

**RESPONSE TO FINANCIAL QUESTIONS AND ISSUES RAISED BY STANDING
COMMITTEE WITH REGARDS TO THE FICAC ANNUAL REPORT 2014/2015**

Question 13

The Parliamentary Standing Committee has said that there seem to be confusion on what could be categorized as an SME. The Committee refers to the Companies Act. Respectfully, we wish to make it clear that FICAC is a law enforcement agency established under the Fiji Independent Commission Against Corruption Promulgation No 11 of 2007 and Chapter 5 Part B Section 115 of the Constitution 2013. FICAC is neither a commercial entity nor it generates any income. There is no 'turnover' in FICAC's operations and provisions in the Companies Act therefore do not apply.

The Auditor General's report for 2013 recommended that FICAC adopt and comply with International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities (SME). In the same report, according to the Auditor General, FICAC meets the criteria for SME and shall follow IFRS. Thereafter, FICAC accepted the recommendations of the Auditor General and gradually adopted IFRS for SME, hence FICAC is categorized as SME.

According to IFRS for SMEs, small and medium-sized entities are entities that:

- (a) do not have **public accountability**, and*
- (b) publish **general purpose financial statements** for external users. Examples of external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.*

The Commission meets the definition for IFRS for SME's (international accounting standards) on the basis of the following:

- i. FICAC does not have a public accountability since neither part (a) nor (b) below is applicable to FICAC. As per IFRS for SME's, an entity has public accountability if:
 - a). its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
 - b). it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

- ii. FICAC publishes general purpose financial statements for external users, primarily for State and the Parliament.

Question 14

Response to 1st and 2nd point

1. The following note was included in the 2015 Financial Report explaining reasons for the restatement of 2014 figures. The 2014 figures do not tie with the restated 2014 figures due to the following adjustments being made:

Note18: Prior Year Adjustments

Prior year adjustments were made to Property Plant & Equipment and Intangible Assets which were erroneously missed out due to high volume of adjustments during the transition to IFRS for SME's. These were expensed under the previous semi-accrual accounting. The adjustment also takes into account cumulative depreciation/amortisation of PPE/Intangibles over the estimated useful life.

PROPERTY PLANT & EQUIPMENT AND INTANGIBLES: PRIOR YEAR ADJUSTMENT

	COST AT 1 JANUARY 2015			ACCUMMULATED DEPRECIATION AT 1 JANUARY 2015			CARRYING AMOUNT AT 1 JANUARY 2015		
	Opening Balance	Adjustment	Adjusted Balance	Opening Balance	Adjustment	Adjusted Balance	Opening Balance	Adjustment	Adjusted Balance
Motor Vehicle	851,478	-	851,478	248,942	-	248,942	602,536	-	602,536
Office Equipment	230,356	10,639	240,995	170,571	6,190	176,762	59,785	4,449	64,233
Furniture & Fittings	363,496	118,963	482,458	149,886	74,834	224,720	213,609	44,129	257,738
Computer Hardware	964,280	99,329	1,063,609	716,558	88,251	804,809	247,723	11,077	258,800
Computer Software	1,158,568	66,022	1,224,590	500,884	30,041	530,925	657,683	35,981	693,665
Leased hold Improvements	398,336	(25,889)	372,446	63,045	(4,485)	58,560	335,291	(21,404)	313,887
	3,204,682	269,064	4,235,576	1,849,887	194,831	2,044,718	2,116,627	74,232	2,190,858

Response to 3rd point: 'Other Expenses'

Depreciation expenses do not remain the same every year. The reasons for the increase in 2015 depreciation are as follows:

- Assets purchased in 2014 recorded only partial depreciation expense whereas for the same assets in 2015, full depreciation expenses were recorded. Hence, the increase.
- The 2015 expenses also include partial depreciation charge for additional assets purchased in 2015.

Question 15

FICAC was using semi-accrual and cash basis accounting in the past, however, the Commission has rectified this and has moved on to full accrual basis accounting. The transition was effective from the year 2013. The 2013 accounts were restated in 2014 to reflect full accrual as per IFRS for SME's.