

Our ref: MS3/23/1

("By hand delivery")

21 May 2018

Honorable Ashneel Sudhakar
Chairman
Public Accounts Committee
Parliament of the Republic of Fiji
SUVA

Dear Sir

RE: CLARIFICATION OF ISSUES – 2015 AUDIT REPORT ON STATE-OWNED ENTITIES & STATUTORY AUTHORITIES

We refer to your letter dated 14 May 2018 and hereby submit our justification and clarification on issues raised therein.

1. Page 18: Modified audit opinions.

A modified audit opinion was issued on the 2015 financial statements of MSAF because MSAF was abiding by the circular issued by Ministry of Public Enterprises on Cabinet Decision No. 357 of 2012, where all government grant received was to be treated as capital contributions. The OAG did not recognize this treatment of government grant as this deviated from the standard accounting practice.

However the circular was rescinded in 2016 and all treatment of grants were in accordance to accounting standards from 1 January 2016. MSAF does not expect a qualified audit opinion in their 2016 financial statements.

2. Page 19: Emphasis of matter.

Tax Exemption Status – MSAF had a meeting with FRCA CEO on 1 May 2018 at MSAF office in relation to the above. It was resolved that MSAF to forward a cabinet paper to request for amendments to s.55- of the MSAF Decree in relation to "Exemption from Taxes and Duties".

This shall exempt MSAF from payment of income tax for a longer period of time. MSAF has not been generating profit over the years. This is due to the nature of service it provides to its stakeholders. Furthermore, low fees and charges is the key factor in low profit/no profit.

Ships Systems Database Software – there issue of the software has been resolved by the software developer. However the delay is from MSAF's side to populate the data to enable the required feature to work properly. Of the 2000+ files not uploaded in the new system, 1254 has been uploaded to date. MSAF staff is working odd hours to

populate the missing data. This shall be completed in a few months' time. Lack of manpower is hindering the progress.

3. Page 30 (6.4.7)

Underutilization of capital grants/no board

This issue has been resolved as MSAF Board has now been appointed.

Marine Spill Pollution Advisory Committee not established

MSAF Board has endorsed the appointment of the Marine Spill Advisory Committee (MSAC) in the first meeting held on 04/05/18 subject to approval of the line Minister for Infrastructure and Transport. MSAF has submitted its request for the formal appointment of the MSAC to the Minister on 21/05/18 as per the requirements under Section 155 of the Maritime Transport Act 2013 for the establishment of the MSAC.

Yours faithfully,



JOHN TUNIDAU
CHIEF EXECUTIVE OFFICER