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## **STANDING COMMITTEE ON PUBLIC ACCOUNTS**

### **Review of the 2016/2017 Audit Report on Government Commercial Companies and Commercial Statutory Authorities**



**PARLIAMENT OF THE REPUBLIC OF FIJI**  
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## CHAIRPERSON'S FOREWORD



I am pleased to present this report of the Public Accounts Committee. This report reviews the 2016/2017 Auditor-General's Reports for Government Commercial Companies and Commercial Statutory Authorities.

This report summarized the work of the Committee and how it scrutinizes the information provided by the stakeholders or the entities reported on this Audit Report. With reference to the 2016/2017 Auditor-General's Reports for Government Commercial Companies and Commercial Statutory Authorities, the Committee have noted some outstanding audit issues that need to be addressed by these entities.

The Committee commended the work of the Office of the Auditor-General in trying to complete its audit on time for these Government Commercial Companies and Commercial Statutory Authorities and identified areas of improvement within each entity in advocate transparency and accountability within.

The Committee also commends the work of the various Government Commercial Companies and Commercial Statutory Authorities in terms of implementing the various Auditor-General's recommendation highlighted in the audit report. However, necessary actions are required by each entity in the implementation of each recommendation that would effectively improve the internal systems and processes that would further strengthen internal controls within each entity.

In this regard, strengthening public financial management in the civil service is important and this is consistent with the objectives of the Supreme Audit Institutions such as the Office of the Auditor-General as well as creating an effective oversight function of the Public Accounts Committee.

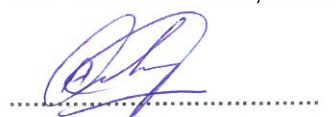
A total of eleven (11) entities were covered in the audit which identified issues that are matters of concern to the committee which deals with internal controls and this requires necessary actions taken so that future audit reports from these entities are improved as far as financial statements audits are concerned.

At the outset, I wish to extend my appreciation to all Honourable Members of the Committee who were part of the successful compilation of the bipartisan report, namely Hon. Joseph Nand (Deputy Chair), Hon. Vijendra Prakash, Hon. Aseri Radrodoro and Hon. Ratu Naiqama Lalabalavu.

I also extended my sincere gratitude to the alternate members who stood in during the consultation process and this includes Hon. Adi Litia Qionibaravi and Hon. Mikaele Leawere.

On behalf of the Committee, I also extend my appreciation to the Secretariat Staff for their continuous support and assistance until the submission of this report to Parliament.

With those few words, I now commend this report to Parliament.

A handwritten signature in blue ink, appearing to be 'Alvick', written over a dotted line.

**Hon. Alvick Avhikrit Maharaj**  
Chairperson

## **COMMITTEE MEMBERS**

The substantive members of the Standing Committee on Public Accounts are as follow:



**Hon. Alvick Avikirit Maharaj  
(Chairperson)**



**Hon. Joseph Nitya Nand  
(Deputy Chairperson)**



**Hon. Aseri Masivou Radrodro  
(Opposition Member)**



**Hon. Ratu Naiqama Lalabalavu  
(Opposition Member)**



**Hon Vijendra Prakash  
(Government Member)**

## INTRODUCTION

The Standing Order 109(2) (d) mandates the Committee to “...– including examining the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that the committee sees fit to review. The committee must only examine how public money has been dealt with and accounted for in accordance with the written law and must not examine the merits of the underlying policy that informs public spending”

### **Committee Procedure**

The Committee on 3<sup>rd</sup> and 6<sup>th</sup> July, 2019 had conducted its consultations with the following Government Commercial Companies to ascertain the progress of implementation for the OAG recommendation on the 2016-2017 Audit Report of the Office of the Auditor-General's on Government Commercial Companies and Commercial Authorities. We received evidences from the following Entities officials:

#### **Government Commercial Companies:**

1. Airports Fiji Limited
2. Fiji Broadcasting Corporation Limited
3. Fiji Public Trustees Corporation Limited
4. Post Fiji Limited
5. Unit Trust of Fiji

#### **Commercial Statutory Authorities:**

6. Energy Fiji Limited
7. Housing Authority

#### **Majority –Owned Entities:**

8. Copra Millers of Fiji Limited
9. Pacific Fishing Company Limited

#### **Other Entities:**

10. Fiji Development Bank Nominees Limited
11. Fiji Development Bank

### **Committee Membership**

The substantive Members of the Standing Committees on Public Accounts were:

1. Hon. Alvick Maharaj, Chairperson;
2. Hon. Joseph Nand, Deputy Chairperson;
3. Hon. Vijendra Prakash, Member;
4. Hon. Aseri Radrodro, Member; and

5. Hon. Ratu Naiqama Lalabalavu, Member

**Alternate Members:**

Pursuant to SO 115 (5), the following Members of Parliament were part of the Public Account Committee during the deliberation:

1. Hon. Adi Litia Qionibaravi (alternate member for Hon. Ratu Naiqama Lalabalavu)

**Background**

The Office of the Auditor General (“**OAG**”) is established as an Independent Office by the Constitution of the Republic of Fiji. Its roles and responsibilities is to express an opinion on the financial statements of the state-owned entities. Audit Act 1969 requires the Auditor-General to issue an audit memorandum to the responsible authority for each entity that is subject to an audit.

All state-owned entities prepare annual financial statements. Directors and management of these entities are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and requirements of applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Auditor General is responsible, on behalf of Parliament, for audit of the accounts of all state-owned entities except for its own office and those entities which may be exempted by law.

Although the Auditor-General's reports to Parliament with recommendation to improve performance or enhance accountability of public sector entities, the Auditor-General is not responsible nor does it have the powers to enforce the implementation of these recommendations.

As a matter of Good Governance, all public sector entities should have systems and process to consider and implement recommendations of the Auditor-General.

In this regard, the audit report that was reviewed had summarized the analysis done by the OAG on the internal controls of state owned entities for which audit opinions were issued on the 2016 and 2017 financial statements and the timeliness and quality of financial reporting by these entities.

In view of the above, the Standing Committee on Public Accounts plays a key role in reviewing the findings and recommendations of the Auditor-General's report to Parliament in consultation with relevant entities which the Committee sees fit to consult. The Committee always focuses on whether the audited entities have addressed issues raised in the audit report, and the underlying situation and reasons given during the period of audit in comparison as of to date situation or its current status.

# COMMITTEE REVIEW FINDINGS

## 1. AIRPORTS FIJI LIMITED (FA)

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Airports Fiji Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

The Committee was informed that FA (Fiji Airports) has been recognized by Airports Council International (ACI) for very good overall cost competitiveness and cost management in the region both in terms of operating expenditure and capital expenditure.

It was noted that the report benchmarked FA's per passenger cost being only 53% of the Pacific and World Average. The report stated that Fiji Airports has paid \$175m in dividends to its shareholders over the last six years. It was also noted that FA had paid \$14.91m in dividends in its entire history compared to previous years and also mention that FA is currently the highest dividend paying State Owned Enterprise in Fiji.

The Committee also found that FA has a **strong balance sheet** as recorded, \$350.6million increased in total assets from \$197.4million in 2013 to \$548million in 2018. It was noted that this was attributed to both to the successful cost efficient infrastructure upgrades that have given good "value-for-money" investments to FA and the lapse of time increasing values of assets. Also noted that FA engaged Beca Erasito for a revaluation exercise which was taken into FA books in 2018.

The Committee was informed that the total shareholder's fund grew from \$167.6million in 2013 to \$406million in 2018, which increases by \$237.9m or 142% and this was amount after the \$145million paid out in dividend to Government until 2018.

- 1) **In terms of its current ratio:** the Committee was informed that this measures a company's ability to pay short-term obligations or those due within one year. It also tells how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

It was further noted that if the ratio is below 1, it raises a warning sign as to whether the company is able to pay its short term obligations when due. FA's current ratio is 3.44 in both 2018 and 2017 and shows that FA has three times the ability to pay its current short term obligations.

- 2) **In terms of its debt to equity ratio:** the Committee was also informed that this measures the degree to which a company is financing its operations through debt versus wholly-owned funds. A ratio of greater than 100% shows that the company is effectively owned more by creditors and financiers

instead of shareholders. It was noted that FA's ratio is 35% and has only 35% external debt funding compared to shareholder's equity.

However, the Committee found on other significant matters of the audits that impairment assessment and *useful Lives of Plant and Equipment*; and *VAT Reconciliation and Taxable Supplies* are incorrectly declared in VAT returns and this has been highlighted as an audit issue.

***Airports Fiji Limited - Abridged Statement of Financial Performance***

Description	2017 (\$)	2016 (\$)
Revenue	130,264,311	111,216,194
Other Income	8,000,140	4,907,329
Finance Income	1,877,937	1,931,088
<b>Total Income</b>	<b>140,142,388</b>	<b>118,054,611</b>
Other Expenses	21,407,262	20,474,312
Operating Expenses	19,143,294	14,174,228
Personnel Expenses	17,539,621	16,195,860
Loss on Demolition of Old Terminal Assets Due	---	3,702,157
Finance Cost	1,865,798	1,350,310
<b>Total Expenditure</b>	<b>59,955,975</b>	<b>55,896,867</b>
<b>Profit Before Income Tax</b>	<b>80,186,413</b>	<b>62,157,744</b>
Income Tax Expense	15,946,426	12,691,421
<b>Net Profit For The Year</b>	<b>64,239,987</b>	<b>49,466,323</b>

The Committee noted that in 2017, Airports Fiji Limited recorded a substantial increase in its net profit by \$14.7million (30%) compared to 2016. It was found that this resulted by the increase in revenue generated by air navigation charges, concessions, landing and parking fees international, terminal navigation aid charges and rental offices and warehouses.

***Airports Fiji Limited - Abridged Statement of Financial Position***

Description	2017 (\$)	2016 (\$)
Cash on Hand and at Bank	55,210,940	16,345,000
Trade Receivables	18,125,039	13,516,678
Inventories	483,298	758,282
Other Receivables and Prepayments	4,612,538	4,456,864
Term Deposits	11,000,000	57,700,246
Property, Plant and Equipment	233,790,792	200,384,246
Investment Property	8,453,793	8,709,302
<b>Total Assets</b>	<b>331,676,400</b>	<b>301,870,618</b>
Bank Overdraft	---	1,744,399
Trade and Other Payables	10,961,908	9,755,310
Loans and Borrowings	81,073,156	65,736,875
Employee Benefits	844,057	756,061
Deferred Income	11,212,372	11,881,794
Current Tax Liability	2,982,032	5,999,480
Deferred Tax Liability	2,875,478	3,347,962
<b>Total Liabilities</b>	<b>109,949,003</b>	<b>99,221,881</b>
<b>Net Assets</b>	<b>221,727,397</b>	<b>202,648,737</b>



It was noted in the report that in 2017 the Net Assets was increased by \$19.07million (9%) in 2017 compared to 2016. This was attributed by the increase in cash on hand and at bank, trade receivable and property, plant and equipment

## 2. FIJI PUBLIC TRUSTEE CORPORATION LIMITED

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Fiji Public Trustee Corporation's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

The Committee noted that the Corporation recorded a decrease in net profit by 6% in 2016 compared to 2015. Also noted, although the Corporation recorded a growth in its total income, however it was not enough to cover the increase its total expenditures.

It was recorded that the total assets decreased as a result of reduction in cash bank, and financial assets, however, net assets increased by 5% in 2016 compared to 2015 which were due mainly from the Corporation not recording dividend payable as at 31 December 2016.

However, in 2017 attention was drawn to Note 15 of the financial statements which included assets and liabilities of the Trust and Estate under management. The Committee noted that in previous years, the Trust and Estate financial statements are not presented separately from the Corporation's financial statements.

#### *Fiji Public Trustee Corporation Limited - Abridged Statement of Financial Performance*

Year ended 31 December	2017 (\$)	2016 (\$)
Fees	592,446	639,025
Interest Income	578,633	568,634
Other Revenue	28,682	24,105
<b>Total Income</b>	<b>1,199,761</b>	<b>1,231,764</b>
General and Administration Expenses	280,979	223,314
Selling Expenses	26,811	17,300
Staff and Employee Costs	579,987	547,024
<b>Total Expenditure</b>	<b>887,777</b>	<b>787,638</b>
Operating Profit Before Income Tax	311,984	444,126
Income Tax Expense	52,461	80,411
<b>Net Operating Profit After Tax</b>	<b>259,523</b>	<b>363,715</b>
Other comprehensive income	196,402	22,730
<b>NET PROFIT FOR THE YEAR</b>	<b>455,925</b>	<b>386,445</b>

It was also noted that the net profit for the year 2017 increased by \$69,480 (18%) compared to 2016 which was resulted to the substantial increase of other comprehensive income from unrealized gain on market valuations of financial assets at year end.

***Fiji Public Trustee Corporation Limited - Abridged Statement of Financial Position***

<b>As at 31 December</b>	<b>2017 (\$)</b>	<b>2016 (\$)</b>
Cash and Cash Equivalents	456,747	282,934
Trade and Other Receivables	469,048	433,251
Other Current Assets	120,808	80,522
Financial Assets	12,410,943	6,145,358
Property, Plant and Equipment	1,881,646	1,933,675
<b>Total Assets</b>	<b>15,339,192</b>	<b>8,875,740</b>
Trade Payables & provisions	118,327	64,436
Dividend Payable	500,000	---
<b>Total Liabilities</b>	<b>618,327</b>	<b>64,436</b>
<b>NET ASSETS</b>	<b>14,720,865</b>	<b>8,811,304</b>

The Committee was informed that in 2017 the Corporation's net asset increased by \$5.9million (67%) compared to 2016. The increase was resulted from the increase in financial assets as a result of investments held in trust in 2017.

### **Workforce and Human Resources**

The Committee found out that from 2016 -2017 the workforce stood at 21 staff members in total which inclusive of 3 Managers and the Chief Executive Officer. In terms of gender composition, the Committee noted that 55% of staff are females and 45% are males.

### **Services Provided to the People of Fiji**

The services that are provided to the people of Fiji included the **Estate Administration Services** and the **Trustee Services**.

- 1) Estates Administration Services:** The Committee noted that the service involves are collating a person's assets, paying their debts, and distributing the assets to beneficiaries in accordance to the terms of their Will upon death. The Committee was informed that without a Will the distribution is done in accordance with the Succession Probate Admin. Act.

The Committee was informed that in 2017, the Corporation opened 56 estates which were valued at \$4.5 million and also finalized 108 estates which were valued at \$2.1million. The Corporation's fees and charges are as gazette.

- 2) Trustee Services:** The Committee was informed that a trust is a relationship based on confidence between the person creating a trust, a Trustee and a Beneficiary. In 2016, the Corporation was Trustees for 9,108 clients with a value of \$15.8M.

## **Way Forward - Fiji Public Trustee Corporation Limited**

The Committee was informed that in moving forward, in 2020 the Corporation will roll out its new estate planning services to the people of Fiji as its business expands. Also noted that it will also enhance and develop its IT Systems to improve its services;

The Corporation has also planned to conduct more public awareness and marketing activities in various communities, civil society, amongst workers and to all the ordinary Fijians.

The Corporation is also aimed at assist economically disadvantaged Fijians as its Non-Commercial Obligations and in the long term plan to explore other business opportunity with the expansion of its FPTCL HQ property in Suva.

The Committee found in the audit reports the following significant matters:

- (i) provisions for Trust Claims and Investment impairment was not reviewed;
- (ii) also noted was the absence of Business continuity and disaster recovery plans; and
- (iii) the absence of internal audit function.

### 3. POST FIJI LIMITED

#### HIGHLIGHTS

##### Financial Performance

The Committee noted in the audit report that Post Fiji Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

The Committee was informed that the Company recorded a net loss in 2016 after income tax of \$735,763 compared to a net profit of \$1,638,923 in 2015. It has a variance of \$2,374,686 (144%). It was noted that the net loss after income tax was largely due to an increase in administration and operating expenses of the Company and this resulted to an increase in doubtful debts by \$2,728,393.

##### *Post Fiji Limited - Abridged Statement of Financial Performance*

Description	2017 (\$)	Restated 2016 (\$)
Revenue	8,971,892	7,594,582
Postage, Stamp and Other Sales	4,430,446	4,450,375
Rental – Postal Box and Bag	2,257,419	2,231,045
Agency Commission and Other Services	9,178,792	10,352,731
Other Operating Revenue	1,850,098	2,024,414
Finance Income	329,198	301,036
<b>Total Income</b>	<b>27,017,845</b>	<b>26,954,183</b>
Cost of Sales	6,862,860	5,938,471
Depreciation and Amortization Expense	1,181,176	1,090,191
Employee Benefits Expenses	7,949,757	8,008,874
Administration and Operation Expenses	10,216,578	12,762,334
Selling, Marketing and Distribution Expenses	141,484	119,218
Other Operating Expenses	17,957	15,913
<b>Total Expenditure</b>	<b>26,369,812</b>	<b>27,935,001</b>
Profit/ (loss) from Operations	648,033	(980,818)
Income Tax Expenses	(172,389)	137,912
<b>Profit/(loss) for the Year after Income Tax</b>	<b>475,644</b>	<b>(842,906)</b>

In 2017, the Company recorded a net profit of \$475,644 compared to a net loss of \$842,906 in 2016. The Committee noted that the net profit was resulted of the reduction in the administration and operating expenses by \$2,545,756 (19%) and the rise in sales revenue by \$1,377,310 (18%).

**Post Fiji Limited - Abridged Statement of Financial Position**

Description	2017 (\$)	Restated 2016 (\$)
Cash and Cash Equivalents	2,503,582	2,741,702
Trade and Other Receivables	9,851,379	9,009,851
Financial Assets – Held to Maturity	4,723,604	5,271,187
Inventories	6,439,585	5,640,000
Other Assets	473,741	1,246,452
Property, Plant and Equipment	9,487,528	9,735,509
Intangible Assets	605,793	837,994
Deferred Tax Assets	2,102,550	2,098,846
<b>Total Assets</b>	<b>36,187,762</b>	<b>36,581,541</b>
Trade and Other Payables	19,899,559	20,785,326
Employee Entitlements	1,624,002	1,428,768
Deferred Income	708,332	735,106
Finance Lease – Postal Global	417,624	607,375
Current Tax Liability	283,276	245,641
<b>Total Liabilities</b>	<b>22,932,793</b>	<b>23,802,216</b>
<b>Net Assets</b>	<b>13,254,969</b>	<b>12,779,325</b>

It was recorded that net assets were increased by \$475,644 (4%) in 2017 compared to 2016. This was resulted on the reduction in trade and other payables by \$885,767 (4%) and finance lease – postal global by \$189,751 (31%).

The Committee found in the audit reports the following significant matters:

- (i) Absence of risk management policy
- (ii) Absence of Internal audit function
- (iii) Assessment for Impairment on property, plant and equipment not carried out
- (iv) Anomalies noted in the procurement process
- (v) Anomalies in staff advances
- (vi) Absence of policy and guidelines
- (vii) Outdated Corporate Instructions Manual
- (viii) Absence of Evidence to Confirm Approval of the 2017 Budget by the Board
- (ix) Significant long outstanding local debtors
- (x) Ineffective controls over management of inventory
- (xi) Absence of valid and proper Rental Agreements
- (xii) Absence of Valid and Proper Written Agreements with Billpay Vendors
- (xiii) Back to School Credit not properly managed
- (xiv) Incorrect disclosures of losses and shortages as receivables
- (xv) No policy and guidelines for holding excess cash for Postmasters cash account

#### 4. UNIT TRUST OF FIJI (UTOF)

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Fiji Public Trustee Corporation's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

In 2016, UTOF recorded a net profit of \$585,503, increase of \$114,061 (24%) compared to 2015. This was resulted from the rise in management fee which was based on the total value of the Unit Trust of Fiji deposited property. It was noted that as at 31 December 2016, UTOF was entitled to 1.5% of the total deposited property.

It was recorded that the net assets increased by \$218,120 (12%) in 2016 which was resulted from the rise in holding of cash at bank by \$89,851 (5%) and receivables by \$102,092 (56%) in 2016. The increase in cash at bank and receivables were recorded as a result of the increase in management fees.

#### *Unit Trust of Fiji (Management) Limited- Abridged Statement of Financial Performance*

Year Ended 31 December	2017 (\$)	2016 (\$)
Operating Revenue	2,632,031	2,145,032
Other Operating Income	45,716	78,669
<b>Total Operating Revenue</b>	<b>2,677,747</b>	<b>2,223,701</b>
Personnel Expenses	767,966	582,110
Other Operating Expenses	806,332	823,190
Depreciation and Amortization	75,613	78,827
<b>Total Operating Expenditure</b>	<b>1,649,911</b>	<b>1,484,127</b>
<b>Profit before Income Tax</b>	<b>1,027,836</b>	<b>739,574</b>
Income tax expenses	203,503	154,071
<b>Net profit for the year</b>	<b>824,333</b>	<b>585,503</b>

Further in 2017, UTOF again recorded a net profit of \$824,333, this was an increase of \$238, 830 (41%) compared to 2016. The increase in net profit was mainly due to the increase in management fee which is based on the total value of the Unit Trust of Fiji deposited property.

***Unit Trust of Fiji (Management) Limited - Abridged Statement of Financial Position***

<b>As at 31 December</b>	<b>2017 (\$)</b>	<b>2016 (\$)</b>
Cash at Bank and on Hand	1,311,092	1,820,141
Investment – Held to Maturity	99,045	59,045
Receivables	558,002	282,899
Future Income Tax Benefit	3,059	1,726
Plant and Equipment	253,957	209,788
Intangible Assets	7,377	---
Advance to Fiji Wai Limited	1,239,186	---
<b>Total Assets</b>	<b>3,471,718</b>	<b>2,373,599</b>
Creditors and Accruals	362,343	274,643
Provisions	96,877	85,977
Income Tax Payable	204,787	29,601
<b>Total Liabilities</b>	<b>664,007</b>	<b>390,221</b>
<b>Net Assets</b>	<b>2,807,711</b>	<b>1,983,378</b>

The Committee noted that in 2017 there was an increase in total assets by \$1,098,119 compared to 2016 was mainly due to the advance given to Fiji Wai Limited. Unit Trust of Fiji (Management) Limited has 1% share in Fiji Wai Limited.



## 5. ENERGY FIJI LIMITED (EFL)

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Energy Fiji Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

In 2016, EFL recorded a net profit of \$59.6 million which was an increase of \$19.9million (51%) compared to 2015. The increase was resulted in the reduction in fuel cost which were declined by \$50.9million (37%) in 2015 compared to 2014.

The Committee noted that EFL recorded an increase in its net assets by \$59.1 million (10%) in 2016 compared to 2015 which was resulted from the increase in the holding of cash and equivalent of \$62.1million compared to 2015.

#### *Energy Fiji Limited - Abridged Statement of Financial Performance*

Year Ended 31 December	2017 (\$'000))	2016 (\$'000)
<b>Revenue</b>		
Operating revenue –electricity sales	340,223	317,835
Other operating income	10,933	10,550
<b>Total Revenue</b>	<b>351,156</b>	<b>328,385</b>
<b>Expenditure</b>		
Personnel expenses	23,912	21,723
Fuel costs	121,873	89,849
Lease and rent expenses	18,546	12,262
Electricity purchases	17,31	1,620
Depreciation	39,496	39,268
Amortisation of intangible assets	131	112
Other operating expenses	48,940	48,041
<b>Total Expenditure</b>	<b>254,629</b>	<b>212,875</b>
<b>Profit before Finance Costs &amp; Income Tax</b>	<b>96,527</b>	<b>115,510</b>
Finance costs	11,291	10,791
<b>Operating profit before restoration cost and income tax</b>	<b>85,236</b>	<b>104,719</b>
Cyclone restoration costs	1,067	30,066
<b>Profit before income tax</b>	<b>84,169</b>	<b>74,653</b>
Income tax expense	16,779	15,055
<b>Net profit for the year after income tax</b>	<b>67,390</b>	<b>59,598</b>

In 2017, EFL recorded a net profit of \$67.4 million, an increase of \$7.8million (13%) compared to 2016. It was noted that the increase was resulted from the reduction in cyclone restoration cost which declined substantially in 2017 by \$29million, as noted that most of the restoration works were carried out in 2016.

#### *Energy Fiji Limited - Abridged Statement of Financial Position*

<b>As at 31 December</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Cash and cash equivalents	158,345	119,466
Held to maturity financial assets	-	-
Receivables and prepayments	38,612	36,459
Other current assets	37,646	32,362
Property, plant and equipment	1,056,899	1,035,332
Other non-current assets	198	157
<b>Total Assets</b>	<b>1,291,700</b>	<b>1,223,776</b>
Interest bearing borrowings	297,566	319,459
Deferred tax liabilities	50,066	45,344
Other current liabilities	28,081	38,410
Other non-current liabilities	164,710	114,256
<b>Total Liabilities</b>	<b>540,423</b>	<b>517,469</b>
<b>Net Assets</b>	<b>751,277</b>	<b>706,307</b>
Retained profits	656,082	611,132
Capital contribution	95,199	95,175
<b>Total Capital and Reserves</b>	<b>751,281</b>	<b>706,307</b>

It was recorded that the net assets increased by \$44.97million (6%) in 2017 compared to 2016 and this was resulted of the increased in intangible asset by \$1.3million in 2017 for the upgrade purpose of the Company's billing system software amounting to \$1,462million.

The Committee found in the audit reports the following significant matters:

- (i) Management of Fuel/Hydro/Windmill mix
- (ii) Impairment assessment and useful lives of plant and equipment
- (iii) Rights over assets resulting from Rural Electrification Schemes
- (iv) Assets with zero written down values
- (v) Insurance of the Authority's Power Infrastructure System

## 6. HOUSING AUTHORITY

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Housing Authority's 2015 and 2016 financial reports were issued with an **unmodified (unqualified) audit opinion**.

#### *Housing Authority of Fiji - Abridged Statement of Financial Performance*

Year Ended 31 December	2016 (\$)'000	2015 (\$)'000
Interest Income	7,259	7,640
Interest Expense	(4,562)	(4,644)
Net Interest Income	2,697	2,996
Other Operating Income	18,685	24,755
<b>Total Revenue</b>	<b>21,382</b>	<b>27,751</b>
Staff Costs	4,620	4,829
Bad & Doubtful Debts	790	40
Depreciation of Property, Plant and Equipment	520	607
Amortisation of Intangible Asset	260	244
Cost of Sales	11,262	17,169
Other Operating Expenses	2,457	2,628
<b>Total Expenditure</b>	<b>19,909</b>	<b>25,517</b>
<b>Total Comprehensive Income for the year after Tax</b>	<b>1,473</b>	<b>2,234</b>

Housing Authority recorded a total comprehensive income after tax reduction by \$761,000 (34.1%) in 2016 compared to 2015 which was largely resulted by the reduction in interest income.

#### *Housing Authority of Fiji - Abridged Statement of Financial Position*

As at 31 December	2016 (\$)'000	2015 (\$)'000
Cash & Cash Equivalents	2,323	3,170
Loans and Advances	86,173	79,745
Inventories	31,019	36,008
Land held for future development	3,755	2,022
Property, Plant & Equipment	7,515	7,909
Investment Property	---	994
Other Assets	4,286	4,673
Held to maturity investments	41,950	49,450
Intangible Assets	406	663
<b>Total Assets</b>	<b>177,427</b>	<b>184,634</b>
Borrowings	102,055	112,184
Trade and other Payables	16,928	15,290

Employee Benefit Liability	511	546
Provisions	25	179
<b>Total Liabilities</b>	<b>119,519</b>	<b>128,199</b>
<b>Net Assets</b>	<b>57,908</b>	<b>56,435</b>

The Committee was informed that the net asset in 2016 increased by \$1,473,000 (2.6%) compared to 2015. It was noted that the increase in net assets was the result of the increase in land held for future development and also the reduction in liabilities.

The Committee found in the audit reports the following significant matters:

- (i) Methodology of calculating impairment of loans and advances
- (ii) Review of risk grading and annual provisioning

## **7. COPRA MILLERS OF FIJI LIMITED**

### **HIGHLIGHTS**

#### **Financial Performance**

The Committee noted in the audit report that the Copra Millers of Fiji Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

It was noted that the total operating revenue in 2016 has declined by more than \$1million or 28% compared to the 2015 financial year. The decline was the result of the reduction in sales of oil and coconut meal as a direct result of low copra supply.

The audit found that both cost of goods sold and total expenditure were decreased in 2016 by \$841,869 (25%) and \$171,876 (21%) which was resulted from the decline in expenditure incurred for salaries & wages, FNPF expenses, Copra Truck expenses, purchases of copra and coconut oil, factory costs.

It was noted that the decline in operating revenue has resulted in the increase in net deficit by \$224,090 (95%) in 2016 compared to 2015.

The Committee noted that in 2016 the total assets of the Company has increased by \$256,038 (4%) compared to the 2015 financial year. The increase was noted which resulted from the increase in property, plant and equipment. This was the result of the construction of a plant for Virgin Coconut Oil during the 2016 financial year.

It was recorded that the Company's total liabilities increased by \$714,881 (70%) in 2016 compared to the 2015 financial year. The increase in total liabilities was a result of the increase in trade and other payables, interest bearing borrowing and deferred grant income. The Company took additional loans during the financial year and received capital grant for its Virgin Coconut Oil Project.

#### ***Copra Millers of Fiji Limited - Abridged Statement of Financial Performance***

<b>Description</b>	<b>2017 (\$)</b>	<b>2016 (\$)</b>
Operating Revenue	2,898,684	2,630,383
Cost of goods sold	(2,348,304)	(2,475,165)
<b>Gross Profit</b>	<b>550,380</b>	<b>155,218</b>
Proceeds from Insurance	29,350	---
<b>Description</b>	<b>2017 (\$)</b>	<b>2016 (\$)</b>
Other income	103,918	130,512
	<b>683,648</b>	<b>285,730</b>

Selling & distribution	148,543	94,695
Administrative & operating	686,049	530,663
<b>Loss from operations</b>	<b>(150,944)</b>	<b>(339,628)</b>
Finance Cost	(46,980)	(20,544)
<b>Loss before income tax expense</b>	<b>(197,924)</b>	<b>(360,172)</b>
Income tax credit/(expense)	35,631	(98,673)
Loss after income tax expense	(162,293)	(458,845)
<b>Total comprehensive loss for the year</b>	<b>(162,293)</b>	<b>(458,845)</b>

In 2017, the Company recorded a reduction in its net loss by \$296,552 (65%) in 2017 compared to the amount reported in 2016. The Committee noted that it was mainly due to increase in operating revenue which increased by \$268,301 or by \$268,301 (10%) in 2017. The increase was resulted from the increase in overseas sales and coconut meal which improved in 2017 compared to 2016.

***Copra Millers of Fiji Limited - Abridged Statement of Financial Position***

Description	2017 (\$)	2016 (\$)
<b>Assets</b>		
Cash on hand and at bank	10,609	66,965
Trade and other receivables	308,302	187,680
Inventories	310,962	375,216
Property, plant and equipment	6,091,511	6,071,340
Deferred tax asset	163,167	127,536
<b>Total Assets</b>	<b>6,884,551</b>	<b>6,828,737</b>
<b>Liabilities</b>		
Trade and other payables	146,054	311,672
Interest bearing debt	848,834	589,101
Deferred grant income	907,976	834,161
Copra price stabilization fund – Ministry of Economy	52,250	2,073
<b>Total Liabilities</b>	<b>1,955,114</b>	<b>1,737,007</b>
<b>Net Assets</b>	<b>4,929,437</b>	<b>5,091,730</b>

The Committee noted that in 2017 the net assets decreased by \$162,293 (3%) in 2017 compared to 2016 which were resulted from the increase in interest bearing debt which increased by \$259,733 in 2017 due to the new loan taken for mill upgrade and construction of coconut shed.

The Committee found in the audit reports the following significant matters:

- (i) Absence of risk management policy
- (ii) Exceeding of bank overdraft limit
- (iii) Lack of supporting documents for other receivables
- (iv) Inventory obsolescence

## 8. PACIFIC FISHING COMPANY LIMITED (PAFCO)

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Pacific Fishing Company Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

The audit noted that in 2016 PAFCO recorded an increase in its net profit by \$512, 991 (39%) compared to the amount reported in 2015 as this was resulted from the increase in sales by \$852,113 (3%).

The Committee found that PAFCO's net assets in 2016 has increased by \$1,833,865 (9.5%) compared to the 2015 figure and this was resulted from the increase in cash at bank and value of property, plant and equipment.

#### *PAFCO - Abridged Statement of Financial Performance*

Description	2017 (\$)	2016 (\$)
Sales	33,183,538	32,170,087
Other Income	1,795,050	1,694,936
<b>Total Income</b>	<b>34,978,588</b>	<b>33,865,023</b>
Raw materials and consumables used	9,562,519	8,262,988
Changes in inventories of raw materials and finished goods	(1,031,896)	(110,110)
Distribution costs	373,453	350,152
Staff and employee benefits	8,737,381	9,093,428
Depreciation and amortisation expense	2,848,952	2,765,934
Finance costs	88,237	103,576
Other operating expense	12,582,659	10,834,716
<b>Total Expenditure</b>	<b>33,161,305</b>	<b>31,300,684</b>
<b>Operating profit before tax</b>	<b>1,817,283</b>	<b>2,564,339</b>
Income tax expense	(197,990)	(730,474)
<b>Net profit after tax</b>	<b>1,619,293</b>	<b>1,833,865</b>

The Committee was informed that there was a reduction in PAFCO's net profit for the 2017 financial year by \$214,572 (12%) compared to the amount reported in 2016 as noted in the audit report that this was mainly resulted from the increased in freight and cartage expenses by \$387,741 in 2017.

#### *PAFCO - Abridged Statement of Financial Position*

Description	2017 (\$)	2016 (\$)
Cash at bank and on hand	907,679	1,932,341
Trade receivables	2,554,867	1,718,910
Inventories	5,951,803	2,042,050
Prepayments and other receivables	1,061,527	1,845,139
Property, plant and equipment	36,545,104	35,388,074
Deferred tax asset	214,074	37,267
<b>Total Assets</b>	<b>47,235,054</b>	<b>42,963,781</b>

Interest bearing borrowings	16,401,498	14,975,011
<b>Description</b>	<b>2017</b>	<b>2016</b>
	<b>(\$)</b>	<b>(\$)</b>
Deferred tax liability	374,796	107,563
Trade and other payables	3,396,332	2,187,366
Provisions	77,362	61,237
Deferred income	4,224,436	4,491,232
<b>Total liabilities</b>	<b>24,474,424</b>	<b>21,822,409</b>
<b>Net Assets</b>	<b>22,760,630</b>	<b>21,141,372</b>

In 2017, PAFCO recorded an increased in its net assets by \$1,619,258 (7.7%) in 2017 compared to 2016. This was mainly attributed from the increase in raw materials which resulted in large quantity of raw fish supplied to the company in the month of December.

The Committee found in the audit reports the following significant matters:

- (i) Inadequate documentation for support monthly consultancy payment
- (ii) Provision of motor vehicle to employee of the customer
- (iii) Lack of internal orders for stock movement
- (iv) Review of financial manual
- (v) Absence of Disaster Recovery Plan
- (vi) Policy on Bonus Payout



## 9. FIJI DEVELOPMENT BANK (FDB)

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Fiji Development Bank's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

In 2016, FDB recorded an increase in its consolidated operating profit after tax for the year ended 30 June 2016 by \$3,727,542 (61%). The increase was resulted from the recovery of bad debts with a total amount of \$3,593,159 in 2016.

Further, the Committee noted that also in 2016 FDB recorded an increase in net consolidated assets by \$9,817,161 (7%) when compared to the 2015 figure and as noted in the report that this was resulted from the increased in holding of cash at bank and cash equivalent in 2016 by \$6,969,759.

#### *Fiji Development Bank - Abridged Statement of Comprehensive Income*

For the year ended 30 June	Consolidated		The Bank	
	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
<b>Income</b>				
Interest from Loans	25,369,427	23,854,646	25,369,427	23,854,646
<b>For the year ended 30 June</b>	<b>Consolidated</b>		<b>The Bank</b>	
	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
Fees	3,801,367	3,576,481	3,801,367	3,576,481
Other Income	2,763,885	7,267,062	2,762,644	7,266,238
<b>Total Income</b>	<b>31,934,679</b>	<b>34,698,189</b>	<b>31,933,438</b>	<b>34,697,365</b>
<b>Expenses</b>				
Interest and Other	7,411,560	6,525,024	7,411,560	6,525,024
Operating Expenses	12,364,041	12,291,253	12,363,319	12,289,081
<b>Total Expenses</b>	<b>19,775,601</b>	<b>18,816,277</b>	<b>19,774,879</b>	<b>18,814,105</b>
<b>Operating profit before allowances</b>	<b>12,159,078</b>	<b>15,881,912</b>	<b>12,158,559</b>	<b>15,883,260</b>
Allowances for Credit Impairment	1,772,938	6,929,397	1,772,938	6,929,397
Allowance for Interest and Fees	2,230,872	1,648,571	2,230,872	1,648,571
<b>Operating profit before income tax</b>	<b>8,155,268</b>	<b>7,303,944</b>	<b>8,154,749</b>	<b>7,305,292</b>

expense				
Income Tax Expense	---	---	---	---
Other Comprehensive Income	---	2,513,217	---	2,513,217
<b>Operating profit after income tax</b>	<b>8,155,268</b>	<b>9,817,161</b>	<b>8,154,749</b>	<b>9,818,509</b>

Further, in 2017 the Bank recorded an increase in its consolidated operating profit before tax for the year ended 30 June 2017 by \$851,324 (12%) compared to the 2016 figure which resulted from the decline in allowances for credit impairment by \$5,156,459 (74%) as noted that the most contributing factor because lesser accounts was considered to be impaired in 2017 compared to the 2016 financial period.

***Fiji Development Bank - Abridged Statement of Financial Position***

As at 30 June	Consolidated		The Bank	
	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
<b>Assets</b>				
Cash and Cash Equivalents	24,566,853	56,566,428	24,549,882	56,549,281
Loans and Advances	354,820,471	294,844,851	354,820,471	294,844,851
Investment in Subsidiary	---	---	20,000	20,000
Investments	15,001	15,001	15,001	15,001
Investment Held to Maturity	2,032,397	2,030,650	2,000,000	2,000,000
Property, Plant and Equipment	17,637,904	17,795,839	17,637,904	17,795,839
Intangibles	180,567	211,438	180,567	211,438
Other Debtors	2,806,063	3,440,924	2,431,512	3,065,409
Receivable due from Subsidiary	---	---	404,820	404,820
<b>Total Assets</b>	<b>402,059,256</b>	<b>374,905,131</b>	<b>402,060,157</b>	<b>374,906,639</b>
<b>Liabilities</b>				
Accounts Payable and Accruals	6,077,304	3,037,338	6,072,217	3,032,339
Debt Securities	237,177,512	220,918,643	237,177,512	220,918,643
Other Liabilities	4,492,860	4,656,379	4,492,860	4,656,379
Employee Entitlements	1,031,309	1,471,177	1,031,309	1,471,177
Deferred Income	2,718,512	2,415,103	2,718,512	2,415,103
<b>Total Liabilities</b>	<b>251,497,497</b>	<b>232,498,640</b>	<b>251,492,410</b>	<b>232,493,641</b>
<b>Net Assets</b>	<b>150,561,759</b>	<b>142,406,491</b>	<b>150,567,747</b>	<b>142,412,998</b>
<b>Equity</b>				
Capital	56,050,636	56,050,636	56,050,636	56,050,636
Reserves	15,048,508	15,048,508	15,048,508	15,048,508

The Committee found that FDB's net consolidated assets increased by \$8,155,268 (5.7%) in 2017 compared to 2016 as noted in the report that this was resulted from the increase in loans and advances increases significantly by \$60million (20%) in 2017.

The Committee found in the audit reports the following significant matters:

- (i) Issue of the revaluation of property
- (ii) Security margin percentages being utilized deferring from the Bank's lending manual
- (iii) Inconsistency of loan data recorded in Bank Management System (BMS)

- (iv) Loan account reviews not concluded in conformity with lending policy requirements
- (v) Lack of issue of variation advices

## 10. FIJI DEVELOPMENT BANK NOMINEES LIMITED

### HIGHLIGHTS

#### Financial Performance

The Committee noted in the audit report that the Fiji Development Bank Nominees Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

The Company recorded an operating loss after tax of 41,347 for 2016 compared to a loss of \$76,183 in 2015 and as noted in the report that this was resulted from nil employee cost in 2016 compared to \$68,273 in 2015.

Further, it was also noted that the Company recorded a decrease in the net assets by \$1,347 (9%) in 2016. The slight decrease in net asset was due to the increase in the amount owed to Fiji Development Bank.

#### *FDB Nominees Limited - Abridged Statement of Financial Performance*

For the year ended 30 June	2017 (\$)	2016 (\$)
Interest income	1,241	824
<b>Total Income</b>	<b>1,241</b>	<b>824</b>
Operating expenses	721	2,171
<b>Total Expenses</b>	<b>721</b>	<b>2,171</b>
Operating profit/(loss) before income tax	520	(1,347)
Income tax expense	---	---
<b>Operating profit/(loss) after income tax</b>	<b>520</b>	<b>(1,347)</b>

In 2017, the audit recorded that the Company received an amount of \$373,750 as a management fees which was due from the Fiji Investment Corporation Limited (FICL). The Management of FICL had undertook due diligence on FDBNL's operation to substantiate the claims.

#### *FDB Nominees Limited - Abridged Statement of Financial Position*

For the year ended 30 June	2017 (\$)	2016 (\$)
Cash	16,971	17,147
Accounts receivable	373,750	373,750
Held to maturity investment	32,397	30,650
Other receivable	40	547
Deferred tax asset	761	1,218
<b>Total Assets</b>	<b>423,919</b>	<b>423,312</b>
Amount owing to FDB	404,819	402,305
Other current liabilities	5,086	7,513
<b>Total Liabilities</b>	<b>409,905</b>	<b>409,818</b>
<b>Net Assets</b>	<b>14,014</b>	<b>13,494</b>

Further it was noted that the Company recorded an operating profit for 2017 financial period compared to operating loss of \$1,347 in 2016. The operating profit recorded was resulted from the increase in interest income in 2017 which was increased by \$417 in 2017 compared to 2016.

The Committee also noted that in 2017 the Company recorded an increase in its net assets which increased by \$520 (4%) in 2017.

## **11. FIJI BROADCASTING CORPORATION LIMITED (FBC)**

### **HIGHLIGHTS**

#### **Financial Performance**

The Committee noted in the audit report that the Fiji Broadcasting Corporation Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

It was noted that in 2016, FBC recorded a net profit of \$4, 262,769 in comparison with the net loss in 2015. The profit due to recognition of public service B=broadcast revenue of \$9,201,615 recorded in 206 compared to nil in 2015. The Committee was informed that it relates to Government assistance to the corporation to provide broadcasting services to the public which not charged by the corporation.

#### ***Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Performance***

Description	2017 (\$)	2016 (\$)
Operating revenue	22,332,621	19,202,108
Other revenue	1,074,153	418,925
<b>Total Revenue</b>	<b>23,406,774</b>	<b>19,621,033</b>
Administrative and Operating Expenses	13,120,352	12,272,541
Marketing Expenses	2,534,853	2,163,728
Finance costs	817,450	921,995
<b>Total Expenditure</b>	<b>16,472,655</b>	<b>15,358,264</b>
<b>Profit before income tax</b>	<b>6,934,119</b>	<b>4,262,769</b>
Income tax expense	183,611	180,147
<b>Profit after income tax</b>	<b>6,750,508</b>	<b>4,082,622</b>

The Committee noted that in 2016 the FBC's net assets were increased by \$6,338,554 (413.7%) compared to 2015. It was noted that the increase was resulted from the increase in cash and cash equivalent by \$5,339,033 (616.46%) in 2016 compared to 2015. The Committee in the report that this was mainly results from the Government of \$9,201,615 for public service broadcast.

The Committee noted that there was a reduction in net assets of \$6.7million (80%) in 2017 compared to 2016 which was mainly resulted from the increase in held to maturity investments by \$2million, increase in cash at bank by \$2.7million and decline in interest bearing borrowing by \$1.9million.

***Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Position***

Description	2017 (\$)	2016 (\$)
Cash and cash equivalent	5,486,265	6,776,564
Trade and other receivable	95,893	77,585
Held to maturity term deposit	436,961	156,222
Other current assets	29,241,863	28,424,228
Property, plant and equipment	35,260,982	35,434,599
Deferred tax asset		
<b>Total Assets</b>	<b>31,659,759</b>	<b>27,068,266</b>
Trade and other payable	1,973,254	2,383,751
Interest bearing borrowings	13,827,603	15,759,183
Other current liabilities	162,711	167,151
Deferred tax liabilities	546,627	546,627
Deferred income	19,032	19,032
<b>Total Liabilities</b>	<b>16,529,227</b>	<b>22,717,336</b>
<b>Net Assets</b>	<b>15,130,532</b>	<b>8,380,024</b>

The Committee noted in the audit of Fiji Broadcasting Corporation Limited 2017 financial statements that in its Note 3(1) stated that all grants and special funding from Government up to 7 March 2016 were treated as capital contribution in accordance with Cabinet Decision No. 357 of 2012.

It was noted that the increase in net profit after income tax by \$2.7million (65%) in 2017 compared to 2016 was largely resulted from the increase in government grant for public service broadcast by \$2.1million and the increased in advertising revenue from radio and television.

The Committee found in the audit reports the following significant matters:

- (i) Absence of a risk register
- (ii) Incorrect Capitalisation of Work in Progress items
- (iii) Inadequate provision for doubtful debts
- (iv) Incorrect treatment of staff receivables

## **SUSTAINABLE DEVELOPMENT GOALS**

The Committee was informed by those entities that appeared before the Committee to provide evidences that relevant 17 SDGs Agenda and the Fiji's National Development Plan have been considered and inculcated into each entity's Strategic Plan and Operational Plan in accordance to each entity's mandated core functions/business and aligned its targets as per the given budget for each year.

## **GENDER ANALYSIS**

Gender mainstreaming is a critical dimension to parliamentary scrutiny. Pursuant to SO 110 (2) where a committee conducts an activity listed in clause (1), the committee shall ensure that full consideration will be given to the principles of gender equality to ensure all matters are considered with regard to the impact and benefit of both men and women equally.

All entities that were consulted are aware of the importance of gender balance within its workforce and the Committee also considers the fact that all recruitment processes are conducted on merit based. Also noted that other indicators from the 17 SDGs are considered to be also important by these entities and each relevant agenda are aligned to each entity core business and further all services/products provided are designed by these Government Commercial Companies and Commercial Statutory Authorities that benefits both men and women.



## COMMITTEE RECOMMENDATION

The Committee after conducted its consultations with all relevant entities covered on this audit report in relation to all audit issues that were raised have agreed to the following recommendations:

- 1. The Committee recommends that all financial statements be submitted as per the timeline given in the Audit Act.***
- 2. The Committee recommends that all internal control issues be addressed to avoid severe disruption in the operations of these entities.***
- 3. The Committee recommends that all information/records/risk register are properly kept for timely submission for audit.***
- 4. The Committee recommends that all financial statements be prepared in accordance with International Financial Reporting Standards and Medium-sized Entities (“IFRS for SMEs”) and all Accounts of these governing bodies are audited by the Office of the Auditor General.***

## **CONCLUSION**

The Standing Committee on Public Accounts after reviewed the 2016 -2017 Audit Report on Government Commercial Companies and Commercial Statutory Authorities noted the various audit issues that were highlighted for various entities that were audited.

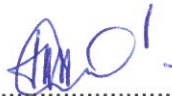
It is important that the relevant entities do take note and address all issues that were raised and take appropriate actions to improve its systems and processes so that future reports of the Office of the Audit General's do not capture these issues again in its future audits.

In this regard, it will promote Good Governance and Accountability in all public sector entities in terms of the improvement of its financial statements reporting and most importantly on the stewardship of public funds.

We, the undersigned Members of the Standing Committee on Public Accounts agree with the contents of this report:



Hon. Alvick Maharaj  
(Chairperson)



Hon. Joseph Nand  
(Deputy Chairperson)



Hon. Vijendra Prakash  
(Member)



Hon. Ratu Naiqama Lalabalavu  
(Member)



Hon. Aseri Radrodoro  
(Member)

# APPENDICES

**APPENDIX 1:**  
**PUBLIC ACCOUNTS COMMITTEE QUESTIONS**

## QUESTIONS

### 2016/2017 Audit Report on Government Commercial Companies and Commercial Statutory Authorities

#### Section 6.1 Pacific Fishing Company Limited

##### Anti-Fraud Program

Has the Company developed an anti-fraud program? In addition, in the absence of the anti-fraud program, how did the Company managed the risk of fraud?

##### SIGNIFICANT FINDINGS

##### Inadequate documentation to support monthly consultancy payment

Is there an agreement with the consultant?

##### Provision of Motor Vehicle to employee of the Customer

Is there now a formal agreement with the Customer?

##### Review of Finance Manual

Is there now an updated Finance Manual in place?

##### Absence of Disaster Recovery Plan

Has the Disaster Recovery plan been developed? Please provide a copy to the Committee.

#### Section 6.4 Unit Trust of Fiji (Management) Ltd

##### Financial Information – 2017

The Committee notes that the total assets increased significantly in 2017 due to the advance given to Fiji Wai Limited. Unit Trust of Fiji (Management) Limited has 1% share in Fiji Wai Limited.

For the benefit of the Committee, please provide a brief background on the functions of the Unit Trust of Fiji (Management) Ltd.

What does this advance relate to? Why is there a significant advance given when Unit Trust of Fiji (Management) Ltd has only 1% share in Fiji Wai Ltd?

How and when is Unit Trust of Fiji (Management) Ltd expecting to recover this advance and what commitment has Fiji Wai Limited shown to pay?

From the financial year 2017, how much has been paid by Fiji Wai Ltd? Please provide to the Committee the evidences for this.

Does the legislation governing Unit Trust of Fiji (Management) Ltd allows investing into such activity?

#### **2017 Timeliness of draft Financial Statements**

The Committee notes that the draft financial statements were submitted for audit late (less than 30 days before legislative deadline)

What were the reasons for the delay in submission and what mechanisms does the entity has to ensure that draft financial statements are submitted to OAG on time?

#### **2017 Quality of Draft Financial Statements by Entities**

The Committee notes that the extent of audit adjustments made to the draft financial statements indicates the effectiveness of the Company's internal review processes before the Accounts are submitted for audit.

What has the Company done to strengthen the internal review processes before the Accounts are submitted for audit to avoid undertaking substantial audit adjustments to rectify errors or misstatements?

### **Section 6.5 Copra Millers of Fiji Ltd**

#### **FINANCIAL INFORMATION – 2016**

Does the Company have a Risk Management Policy and a policy on the classification of spare parts? If so, please present a copy of the Policy to the Committee.

#### **Other Significant Matters – 2017**

##### **Exceeding of Bank Overdraft Limit**

Why did the entity exceed the bank overdraft on numerous occasions?

Please advise whether the Government grant provided has improved the financial position of the entity? Can the entity be sustainable without Government Grant?

### **Section 6.6 Fiji Development Bank**

#### **Other Significant Matters – 2016**

##### **Security Margin Percentage being utilised deferring from the Banks Lending Manual**

Has the Security Margin guidance in the Manual now reflects the current market?

What is the total exposure of credit risk for non-payment and is there adequate security in place from customers?

## **Other Significant Matters – 2017**

### **Loan account reviews not conducted in conformity with lending policy requirements**

Is the Bank now up to date with the credit review of loan portfolios. Please provide evidences.

### **Lack of Issue of variation advices**

Is the loan variation advice now sent to the Customers?

## **Section 6.11 Energy Fiji Limited**

### **Management of Fuel/Hydro/Windmill Mix**

Is there any documented process for Energy Mix and is this followed consistently?

### **Internal Audit – Tropical Cyclone Winston Restoration Works**

Why didn't the Company see the need to carry out internal audit for Tropical Cyclone Winston Restoration Works?

## **SIGNIFICANT FINDINGS – 2017**

### **Impairment Assessment and Useful Lives of Plant and Equipment**

Has the Authority carried out an impairments assessment on a timely basis? If so, please provide a copy of the report to the Committee. If not, please explain the reasons why.

### **Rights over Assets Resulting from Rural Electrification Schemes**

Have the Authority sorted out the issue on the rights to record capital assets arising from the Rural Electrification Schemes?

### **Assets with Zero Written Down Values**

Please provide to the Committee an update on this.



**APPENDIX 2:**  
**Witnesses, Verbatim Reports and Published Written  
Evidence**

## **Witnesses & Verbatim Reports**

There were a number of witnesses that had appeared before the Public Accounts Committee. Copies of the verbatim reports can be viewed from the Parliament website on the link provided: <http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>

## **Published Written Evidence**

Copies of the written evidences and supplementary responses from 10 Government Commercial Companies and Commercial Statutory Authorities is accessible on the Parliament website on the link provided: <http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>