

PUBLIC ACCOUNTS COMMITTEE

SUPPLEMENTARY RESPONSE

Question

With reference to our conversation yesterday morning (Mateo/Dineshwar) regarding the PAC Submission from WAF on the treatment of Government grant, grateful please if you could forward the relevant documents as requested by the Committee Members.

Response

In forming our opinion on the incorrect treatment of the Water and Sewage rates Office of the Auditor General has basically referred to the Accounting Standards. International Accounting Standards (IAS) 18 has set two criteria which need to be met for revenue recognition. One of the criteria requires that economic benefit associated with the item of revenue should flow to the entity. However, OAG basis of argument is on the following:

- The receipts from the Water and Sewage charges are deposited in the Consolidated bank account and the Authority cannot use this funds when they receive it. This means that WAF does not have control over those receipts and as such the economic benefit which is the cash receipts do not flow to the entity.
- Secondly, Government provides operating and capital grant to WAF for their capital works and for operating expenditures. The revenue that WAF records from the water and sewage rates is not used to finance the operating or capital expenditures and as such it does not derive any economic benefit in this sense as well. and such it does not match with the expenditure.
- WAF is more like an Agent to the Government collecting the water and sewage rates on behalf of the Government and remitting the same to the Government.
- The Government records the cash receipts from water and sewage charges as government revenue which is transferred in the consolidated accounts of the Government.

The qualification was mostly based on the above.

While WAF argues that they take risks in collecting and remitting the funds to the Government the substance is that WAF can't use the those funds in their operation.

Subject	REQUEST FOR INFORMATION FROM OAG
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