

Report of Public Accounts Committee on the 2015 Auditor General’s Report

The Board’s reply follows the sequence of Public Accounts Committee Report on the 2015 Auditor General’s Report.

Report and PP No	Issue Raised by PAC for Clarification
<p>1)Page 17: Modified Audit Opinion Brief the committee why a modified audit opinion issued on 2015 Financial Statement of PRB. Please update us on whether the required adjustments being made in the 2016 Financial Statement of PRB in relation to government grants provided for the purchase or construction of assets.</p>	<p>• IAS 20 – Capital Grant to be treated as Deferred Revenue.</p> <p>This issue has been resolved as of 8th March 2016 by the cabinet to rescind their initial decision that all grants shall be recognized as International Accounting Standards 20 as deferred revenue. In 2016, no capital grant was received by PRB. However, PRB received capital grant in 2017 for Simla Low Cost Housing Project and this has been treated in accordance to International Accounting Standard 20 as deferred Revenue. (Refer Annexure 1)</p>
<p>2)Page 19: Emphasis of Matter</p> <p>The committee notes that additional emphasis was made in the audit report of PRB in relation to loan of \$9million which was borrowed by government from the EXIM bank of China in 2010 for the construction of Raiwai Housing Project.</p> <p>Audit noted that the PRB did not reconcile its records with that of the ministry of Economy to take into account interest already paid by the government during the grace period of five years. Brief the committee on whether the management has held discussions with the Ministry of Economy to rectify the issue.</p>	<p>This issue has been resolved. PRB had verified and paid all interest for the grace period except for \$37,464.09 of interest remaining and PRB will pay this by end of this month. PRB started to pay Principle and interest from 2016 after verifying the letters given by Ministry of Economy.</p> <p align="center">Annexure 2- Summary for payment</p>
<p>3) Page 32 (6.4.8)</p> <p>Please advise the committee on the following audit findings of the entity and indicate whether these issues have been resolved.</p> <ul style="list-style-type: none"> • Rental flats not insured • Review of Property, Plant and Equipment. 	<p>• Rental Flats not Insured</p> <p>This issue has been resolved. All Rental properties of PRB are insured for \$30million since October 2017.</p> <p align="center">Annexure 3- Insurance Cover and List of Properties</p>

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	<ul style="list-style-type: none"> • Review of Property, Plant and Equipment This issue has been resolved. PRB engaged Property Solution in 2017 to carry out the valuation for PRB properties. <p>Annexure 4- Correspondence for Valuation</p>

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Annexure 1

From: farisha.bi@auditorgeneral.gov.fj -- Farisha Bi <farisha.bi@auditorgeneral.gov.fj>
Sent: Wednesday, 16 May 2018 8:42 AM
To: shalinl@prb.com.fj
Subject: Response on 2015 Audit Qualification

Good Morning Shalin

Kindly referring to our telephone conversation yesterday on the 2015 audit qualification. The Qualification was resolved and the details of the work done to resolve the issue is as follows:

Qualifications in 2015

1). Included as equity under the Statement of Changes in Equity are government grants totalling \$16,295,950. This is a departure from the International Financial Reporting Standard IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" which requires government grants provided for the purchase or construction of assets to be recognised initially as deferred income and then recognized in profit or loss as other income on a systematic basis in the same period that the expenses are recognized. The Board's records indicate that had the Board complied with IAS 20, the impact would have been an increase in other operating income & deferred income by \$16,295,950 and a decrease in equity by the same amount.

Work done to resolve issue

The issue has been resolved with effect 8th March 2016 by the Cabinet to rescind their initial decision and all grants will be recognised according to IAS 20 as deferred revenue. In 2016, no capital grant was given by the government to PRB. Capital grant was given in 2017 to complete the capital projects and this will be treated in accordance with IAS 20 as confirmed by Manager Finance & Administration.

Please let me know should you have any further queries.

Thanks.

Farisha Bi Nawaz
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Annexure 2	
Public Rental board	
Exim Bank Reconciliation as at May 2017	
Loan Amount taken by PRB	9,000,000.00
Add Interest	1,164,953.89
Add Commitment Fees & Courier	345,382.06
Add Management Fees	381,459.00
Less payment	- 3,444,904.04
Loan Amount Outstanding	7,446,890.91

Payment	Date	Cheque No.	Cheque Amount	Principle	Interest	Fees	Fees & Courier	
1	18/03/2016	000001	\$498,249.68	\$379,345.84	\$118,903.84			
2	17/08/2016	000002 & 283026	\$200,000.00			\$224,176.30		
3	8/09/2016	283026	\$111,503.68		\$36,081.96		\$50,645.42	-\$600.00
		4&5			\$45,795.56			
4	29/09/2016	3	\$471,396.49	\$360,762.62	\$110,633.87			
	28/10/2016	4	\$100,000.00				\$66,744.67	
5	4/11/2016	5	\$12,540.23					
6	29/12/2016	283572	\$120,863.16		\$54,281.45	\$66,581.71		
					\$38,064.35			\$38,064.35
7	23/02/2017	283859	\$123,958.28		\$33,257.29	\$90,700.99		
8	31/03/2017	284066	\$455,341.15	\$352,537.34	\$102,803.81			
9	28/04/2017	284204	\$194,242.17		\$97,571.04			
		284204			\$96,671.13			
10	31/07/2017	284653	\$159,383.37		\$100,258.97		\$59,124.40	
11	29/09/2017	284955	\$361,879.79	\$361,879.79				
12	31/10/2017	285098	\$103,578.04		\$103,578.02			
13	12/12/2017	285292	\$125,646.99		\$125,646.99			
14	9/01/2018	285403	\$168,867.57				\$331.83	
		285403					\$52,812.84	
		285403					\$5,383.33	
		285403					\$58,549.69	
		285403					\$51,789.88	
15	30/04/2018	285968	\$237,453.46	\$136,047.85	\$101,405.61			
				\$237,453.48				
	Total		\$3,444,904.04	\$1,828,026.92	\$1,164,953.89	\$381,459.00	\$345,382.06	\$37,464.35



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Annexure 3

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30 October 2017

SUMMARY OF INSURANCE COVER ARRANGED

Class of Insurance:	Fire & Named Perils – Material Damage
Insured:	Public Rental Board and any subsidiary company and organisations for which they have management control and joint ventures, as now or hereafter constituted, formed or acquired.
Period of Insurance:	From 4.00p.m Fiji standard time 05 October 2017 To 05 October 2018 at 4.00pm Fiji standard time. and any other period for which the Company and the Insured agree to renew or extend the Policy.
The Business:	Principally, but not restricted to all business activities including but not restricted to property owners, land developers, landlords and all other activities incidental thereto.
Interest Insured:	“Insured Property” means property insured under this Policy and includes tangible property of every description not expressly excluded, the Insured’s own or held by the Insured jointly or in trust or on commission and for which the Insured is responsible or has assumed responsibility.
Situations:	As per schedule
Policy Loss Limit:	\$10,000,000 (VIP) any one loss – First Loss Limit
Declared Values:	As per schedule
Basis of Settlement:	Indemnity Value Conditions, Average Condition is deleted.
Perils Insured:	Fire Lightning Spontaneous Combustion Explosion Aircraft and Other Devices Impact by Vehicles/Animals

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Locked out workers, labour disturbances, Riot, Civil Commotion,
Strikes
Malicious and Other Acts
Earthquake, Subterranean Fire, Volcanic Eruption, Tsunami/Tidal
Wave, Sea Surge/ Overflow of the sea
Electrical Burnout – limited to \$3,000 anyone loss
Water Including Flood – Limit \$20,000 anyone loss and \$50,000 in
annual aggregate
Acts of Authorities
Smoke from Heating Devices
Leakage or Spillage {Any gas, vapour, liquid (other than water)}
Water discharge or leaking
Sprinkler Leakage
Accidental Loss or Damage
Windstorm/Cyclone – Subject to valid Engineers Certificate

Special Limits:

Capital Additions: \$250,000 in annual aggregate
Fire Extinguishment: \$5,000 anyone loss & \$25,000 in annual
aggregate.
Temporary Removal: \$20,000 any one loss & \$100,000 in annual
aggregate.
Keys & Locks: \$1,500 anyone loss per location per location
Glass: Replacement
Electrical Fusion: \$2,000 anyone loss
Claim Preparation Cost: \$50,000 in annual aggregate
Patterns, Models and Moulds: any one loss: \$1,000
Accidental Loss or Damage: \$25,000 in annual aggregate.
Demolition and Other Costs: \$200,000 any one claim.

Clauses/Extensions:

Application of Clauses
Application of Memoranda
Average Condition - deleted
Acts of Authorities
Accidental Loss or Damage
Alteration and Misrepresentation
Cancellation Clause (30 Normal days)
Capital Additions
Claim Preparation Cost
Demolition and Other Costs
Foundations
Lost or Stolen Keys
Mutually Acceptable Adjusters
Other Interest
Other Insurance
Progress Claim Payment
Protection Costs - \$2,000 anyone loss and \$10,000 in annual
aggregate
Reinstatement of Amount of Insurance – subject to additional pro-rate
premium

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	Rights of Joint Insureds 72 Hour Clause – Catastrophic loss only Unharmed Property Unoccupancy (60 days)
Deductibles:	Fire: \$1,000 or 10% of final adjusted loss whichever is greater. Earthquake: 10% of loss minimum \$2,000 each & every loss. Riot, Strike, Civil Commotion, Malicious Damage: 10% of final adjusted loss minimum \$2,500. All Others: \$500 each & every loss
Note:	No Cyclone Cover.
Policy Wordings:	As per Insurer's policy wordings attached with agreed Marsh Clauses & Extensions.
Cancellation:	Insured – at any time Insurer – 30 Normal Days Pro-rata refund of premium to be allowed on cancellation.
Proper Law:	This insurance shall be governed by Fiji law. Each party agrees to submit to the jurisdiction of any court of competent jurisdiction within Fiji and to comply with all requirements necessary to give such court jurisdiction. All matters arising hereunder shall be determined in accordance with the law and the practice of such court.
Insurer:	Sun Insurance Co. Limited
Proportion:	100%

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PUBLIC RENTAL BOARD
SCHEDULE OF VALUES PER SITE
PERIOD OF INSURANCE- 05 October 2017 to 05th October 2018

Item No.	Description/ Situation	Column A	Column B	Column C	Column D
1.	Mead Road, Nabua, Suva (except Raiwai Flats)	\$10,000,000	---	---	---
2.	Nasinu	\$7,500,000	----	----	---
3.	Sigatoka	\$1,600,000	---	---	---
4.	Levuka	\$ 530,000	---	---	---
5.	Nadi	\$1,200,000	---	---	---
6.	Lautoka	\$8,400,000	---	---	---
7.	Savusavu	\$1,200,000	---	---	---
8.	Labasa	\$2,760,000	---	---	---

POLICY EXCLUDES SITES UNDER CONSTRUCTION.



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Annexure 4

PUBLIC RENTAL BOARD- 2018					
ESTATE VALUATION SUMMARY					
CENTRAL DIVISION					
	ESTATE	REPLACEMENT VALUE	INDEMNITY VALUE	DEMOLIATION VALUE	ESCALATED REPLACEMENT VALUE
1	PRB HEAD OFFICE	\$ 797,000.00	\$ 638,000.00	\$ 40,000.00	\$ 856,000.00
2	VOTUA	\$ 3,041,000.00	\$ 2,276,000.00	\$ 460,000.00	\$ 3,256,000.00
3	UCI & MAMBA	\$ 1,880,000.00	\$ 1,411,000.00	\$ 288,000.00	\$ 2,005,000.00
4	KIA	\$ 4,021,000.00	\$ 3,109,000.00	\$ 604,000.00	\$ 4,347,000.00
5	NEWTOWN	\$ 3,466,000.00	\$ 2,536,000.00	\$ 518,000.00	\$ 3,707,000.00
6	NADERA	\$ 7,235,000.00	\$ 5,421,000.00	\$ 1,085,000.00	\$ 7,731,000.00
7	MEAD ROAD	\$ 6,226,000.00	\$ 4,209,000.00	\$ 936,000.00	\$ 6,730,000.00
8	MC FARLANE	\$ 4,544,000.00	\$ 3,770,000.00	\$ 682,000.00	\$ 4,897,000.00
9	CHARLES STREET	\$ 3,520,000.00	\$ 2,400,000.00	\$ 530,000.00	\$ 3,805,000.00
10	JALE STREET	\$ 1,621,000.00	\$ 1,201,000.00	\$ 245,000.00	\$ 1,737,000.00
		\$ 36,351,000.00	\$ 26,971,000.00	\$ 5,388,000.00	\$ 39,071,000.00
WESTERN DIVISION					
1	VAKATORA	\$ 4,512,000.00	\$ 3,157,000.00	\$ 676,000.00	\$ 4,843,000.00
2	SIMILA	\$ 2,548,000.00	\$ 1,790,000.00	\$ 383,000.00	\$ 2,760,000.00
3	GOLF LINK	\$ 2,029,000.00	\$ 1,520,000.00	\$ 306,000.00	\$ 2,179,000.00
4	NATOKAWAQA	\$ 6,566,000.00	\$ 4,600,000.00	\$ 1,494,000.00	\$ 7,085,000.00
5	NATABUA	\$ 3,137,000.00	\$ 2,362,000.00	\$ 472,000.00	\$ 3,358,000.00
6	VOTUALEVU	\$ 2,284,000.00	\$ 1,600,000.00	\$ 346,000.00	\$ 2,442,000.00
		\$ 21,076,000.00	\$ 15,029,000.00	\$ 3,677,000.00	\$ 22,667,000.00
NORTHERN DIVISION					
1	TUATUA	\$ 1,426,000.00	\$ 1,067,000.00	\$ 213,000.00	\$ 1,525,000.00
2	NAQERE	\$ 2,133,000.00	\$ 1,533,000.00	\$ 320,000.00	\$ 2,283,000.00
3	NAODAMU BLOCK 9	\$ 1,602,000.00	\$ 1,209,000.00	\$ 281,000.00	\$ 1,723,000.00
4	NAODAMU BLOCK 10	\$ 1,372,000.00	\$ 1,036,000.00	\$ 238,000.00	\$ 1,477,000.00
5	VUNIMOLI	\$ 1,112,000.00	\$ 784,000.00	\$ 66,000.00	\$ 1,190,000.00
		\$ 7,645,000.00	\$ 5,629,000.00	\$ 1,118,000.00	\$ 8,198,000.00
		\$ 65,072,000.00	\$ 47,629,000.00	\$ 10,183,000.00	\$ 69,936,000.00