

# MINISTRY OF ECONOMY

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Ro Lalabalavu House, 370 Victoria Parade, Suva

Ref: 9.7.1

Date: 29 May 2020

Mrs Viniana Namosimalua  
Acting Secretary-General to Parliament  
Parliament of the Republic of Fiji  
P O Box 2352  
Government Building  
SUVA

**RECEIVED**

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MTC

Please  
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Thanks  
TSK

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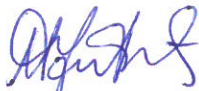
Dear Madam,

Re: Response to Tabled Committee Report

1. Reference is made to your 25 February 2020 letter on the above mentioned subject.
2. The Ministry hereby provides its response to the Standing Committee on Public Accounts on the following:
  - a. Parliamentary Paper 05 of 2020 – “Review of the 2016/2017 Audit Report on Statutory Authorities”, and
  - b. Parliamentary Paper 08 of 2020 – “Review of the 2016/2017 Audit Report on Government Commercial Companies and Commercial Statutory Authorities”.
3. The reports attached herein include responses to:
  - a. Parliamentary Paper 05 of 2020 from the following Statutory Authorities:
    - i. Public Rental Board;
    - ii. Fiji Meats Industry Board; and
    - iii. Fiji Revenue and Customs Service
  - b. Parliamentary Paper 08 of 2020 from Government Commercial Companies and Commercial Statutory Authorities:
    - i. Airports Fiji Limited;
    - ii. Fiji Broadcasting Corporation Limited;
    - iii. Fiji Public Trustee Corporation Limited;
    - iv. Post Fiji Limited;
    - v. Unit Trust of Fiji (Management) Limited;
    - vi. Energy Fiji Limited;
    - vii. Housing Authority;
    - viii. Copra Millers of Fiji Limited;
    - ix. Pacific Fishing Company Limited; and
    - x. Fiji Development Bank

4. We look forward to the Standing Committee's consideration of these responses.

Yours Sincerely



Makereta Konrote  
**PERMANENT SECRETARY**

## 1. PUBLIC RENTAL BOARD (PRB)

Pro5  
Resilience

## RESPONSE TO STANDING COMMITTEE ON PUBLIC ACCOUNTS – REVIEW OF THE 2016/2017 AUDIT REPORT ON STATUTORY AUTHORITIES

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSE
<p>borrowings.</p>	
<p><b>OTHER SIGNIFICANT MATTERS</b></p> <p><b>i. Unallocated Government Subsidy</b></p> <p>The Committee was informed that the balance of 2017 subsidy amounted to \$423,662 was not fully utilised in 2017 due to the following reasons:</p> <ul style="list-style-type: none"> <li>• delay in completion of the two projects at Kalabu and Savusavu low cost housing; and</li> <li>• Increase in rent for flats after general maintenance due to the rent freeze.</li> </ul> <p>The balance subsidy was fully utilised in 2018 after completion of the two projects.</p>	<p>PRB agrees that balance subsidy from 2017 was utilized in 2018 with new projects, Kalabu Low Cost Housing Project (LCHP) and Savusavu LCHP which started in late 2017 and 2018.</p> <p>The total utilization of rental and social subsidy for 2019 was \$1,330,058.</p>
<p><b>ii. Reminder Notices Not Issued</b></p> <p>The Committee was advised that the reminder notices were issued on a timely manner but the copies of notices were not filed in the respective tenant files. However, the Public Rental Board has reviewed this process.</p> <p>The arrears recovery process is as follows:</p> <ul style="list-style-type: none"> <li>• Generate Month-end report from Navision System for all tenant arrears;</li> <li>• Categorize this arrears into age groups;</li> <li>• New arrears occurring in the report are sent reminder notice;</li> <li>• Discuss with tenants and enter into a repayment arrangement on the arrears;</li> <li>• If tenant dishonor the arrangement after 14 days, a second reminder notice is sent to the tenant;</li> <li>• If tenant still dishonor the arrangement, a Notice to Vacate is served to the tenant;</li> <li>• If tenant do not pay or vacate, the case is referred to the small claims tribunal or the solicitors for final eviction.</li> </ul> <p>The current practice is to file the copies of notices that are being issued in in</p>	<p>PRB continues to provide notices to the tenants whose payments are in arrears.</p> <p>The total arrears increased by 24% in 2019 compared to 2018. The increase was mainly due to water issue for Raiwai Tenants. There was low pressure in water pipe line and tenants were not receiving water thus they were hesitant to pay rent. PRB provided water tanks to resolve the issue for the first instance and consulted expertise to assess further. Currently PRB is installing a water booster to resolve the issue.</p> <p>Another contributing factor to the increase in rent is employers (private sector and government) currently ceasing direct deduction for tenants.</p> <p>Other reasons for increase in arrears were as follows:</p> <ul style="list-style-type: none"> <li>• Loss of employment for tenants due to closure of the business, resignation and termination.</li> </ul>

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<p>tenant files after tenant acknowledges the notices. The arrears decreased in 2017 as compared to 2016 by 11% and further decreased in 2018 by 32%.</p>	<ul style="list-style-type: none"> <li>• Tenants not paying despite notices given.</li> <li>• Enforcement/Eviction process is lengthy.</li> <li>• PRB not able to locate/trace vacated tenants due to change of contacts given and unknown address.</li> </ul> <p>With an increase in arrears, PRB has taken the following measures for debt recovery:</p> <ol style="list-style-type: none"> <li>I. Compulsory direct deduction for new tenants from source;</li> <li>II. New deduction for household members who have started working;</li> <li>III. Standing orders with banks;</li> <li>IV. Consistent follow-up notices to individual tenants on one-to-one basis;</li> <li>V. Regular estate meetings;</li> <li>VI. Daily estate visitation;</li> <li>VII. Recovery through Small Claims Tribunal;</li> <li>VIII. Rent distress; and</li> <li>IX. Eviction through the court as the last resort.</li> </ol>



# RESPONSE TO STANDING COMMITTEE ON PUBLIC ACCOUNTS – REVIEW OF THE 2016/2017 AUDIT REPORT ON STATUTORY AUTHORITIES

## FIJI MEATS INDUSTRY BOARD (FMIB)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS		RESPONSE
<p>The audit of Fiji Meats Industry Board for the financial year 2016 resulted in the issuance of unmodified opinion.</p>		
<p><b>Fiji Meats Industry Board – Abridged Statement of Financial Performances</b></p>		
Description	2016 (\$)	2015 (\$)
Operating Revenue	3,235,586	3,337,475
Other Income	122,696	149,940
<b>Total Revenue</b>	<b>3,355,282</b>	<b>3,487,415</b>
Changes in Inventories – finished goods	853,035	800,752
Raw Materials and Consumables used	221,753	165,847
Staff Cost	974,330	990,899
Depreciation	299,776	309,248
Other Operating Expenses	1,065,627	1,117,913
Finance Cost	67,987	78,604
<b>Total Expenses</b>	<b>3,482,508</b>	<b>3,463,263</b>
<b>Net (Loss)/Profit from Operations</b>	<b>(127,226)</b>	<b>24,152</b>
Other comprehensive Income	---	---
<b>Total Comprehensive (Loss)/Income</b>	<b>(127,226)</b>	<b>24,152</b>
<p>The company recorded a net loss in 2016 compared to the previous year as a result of decrease in revenue from its abattoir operations and increase in operating costs. The cost of operating and maintaining the abattoir increased due to the high number of cattle being slaughtered for tuberculosis, high chemical expenses and utility costs and also the maintenance of abattoir equipment.</p>		
<p><b>Fiji Meats Industry Board – Abridged Statement of Financial Position</b></p>		
Description	2016 (\$)	2015 (\$)
Cash	39,099	111,223
Investments	201,957	249,950
Trade and Other Receivables	423,063	440,985
Inventory	67,174	85,658
Property, Plant & Equipment	1,873,805	2,049,228
<b>Total Assets</b>	<b>2,605,098</b>	<b>2,937,044</b>
Trade Creditors and Payables	197,424	226,960
Deferred Income	361,100	434,700
Interest Bearing Borrowings	913,342	1,014,926
<b>Total Liabilities</b>	<b>1,471,866</b>	<b>1,676,586</b>
<b>Net Assets</b>	<b>1,133,232</b>	<b>1,260,458</b>

## RESPONSE TO STANDING COMMITTEE ON PUBLIC ACCOUNTS – REVIEW OF THE 2016/2017 AUDIT REPORT ON STATUTORY AUTHORITIES

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSE
<p>The decrease in net assets in 2016 compared to the previous year was largely due to the low cash balance at year end, decrease in term deposits held and decrease in property, plant and equipment. Repayments of term loan resulted in the decrease in total liabilities.</p>	
<p><b>OTHER SIGNIFICANT MATTERS – 2016</b></p> <p><b>i. Accounting Manual not Reviewed since 2011</b></p> <p>The committee was informed that the Management and Board have reviewed the Finance Manual. The new manual reflects current fees and prices of FMIB products, buying prices of livestock for slaughter and fine tuning existing controls.</p>	<p>A new Finance Manual has been drafted and the same was approved by the Board on 9<sup>th</sup> Dec 2019.</p>
<p><b>ii. Anomalies in Procurement Procedures</b></p> <p>The Committee was advised that the Board is in the process of formulating additional policies. The Board has decided to further fine tune the finance manual together with its internal policies. These include operational policy, communication and public disclosure policy, company vehicle usage policy, procurement policy, HRM policy, OHS policy, sexual harassment policy, corporate governance policy and internet/social media policy. The Board will hire a consultant who would further look at the above policies.</p>	<p>This issue has been addressed in the Finance Manual whilst other additional policies are being formulated by Management.</p>
<p><b>iii. Absence of Policy for Variation in 'Magiti' Prices</b></p> <p>The Committee was informed that the changes in "Magiti" prices are approved by the CEO as and when required as per the financial instruction. The prices are subject to change as the buying price fluctuates.</p>	<p>This issue has also been addressed in the new finance manual. The selling price fluctuates due to changes in buying price and the CEO approves the price changes.</p>

# RESPONSE TO STANDING COMMITTEE ON PUBLIC ACCOUNTS – REVIEW OF THE 2016/2017 AUDIT REPORT ON STATUTORY AUTHORITIES

## FIJI REVENUE AND CUSTOMS SERVICE

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS			RESPONSE																																						
<b>AUDIT OPINION</b>			Based on the Appendix to the report “Review of the 2016/2017 Audit Report on Statutory Authorities”, FRCS notes that the Committee has not raised any further queries to the responses provided to Public Accounts Committee.																																						
The audit of Fiji Revenue and Customs Services for the financial year of 2016 resulted in the issuance of unmodified opinion.																																									
<b>Fiji Revenue and customs Service – Abridged Statement of Financial Performance</b>			The two matters which was highlighted by Office of Auditor General which included Contingent Assets & Liabilities and Ownership of Land & Buildings has been addressed accordingly as presented by the Public Accounts Committee.																																						
<table><tr><th>Description</th><th>31 July 2016 (7 Months) (\$)</th><th>31 Dec 2015 (12 Months) (Restated) (\$)</th></tr><tr><td>State Revenue</td><td>1,314,322,381</td><td>2,354,035,377</td></tr><tr><td>Less: Payment to government</td><td>(1,314,322,381)</td><td>(2,354,035,377)</td></tr><tr><td>Grants from Government</td><td>23,261,526</td><td>39,736,956</td></tr><tr><td>Fees and Charges</td><td>4,666,257</td><td>7,078,710</td></tr><tr><td>Other Income</td><td>5,187,703</td><td>3,131,647</td></tr><tr><td><b>Total Agency Revenue</b></td><td><b>33,115,486</b></td><td><b>49,947,313</b></td></tr><tr><td>Employee Costs</td><td>19,203,944</td><td>32,168,358</td></tr><tr><td>Recurrent Expenditure</td><td>6,762,632</td><td>10,561,562</td></tr><tr><td><b>Total Expenditure</b></td><td><b>25,966,576</b></td><td><b>42,749,920</b></td></tr><tr><td><b>Net Surplus for the year</b></td><td><b>7,148,910</b></td><td><b>7,217,393</b></td></tr><tr><td>Other Comprehensive Income</td><td>5,425,707</td><td>---</td></tr><tr><td><b>Total Comprehensive Income</b></td><td><b>12,574,617</b></td><td><b>7,217,393</b></td></tr></table>				Description	31 July 2016 (7 Months) (\$)	31 Dec 2015 (12 Months) (Restated) (\$)	State Revenue	1,314,322,381	2,354,035,377	Less: Payment to government	(1,314,322,381)	(2,354,035,377)	Grants from Government	23,261,526	39,736,956	Fees and Charges	4,666,257	7,078,710	Other Income	5,187,703	3,131,647	<b>Total Agency Revenue</b>	<b>33,115,486</b>	<b>49,947,313</b>	Employee Costs	19,203,944	32,168,358	Recurrent Expenditure	6,762,632	10,561,562	<b>Total Expenditure</b>	<b>25,966,576</b>	<b>42,749,920</b>	<b>Net Surplus for the year</b>	<b>7,148,910</b>	<b>7,217,393</b>	Other Comprehensive Income	5,425,707	---	<b>Total Comprehensive Income</b>	<b>12,574,617</b>
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Consistent with the changes in the financial year of Government, FRCS changed its financial year from 31 December to July 31. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period. Thus the significant vacancies with the comparative balances in some cases. Other income increased by \$2,056,056 or 66% in 2016 due to the revaluation gain from the investment property. Similarly, other comprehensive income increased by \$5,424,707 or 100% due to the revaluation gain from land and building.																																									



# RESPONSE TO STANDING COMMITTEE ON PUBLIC ACCOUNTS – REVIEW OF THE 2016/2017 AUDIT REPORT ON STATUTORY AUTHORITIES

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS			RESPONSE
Fiji Revenue and Customs Service – Abridged Statement of Financial Positions			
Description	31 July 2016 (7 Months) (\$)	31 Dec 2015 (12 Months) (Restated) (\$)	
Cash at bank	35,363,223	25,497,734	
Investments	33,461,093	32,984,852	
Other Current Assets	2,460,533	6,810,720	
Property, Plant and Equipment	26,736,518	16,492,758	
<b>Total Assets</b>	<b>98,021,367</b>	<b>81,786,064</b>	
Current Liabilities	5,070,825	4,942,088	
Deferred Grant Income	21,539,622	18,007,673	
<b>Total Liabilities</b>	<b>26,610,447</b>	<b>22,949,761</b>	
<b>Net Assets</b>	<b>71,410,920</b>	<b>58,836,303</b>	
<b>Total Equity</b>	<b>71,410,920</b>	<b>58,836,303</b>	
Total assets increased by \$16,235,303 or 20% in 2016. This was due to the increase in Property, Plant and Equipment by \$10,243,760. In addition, the change in the financial year contributed to the increase in cash at bank by \$9,865,489 or 39%. Total liabilities increased by \$3,660,686 or 16% in 2016 as compared to 2015. This was due to the increase in deferred grant income by \$3,351,949.			
<b>Other Significant Matters – 2016</b>			
<b>i. Contingent Assets and Liabilities</b>			
The Committee was informed that the recommendation by the Office of Auditor General has been taken into consideration and necessary changes have been done.			
<b>ii. Ownership of Land and Buildings</b>			
The Committee was advised that the initial transfer was done through FRCA Act, which formally gave the legal right to FRCA of those assets. Scheme plan has been prepared and is lodged with Ministry of Lands for issuance of formal lease.			