Consultancy Work

Consultant	Amount ($)	Particulars of payments	Audit Comments
Consultant 1	33,305.76	• Executive Management Team appointments • Job Sizing • Conduct Workshop when needs arise	No tenders or quotations obtained
Consultant 2	19,309.31	Make amendments to NFA Act	No tenders or quotations obtained

The documents pertaining to how the above two consultants were selected was not produced during the audit.

Failure to either call a tender or obtain competitive quotations could result in the Authority foregoing opportunities to render services from other capable consultants (service providers) at the most economical cost.

<u>Recommendations</u>

- **The Authority should ensure that Tender Policy and provisions of Finance Manual pertaining to procurement procedures such as tenders, expression of interest and competitive quotations are strictly adhered to.**
- **Appropriate actions should be taken against the Officer(s) not complying with the Tender Policy.**

<u>Authority's Comment</u>

The consultancy for the consultant to draft the legal amendments to the National Fire Service Act, 1994 was tendered contrary to the audit report. No responses were received following tender so the board's legal subcommittee "head-hunted" for legal consultants that could carry out the work.

[2] National Fire Authority – Tender Policy, Section B (1) (viii)
[3] Section 7.3.2 – Finance and Accounting Directions of NFA

There were six consultancy services that were requested to submit their expression of interests. Only AQE responded with a submission which led to hiring of Consultant 2 as the legal consultant for this project. On 08 Augsut 2007 – The Board approved a budget of $15,000 to $20,000 for engagement of a consultant to carry out a job sizing exercise for key posts in NFA and quotations were called from three interested consulting companies. On 26 September 2007 the Board agreed to put the job sizing exercise on hold until after the endorsement of the Strategic Road Map on Fire Safety and Mitigation in Fiji.

10.6 Board Meetings Retreat

Managers and all others responsible for acquiring goods and services shall at all times exercise proper economy in incurring expenses, ensure good value is obtained and monies spent are properly accounted for in the financial system.[4]

Audit noted that the following four board meetings were held outside the Headquarters with the Authority incurring all the incidental expenses.

Table 10.2: Board Meetings Held Outside the Headquarters

Month	Venue	Cost ($)	Audit comments
May	Lautoka City Council Chambers, Lautoka	1,434.00	• The meeting was held after the groundbreaking ceremony for the new Nadi Fire Station. • Audit is of the view that the meeting could have been held in Suva as it was not mandatory for all Board members to be present at the ground breaking ceremony.
June	Tanoa Hotel, Nadi	1,434.00	• Meeting was held after the inspection of progress on the new Nadi fire station site by works committee. • Audit feels that there was no need for the meeting to be held in Tanoa Plaza as not all Board members are part of Works Subcommittee.
August	Grand Eastern Hotel, Labasa.	2,625.00	• The meeting was held after the groundbreaking ceremony for the Savusavu Fire Station. • Audit is of view that the meeting could have been held in Suva as it was not mandatory for all Board members to be present at the ground breaking ceremony.
November	Tiri Villas Resort, Deuba	880.00	• Meeting was held after the completion of policy development workshop. • As the meeting was held after the completion of the workshop, incidental cost could have been saved if the meeting had been held in Suva.
Total		**6.373.00**	

As a result of the numerous board meetings and tours made by the Board in 2008, the Board expenses had increased considerably from $15,631 in 2007 to $35,791 in 2008, an increase of $20,160 or 128%.

The increase in expenses could have been avoided had all the meetings been held at the headquarters.

[4] Section 4.41 – Finance and Accounting Directions of NFA

Recommendations

- **The Authority should ensure that funds are used wisely and consider having the meetings in headquarters rather than in other places across the country.**
- **For significant milestones such as opening of new fire stations etc, only the Chairman and a Board member should attend in order to save costs.**
- **Board members should not be attending workshops as they are considered to be experts in their respective fields and should be the ones guiding the Chief Executive Officer in leading the Authority.**

Authority's Comment

The major reason to have board meetings at various locations outside of Suva is to oversee the running of operations on the ground in outer stations in the areas visited by the board members. Also the trip is used by the board to meet key stakeholders and build relations with these stakeholders in providing various supports that assists NFA in delivering its mission and vision. By incurring the current expense of $6k certain activities and costs were donated or sponsored which subsidized the costs of such trips.

For significant milestones such as opening of new fire stations, the presence of the board is needed to create the positive image NFA wishes to create in the minds of its stakeholders. A good and healthy relationship with the stakeholders is important for NFA's development.

We agree that the board members do act as a guide for the CEO; however, the board members attend workshops to keep abreast with the current changes and for continued professional development.

The report does not state the details of full sum of $35,792 mentioned above which would have been a fair comment so management can justify the payments made. Kindly note that the Board has its own budget and these payments were budgeted for.

10.7 Costs for Training/Developing the Chief Executive Officer (CEO)

The Authority hired a HR Consulting company at a cost of $16,598 to conduct a training and development program for the former Chief Executive Officer whom they felt did not have the capacity to lead the organization.

Therefore, the selection of the CEO could be seen as an error of judgement on the part of the Board as they had to train him again in order for him to discharge his duties effectively and efficiently.

This training was conducted from 04/04/08 to 05/04/08 and it was noted that the Board Members together with the Executive Management Team also attended this workshop which also coincided with a retreat at a resort at an additional cost of $2,028.

Since the workshop was intended for the training and development of the CEO, the attendance of Board members is unjustified and this had resulted in excessive expenditures being incurred over the two day period.

All the expenditures have been put to waste as the CEO in question is no longer employed by NFA.

Recommendations

- **The Board members should not be attending workshops as they are considered to be experts in their respective fields and should be the ones guiding the Chief Executive Officer in leading the Authority.**
- **The Authority should only appoint people with the requisite skills, experience and competency for important vacant positions.**

Authority's Comment

The workshop was also for team building exercise, capacity building in relation to changes made by the Board, for example the implementation of roadmap, etc. This workshop has greatly assisted Management and the Board in the implementation plans and positive outcomes as witnessed today.

The HR Consultant has provided NFA with free access to the professional Human Capital management software system. This allows NFA to carry out role design, assessments' and staff recruitment below executive level in house. This system maintains the records and integrity of the process and it can be audited if required.

Board interface assessment – a corrective action involved the Sonisali "retreat" which was a formal Open Space and Proactive Leadership program involving Board, CEO, Executive Management interface

The workshop at Sonisali Resort was held 04/04/08 and 05/04/08 but the preparation took longer as did the support after the workshop.

The position of CEO at NFA had been vacant for some time prior to the appointment of the new CEO in 2007. Prior to the appointment, the CEO post was held by the NFA chairperson for a couple of years. The CEO was the best of the lot that were interviewed by the NFA board. Without wasting time and money, the board on the recommendation of HR Consultant, appointed the newCEO.

10.8 Mentoring and Coaching of Former CEO

The Board Chairperson acted as the Chief Executive Officer in 2007 to allow the Authority to advertise and appoint a suitable person for the position of Chief Executive Officer (CEO).

The chronological of events that took place are as follows:

- The Minister of Local Government, Urban Development and Public Utilities in his letter dated 16 June 2010 approved that the Board Chairperson should receive the same salary and entitlements that was offered to the former CEO.

- From 03/07/10 to 18/07/10, the HR Consultant who was engaged by the Authority to coordinate the appointment of the CEO placed advertisements in the media for the position of CEO.

- On 7 August 2007, HR Consultant advised the Board Chairman that none of the candidates had the competencies to lead NFA. However, they recommended that a potential applicant be offered the position of CEO Designate with high level coaching for six months after which he would be assessed again.

- On 8 August 2007, prior to the appointment of the new CEO, the Board had already met to discuss and decide on the remuneration for the Chairman.

- On 3 September 2007, the Authority officially appointed the new CEO to the position.

- Consequently, the Board recommended to the Minister that the Board chairman should continue to mentor and coach the CEO during his six (6) months probation period.

- The Minister in his letter dated 4 September 2007 endorsed the Board's recommendation where he further added that '*Your remuneration and entitlements for this six months period are to be decided by the Board*.' The letter further stated that the appointment should be effected through a contract which should clearly disclose the salary level and entitlements that the Board Chairman should receive.

- However, verifications of records revealed that the Board Chairman provided coaching/ mentoring for eight months from 3 September 2007 to the first week of April 2008.

In addition to the coaching by the Board Chairman, the Authority also engaged a HR Consultant at a cost of $16,597 to carry out development program for the CEO.

Therefore, excluding the use of the Authority car and payment of housing allowance the total amount incurred by the Authority in providing coaching/mentoring to the former CEO totaled $67,897 made up of the following payments:

- Board Chairman - $51,300
- HR Consultant - $16,597

The above indicates that the new CEO was not the right person for the CEO's position and yet the Board appointed him. The normal procedure was to re-advertise the post or seek applicants from overseas. Moreover, the Board Chairman could have just acted on a consultative basis and only charge or bill NFA for the hours he spent doing work for NFA since he was also running his own company.

As a consequence of this poor decision by the Board, the Authority was paying the salary for both the Chairman and appointed CEO plus their respective entitlements during the period.

Recommendations

- **The Board should provide a satisfactory explanation on the recruitment of the new CEO.**
- **The Authority should justify the hiring of HR Consultant to carry out training for the CEO.**
- **The Authority should also explain why the Chairman was not engaged on a consultative basis only and paid based on the time/hours he spent doing work for the Authority.**

Authority's Comment

The comments address a number of generally related but separate issues. The comments indicate that not all information was available or considered by the auditors. The HR Consultant original exercises for the NFA were:

(i) Recruitment of executive positions which included a sizing and valuation as well as a development plan know before appointment

(ii) To assess the top 14 managers and assist in the development to lift the competency levels. The issues that emerged during the assessment, including a serious matter concerning pay and reward (raised by the expatriate CEO)

Why the new CEO was appointed:

The shortlist letter from the HR Consultant to the Board dated 23 July 2007 would indicate the attempts to attract appropriately competent people. Kindly note that there two (2) round of advertising conducted as well as a "headhunt" approach with 16 applicants of which 5 were considered worth of interview. Note: the Government had appointed Mr. Gavidi to the NFA Board at this time.

As per the NFA Act, the Minister appoints the CEO and hence the appointment was done by the Minister. The Board facilitated the mentoring and coaching stated by the Minister.

Newly appointed CEO's Mentoring and Coaching

The NFA had recognized the need for competency development. The CEO reports to the Chairman of the Board and therefore a degree of support from the Chairperson would be expected.

The HR Consultant provided quotations for all senior executive recruitments. Their quotation provided a % base salary (6% or 7%)or a minimum cost. They also placed and paid for the advertisements (on most cases) on behalf of NFA to facilitate the process and recovered this cost which is in the figures referred to by the auditors. Research indicated that they were the only supplier of a competency based system which provided services outside the pure recruitment including a sizing "job" evaluation of the role as well as the applicants after the interview. Also as the report show it provides a quantitative basis for development where competency shortfall existed.

Note if the recruitment for positions in Fiji insisted that the successful candidate be fully competent on new appointment few or no appointments would be made.

The Chairman, remuneration for the mentoring and coaching of the new CEO was approved by the Board, however, comments are well noted and taken.

The Chairman's mentoring and coaching in the 1st six (6) months and the HR Consultant came onboard towards the end of the six months.

10.9 Australasian Fire and Emergency Services Authorities Council (AFAC) Conference and Overseas Attachment

On 28 August 2008, twelve officers from NFA made up of three (3) Board members and nine (9) Authority employees (2 executive management and 7 operational staffs) traveled to Australia to attend the following events:

Table 10.3: Officers of NFA attended the following Events

Period	Course/Conference attended	Topics covered	NFA Attendees
31/08/08 – 04/09/10	AFAC Conference in Adelaide	Conference and field trips	All NFA staffs and Board members
05/09/10 – 09/09/10	Attachment with various fire stations in	Attachment/Observation	Six operational staffs

Period	Course/Conference attended	Topics covered	NFA Attendees
	Melbourne		Two executive staffs
10/09/10 – 13/09/10	Attachment with various fire stations in Melbourne	Attachment/Observation	Acting CEO and Executive Secretary

The 7 operational staffs that went on this trip consisted of the following:

- 1 Chief Fire Officer from Suva Fire Station.
- 1 Senior Fire Officers from the Lautoka Fire Station
- 1 Senior Fire Officers from the Labasa Fire Station
- 1 Senior Fire Officers from the Sigatoka Fire Station
- 1 Senior Fire Officers from the Nadi Fire Station
- 2 Fire Officers from Suva Fire Station

The expenses for the above trips amounted to $74,686.36 which was fully paid by the Authority. Refer to Table 10.4 below for details of the amount incurred for the trip to Australia:

Table 10.4: Amount Incurred for the Trip to Australia

Expenditure	Amount ($)	Particulars
AFAC Expenses and attachments	14,563.18	Amount paid to AFAC for hosting the 11 group from NFA
Accommodation expenses	5,560.85	Expenses for Chief Fire Officer through Credit card
Per diem Allowances	26,738.63	Allowances paid for the 11 participants from NFA
Local and International Air Fares	22,883.82	Air fare from Suva to Nadi and back. Also air fare from Nadi to Australia including domestic flights in Australia and back to Fiji
Uniforms	1,463.11	Polo t/shirt for attending AFAC. Also payment for bula shirt to use as gifts, plus engraving of participants names.
Visa fees	1,350.00	Visa fees for those who did not have Australian visa
Other Expenses	2,126.77	Subsistence and other incidental expenses
Total Expenditure	**74,686.36**	

Audit noted that of this $74,686.36, the Authority transferred $51,209.14 to other allocations through journal entries. Table 10.5 below shows the details of the amount transferred and the affected accounts.

Table 10.5: Details of Amount Transferred

Account Name	GL Code	Amount ($)
Australia Trip	8072	49,184.36
Subsistence Allowance	4020	300.00
Traveling and Accommodation	4010	951.36
Accruals	1025	773.34
Total		**51,209.14**

As a result of the above adjustments, only $23,477.22 was disclosed as expenditure for AFAC in the financial statements.

Recommendations

- **The Authority should provide satisfactory explanation for the necessity in sending such a large group (3 Board members, 4 Senior Fire Officers, 2 Fire officers and the Executive Secretary) to attend the conference and attachment in Australia.**
- **The Authority should justify the reason for buying polo tee shits for those traveling to Australia and also buying bula shirts as gifts.**
- **The Finance Section should explain why the expenses for the above trips were allocated to other expenses account, thus understating the AFAC expenses in the financial statements.**
- **The Authority in future should consider sending only few people to such conferences and attachments who should on their return pass on the knowledge gained to their colleagues through training or presentations. This will reduce substantial amount of expenses for the Authority.**

Authority's Comment

(i) Please note the intention was not to understate the cost of AFAC expense by allocating costs to other codes. All meal accommodation and travelling expenses are posted in the accommodation and travelling code for any type of expenditure incurred. Likewise for substantive allowance. The accruals have accordingly been reversed against actual expenditures.

Other countries also turned up in large groups and this forum was also a great opportunity for networking, lobbing for assistance from overseas countries in terms of donations of fire equipments, etc.

Pacific Islands Fire Service Association (PIFSA) meeting in which Chairman is an Executive Member was also held during the conference. NFA, amongst all other fire services was also required to make presentations of achievements and its operations.

(ii) The AFAC trip coincided with a meeting with the Chairman and CEO of CFA to discuss future strategic direction as far as bilateral cooperation is concerned between the two organistaions. It also happened that the Chairman and the CEO of CFA were also present at the AFAC conference which made it convenient for the Board members to also attend the AFAC and meet with the CFA top executives at the same venue.

(iii) Sending NFA staff to AFAC was seen as an opportunity for professional development for NFA staff as well as a networking opportunity with firefighters and fire officers from other fire stations in Australasia. The value of the development and exposure give to NFA staff that attended AFAC in the Board's opinion far outweighs the cost incurred.

10.10 Appointment of Executive Secretary

The applicant should have at least 5 years experience as a Senior Executive Secretary/Personal assistant or in similar background. A tertiary qualification in Secretarial studies or related fields.

Applications which must include a result oriented curriculum vitae will full contact details of three referees, to be submitted no later than 4.00 pm, Monday 18th June 2007 addressed to : Vacancy: Personal Assistant, The Chief Executive, National Fire Authority, P.O Box 207, Suva.[5]

Audit noted that there were 7 application received for the Executive Secretary's position. The following anomalies were noted in the appointment of Executive Secretary:

[5] Advertisement for Executive Secretary dated 16/06/07

- The application was submitted late on Tuesday 19 June 2007 at 4.13pm after the closing date for the position had expired on 18 June 2007.

- The application was made via email to the Acting Board Secretary and copied to the Chief Executive Officer.

- The applicant did not posses a tertiary qualification in secretarial studies or related fields as per minimum qualification requirement for the position.

- The Executive Secretary resigned from her former employer immediately before applying for the position. She resigned on 19/06/10, and then e-mailed her application to NFA citing personal reasons as the main objective for her resignation.

- The Executive Secretary former boss was the incoming board member to the National Fire Authority effective from 6 November 2007. The board member had provided a reference for her.

- One of the applicants met the requirements but was not selected as the interview panel assessment felt that she lacked the writing skills which was a crucial requirement of the post. This requirement was not emphasized in the advertisement but only came about during the assessment of the candidates by the panel which can be seen as an attempt by the panel to eliminate the candidate.

- The interview for the post was conducted on 06/08/07 and on the same day the appointment letter was prepared and sent to Executive Secretary who subsequently signed the offer on 07/08/07.

- She was offered a starting salary of $15,307 while the maximum salary for a Secretary or Personal Assistant as per the Authority's salary structure was $20,296.

- When the officer joined the Authority there was no job description or KPI prepared for her. This was verified to her 'Performance Review Report' dated 30 November 2007 which she prepared after the 3 months probation period.

From the above turn of events, it is apparent that Executive Secretary was earmarked for this position although her applicant was received one day after the closing day.

<u>Recommendations</u>

The Authority should:

- **explain why the Executive Secretary application was accepted even after the closing date for the position had lapsed.**
- **explain why they hired the Executive Secretary when she did not have the requisite or minimum qualifications required for the job.**
- **explain why no job description or key performance indicator was prepared for the officer.**
- **ensure that the recruitment procedures are strictly followed and any application after the closing date should not be considered.**

Authority's Comment

The Executive Secretary application was emailed to the then Executive Chairperson on the closing date and hard copy received after the closing date. The Executive Secretary application was therefore, not received after the closing date as an email application was sent to the CEO.

The Executive Secretary was accepted based on her length of experience, as Personal Asst to Director General Fiji Red Cross from 2001 to 2003 and then Fiji Care Insurance as Secretary and PA. She had also done short courses relating to her Secretarial duties prior to joining NFA.

No job description was issued when she started as Executive Secretary. The position name was changed from Personal Assistant to the CEO to Executive Secretary and the role description was still being drawn up when Mrs. Tigarea started but was finalised after the appointment.

10.11 Executive and Board Secretary

All vacant positions of six (6) months or more duration must be advertised internally through an official Circular. External advertising will be approved as outlined in the Recruitment, Selection & Appointment Procedure. [6]

Contrary to the above requirement of the revised NFA Employment & Recruitment Policy, an advertisement was not placed internally or externally for the position of the Board Secretary.

Listed below is the sequence of events that led to the appointment of Executive Secretary as Board Secretary:

Table 10.6: Sequence of Events leading to Appointment of Board Secretary

Date	Events/Happenings
18/11/08	The Acting CEO whose substantive position was Director Corporate Services/Board Secretary for NFA wrote to Executive Secretary advising her that she would receive $100 per week commencing from 11/11/08 as extra responsibilities to perform the duties of Board Secretary.
11/01/08	The Authority confirmed the officer's appointment to the position of Executive Secretary after she successfully completed her probation to the satisfaction of the Authority. Her salary was increased from $15,309 to $18,709 per annum backdated to the 07/11/07.
25/04/09	Officer was appointed to act as Board Secretary for a period of 6 months with effect from 01/04/09.
04/05/09	In the absence of the CEO/Board Secretary, who was away abroad, she was appointed to act in the position of Board Secretary from 27/04/09 – 01/06/09
13/10/09	On the recommendation of the Board Chairman, her acting appointment as Board Secretary was extended for another 2 months.
07/12/09	The Acting CEO confirmed the officer to the position of Executive Secretary and Board Secretary with effect from 29/10/09. Her revised/new remuneration package were as follow: • Base Salary of $31,637 • Officer and immediate family members to have same level of medical insurance cover as the Board members were enjoying.

[6] Revised NFA Employment & Recruitment Policy

Date	Events/Happenings
	• Life Insurance cover of $200,000

The above indicate that recruitment procedures were not complied with for the appointment of the Board Secretary, resulting in the Executive Secretary being appointed. Without proper procedures, the Authority forgoes the opportunity in selecting the best candidate for the Board Secretary's position.

In addition, the basis on which the new salary scale for the Officer was determined was not provided during the audit.

Recommendations

- **Explanation should be provided for not advertising the position of the Board Secretary as required by NFA Employment & Recruitment Policy.**
- **The Authority should provide details for determination of the revised salary and what was the salary component for Board Secretary.**

Authority's Comment

The Board Secretary's position was never substantive post for NFA, however, has been an additional role to the Director Corporate Services (DCS) position in the past few years. The reporting line for the Board Secretary position was an issue with the then CEO with DCS reporting to the CEO and also to the Board which the Board understood the concerns raised. The Board then discussed and agreed that the additional role be taken away from the DCS.

The Board Secretary role was approved by the Board to be given to the Executive Secretary as an additional role of responsibilities until the Authority sees it fit for the position to become a substantive position in time when NFA's fully developed with many other responsibilities. The Executive Secretary has been assisting the DCS/Board Secretary in facilitating meetings, taking minutes, etc and she was considered capable in carrying out these additional roles.

The Executive Management also researched on salary packages for the Board Secretary role from Housing Authority, FEA, and LTA. LTA's salary range for Board Secretary was lowest which the revised for Executive & Board Secretary was based on.

10.12 Overtime work by Executive Secretary

The appointment letter for Executive Secretary (ES) states that the normal working hours to be from 8.00am to 4.30pm on Mondays to Thursdays and 8.00am to 4.00pm on Fridays. The ES may be required to work beyond normal working hours as and when required, however, the officer would not be entitled to any overtime payment as this is a salary post.[7]

In addition, for prudent management practices, overtime work should be approved only in essential circumstances and on the specific approval of the Chief Executive Officer.

Audit noted that the Executive Secretary often worked after hours to perform duties that forms part of her daily and normal work routine. For these extra hours worked, she either took day off or the Authority compensated her contrary to the provisions of her appointment. Refer to Table 10.7 below for examples:

[7] Appointment Letter of Executive Secretary of 6 August 2007

Table 10.7: Overtime Work by Executive Secretary

Day/Date	Hours	Reasons for Claiming for Overtime	Audit Comments
Saturday (17/11/07)	9.43 hours	Filing	This function should be performed during normal working hours
Sunday (18/11/07)	8.29 hours	Filing	This function should be performed during normal working hours
Thursday (06/12/07)	5.5 hours	Deliver tickets etc. to Board member, and Chief Fire Officer	This function should be performed during normal working hours
Saturday (29/12/07)	7.55 hours	Board papers for December meeting	This function should be performed during normal working hours

The issue of working after hours and on weekends is questionable as the officer should have performed these routine duties during normal working hours.

Working after hours and on weekends entails that she did not manage her time well resulting in overtime work done and compensated, thus an unnecessary expenditure to the Authority. This is a breach of the provision of the appointment.

Recommendations

- **The Authority should ensure that the officer carries out her duties during normal working hours as stated in her appointment.**
- **For any overtime work needed, prior approval should be sought from the CEO.**
- **The Officer(s) who approved the Officers overtime should be disciplined for not complying with the appointment provisions.**

Authority's Comment

The Authority did not have a proper and reliable filing system and was way behind as all department filings are sent to the Executive Secretary for filing. A lot of documents were hard to locate if not lost or misplaced, due to the unreliable filing system. Upon the recruitment of the Executive Secretary, one of the main issues raised was the filing system which was a challenge for the Executive Secretary to tackle amongst all other roles required of her.

The Executive Secretary took on the task of re-arranging the filing system in a very short time to make it work for the Executive Management in locating documents. Work hours from 8.00am to 4.30pm to include a filing backlog of at least 2-3 years was way out and hence had to be done after hours which the CEO was well aware of. The overtime hours put in by the Executive Secretary was much more, however, the overtime payment was not all paid to her and had to be compensated through taking days offs.

10.13 Corporate Affairs Officer

The candidate should have a tertiary qualification in marketing, journalism/business studies or communication in either marketing, corporate communication, and/or business development. The officer must have excellent communication skills. He/she should also be innovative, have strong networking skills and be willing to work long hours during emergencies.[8]

[8] As per Corporate Affairs Officer Position Advertisement in the Fiji Times

Audit noted the following anomalies in the appointment of Corporate Affairs Officer:

- The officer had no tertiary qualifications.
- The interview panel comprised Director Corporate Services and Acting Human Resource Officer.
- The Director Corporate Services presence in the panel for the interview and selection of a former employee is a case of conflict of interest as they were former employees of Fiji Hardwood Corporation.
- The officer replied on 27/09/10 via fax advising the Authority that she had declined the offer. The reasons she quoted was that she was not aware that she would be employed on a contract basis and in addition, the salary she was being offered was not enough to convince her to leave her current job and relocate to Suva.
- The CEO on the same date (27/09/10) made another offer wherein the Corporate Affairs Officer was offered a base salary of $37,000 per annum together with housing allowance of $4,800/annum plus the opportunity to claim for mileage upon the prior approval of the CEO. She accepted the offer on 28/09/10.
- Consequently, her salary was increased to $41,170 although she had not met all her KRA (Key Result Area)

It is evident that the Authority was keen on recruiting the Corporate Affairs Officer's to this position as they agreed to amend the working condition from being a contract staff to a permanent staff.

In addition, comparing the other benefits that she is entitled to, the officer has a much better package than the Manager Human Resources and Manager IT.

Refer to Table 10.8 below for the salary analysis.

Table 10.8: Salary Analysis of Corporate Affairs Officer, Manager IT and Manager HRD

Position	Salary ($)	Housing Allowance ($)	Claim Mileage	Total Package ($)
Corporate Affairs Officer	41,170	4,800	Yes	> 45,970
Manager Human Resources Development	40,000	---	No	40,000
Manager Information& Communication Technology	40,000	---	No	40,000

The differences in salary scales and other benefits currently offered to the 3 officers above is quite extensive and it indicates that the Authority had basically given in and agreed to accommodate Corporate Affairs Officer's request.

There could be resentment amongst managers as a result of the differences in salary and other entitlements.

Recommendations

- **The Authority should provide satisfactory explanation for appointing the Corporate Affairs Officer when she did not meet the minimum qualification requirements**
- **The Authority should explain why there is a difference in working conditions between the CAO and the other 2 managers'.**
- **Reasons to be provided for appointing the CAO to the permanent position rather than appointed on a contract as per initial offer.**

Authority's Comment

The CAO was accepted based on her 14 years of experience and strength in Administration, Sales and Marketing. Melita also then had commenced a Management Degree at USP and had completed 4 units out of 20.

As she was relocating from Lautoka to Suva to take up this offer, a housing allowance was considered and granted to cater for this relocation. The housing allowance has also been paid to operations staff by the Authority for relocation.

The Director Corporate Services had declared his interest to the CEO prior to the interview. The negotiations with CAO and the approval of the interview was carried out by the CEO which showed that Director Corporate Services did not have any influence in the final decision to hire the CAO.

CAO's achievements and performance over the last few years have been excellent. This is testimony to the strong skills of NFA management and board in hiring good people for the Authority. The board is also a believer in having experienced people who know their roles on board is critical instead of hiring people with the required academic qualifications that do not have the previous experience.

SECTION 11: PRICES AND INCOMES BOARD

Programme Statement

The Prices and Incomes Board was established on 1st July 1973 in accordance with the Counter – Inflation Act. The Board is a statutory body under the control of a single board member who is appointed by the Minister of Finance. In carrying out its statutory function, the board is empowered under the Counter – Inflation Act (Cap 73) upon the Ministers directive and approval, to control the following:

- prices;
- charges;
- remuneration;
- dividends
- rents; and
- any connected purpose as determined by the Minister.

The Counter Inflation Act 1978 has been repealed under section 160 of the Commerce Commission Decree 2010.

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PART A – FINANCIAL INFORMATION 2009

11.1 Audit Opinion

The audit of the financial statements of the Prices & Incomes Board (PIB) for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

11.2 Abridged Income Statement

Year Ended 31 December	2009 ($)	2008 ($)
Income		
Grants from Government	977,778	1,047,111
Other Income	9,431	8,518
Total Income	**987,209**	**1,055,629**
Expenditure		

Year Ended 31 December	2009 ($)	2008 ($)
Personnel Expenses	729,373	773,987
Other Operating Expenses	230,573	238,198
Total Expenditure	**959,946**	**1,012,185**
Net Surplus/(Deficit) for the Year	**27,263**	**43,444**

Total receipts for the year declined by $68,420 or 6.5% as a result of the reduction in the receipt of grants from government. As a result, a decline in surplus for the year of $27,263 was noted compared to $43,444 in 2008.

11.3 Abridged Balance Sheet

As at 31 December	2009 ($)	2008 ($)
Assets		
Cash at Bank	120,963	93,699
Vat Receivable	1,189	1,189
Total Assets	**122,152**	**94,888**
Total Accumulated Funds	**122,152**	**94,888**

Net Assets increased by $27,264 or 29% compared to an increase by $43,443 or 84% in 2008. The reduced growth is attributed to the reduced net surplus during the year 2009.

PART B – FINANCIAL INFORMATION 2010

11.4 Audit Opinion

The audit of the financial statements of the PIB for the year ended 30 June 2010 resulted in the issue of an unqualified audit report.

This is the last financial report of the Board due to the Counter Inflation Act 1978 being repealed under section 160 of the Commerce Commission Decree 2010 and its merger with Commerce Commission under section 163(3) of the Commerce Commission Decree 2010.

The financial reporting year of the Board was changed to 30/06/10 from 31/12/10 to accommodate the merger.

11.5 Abridged Income Statement

Year Ended 30 June	30/06/10 ($)	31/12/09 ($)
Income		
Grants from Government	446,449	977,778
Other Income	9,924	9,431
Total Income	**456,373**	**987,209**

Year Ended 30 June	30/06/10 ($)	31/12/09 ($)
Expenditure		
Personnel Expenses	370,019	729,373
Other Operating Expenses	97,284	230,573
Total Expenditure	**467,303**	**959,946**
Net Surplus/(Deficit) for the Year	**(10,930)**	**27,263**

For the six month period, the Board recorded a deficit of $10,930 compared to the 12 months of operation during the year 2009. The reporting period for the Board was only up to June 2010 with reduction in grants due to the merger with the Fiji Commerce Commission under section 163(3) of the Commerce Commission Decree 2010.

11.6 Abridged Balance Sheet

As at 30 June	30/06/10 ($)	31/12/09 ($)
Assets		
Cash at Bank	102,198	120,963
Vat Receivable	7,723	1,189
Total Assets	**109,921**	**122,152**
Total Accumulated Funds	**109,921**	**122,152**

Net Assets over the six-month period declined by $12,231 (10%) compared to the twelve months period for the year 2009 and did not fully reflect the financial performance for the full year due to the merger with Fiji Commerce Commission under the section 163(3) of the Commerce Commission Decree 2010.

SECTION 12: WESTERN DIVISION DRAINAGE BOARD

Programme Statement

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

12.1 Audit Opinion - 2007

The audit of the financial statements of Western Division Drainage Board for the year ended 31 December 2007 resulted in the issue of an unqualified audit report.

12.2 Abridged Income Statement

Year Ended 31 December	2007 ($)	2006 ($)
Income		
Drainage Rates Income	195,724	254,156
Other Income	17,135	8,556
Total Operating Income	**212,859**	**262,712**
Expenditure		
Wages and Salaries	43,475	66,886
Doubtful Debts	216,424	84,976
Drainage Maintenance	90,791	91,929
Other Expenditure	58,516	75,057
Total Operating Expenditure	**409,206**	**318,848**
Net Surplus/(Deficit) for the year	**(196,347)**	**(56,136)**

The Board recorded a net deficit of $196,347 in 2007 compared to a deficit of $56,136 in 2006. The increase in deficit was due to increase in Doubtful Debts expenses by $131,448 or 155%. The Drainage Rates also declined by $58,432 or 23% in 2007 which also contributed to the increase deficit.

12.3 Abridged Balance Sheet

Year Ended 31 December	2007 ($)	2006 ($)
Current Assets		
Cash	84,601	102,096
Financial Assets – Term Deposits	57,253	54,295
Receivables	8,001	179,402
Total Current Assets	**149,855**	**335,793**
Non Current Assets		
Financial Assets – Term Deposits	100,000	0
Investment - UTF	0	100,000
Property, Plant & Equipment	36,850	49,854
Total Non Current Assets	**136,850**	**149,854**
Total Assets	**286,705**	**485,647**
Current Liabilities		
Creditors & Other Accruals	54,621	55,817
Employee Benefits	6,881	7,176
Total Current Liabilities	**61,502**	**62,993**
Non-Current Liabilities	**4,514**	**5,618**

Year Ended 31 December	2007 ($)	2006 ($)
Total Liabilities	**66,016**	**68,611**
Net Assets	**220,689**	**417,036**
Total Accumulated Funds	**220,689**	**417,036**

Net assets declined by $196,347 or 47% in 2007 compared to 2006 due to significant decrease in current assets.

PART B – CONTROL ISSUES

12.4 Bank Reconciliation Not Carried Out

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer[1].

Monthly bank reconciliations were not carried out during the year.

Bank reconciliation is the process of matching and comparing records maintained for the account against those presented on the bank statements. It would allow the Accounts Officer to uncover discrepancies.

The absence of reconciliations and proper set of accounts increases the risk of fraud and mismanagement of funds. Preparing regular reconciliations ensures that any miss-postings or anomalies are identified and investigated.

Recommendation

The management should ensure that monthly bank reconciliations are prepared.

Management Comment

The Board notes your recommendations and will ensure that monthly reconciliation would be carried out and duly signed by Board's Secretary. The Board assures that finance instructions section 39 (5) will be fulfilled.

12.5 Breach of Procurement Procedures

Every Board shall, within its own drainage area, have power to do all things necessary to carry out its functions under this Act and in particular, shall have power with the prior consent of the Controlling

[1] Finance Instructions 2005, section 39(5)

Authority[2], to enter into contracts in connection with drainage works provided that the Board may enter into a contract involving a sum not exceeding $10,000 without such consent[3].

Tenders must be called for the procurement of goods, services or works that cost over $20,000[4].

Competitive quotations or tenders were not produced for audit during inspection for drainage maintenance work. Payments were mainly made to two engineering companies to carry out drainage and maintenance works. The total payments made to the company for the services amounted to $17,266.50 for Engineering Company A and $71,355.74 for Engineering Company B as detailed in the Table 12.1 and 12.2 below.

Table 12.1: Engineering Company A

Date	Chq No.	Details	Amount ($)
15/03/07	9698	Hire of hiab truck	676.00
16/05/07	9772	Hire of hiab truck for culvert crossing repairs at meigunyah. scheme at $28/hr	84.00
25/07/07	9817	Hire of hiab truck	224.00
10/10/2007	9907	Hire of hiab truck for culvert crossing maqalevu	3,949.00
7/12/2007	9964	Hire of truck to cart dredge pipes from BA dredge to Lomolomo and unload and carting of culverts from Raju's Investment to Vitogo and unload.	322.00
14/12/07	9972	Hire of hiab truck and also repairs made to maqalevu and Nasoso floodgates.	9,784.00
14/12/07	9973	Hire of hiab truck and repairs to maqalevu floodgate.	2,227.50
Total			**17,266.50**

Table 12.2: Engineering Company B

Date	Chq NO.	Details	Amount ($)
6/2/2007	9646	Desilting	6,172.25
14/02/07	9666	Desilting carried out	10,049.10
1/3/2007	9672	Desilting	5,493.13
16/03/07	9689	Desilting	802.00
21/03/07	9690	Desitling	2,071.00
30/03/07	9695	Desilting carried out	9,382.00
5/4/2007	9715	Desilting carried out	1,439.00
18/04/07	9743	Desilting carried out at Solovi II 1570m@ .95/m - 1491.50 and Lomolomo Vs 1425 @ .95m 1353.75	2,845.25
20/04/07	9745	Desilting carried out at the Lomawai scheme 6320m @ .95m	6,004.00
6/4/2007	9748	Maqalevu - 930 @ .95 and Meigunyah 1000@ .95, Meingunyah	2,057.50

[2] Land Conservation Board
[3] Drainage Act (Amendment) Promulgation 2008 s. 9 (d)
[4] Finance Instruction 2005 – Competitive Procurement – 12(4)

Date	Chq NO.	Details	Amount ($)
		8hurs @ 28/hr	
14/05/07	9755	Nabuna - 10190m @ .95/m - 9680.50, Votua - 8hrs @ 28/hr - 224	11,035.00
18/05/07	9760	being hire of machines and supply of gravel and spalls for culvert reapirs at nasoso and meigunyah	1,395.00
6/6/2007	9794	soil spreading at solovi 2 hrs@ $28/hr - 56, Lovu/Vitogo 3 hrs @ 28/hr	140.01
20/06/07	9834	Desilting Nasoso	3,714.50
22/06/07	9836	cutting trees in the drain at Lomolomo(60 trees @$20)	1,200.00
19/07/07	9848	supply of gravel, spalls, hire of excavator at Lovu/Vitogo	287.00
16/08/07	9857	desilting at Nasoso	475.00
10/10/2007	9893	supply gravel and spalls for culvert crossing Lomolomo	125.00
6/12/2007	9942	Desilting Solovi I 2500m @ .95/m - 2375, Solovi II 1290m @ .95	3,600.50
11/12/2007	9944	Desilting Naqoro	3,068.50
Total			**71,355.74**

The audit was unable to confirm whether the most competitive supplier was awarded the contract and whether the process followed in engaging Engineering Company B and Engineering Company A was carried out with due regards to fairness and transparency.

Recommendations

- **Tender and contract documents for the engagement of suppliers of goods and services should be properly maintained and produced for audit purposes when requested.**
- **The Management should ensure that proper procurement procedures are followed at all times and ensure that tenders are called for purchases of goods and services in excess of $20,000.**

Management Comment

No comments provided

12.6 Banking Not Done Daily

All money received by an agency shall be banked on the day of receipt, or as early as practicable on the next banking day, by an officer who, wherever possible, is independent of the revenue collector[5].

Audit noted that revenues collected by the Accounts Officer were not banked on the day it was collected or at the earliest. Refer to Appendix 16.1 for details.

Keeping cash on hand for long period of time increases the risk of theft and misappropriation of revenue.

[5] Finance Instructions 2005 Section 29 (7)

Recommendation

The Board should ensure that all revenue collected is banked on a daily basis or as early as practicable.

Management Comment

The Board notes your recommendations and assures that all money received by the Board will be banked daily or as early as practicable on the next banking day.

PART C – FINANCIAL INFORMATION 2008

12.7 Audit Opinion - 2008

The audit of the financial statements of Western Division Drainage Board for the year ended 31 December 2008 resulted in the issue of an unqualified audit report.

12.8 Abridged Income Statement

Year Ended 31 December	2008 ($)	2007 ($)
Income		
Drainage Rates Income	-	195,724
Grant from Government	772,447	-
Other Income	11,012	17,135
Total Income	**783,459**	**212,859**
Expenditure		
Doubtful Debts	-	216,424
Other Expenditure	623,538	192,782
Total Operating Expenditure	**623,538**	**409,206**
Net Surplus/(Deficit) for the year	**159,921**	**(196,347)**

The Board recorded a net surplus of $159,921 in 2008 compared to a deficit of $196,347 in 2007. The surplus was due to grant totalling $772,447 received from the Government in 2008.

12.9 Abridged Balance Sheet

Year Ended 31 December	2008 ($)	2007 ($)
Assets		
Cash	218,995	84,601
Other Current Assets	63,831	65,254
Non-Current Assets	171,459	136,850

Year Ended 31 December	2008 ($)	2007 ($)
Total Assets	**454,285**	**286,705**
Liabilities		
Current Liabilities	69,059	61,502
Non-Current Liabilities	4,616	4,514
Total Liabilities	**73,675**	**66,016**
Net Assets	**380,610**	**220,689**
Total Accumulated Funds	**380,610**	**220,689**

Net assets increased by $159,921 or 72.46% in 2008 compared to 2007 due to significant increase in current assets.

PART D – CONTROL ISSUES

12.10 Bank Reconciliation Not Carried Out

Bank reconciliation is the process of matching and comparing records maintained for the bank accounts against those presented on the bank statement.

All bank accounts should be reconciled monthly. The bank reconciliation should list the outstanding cheques and other reconciling items and signed and dated by the responsible Officer.[6]
It is a good internal control practice that bank reconciliation should be reviewed by an independent person.

The Board maintains two bank accounts. The audit noted that monthly bank reconciliations were not carried out during the year for both bank accounts.

Absence of bank reconciliations increases risk of fraud and mismanagement of Board's funds.

Recommendation

The Board should ensure that monthly bank reconciliations are prepared and reviewed by a senior officer.

Management Comment

The inability of providing bank reconciliations was due mainly to the Board not being able to attract staff with an accounting background. The Board's accounts were being handled by a clerical officer who did not have sufficient knowledge in accounting to undertake bank reconciliations. This will be reviewed by the Secretary of the Board. The audit recommendations will also be prepared to the Board to consider the services of external accounting firms for independent review.

[6] Finance Instructions 2005, section 39(5)

12.11 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.[7]

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.[8]

The following anomalies were noted during the review of VAT record of the Board.

- There was a variance between VAT receivable as per Statement of VAT account from FRCA and the VAT payable/receivable account as per the Board's general ledger. Refer to Table 12.3 below for details.

Table 12.3: Variance in VAT Receivable/Payable Account

VAT Control Accounts as per General Ledger	Amount ($)	VAT Balance as per Statement of VAT Account	Amount ($)
VAT Payable	12,123	VAT Receivables	1,877
VAT Receivables	(2,905)		
VAT Payable	**9,218**	**VAT Receivables**	**1,877**

The variance between the two records was not resolved or reconciled by the Board. As a result of the above anomaly, audit could not substantiate the VAT payable amount in the Balance Sheet.

- VAT was accrued on VAT exclusive payments made by the Board. Refer to Table 12.4 below for details.

Table 12.4: VAT Receivable

Payee	Amount Paid (VEP) ($)	VAT Accrued ($)
Payee 1	4,255	473
Payee 2	11,596	1,288
Payee 3	7,964	885
Total	**23,815**	**2,646**

Accrual of VAT on VAT exclusive payments results in understatement of VAT liability Account balance.

[7] Value Added Tax Decree 1991 4th edition revised to 30/04/04 – section 15 (1)
[8] Value Added Tax Decree 1991, revised 30/04/2004, section 39

Recommendations

- **The Board should ensure that a Statement of VAT account is obtained from FRCA and reconciled with the VAT Accounts as per the general ledger.**

- **The Board should ensure that VAT is not accrued on VAT exclusive payments.**

Management Comment

T*he Board has noted the recommendations.*

The Board will ensure that statement of VAT account is obtained from FRCA office and reconciled with the VAT accounts. The Board has made improvements and is making VAT inclusive payments and submitting monthly VAT returns to the FRCA office.

APPENDIX 12.1: BANKING NOT DONE ON A DAILY BASIS

Date Received	Date Banked	Receipt No	Particulars	Deposit Amount ($)
4/1/2007	11/01/07	1957	IBD withdrawn	106,451.40
25/05/07	29/05/07	1967	Vat Refund	114.20
25/05/07	29/05/07	1968	Drainage Rates	6,803.56
25/05/07	29/05/07	1969	Drainage Rates	5,893.76
25/05/07	29/05/07	1970	Drainage Rates	2,556.68
29/06/07	05/07/07	1971	Drainage Rates	305.00
01/10/07	10/10/07	1972	Drainage Rates	114.00
04/10/07	10/10/07	1973	Drainage Rates	310.69
04/10/07	10/10/07	1974	Drainage Rates	298.79
04/10/07	10/10/07	1976	Drainage Rates	426.23
04/10/07	10/10/07	1977	Drainage Rates	87.06
04/10/07	10/10/07	1978	Drainage Rates	907.45
04/10/07	10/10/07	1979	Drainage Rates	11.00
04/10/07	10/10/07	1980	Vat return	1,015.54
27/11/07	21/12/07	1981	Tender doc cost	20.00
29/11/07	21/12/07	1982	Tender doc cost	20.00
04/11/07	21/12/07	1983	Tender doc cost	20.00
04/12/07	21/12/07	1984	Tender doc cost	20.00
12/12/07	21/12/07	1985	Tender doc cost	100.00
14/12/07	21/12/07	1986	Tender deposit for CM 364	100.00
12/12/07	21/12/07	1987	Tender deposit for CM 364	100.00
12/12/07	21/12/07	1988	Tender deposit for CM 364	100.00
13/12/07	21/12/07	1989	Tender deposit for CM 364	100.00
12/12/07	21/12/07	1990	Drainage Rates	906.85
12/12/07	21/12/07	1991	Drainage Rates	37.00
12/12/07	21/12/07	1992	Drainage Rates	55.00
12/12/07	21/12/07	1993	Drainage Rates	21,262.80
12/12/07	21/12/07	1994	Drainage Rates	842.96
12/12/07	21/12/07	1995	Drainage Rates	103.71
12/12/07	21/12/07	1996	Drainage Rates	12.00
12/12/07	21/12/07	1997	Drainage Rates	227.45
12/12/07	21/12/07	1998	Drainage Rates	177.69
12/12/07	21/12/07	1999	Drainage Rates	92.00
12/12/07	21/12/07	2000	Drainage Rates	430.74
12/12/07	21/12/07	2001	Drainage Rates	1,066.91
12/12/07	21/12/07	2002	Unclaimed Allowances	120.00