



## LIST OF WITNESSES WRITTEN EVIDENCE

### 2018 Audit Report on Government Commercial Companies, Commercial Statutory Authorities and Other Entities

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# **PAFCO RESPONSE**

## **2018 Audit Report on Government Commercial Companies, Commercial Statutory Authorities and Other Entities**

### **SECTION 6.1: PACIFIC FISHING COMPANY LIMITED**

#### **OTHER SIGNIFICANT MATTERS**

##### **Processing Plant not Utilized to full Potential**

- Please provide update on the initiative that the company mentioned it was considering in regards to production of single cooked Tuna for high end customer in the US Market?

This was a trial product processed for a customer who is a food chain distributor in the US. One 20FT container of the product has been shipped to the customer. The customer has advised that the product has been well accepted by their assessment team and they are now marketing this product.
- Has the Company put in place the Risk Management Policy? Please provide a copy to the Committee?

A risk management policy is now in place.
- Is there an Audit Committee within the Board?

With the recent appointment of 2 new Directors, a audit committee has been appointed.

### **SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

Pacific Fishing Company Pte Ltd (PAFCO) is part of the Fisheries Sector as stated in the National Development Plan. The Company process canned Tuna products for the local consumers. Canned Tuna is a rich and cheaper source of protein and is consumed by many households. Fish meal, which is a by-product of the Tuna process is used in the manufacture of various types of poultry and other feed which is used by local producers. The company has focussed on the value adding and has plans in place to increase its canned product variety and canning capacity.

- Describe briefly, the general level of awareness by the staff members of your Department, of Fiji's 5 years & 20 years National Development Plan, the 2030 Agenda, the Sustainable Development Goals (SDGs) and the SAMOA Pathway?
- Describe the mechanism, in any, currently in place in your Department to enhance awareness of your staff members, of the alignment between the national development priorities, as per the Fiji's 5years & 20years National Development Plan, with the SDGs and its targets and indicators?
- Describe how your Department monitor and report on the progress of the implementation of Fiji's 5years & 20years National Development Plan and of the SDGs under your responsibility?

4. Is your Department a part or member of an inter-agency or inter-ministerial/department co-ordination mechanism that plan, monitor and evaluate the progress of the implementation of the National Development Plan and the SDGs under your responsibility?

If yes:

- a) How often does it meet?
- b) What aspects of its function can it be improved?

If no:

- c) Do you see the need for such a mechanism?

5. Do you think your Department is sufficiently equipped to ensure an integrated and coordinated decision making process for SDGs implementation and for strategic planning?
6. From your perspective, what are or ought to be the roles/functions of the lead government agency for coordinating the SDG implementation, and (b) how have these roles/functions been institutionalized?
7. From your best recollection, what steps has the Fiji Government taken so far to update or review its institutional setup

2020

PAFCO



		Impact				
		Trivial	Minor	Moderate	Major	Extreme
Probability	Rare	Low	Low	Low	Medium	Medium
	Unlikely	Low	Low	Medium	Medium	Medium
	Moderate	Low	Medium	Medium	Medium	High
	Likely	Medium	Medium	Medium	High	High
	Very likely	Medium	Medium	High	High	High

# RISK MANAGEMENT POLICY

This Management Risk Policy stipulates a guideline on how to identify potential hazards and risk assessments and controls.



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## **Overview**

The Pacific Fishing Company Risk Management Policy (RMP) is the underpinning foundation of our core beliefs, values and corporate culture which guides our decisions and actions. This policy sets out PAFCO's approach to enable consistent management of risks and potential hazards across the business.

PAFCO faces a wide range of uncertainties which we must understand and manage so that we can achieve our strategic objectives.

These uncertainties are potential hazards and risks and if not controlled it has negative impact on PAFCO's progress and future business direction.

Risks are present in all PAFCO's activities and each decision made, or action taken incorporates some elements of risk and has an impact on PAFCO's performance (whether safety, financial, operational or reputational). The successful management of these risks across all Divisions and levels, specific functions, projects and activities increases the likelihood that PAFCO will achieve its strategic objectives and key performance indicators.

Specifically, effective management of risk will enable PAFCO to achieve its vision and strategic objectives (PAFCO's FY18 Mission) as follows:

- a) Become the most efficient producer of quality tuna products regionally.
- b) Provide a healthy workforce and safe and hygienic workplace.
- c) Conform to International Standards.
- d) Comply with local & international regulatory obligations.
- e) Ensure that our activities are environmentally friendly and sustainable and
- f) Remain an equal opportunity employer in Ovalau and Lomaiviti province.

### **2.0 Purpose**

The purpose of the RMP is to provide guidance in managing risk to support the achievement of strategic plan, corporate objectives, protect staff and business assets and ensure financial sustainability.

### **3.0 Principles**

PAFCO Management is committed to fully implement this policy across all levels of management. The following principles are as follows:

- a) Everyone at PAFCO is responsible for the effective management of risk.
- b) Risk management creates and protects value and is an essential element of the PAFCO's overall governance.
- c) Application of risk management is consistently and systematically the basis in all divisions, group functions, programs and projects.
- d) PAFCO will adequately apply resource risk management activities in all functional roles
- e) PAFCO will ensure that all employees have necessary training, skills and assistance to undertake effective risk management.

- f) PAFCO will use the best available information to regularly monitor and report on the status of risk faced.
- g) PAFCO will be dynamic, interactive and responsive in its approach to change. This approach is based on the process outlined in ISO 31000:2009 Standard: Risk Management – Principles & Guidelines.

### 3.1 Definitions

Based on the ISO 31000 Risk Management Standards

- i. **Risk:** *effect of uncertainty on objectives and an effect is a positive or negative deviation from what is expected.*
- ii. **Risk Assessment:** *is a process that is, in turn, made up of three processes: risk identification, risk analysis, and risk evaluation.*
- iii. **Likelihood:** *is the chance that something might happen. Likelihood can be defined, determined, or measured objectively or subjectively and can be expressed either qualitatively or quantitatively (using mathematics).*
- iv. **Consequence:** *the outcome of an event and influences objectives. A single event can generate a range of consequences which can have both positive and negative effects on objectives. Initial consequences can also escalate through knock-on effects.*
- v. **Risk appetite:** *Level and nature of risk that is acceptable.*
- vi. **Risk management:** *a coordinated set of activities and methods that is used to direct an organization and to control the many risks that can affect its ability to achieve objectives*
- vii. **Residual Risk:** *The risk left over after you've implemented a risk treatment option. It's the risk remaining after you've reduced the risk, removed the source of the risk, modified the consequences, changed the probabilities, transferred the risk, or retained the risk.*
- viii. **Inherent Impact –** *The impact that the event would have on the organization if it occurred and there were no controls in place.*
- ix. **Inherent Likelihood –** *The likelihood of the event occurring if there were no controls in place.*
- x. **Residual Impact –** *The impact that the event would have on the organization if it occurred with the current control environment. (This includes Insurance, preventive and detective controls and other risk treatments)*
- xi. **Residual Likelihood –** *The likelihood of the event occurring in the current control environment. (This includes Insurance, preventive and detective controls and other risk treatments)*

### 3.2 Definition of a Risk Management Policy

The success of risk management at PAFCO depends on the effective implementation of the risk management framework that provides guidance on the approach and procedures by which risk is managed throughout the organization.

“A risk management framework is a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.”

ISO 31000:2009, Risk management – principles and guidelines

PAFCO's Risk Management Framework is described through two documents:

- a) PAFCO's Risk Management Framework Policy (this document) articulates PAFCO's mandate and commitment to risk management.
- b) PAFCO's Risk Management Standard - Describes the design and implementation activities of the framework, including definition of risk related roles and accountabilities.

#### 4.0 Scope

This policy applies to all PAFCO activities. It forms part of PAFCO's Governance Framework that applies to all employees, contractors and volunteers.

#### 5.0 Risk Governance

**Table 1.0 below** stipulates the following responsibilities and accountabilities.

**Table 1.0: Responsibilities & Accountabilities**

Board	Provides policy, oversight and review of risk management
Audit and Risk Committee	<ul style="list-style-type: none"><li>⊕ Overseas regular review of risk management activities.</li><li>⊕ Monitor effectiveness of risk management processes and recommending improvements.</li><li>⊕ Review status reports and risk registered (new risks and ranking of existing risks).</li><li>⊕ Verify and confirm reported "Actions.</li><li>⊕ Continuously improving risk management policy, strategy and supporting framework.</li></ul>
Managers	<ul style="list-style-type: none"><li>⊕ Ensure staff in their business units comply with the risk management policy and foster a culture where risks can be identified and controlled.</li><li>⊕ Update the CEO regarding Policies and procedures.</li><li>⊕ Ensure integration in risk management in daily processes.</li><li>⊕ Maintaining risk register, manage and identify/report risk.</li><li>⊕ Review and endorse Risk status reports ensuring tasks are addressed as planned.</li><li>⊕ Provide progress of existing risks and identifying potential new risks as identified.</li><li>⊕ Retain all documentation (record of options, action taken, decisions etc.) as this supports the reason for decisions and is essential when reviewing risks.</li><li>⊕ Facilitate the development and implementation of the Risk Management System.</li><li>⊕ Review and reporting of the Risk Management system.</li><li>⊕ Compile a consolidated risk management report with comments and recommendations; and</li><li>⊕ Provide support and recommendations to the CEO regarding implementation of the Risk Management System.</li></ul>

Staff and Contractors	⊕ Comply with risk management policies and procedures; and ⊕ Report risk and risk creators
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## 6.0 Risk Management Process

When undertaking a risk management process the following steps must be taken:

- 1) establish the context.
- 2) identify the risk.
- 3) analyze the risk.
- 4) evaluate the risk.
- 5) treat and control the risk; and
- 6) monitor and review the risk control.

Refer to the risk management procedure for details on how to perform each step in the process.

## 7.0 Integration with other Systems and Processes

Risk management is factored into business planning, acquisition, recruitment, performance management, audit and assurance, business continuity management and project management.

## 8.0 Risk Categories

Risk categories may include

- a) Strategic.
- b) Financial.
- c) environmental,
- d) safety & health.
- e) process.
- f) task.
- g) competency of people; and
- h) Reputation.

## 9.0 Risk Register

The Risk Register is an important compliance tool for ensuring that all potential hazards and risks are adequately identified (e.g. operational or strategic), the criterion for adding and removing risks from the register, who will review the risk register and how often it will be reviewed. **(Refer Annex I).**

## 10.0 Risk Reporting

All employees are obliged under this policy to report all risks to their Supervisor. The Supervisor is to document these risks and apply best control measures. The strategic risk register is prepared by the Financial Controller and reviewed by the Audit Committee on a quarterly basis.

## 11.0 Risk Management Performance

The Risk Management Performance Indicators may include the following:

- a) number of internal audits completed per annum.
- b) number of internal audit findings accepted by management.
- c) timeliness of remediating internal audit findings; and
- d) reduction in the number of extreme risks in the risk register.

## 12.0 Risk Appetite

PAFCO's risk appetite will be determined by the Board, CEO and management after periodic risk assessments.

## 13.0 Review and Approval

The review of the risk management policy shall be undertaken annually in order to take into the account progress made against the **Risk Management Improvement Plan**, which is a blueprint for how the risk management policy is implemented across the organization.

## 14.0 Enterprise Risk Management Strategy

**Table 2.0** below provides an overview of steps involved in the implementation of an Enterprise Risk Management (ERM) strategy adapted from a guide formulated by the main risk management organizations in the UK – the Association of Insurance and Risk Managers (AIRMIC), the public sector risk management association (Alarm) and the Institute of Risk Management (IRM) for all sectors.

ACTIVITIES		CONCEPT/TOOLS & TECHNIQUES
Planning & Designing		
1	Identify intended benefits of the enterprise risk management	- Benefits of ERM initiative and gain Board mandate - Embedding risk management
2	Plan the scope of the ERM initiative and develop common language of risk	- Upside of risk - Stakeholder expectations
3	Establish the risk management strategy, framework, and the roles and responsibilities	- Risk management policy - Risk architecture
Implementing and benchmarking		
4	Adopt suitable risk assessment procedures and an agreed risk classification system	- Risk description - Risk classification systems
5	Establish risk significance benchmarks and undertake risk assessments	- Risk description - Risk classification systems
6	Establish risk significance benchmarks and undertake risk assessments	- Risk assessment techniques - Benchmark tests of significance
Measuring and monitoring		
7	Determine risk appetite and risk tolerance levels, and evaluate the existing controls	- Risk register - Risk appetite
8	Monitor and review risk performance indicators to measure ERM contribution	- Control environment - Risk communications
Learning and reporting		
9	Monitor and review risk performance indicators to measure ERM contribution	Audit plan and risk reviews Sources of risk assurance
10	Report risk performance in line with legal	- Risk reporting obligations, and monitor

	and other	improvement - Legal requirements
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**Table 2.0: Enterprise Risk Management**





## 15.0 References and Related Documents

Associated policies

Risk Register & Risk Management Improvement Plan (Annex I)

### Annex I

#### Risk Register & Risk Management Improvement Plan

Description	Risk Type	Inherent Impact Assessment	Inherent Frequency Assessment	Identified Controls Risk	Preliminary Assessment of Controls Effectiveness	Residual Impact Assessment	Residual Frequency Assessment	Residual Risk Assessment	Planned Improvements	Due Date	Status
Workers expose to noise hazard exceed 85dB in canning, fish sorting areas	Hearing loss (permanent injury) Occupational diseases, affect worker's behavior	Moderate health hazard to workers working for 7 hrs. per day, e.g. stress, poor concentration, productivity loss, communication difficulties, hypertension	Approx. 7 hrs. of exposure per day increase the probability of hearing loss, disrupt sleep, cause stress, poor concentration, productivity loss, communication difficulties, hypertension	Reduce noise level <85dB,  worker to wear appropriate PPE	-Noise detection,  Training of worker on proper usage of PPEs	<i>Increase in ACCF claims,</i>  <i>Productivity loss – loss in revenue</i>  <i>Non-compliance to regulatory requirements</i>	Continuous assessment of PPEs issued  Monthly monitoring of noise levels	Increase in sick leave  Low Productivity  Absenteeism	Continuous evaluation of plant equipment & design to ensure compliance to noise levels  Refresher training of workers on proper usage of PPEs	On-going	Compliant with personal protective equipment
Oil Spillage- Exposure to Slippery Floor on Canning Area	Slips, and Fall	Low risk of exposure	Approx. 7 hrs. of exposure per day increase the probability of slipping & falling that can cause injury	Monitoring of canning process to ensure control on oil spillage	Continuous training on the media attendants for the canning process	Bodily injury	Daily monitoring of exposed areas in canning process	Increase in sick leave  Low Productivity  Absenteeism	Continuous improvement on plant equipment & design to minimize oil spillage  Refresher training for media attendants in the canning process	On-going	Compliant with factory safety standards
Ammonia	Workers exposed to	Low level of exposure	in case of ammonia	Daily monitoring of	Ammonia Detection Alarm	Loss of Visual, Shortness of	Daily monitoring of ammonia	Increase in sick leave	Continuous improvement on plant	On-going	Compliant with factory safety standards

	ammonia gas		leakage, workers will be exposed to ammonia gas	ammonia circulation system	is in place  Refresher training on Ammonia Response team  Ammonia Response Safety Kit in place  Wind Direction markings in place	Breath, Irritation of Nose and Throat	circulation system  Refresher training for Ammonia Response team  Daily monitoring of Ammonia Safety Checklist	Low Productivity  Absenteeism  Increase in ACCF claims	equipment & design to minimize ammonia leakage  Refresher training for Ammonia Response team		
Fuel (Fuel Storage Tanks)	Factory and Workers exposed to fire explosion	Low level of exposure	in case of explosion of fuel tank, factory and workers will be affected	Daily monitoring of fuel tanks and circulation system  Controlled accessibility on site  Adherence to all safety work procedures	Daily Visual Checks is in place  24/7 security checks  Fire Response and evacuation drills in place  Wind Direction markings in place	Loss of property  Workers injured  Loss of livelihood of workers	Daily visual checks on fuel storage tanks and circulation system  Refresher training for Fire Response team  Daily monitoring of Fire extinguishers	Loss of revenue  Loss of livelihood for workers  Increase in ACCF claims	Refresher training for Fire Response team and fire drills  Daily checks on fire extinguishers	On-going	Compliant with factory safety standards
LPG Gas	Workers exposed to liquified petroleum gas	Low level of exposure	in case of LPG leakage, workers will be exposed to LPG gas  Loss of Visual, Shortness of Breath, Irritation of Nose and Throat	Daily monitoring of LPG tank & discharge system	Daily Visual Checks is in place  24/7 security checks  Fire Response and evacuation drills in place  Wind Direction markings in place	Loss of property  Workers injured  Loss of livelihood of workers	Daily visual checks on fuel storage tanks and circulation system  Refresher training for Fire Response team  Daily monitoring of Fire extinguishers	Loss of revenue  Loss of livelihood for workers  Increase in ACCF claims	Refresher training for Fire Response team and fire drills  Daily checks on fire extinguishers	On-going	Compliant with factory safety standards
Cold Work Environment	Workers exposed in cold environment	Moderate level of exposure – 5hrs daily	Health issues arising from exposure to	Proper PPEs issued	Employees should follow SOP for extreme	Likely body pain	Refresher training for employees who work in this	Increase in ACCF claims	Refresher training for employees	On-going	Compliant with factory safety standards

			cold environment	SOPs in place	work environment  Proper PPEs to be worn at all times		area	Increase in sick leave  Low Productivity  Absenteeism			
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23rd June 2020

The Hon. Alvick Maharaj  
Chairperson -Standing Committee on Public Accounts  
SUVA

Dear Sir

**CLARIFICATION OF ISSUES – 2018**

We refer to your letter dated 20<sup>th</sup> March 2020, respond to your questions as per below. Firstly we wish to apologise for this late submission as explained in our prior email.

**Questions**

**Financial Information**

1. ***Has the Company resolved the matter raised in the Auditor's Report on non-compliance with the International Accounting Standard (IAS 20)?***

This matter is in relation to government grant policy received in the years 2010 – 2015 and the treatment of Government grant was based on the Ministry of Public Enterprise circular (**Appendix 1**). The circular stated that all government companies, like Fiji Airports were to treat any funds received after 2010 as capital contribution and not as deferred income.

The circular was not in compliance with International Accounting Standard (IAS 20).

This matter raised relating to IAS 20 is out of the scope of the Company to resolve. The resolution of this would happen through a Government directive/ circular specifically stating that:

- The treatment of Government grants received in the years 2010 to 2015 shall be treated according to IAS 20.

In April 2016, the Ministry issued a circular stating that "Treatment of Government Grant" received from March 2016 (**Appendix 2**) onwards was to be IFRS compliant and to be applied henceforth. However, it did not provide any changes to the treatment of grants received between 2010-2015.

*Therefore, only with the Ministry's directive this matter can be resolved.*

We have contacted the Ministry on 7<sup>th</sup> May 2019 and 10<sup>th</sup> May 2019, without any success (**Appendix 3**).

## OTHER SIGNIFICANT MATTERS

### Risk Management Policy

2. *Is there a documented for Risk Management Policy? Please provide a copy to the committee.*

Yes, please refer appendix 4 for the Risk management Policy and Manual. We also maintain an online risk management portal to log hazards and actions taken.

### Preparation of Annual Statutory Accounts

3. *What was the amount paid to the Accounting firm to prepare the Annual Financial Statements?*

\$4,841 was paid to BDO to prepare the Annual Financial Statement for 2018.

4. *What is the reason that the company's Finance Department is unable to prepare Annual Financial Statements?*

The preparation of an (International Financial Reporting Standard) IFRS compliant annual financial statements for a large company like Fiji Airports is a very critical exercise.

While management prepares financial statements for monthly reporting, the annual financial statements contains other important elements like key accounting disclosures that need to be current and accurate.

Accounting firms stay abreast with the changing accounting environment and are very well suited to deliver these professional services like the IFRS compliant financial statements.

A recent example of the changing accounting environment was the new IFRS for **new standards** 9 Financial Instruments, 15 Revenue from Contract with Customers and 16 Leases. These required new disclosure requirements and have been incorporated in the 2018 financial statements. Engaging the services of an accounting firm therefore aids us with these disclosures and technical changes relating to IFRS.

Additionally, these financials are used by various international stakeholders and banks that Fiji Airports deal with so it is very important that the company's financial statements are of the best standards.

Therefore, outsourcing this critical exercise of the preparation of annual IFRS compliant financial statement is undertaken.

Please note however that management works closely with the engaged accounting firm in this exercise and ensures financial statement captions and disclosures are reported accurately.

We hope the above satisfactorily clarifies your queries.

Yours faithfully



Sanjana Mishra  
Financial Controller



## Ministry of Public Enterprises &amp; Tourism

**CIRCULAR**

PO BOX 2278, Government Buildings, Suva. Telephone: 3315577 Fax: 3315035

Circular No. 1/2013

File: 1.1.31

Date: 14/03/13

To: As per Distribution

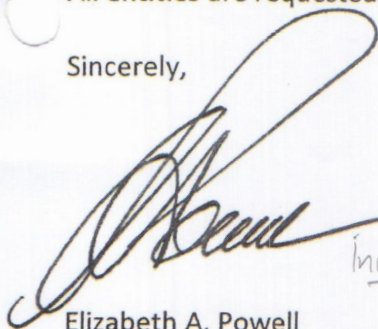
SUBJECT: TREATMENT OF GOVERNMENT GRANT AND/OR SPECIAL FUNDING

The Ministry wishes to advise that as per Cabinet decision No.357 of 2012 any recent government grant or special funding to State Owned Enterprises be treated as capital contribution rather than revenue.

As advised by the Office of the Solicitor General, this requirement applies to any grant and/or special funding from the year 2010 onwards.

All entities are requested to adhere to the above decision.

Sincerely,



Elizabeth A. Powell  
PERMANENT SECRETARY

	2010	2011	2012
XXX			
XXX			
Initial Entry (2010)	50,000	20,000	10,000

① Dr Bank 50,000 } no record cash received  
Cr Govt Grant (Liab) 50,000

② Dr Govt Grant (Liab) - 6250 } P amortise Govt Grant  
Cr Grant Revenue 6250 over 8 yrs.

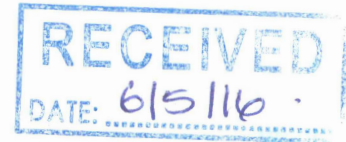
12  
① Dr Retained Earnings 18,750 12,500  
Cr Shareholder equity 18,750 12,500

② Dr Govt Grant Liability 31,250 37,500  
Cr Shareholder equity 31,250 37,500



## Ministry of Public Enterprises

Level 4, Civic Tower, Victoria Parade  
P O Box 2278, Government Buildings, Suva, Fiji



P: +679 331 5577  
F: +679 330 2060

### CIRCULAR

#08/2016

29 April 2016

File 1.1.31

TO: DISTRIBUTION LIST

SUBJECT: TREATMENT OF GOVERNMENT GRANT AND CHANGE OF FINANCIAL YEAR

The Ministry wishes to advise all State Owned Entities (SOEs) on the following:

**1. Treatment of Government Grant**

Further to Public Enterprises Circular No. 06/2016, SOEs are advised that the implementation date for the rescinding of the '*Treatment of Government Grant*' is effective from 9 March 2016, the date of the Cabinet Decision.

**2. Change in Government Financial Year**

SOEs will continue to maintain their current financial year, regardless of the change in Government's financial year.

We look forward to your cooperation in facilitating these policy decisions.

Yours sincerely

David Kolitagane  
Permanent Secretary

**Rohit Prasad**

---

**From:** Sanjana Mishra  
**Sent:** Thursday, 26 March 2020 8:38 AM  
**To:** Rohit Prasad  
**Subject:** FW: Treatment of Government Grant

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**From:** Sanjana Mishra  
**Sent:** Friday, May 10, 2019 3:52 PM  
**To:** Pankaj Singh (pankas.singh@finance.gov.fj)  
**Cc:** sujeet.chand@govnet.gov.fj; 'Rohit Prasad'  
**Subject:** RE: Treatment of Government Grant

Hi Pankaj

Any feedback on this as this has been raised as an emphasis of matter once again.

Thanks

Sanjana

---

**From:** Sanjana Mishra  
**Sent:** Tuesday, May 7, 2019 8:21 AM  
**To:** Pankaj Singh (pankas.singh@finance.gov.fj)  
**Cc:** 'sujeet.chand@govnet.gov.fj'; Rohit Prasad  
**Subject:** FW: Treatment of Government Grant

Dear Pankaj

The OAG office has raised an issue with regards to treatment of Government grant prior to 2016. As you may recall the treatment of government grant as capital expenditure became effective from 2010. However in 2016 as per the attached circular the treatment of government grant was to be treated in accordance with the IFRS standards. The circular however stated that treatment should be from 2016 and beyond however the treatment as capital contribution remained from 2010 to 2016 onwards.

Due to this the OAG will continue to raise this matter. Could you advise if Ministry has and plans to review from 2010.

I will call to discuss.

Thanks

Sanjana

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**From:** Rohit Prasad  
**Sent:** Tuesday, May 7, 2019 8:02 AM  
**To:** Sanjana Mishra  
**Subject:** Treatment of Government Grant

Attached is circular from Ministry of the treatment of government grant.



25 June 2015

The Permanent Secretary  
Ministry of Public Enterprises  
Level 4  
Civic House  
Suva

Dear Sir

Treatment of Government Grant as Capital Contribution

We wish to inform you that Auditor General's Office has once again given a qualified opinion on Airports Fiji Limited financial statements due treatment of Government grant as Capital contribution in our financial statements. This current treatment deviates from the International Financial Reporting Standards IAS 20.

As per IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" requires government grants provided for the purchase or construction of assets to be recognised initially as deferred income then recognised in the profit and loss as other income on a systematic basis in the same period that the expenses are recognised. However due to the cabinet decision of 2010 the government grant is treated as capital contribution.

We therefore would like the Ministry of Public Enterprise to address this issue with the Ministry of Finance, as we believe this issue is also affecting all the other Government owned commercial entities.

Your urgent attention on this matter will be much appreciated.

Yours faithfully



Faiz Khan  
Executive Chairman





# FIJI AIRPORTS

## SAFETY POLICY

Fiji Airports is committed to developing, implementing, maintaining and constantly improving its strategies and processes to ensure that all our aviation activities take place under an appropriate allocation of organisational resources, aimed at achieving the highest level of safety performance and meeting national and international standards, while delivering our services. All levels of management and employees are accountable for the delivery of the highest level of safety performance.

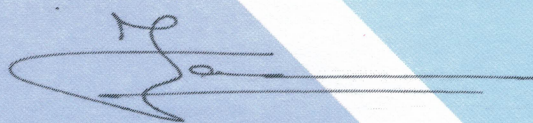
Our commitment is to:

- *support* the management of safety through the provision of all appropriate resources that will result in an organizational culture that fosters safe practices, encourages effective safety reporting and communication throughout the organisation;
- *ensure* that the management of safety is a primary responsibility of all managers and employees;
- *clearly define*, for all staff, managers and employees alike, their accountabilities and responsibilities for the delivery of the organization's safety performance and the performance of our safety management system;
- *establish and operate* hazard identification and risk management processes, including a hazard reporting system, in order to eliminate or mitigate the safety risks of the consequences of hazards resulting from our operations or activities, to achieve continuous improvement in our safety performance;
- *ensure* that no action will be taken against any employee who discloses a safety concern through the hazard reporting system, unless such disclosure indicates, beyond any reasonable doubt, gross negligence or a deliberate or willful disregard of regulations or procedures;
- *comply with and*, wherever possible, exceed, legislative and regulatory requirements and standards;
- *ensure* that sufficient skilled and trained human resources are available to implement safety strategies and processes;
- *ensure* that all staff are provided with adequate and appropriate aviation safety information and training, are competent in safety matters, and are allocated only tasks commensurate with their skills;
- *establish and measure* our safety performance against realistic safety performance indicators and safety performance targets;
- *continually improve* our safety performance through continuous monitoring and measurement, regular review and adjustment of safety objectives and targets, and diligent achievement of these; and
- *ensure* that externally supplied systems and services to support our operations are delivered meeting our safety performance standards.

Our fundamental safety beliefs are:

- Safety is one of our core business functions;
- We will strengthen our business by making safety excellence an integral part of all activities;
- We believe that all accidents and incidents are preventable;
- All levels of line management are accountable for our safety performance, starting with the Accountable Executive.

This safety policy is subject for review after every 3 years or earlier should there be a need to ensure it remains relevant and appropriate to the organization.



Faiz Khan  
Chief Executive Officer (Acting)

Fiji Airports

Date: 13.06.19

Rev 5.0

Policy No. 081





## **AFL SAFETY MANAGEMENT SYSTEM MANUAL**

*(Issue 5, Effective 26 April 2018)*

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Executive Chairman  
Airports Fiji Limited  
Private Mail Bag  
Nadi International Airport  
Fiji Islands  
Tel: (+679) 6725 777  
Fax: (679) 6725 161  
E-mail: [info@afl.com.fj](mailto:info@afl.com.fj)  
Website: [www.airportsfiji.com](http://www.airportsfiji.com)

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## **AFL SAFETY MANAGEMENT SYSTEM MANUAL**

*(Issue 5, Effective 26 April 2018)*

**CONTROLLED  
E-COPY**

Approved by:

A handwritten signature in black ink, appearing to read "Faiz Khan", written over a horizontal line.

.....  
**Faiz Khan**  
**Executive Chairman**  
**AIRPORTS FIJI LIMITED**

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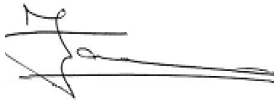
## FOREWORD

The purpose of this manual serves to provide guidelines on how the organization is going to meet its obligation to effectively establish and manage a safety system as required under the relevant ICAO Annexes, and the national regulatory standards.

The instructions, procedures and information contained in this manual have been devised to ensure safety and standardization in the conduct of AFL operations. These are required to be observed by all company personnel of AFL and they are also reminded of their obligation to comply with the Civil Aviation Reform Act 1999, Air Navigation Regulations 1981, Standards and any other directives, aeronautical information and notices that CAAF and AFL may publish from time to time.

Individual certificates are expected to adopt the requirements stipulated in this manual as part of their day-to-day operations. The scope of this manual covers the six key certificates that are operated by the organization. This includes the Aerodrome, Air Traffic Services Provider (ATSP), Search and Rescue (SAR), Aeronautical Information Services (AIS), Aviation Training Institute (ATI) and the Approved Maintenance Organization Certificate (AMOC).

This manual supersedes the forth edition of the SMS Manual.



.....  
 Faiz Khan  
**Executive Chairman**  
**AIRPORTS FIJI LIMITED**

## **EDITORIAL NOTES**

The SMS Manual is scheduled for once a year printed page amendment with the effective date being an AIRAC date. Approved amendments should be received by the AIS office prior to the set out cut-off date for this manual.

Amendments may also be effected via supplementary amendments (yellow pages) posted or emailed document holders as a need arises for urgent corrective action. Document Holders should check the validity date, which is normally within 7 days of receipt. Hard copy pages will replace emailed amendments shortly thereafter. Supplementary amendments will normally be reissued in permanent form at the next AIRAC scheduled amendment process.

Amendments may extraordinarily consist of hand-amendments through instructions in either the scheduled or supplementary amendments.

The “record of Signalled/Supplementary Amendment” page shows the signalled/supplementary amendments that remain in force. All others should be destroyed.



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007	Nausori Tower	AFL	Nausori
008	EOC	AFL	Nadi
009	Airside Office	AFL	Nadi
010	Aerodrome Maintenance Shed	AFL	Nadi
011	Incinerator	AFL	Nadi
012	AIS	AFL	Nadi
013	Academy	AFL	Nadi
014	RCC	AFL	Nadi
015	Main Fire Station (Duty Fire Officer's Office)	AFL	Nadi
016	Satellite Fire Station	AFL	Nadi
017	BCW	AFL	Nadi
018	Transport Office	AFL	Nadi

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020	T/L Gau	AFL	Gau
021	T/L Kadavu	AFL	Kadavu
022	T/L Koro	AFL	Koro
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**ABBREVIATIONS AND  
DEFINITIONS**



Issue 5

**AIRPORTS FIJI LIMITED**  
**SMS MANUAL**

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## 1 ABBREVIATIONS

### 1.1 General

AMTM	Aerodrome Maintenance Team Member
ACFT	Aircraft
ADI	Aerodrome Development Inspector
AEP	Airport Emergency Plan
AFL	Airports Fiji Limited
AMOC	Approved Maintenance Organisation Certificate
AIC	Aeronautical Information Circulars
ARFFS	Airport Rescue and Fire Fighting Services
AI	an Aerodrome Inspector employed by CAAF/AFL.
AIS	Aeronautical Information Service
APM	Airport Manager
ATI	Aviation Training Institution
ATM	Air Traffic Management
ATS	Air Traffic Services
ATSP	Air Traffic Services Provider
CAAF	Civil Aviation Authority of the Fiji
CEO	Chief Executive Officer
CHOP	Co-head Operations
CHOPS	Co-head Operations Support
CSSR	Controller Standards & Search and Rescue
EOC	Emergency Operations Centre
FOD	Foreign object damage/debris
GMATM & OPS	General Manager Air Traffic Management & Operations
ICAO	International Civil Aviation Organization
LDA	Landing Distance Available
MAO	Manager Airside Operations
MANES	Manager Aeronautical Navigation & Engineering Services
MARFFS	Manager Aviation Rescue & Fire Fighting Services
MASS	Manager Airport Security Service
MEMS	Manager Electrical & Mechanical Services
MF	Manager Fleet
MLOCS	Manager Landside Operations & Customer Services
MSRM	Manager Safety & Risk Management
NOTAM	Notice to Airmen
OMOIA	Operations Manager Outer-Island Airports
OSPD	Online Safety Portal Database
PCN	Pavement Classification Number
RWY	Runway
SAG	Safety Action Group
SAR	Search and Rescue
SC	Safety Committee
SD	Standards Document published by CAAF
SRC	Safety Review Committee
TWY	Taxiway

## 2 DEFINITIONS

### 2.1 General

2.1.1 All definitions contained in the Civil Aviation Act, Regulations, the Aeronautical Information Publications and Standard Documents issued by the Authority, are applicable whenever appearing in this Manual.

2.1.2 The following definitions are provided for users' convenience, or because they are additional, or different in some way:

**Agent** - means the name, address and contact details of the person who is authorized to act on behalf of the applicant and where all correspondence should be sent if this person and address is different from the entity. CAAF will need written evidence that an agent is authorized to act on their behalf.

**Airside**- That area of the Airport prohibited to the non-traveling public.

**Aerodrome** - means a defined area on land (including any buildings, installations and equipment) intended to be used either wholly or in part for the arrival, departure and surface movement of aircraft (Doc 9774 Manual on Certification of Aerodromes).

**Aerodrome Manual Controller/Safety Officer** - means a person with specific responsibilities under this manual.

**Accidents**- Accidental damage in excess of \$1, 000 to vehicles, plant or equipment; death or serious injury to personnel or customers resulting from aerodrome operations; or damage to other property or injury to other personnel resulting from company operations qualify as accidents and must be immediately reported to the Manager Safety & Risk Management. The Manager Safety & Risk Management shall notify the relevant authorities, as required, and conduct investigations into the event.

**Assessment**- An activity to determine whether or not a reported hazard is in fact a risk to our operation in any way. The outcome of an assessment is to classify all reported hazards, incidents and accidents as a risk of a certain magnitude. Assessment involves translating reported hazards and events into risks so that they can be dealt with in a meaningful way.

**Authority** - The Civil Aviation Authority of Fiji.

**Accountable Executive-** refers to the AFL Executive who has the overall responsibility and the designated owner of all certificates operated by AFL.

**Accountable Manager-** refers to the General Manager who oversees the safe and efficient running of multiple certificates operated by the organization on a daily basis.

**Audit-** a systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled.

**Audit Evidence-** records, statements of fact or other information, which are relevant to the audit criteria and verifiable.

**Audit Plan-** description of the on-site activities and arrangement for an audit.

**Classification A1-** An incident whereby a breakdown of separation incident has occurred and an evasive manoeuvre was carried out to avoid collision between two or more aircraft.

**Classification A2-** An incident whereby a breakdown of separation incident has occurred and an evasive manoeuvre less than the applicable separation minimum was maintained between two or more aircraft or between an aircraft and Terrain or Obstacles. Obstacles includes vehicles, equipment and personnel on runways and maneuvering areas.

**Classification A3-** The applicable separation minimum was maintained but a hazard or a potential hazard to Air Safety existed. Non-adherence to applicable standards, rules, regulations or procedures.

**Change Management-** The capabilities and support required by the organization constantly evolve in response to the changing requirements of interested parties, a dynamic business environment and the process of continual improvement. Change may also require that there be associated cultural and behavioral adjustments within an organization. Where these are necessary they will take time and resources and must be led by management.

**Company-** Airports Fiji Limited. The term "company" is used generically, and may include a council, an individual or the company.

**Cost-** Cost of activities, both direct, indirect, involving any negative impact, including money, time, labour, disruption, goodwill, political, and tangible losses.

**Conformance-** a judgement made by an auditor that the activities undertaken and the results achieved fulfill the specified requirements of the company's management system.

**Compliance-** the state of meeting legal requirements.

**Critical safety information-** Is the sort of information that staff and management need to be aware of, in order to do their job safely. Typically, this would include information like a change to a company procedure required as part of a safety risk treatment option.

**Consequences or Severity-** the extent of harm that might reasonably occur as outcome of the identified hazard. Should consider all possible consequences related to an unsafe condition or object, taking into account the worst foreseeable situation.

**Defences-** Are actions or elements of a design put in place to reduce the likelihood or consequence of an event. Risk treatment will normally involve the introduction or enhancement of defences against a specific negative outcome.

**Deficiency-** The result of lacking something essential; imperfect; defective. Such as hazards allowed to exist within a system result in a System Deficiency.

**Event-** an incident or accident occurring within the jurisdiction of our operational certificates is regarded as an event.

**Existing Hazard-** refers to those hazards which have been reported and are known to the organization.

**Facility-** means premises being used, or to be used, for the operation of an aircraft on the aerodrome. These premises may be fixed or portable, and may include communication facilities.

**Hazard-** condition or object with the potential to cause death, injuries to personnel, damage to equipment or structures, loss of material, or reduction of ability to perform a prescribed function. For the purpose of aviation safety risk management, hazard should be focused on those conditions that could cause or contribute to unsafe operation of aircraft or aviation safety related equipment, product and services



**Human Factors-** Human factors involves the study of the human's capabilities, limitations, and behaviours and the integration of that knowledge into the design of systems to enhance the safety, performance and the general well being of the operators of the systems.

**Incidents-** Incidents are events other than an accident, associated with the operation of the aerodrome that results in injury or damage to vehicles, plant or equipment.

**Legal Entity-** means a person having legal personality (capable of enjoying and being subject to legal rights and duties). A legal entity may be:

- a natural person, or a group of natural persons;
- an incorporated company or association, or a group of such companies or associations;
- a body corporate or politic created by statute.

**Likelihood-** Used as a general description of probability or frequency.  
Note: Can be expressed qualitatively or quantitatively.

**Maneuvering Area-** That part of an aerodrome to be used for the take-off, landing and taxiing of aircraft, excluding aprons.

**Mitigation-** The actions taken to either control, reduce or remove a hazard or to reduce the probability or the severity of a risk. The result of an action to make milder or less severe.

**Monitor-** To check, supervise, observe critically, or record the progress of an activity or system on a regular basis in order to identify change.

**Non-conformance-** a judgement made by an auditor that the activities undertaken and the results achieved do not fulfilled the specified requirements of the management system criteria.

**Non-compliance-** a judgement made by the auditor that the systems in place do not fulfill the legal requirements.

**Non-critical safety information-** Is the sort of safety information that staff and management only need a general awareness of as part of their job.

**Operator-** has the same meaning as "company"

**Owner-** means the legal entity holding the Certificate.

**OSPD-** The Online Safety Portal Database has been established to effectively manage all our safety reports related to hazard, incident incl. MOR, non-compliance and audit findings. The portal can be accessed on 'http://10.99.100.29/srm/'. To report a hazard or view progress including the viewing of Safety Performance, no login information is required.

**Risk-** The chance of something happening that will have an impact upon objectives. It is measured in terms of consequences and likelihood.

**Risk analysis-** A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.

**Risk assessment-** The overall process of risk analysis and risk evaluation.

**Risk evaluation-** The process used to determine risk management priorities by comparing the level of risk against predetermined standards, target risk levels or other criteria.

**Risk identification-** The process of determining what can happen, why and how.

**Risk level-** The level of risk calculated as a function of likelihood and consequence.

**Risk management-** The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.

**Safety-** Safety is the state in which risks associated with aviation activities, related to, or in direct support of the operation of aircraft, are reduced and controlled to an acceptable level.

**Safety Management System-** a systematic approach to managing safety, including the necessary organizational, structures, accountabilities, policies and procedures. The principle objective is the safety of flight.

**Safety Performance-** a state or a service provider's safety achievement as defined by its safety performance targets and safety performance indicators.

**Safety Performance Indicator-** a data-based parameter used for monitoring and assessing safety performance.

**Safety Performance Target-** the planned or intended objective for safety performance indicator(s) over a given period.

**Secretariat-** at the Safety Review Committee, the Secretariat is the SRM unit staff whilst at the SAG committee the Secretariat is the department's Safety Officer.

**Serious Injury-** An injury which is sustained by a person in an accident and which:

- a) requires hospitalization for more than 48 hours, commencing within seven days from the date the injury was received; or
- b) results in a fracture of any bone (except simple fractures of fingers, toes or nose); or
- c) involves lacerations which cause severe haemorrhage, nerve, muscle or tendon damage; or
- d) involves injury to any internal organ; or
- e) involves second or third degree burns, or any burns affecting more than 5 per cent of the body surface; or
- f) involves verified exposure to infectious substances or injurious radiation.

**Short Term Corrective Actions-** Short term corrective actions are those which the Manager Safety & Risk Management considers to be a temporary fix while awaiting the implementation of a permanent (long term) solution.

**Unmanned Airport-** Airport where no Air Traffic Services is provided.

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# OVERVIEW



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## **1 SYSTEM OVERVIEW**

### **1.1 General**

1.1.1 AFL's key business includes Airspace Management, Air Navigation Service and Aerodrome operations, including maintenance of required facilities, and the fitness & competency of personnel.

### **1.2 Airspace Management and the provision of Air Navigation Services**

1.2.1 AFL provides air traffic management (ATM) services and facilities in the Nadi flight information region (FIR), Vanuatu and New Caledonia sector and Fiji Domestic airspace. The Nadi FIR includes the air space over Fiji, Tuvalu, New Caledonia, Wallis & Futuna, Kiribati and Vanuatu. ATM covers Air Traffic Services Provider certificate, Aviation Training Institute certificate Aeronautical Information Services certificate and the Search & Rescue Certificate.

1.2.2 AMO certificate includes the functional units of Aeronautical Navigation & Engineering Services, Electrical & Mechanical Services (E/M) and ICT. The ANES provides maintenance and technical support to the CNS facilities and ATM equipment. ICT provides maintenance and engineering support to the airport facilities whilst E/M is responsible for the provision of power supply to these facilities.

### **1.3 Aerodrome Operations.**

1.3.1 Airports Fiji Limited manages and operates 15 public airports which include 2 international airports (i.e. Nadi and Nausori) and 13 domestic airports in the outer islands. This includes the provision of aerodromes for landing and take-off including rescue and firefighting services, and maintenance of related facilities and services as per the relevant aerodrome certificate conditions.

## 1.4 Fitness and Competence of Personnel.

1.4.1 AFL operates an aviation training institution that is accredited by the Fiji Higher Education Commission and certified by the Civil Aviation Authority of Fiji. It conducts specialised training in the field of Air Traffic Management, Aeronautical Information, Aeronautical Facilities, Aerodrome Operations, Rescue & Fire Fighting Services, Safety Management System and Aviation Security. In addition, it also conducts Aeronautical Station Officer License (ASOL) training to all stakeholders requiring access to the movement area.

## 1.5 Company Operations

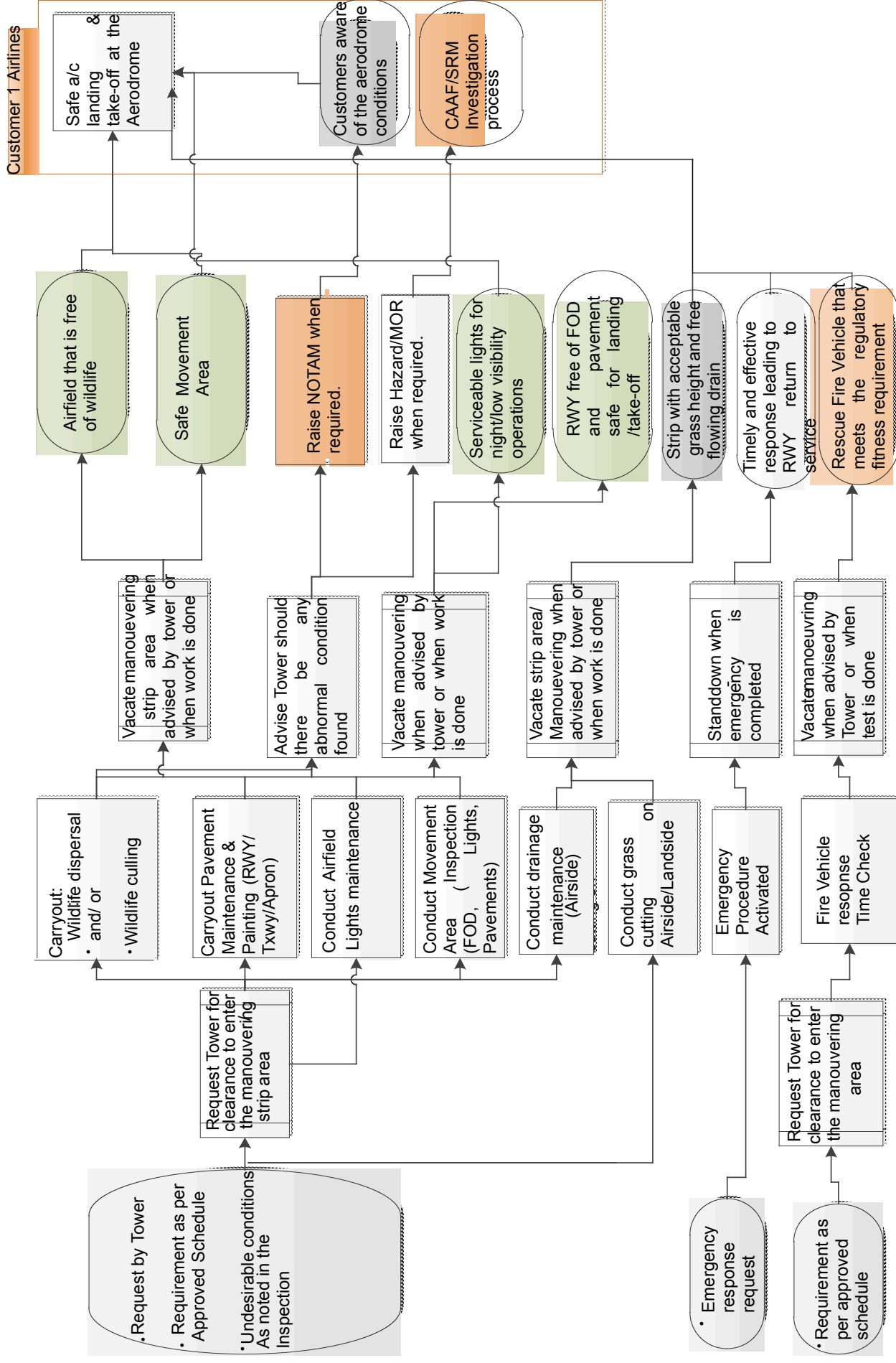
1.5.1 Below is the high level system overview of our business.

1.5.2 In the event of an accident or incident whereby an aircraft is disabled on the movement area, the aircraft owner normally requests AFL to also access the site. In such event, required clearance from the tower still applies. In addition to the above, Security plays a vital role in the screening of all personnel, cargo and vehicle movements onto the airside to ensure that any potential threats are detected and mitigated accordingly.

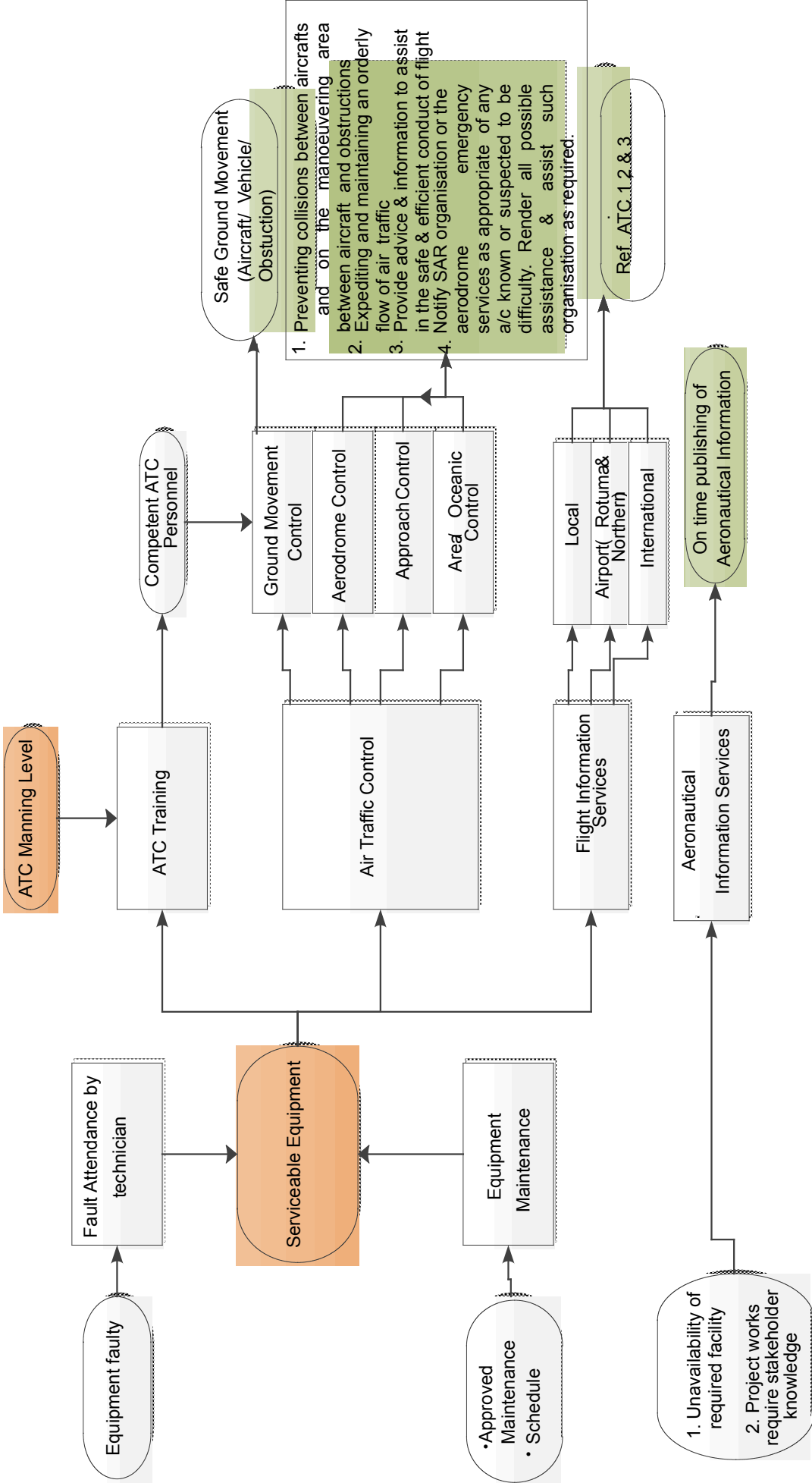
1.5.3 The company details of the aerodrome operator, Airports Fiji Limited are shown below:

<u>Headquarters</u>	<u>Postal Address</u>	<u>Contacts:</u>
Airports Fiji Limited	Private Mail Bag	Phone: +679-672 5777
Ottawa Road	Nadi Airport	Fax: +679-672 5161
CAAF Compound	Fiji Islands	www.afl.com.fj

## Aerodrome & ground Aid Processes



Air Navigation Services Provider Processes



## 1.6 Perception of Safety

1.6.1 In order to understand safety management, it is necessary to consider what is meant by “safety”. Depending on one’s perspective, the concept of aviation safety may have different connotations, such as:

- a) Zero accidents (or serious accidents), a view widely held by the traveling public;
- b) The freedom from danger or risks, i.e. those factors which cause or are likely to cause harm;
- c) The attitude towards unsafe acts and conditions by employees (reflecting a “safe” corporate value);
- d) The degree to which the inherent risks in aviation are “acceptable”;
- e) The process of hazard identification and risk management; and
- f) The control of accidental loss (of persons and property, and damage to the environment).

1.6.2 While the elimination of accidents (and serious incidents) would be desirable, a one hundred percent safety rate is an unachievable goal. Failures and errors will occur, in spite of the best efforts to avoid them. No human activity or human-made system can be guaranteed to be absolutely safe, i.e. free from risk. Safety is a considered notion whereby inherent risks are acceptable in a “safe” system.

1.6.3 A **Safety Management System (SMS)** is an organized approach to managing safety, including the necessary organizational structures, accountabilities, policies and procedures.

## 1.7 Why SMS?

1.7.1 Accidents and incidents cost money. Although accidents are rare, there is a whole range of incidents which occur more frequently. These incidents may be an indication of underlying safety problems. AFL has a responsibility, or duty of care, to ensure the welfare and safety of our customers and colleagues, therefore we cannot ignore these underlying safety hazards which could pave the way for an increase in the number of more serious accidents.

1.7.2 Safety Management System is not only a proactive approach but also an investment with the potential for high returns over the long term. It also provides:

- i) Instructions, procedures and information to ensure safety and standardization in the conduct of our operations;
- ii) Personnel with a guideline on the company procedures and the handling of safety systems operated by the company;
- iii) Guard against **direct** and **indirect** cost of potential incident/accident; for instance even a minor accident may incur a range of indirect costs, such as:
  - Loss of business and damage to the company's reputation;
  - Legal action cost and damages claim;
  - Increased insurance premiums;
  - Loss of staff productivity etc.
- iv) Satisfy regulatory requirement.

1.7.3 The management of safety is therefore a prerequisite for a sustainable aviation business.

## 1.8 Benefits of Safety Management

1.8.1 Some of the benefits are:

- Reduction in workplace accidents and injuries;
- Long term cost efficiencies;
- Provision of a competitive advantage in future activities;
- A record of consistently safe operations can be used to attract new business and investment;
- Elevation of the standard of safety management, which should result in lower insurance premiums if implemented effectively;
- Compliance with legal safety responsibilities;
- Airport certification requirements mandate a number of safety processes and standards;
- Improve staff morale and productivity;
- Promoting communication between management and the rest of the organization prevents disenfranchisement and lifts morale;
- Effective management of risks ensures safe operations;
- Continuous improvement of operational processes;
- SMS allows for lessons learned to be incorporated into the system and lead to superior operations.

## **1.9 Regulatory and ICAO Requirements**

1.9.1 The Civil Aviation Act 1976, Civil Aviation Authority Act 1979, Civil Aviation (Reform) Act 1999, Air Navigation, Regulations (ANRs) and Standards Documents lay the foundation for Civil Aviation Requirements in Fiji. These requirements provide a sound, simple, cohesive legal framework which is, wherever practicable, consistent and compliant with the Annexes to the Convention and suited to the level of aviation activity within the State. The State Safety Programme and the Standards Document SMS sets out the requirements for establishment of safety management systems in Fiji.

1.9.2 This SMS Manual has been developed to meet AFL's obligation, as an aviation training institution, air navigation service provider and aerodrome operator, to comply with standards for SMS notified by the Authority. In addition to addressing the requirements of the SD-SMS, this manual addresses requirements of the:

- Fiji State Safety Program;
- Civil Aviation Reform Act 1999;
- Air Navigation Regulations 1981 (145A, 145B, 145C, 145E);
- Annex 14 – Aerodromes;
- Annex 11 – Air Traffic Services;
- Annex 19 – Safety Management System;
- Doc 9774 – Manual on Certification of Aerodromes;
- Doc 9859 – Safety Management Manual;
- Doc 9981 - Aerodrome PANS Ops.



## 1.10 ICAO Annex 19

1.10.1 Annex 19, para 3.1.3 states that “As part of its SSP, each State shall require that the following service providers under its authority implement an SMS:

- a) approved training organizations in accordance with Annex 1 that are exposed to safety risks related to aircraft operations during the provision of their services;
- b) operators of aeroplanes or helicopters authorized to conduct international commercial air transport, in accordance with Annex 6, Part I or Part III, Section II, respectively;

***Note: When maintenance activities are not conducted by an approved maintenance organization in accordance with Annex 6, Part I, 8.7, but under an equivalent system as in Annex 6, Part I, 8.1.2, or Part III, Section II, 6.1.2, they are included in the scope of the operator’s SMS.***

- c) Approved maintenance organizations providing services to operators of aeroplanes or helicopters engaged in international commercial air transport, in accordance with Annex 6, Part I or Part III, Section II, respectively. In Fiji, this also includes the provision of Air Navigation Services (ANS);
- d) Organizations responsible for the type design or manufacture of aircraft, in accordance with Annex 8;
- e) Air traffic services (ATS) providers in accordance with Annex 11; and

***Note: The provision of AIS, CNS, MET and/or SAR services, when under the authority of an ATS provider, are included in the scope of the ATS provider’s SMS. When the provision of AIS, CNS, MET and/or SAR services are wholly or partially provided by an entity other than an ATS provider, the related services that come under the authority of the ATS provider, or those aspects of the services with direct operational implications, are included in the scope of the ATS provider’s SMS.***

- f) Operators of certified aerodromes in accordance with Annex 14.

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# **SAFETY MANAGEMENT SYSTEM POLICY**



AIRPORTS FIJI  
LIMITED

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## 1 SMS POLICY

### 1.1 General

1.1.1 The Safety Policy provides not only the philosophy but also the foundations on which the SMS is built. The safety policy outlines the methods and processes that the organisation will use to achieve its desired safety outcomes. Furthermore, it serves as a reminder of “how we do business around here”.

1.1.2 Management’s commitment to safety is officially communicated in the Safety Policy statement. This safety policy reflects AFL’s commitment towards the implementation, reviewing and continuous improvement of the safety management system’s element. It also summarizes the practices and processes that AFL would exploit to accomplish the desired safety results.

1.1.3 The safety policy is required to be communicated to all staff to give them a sense of ownership. The safety policy is subject for review after every 3 years.

1.1.4 The two key policies which have been adopted by the organization to facilitate the timely and effective management of safety issues in the company are:

- a) Safety Policy
- b) Penalty-Free Safety Reporting Policy

## 1.2 Safety Policy



### **SAFETY POLICY**

Airports Fiji Limited is committed to providing a safe and healthy working environment for its employees, customers and other users. AFL shall operate in accordance with all applicable legal requirements and international standards. AFL shall endeavor to benchmark itself against best industry practice, and shall reflect organizational commitment regarding safety. In pursuing these goals the comprehensive demonstration of the following are important to ensure that the company continues to maintain an effective Safety Management System:

- Senior management commitment to the establishment and maintenance of safe workplaces and practices by identifying responsibilities, and holding responsible, the respective managers;
- The inclusion of safety and risk management into all part of our operations;
- The proactive incorporation of safety principles and controls into our standard operating procedures;
- All personnel to be provided with the necessary skills through training to ensure they maintain the required competencies;
- Through education, develop awareness to ensure personnel have a common understanding of safety and the nature of hazards;
- The promotion of reporting incidents/accidents and potential hazards on non-punitive basis;
- A need to openly disseminate safety related information and provide two-way communication channels between management and personnel;
- Our commitment to establish clear standards of acceptable behaviour;

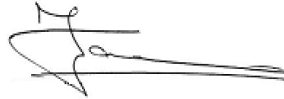


- Enlisting the support of all personnel in developing solutions to eliminate unsafe conditions and practices;
- Vigilant application by each individual in conducting their duties, conforming to standard operating procedures furthermore complying with regulatory requirements;
- Our commitment to continuously improve our safety management system and level of safety.

Our fundamental safety beliefs are:

- Safety is a source of our competitive advantage;
- We will strengthen our business by making safety excellence an integral part of all activities;
- We believe that all accidents and incidents are preventable;
- All levels of line management are accountable for our safety performance, starting with the Chief Executive Officer (CEO).

All employees are required to communicate any issue that can have a safety impact to the Safety & Risk Management Dept. **Telephone:** 672 5777 Ext 6724. **Fax:** 673 1383. **Email:** [safetyandrisk@afl.com.fj](mailto:safetyandrisk@afl.com.fj). This safety policy is subject for review after every 3 years or earlier should there be any immediate change to ensure it remains relevant and appropriate to the organization.



.....  
**Faiz Khan**  
**Chairman**  
**Airports Fiji Limited**  
**April 2018**

Rev 4.0

Policy No. 081

### 1.3 Penalty-Free Safety Reporting Policy



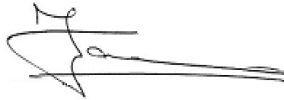
#### Penalty-Free Safety Reporting Policy

Non-punitive reporting of incidents, accidents and error is an essential element of our Safety Management System (SMS).

It is therefore essential that all information affecting safety is freely available within AFL. All personnel can feel confident that they can disclose any such information without fear of retribution.

As such, we fully endorse non-punitive incident/accident and error reporting within AFL. This will develop and foster a culture of mutual trust, in which we adopt a team approach to resolve problems and prevent recurrences.

However this does not imply that AFL will tolerate negligence or willful violations of standard operating procedures, policies or regulations.



.....  
**Faiz Khan**  
**Chairman**  
**Airports Fiji Limited**  
**April 2018**

**SAFETY OBJECTIVES AND  
TARGETS**



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# 1 SAFETY OBJECTIVES AND TARGETS

## 1.1 General

1.1.1 Effective safety management requires more than establishing an appropriate organizational structure and promulgating rules and procedures to be followed. It requires a genuine commitment to safety especially on the part of Senior Management.

1.1.2 The key indicator of management's commitment to safety is the establishment of an appropriate management structure, assigning responsibilities and accountabilities, and allocating appropriate resources must be consistent with the organization's stated safety objectives.

1.1.3 Senior Management commitment to the Safety culture is an essential ingredient for a successful SMS.

1.1.4 Under ICAO Annex 19 and Fiji's State's Safety Program, the Service Provider's Safety Performance Indicators (SPIs) are required to be approved as acceptable to the Authority. The approval of this manual by the Authority indicates acceptance by CAAF of the SPIs detailed under para 1.4 of this chapter. Any amendments to these SPIs shall require acceptance and approval by CAAF.

## 1.2 Principal Safety Objectives

1.2.1 The principal safety objective is to minimize, as much as is reasonably practicable, the:

- risk of an aircraft accident/incident at or in the vicinity of the aerodrome, within Fiji's domestic airspace and within the Nadi Flight Information Region (FIR);
- risk of an accident or loss of life to employees and traveling public;
- risk of damage or loss to the company and tenants' assets;
- risk of equipment and facilities outage.

1.2.2 To achieve this, the company will implement its Safety Management System in a way that will:

- i) Establish clear Safety Performance Indicators/Targets across the company to enable performance to be measured. These are contained in part 3.3 below;
- ii) Maintain an effective safety management system in the company through continuous improvement;
- iii) Raise safety awareness to all employees and provide training so that they can safely carry out their responsibilities;
- iv) Promote the adoption of safety management system practices by the company's contractors;
- v) Promote a positive safety culture across the organization.

### **1.3 Development Of Safety Objectives**

1.3.1 Based on the principal safety objectives sated in para 1.2 above, relevant certificate is required to develop a coherent set of safety objectives that are paramount to their key processes (Focus Areas). The selection of these key processes should be based on its significance in providing continuous flight safety both on the ground and in the air.

1.3.2 As a start, a number of focus areas have been identified for all our certificated areas. These focus areas are required to be analyzed and reviewed annually by the relevant certificate to determine its adequacy and relevance in order to gauge the safety performance of each unit.

1.3.3 During the review process, the SAG committee is required to go through their respective safety objectives and make a collective decision on its adequacy. Any amendments should be raised using the amendment request form and incorporated accordingly into this manual.

1.3.4 Any changes to the list of safety objectives should be approved by the Accountable Manager with prior approval of the relevant SAG committee. The changes shall also be communicated to the regulator for their approval before publishing.

### **1.4 Safety Performance Indicators and Targets**

1.4.1 The safety performance indicators for the two core business functions of the company are outlined below:



### Aerodrome and AMOC Certificates

The following targets have been established for the aerodrome operation based on our previous safety performance.

Focus Area	Objective	Attributes	Indicator	Performance Targets	Instrument/ Media	Responsible
1.	Wildlife Management To provide a managed environment for aircraft at all our aerodromes incl. the 13 island airports.	Bird Strike  Animal incursion	Number of bird strike cases per year.  Number of animals airspace	TLS – below 4.04 bird strikes per 10k flights.  Reduce animals incursion into airspace at our international airports by 20%	Bird Strike Reports (Airline, CAAF & AFL)  Pilot/ATC/ Airside Officer reports	Aerodrome  May affect ATM certificate as considered a runway incursion
2.	To achieve a zero runway incursion rate at all our aerodrome.	Unauthorized vehicle/personnel access onto the maneuvering area	No. of unauthorized vehicle/person access onto the maneuvering area	Reduce unauthorized vehicle/person access onto the maneuvering area by 20%	MOR/Incident Report	Aerodrome
3.	Foreign Object Damage to aircraft To ensure that all movement areas are free of FOD.	Aircraft damage  FOD on the RWY/TXWY/Apron	Number of aircraft damage per 10,000 movements	Below 1 per 10k movements	FOD reports MOR	Aerodrome
4.			Number of FOD incident per 10,000 movements	Below 3 per 10k movements	FOD reports MOR	

Focus Area	Objective	Attributes	Indicator	Performance Targets	Instrument/ Media	Responsible
5. Aerodrome Electrical Facilities	To ensure that all related equipment are available at all times	Main Power Supply Backup Power Supply	% of total availability (hrs) per year	To achieve 99.99% availability on a yearly basis	Fault Report	Aerodrome
6. Navigational Aids, Air Traffic Management Systems and Airport Systems & Services	To ensure that all related equipment and facilities & services are available at all times.	Equipment Availability  System reliability (Mean Time between Failures)	% of total availability (hrs) per year  Average Time Between Failures of a system.	To achieve 99.99% availability on a yearly basis  >1000 hours without failure	Departments monthly system availability reports  Fault reporting forms	AMOC
7. Aerodrome Field/RWY, ANES incl. airport system, Electrical & Mechanical and Fire Fighting Equipment Maintenance	To ensure that all related equipment are properly maintained to ensure serviceability.	Preventative Maintenance	Number of maintenance done against the approved schedule	To achieve at least 80% on all scheduled maintenance.	Maintenance Record	Aerodrome
8. Rescue Fire Service	To ensure that the ARFFS unit is fully prepared to respond effectively to any emergency.	Vehicle re-sponse time  Monitor throw	Response Time in minutes  Throw distance in meters.	To achieve less than 3 minutes to end of each runway  To achieve a throw distance appropriate to longest aero plane.	ARFFS log books  Inspection/Test Results	Aerodrome

Focus Area	Objective	Attributes	Indicator	Performance Targets	Instrument/ Media	Responsible
Rescue Fire Service	To ensure that the ARFFS unit is fully prepared to respond effectively to any emergency.	Discharge Rate	Discharge rate per minute	Cat 9 – 9000 liters per min; Cat 7 - 5 300liters per min; Cat 4 – 1800 liters per min; Cat 2 – 360 liters per min.	Inspection/Test Results	Aerodrome
		Acceleration test.	Vehicle speed per second.	To reach 80km/hr within 40 seconds.		
		Individual Personnel Fitness	To achieve minimum required fitness level	As per table attached	Training Records	
9. Aerodrome surfaces	Friction test Surface texture	Friction coefficient	Friction coefficient measurement every 3 yrs	To achieve above ICAO maintenance level	Frictions Test Report	BCW
<b>CORPORATE</b>						
10. Non-Compliance	To be a fully compliant organization in relation to all certificated areas	Non-compliance item issued by CAAF	Number of operational non-compliance issues.  Number of CAPEX non-compliance issues.	To address operational non-compliance issues <u>within</u> 3 months from the date it was highlighted.  To provide a realistic timeline for CAPEX non-compliance issues	CAAF Non-compliance Report	All certificates
11. Operational Hazard Reports	To eliminate or manage all potential hazards in the organization's operations and workplaces.	Hazards	Risk Rating (Level)	To eliminate or reduce the level of risk to a low as reasonably practicable (pref. in the lower region).	Hazards Reports	All certificates

The Guideline for the Required Fitness Level (RFL) for ARFFS Personnel

c) Male

Age Group	Time (2.4 Km) endurance run	Sit – Up	Press – Up	Chin – Up
17 – 24	10 mins 30 secs	50	28	7
25 – 29	10 mins 55 secs	47	25	6
30 – 34	12 mins	44	22	5
35 – 39	13 mins	39	18	4
40 – 44	16 mins	36	15	3
45 – 49	17 mins	33	12	2
50 – 55	18 mins	30	10	1
55 – 60	20 mins	25	8	1

d) Female

Age	2.4Km Time	Sit-Up	Press Up	Chin Up
17-24	13min	34	12	-
25-29	14min 30sec	32	10	-
30-34	15min	30	8	-
35-39	17min	28	6	-
40-44	19min	-	-	-

### ATSP Certificates

The following are the Safety Performance Targets for the ATSP certificates:

Focus Area	Objective	Attributes	Indicator	Performance Targets	Instrument/ Media	Responsible
1. ATM Incidents	Prevent collisions between aircraft in the air;	Control of aircraft by Air Traffic Controllers.	Number of A1 incidents /100k flights	A1 = 1/100,000 A1 - Breakdown in separation and aircraft required to take evasive action	MOR, and Internal Incident Reports	CHOPS/CHOP
2.	Prevent collisions between aircraft and other aircraft or obstructions on the manoeuvring area;		Number of A2 incidents /100k flights	A2 = 3/100,000 A2 - Breakdown in separation but nil evasive action required		
3.	Maintain a safe, orderly and expeditious flow of traffic and control of aircraft by Air Traffic Controllers		Number of A3 incidents /100k flights	A3= 5/100,000 A3 - Non-adherence to standards, rules, regulations or procedures		
4. Human Fatigue	To ensure that any elements of human fatigue are eliminated when Air Traffic Controllers are on duty.	Rest period.	Minimum rest period prior to commencing duty.	Minimum rest period prior to commencing duty shall be 12 hours.	Monthly Roster	CHOPS/CHOP
		Maximum break times.	Duration of breaks in a shift.	ADS controller: At least 15 min breaks after 2 hours of continuous duty; Non-ADS controller: At least 10 min breaks after 4 hours of continuous duty.	Log Book	
		Working hours per week.	Total working hours in a week per staff.	Vary from 33 to 48 hrs per week but average out at 40 hours over a 4 week cycle. Maximum continuous working hours shall not exceed 12.	Time sheet	

(Refer to the Abbreviation for the description of Classification A1, A2 and A3)

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## 1.5 Communications

1.5.1 The Manager Safety & Risk Management shall be responsible for overseeing that both critical and non-critical safety information are made available to all staff in a timely manner.

1.5.2 MSRM shall be responsible for circulating the current Safety Performance Data (*based on the approved Safety Performance Target contained in para 1.4*) to all operational managers after every yearly quarter. However, daily and weekly updates are also encouraged, given that there is a proven process on how data is collected and analyzed.

1.5.3 MSRM shall ensure that a Safety Bulletin Board (SBB) is available at each certificate area or location.

1.5.4 Critical Safety Information includes hazard and incident progress, non-compliance updates, any immediate safety concerns and certificates safety performance. Update of Critical Safety Information is accessible via the online Safety Portal.

1.5.5 Non-critical safety information includes safety news, general safety lessons from other aviation organisation etc. This will be made available from time to time by the Safety & Risk Management Unit or to a particular certificate by the responsible Safety Officer. This information can be circulated via e-mail or put up on the relevant SBB.

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**SAFETY ROLES AND  
RESPONSIBILITIES**



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## 1 SAFETY ROLES AND RESPONSIBILITIES

### 1.1 Outline

1.1.1 The implementation of safety management within AFL is a vital component in ensuring business sustainability and growth without compromising safety. This effective implementation will ensure that risks are mitigated and reduced to an acceptable level.

1.1.2 There are several issues that are essential to sustaining an effective organization that will provide support to the SMS; this includes the following:

- Appointment of the Safety Manager;
- Organizational structure that facilitates safety management;
- Management responsibilities and accountabilities;
- Establishment of the Safety Committee; and
- Ensuring training and competency.

## 2 MANAGEMENT ACCOUNTABILITY

### 2.1 General

2.1.1 The Executive managements are responsible for overseeing the implementation of the SMS. This includes the following:

- Demonstrating their commitment to safety;
- Endorse policies, safety standards ,and acceptable levels of safety;
- Encourage staff participation in safety management;
- Allocating sufficient resources to safety;
- Encourage the flow of safety information; and
- Over seeing system performance.

2.1.2 The line managers shall be responsible for:

- Implementation of safety programs or processes;
- Ensuring that staff receives required safety training that are relevant to their roles;
- Ensuring that staff are appropriately equipped with relevant tools and PPE for them to perform effectively and efficiently;
- Ensuring adherence to safety rules and procedures;
- Provide safety coaching where and when required;
- Monitor and provide feedback on the department's safety performances;
- Assisting/conducting incident investigations;
- Ensuring effective change management by developing a safety case to ensure all safety issues are understood and addressed prior to and during project implementation;
- Notify MSRM of any staff renounce for unsafe act.

2.1.3 The company shall ensure the following:

- Managers involvement in safety activities;
- Conduct of Safety induction and recurrent training for all employees;
- A commitment to safety by everyone.

### **3 AFL'S ORGANIZATION FOR SAFETY MANAGEMENT**

#### **3.1 General**

3.1.1 This company operates with the positions described below. A simple reporting structure is implied by the arrangement of the executive and managerial positions in this list.

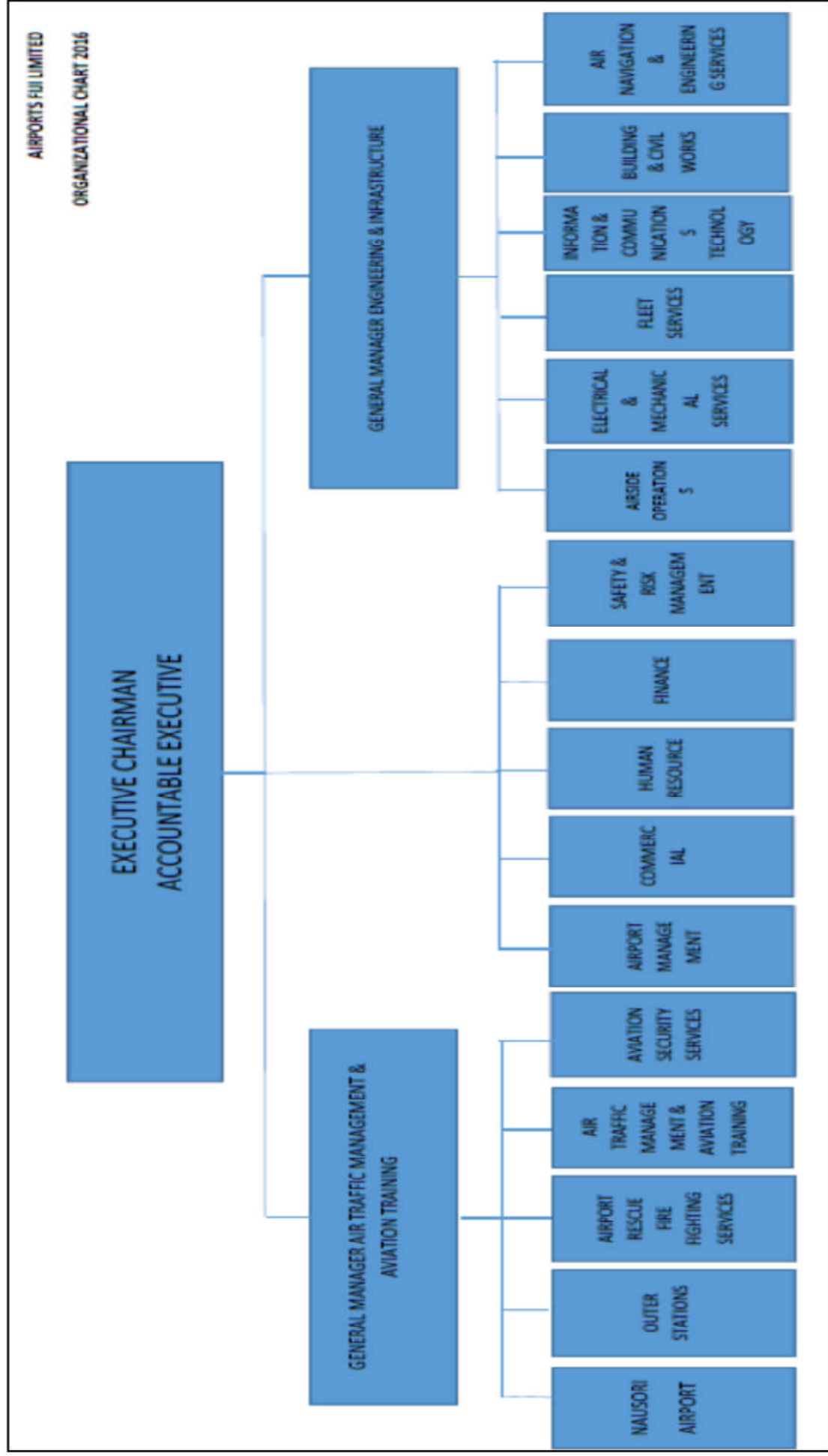
#### **3.2 Reporting Line**

3.2.1 The safety manager has an open line of communication to the Accountable Executive; with informal communication line to the certificate's Accountable Manager and other line managers. This ensures that safety reports and recommendations are attended to, and appropriate solutions are implemented in a timely manner. The Manager Safety & Risk Management is assisted by five full time officers with Safety responsibilities who are based at the Safety & Risk Management department. Below is the company's Organization Structure.

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## AFL Organization Structure



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## 4 RESPONSIBILITIES OF COMPANY PERSONNEL

### 4.1 General

4.1.1 Apart from the general responsibilities mentioned above, specific responsibilities are as follows:

### 4.2 Accountable Executive

4.2.1 The Accountable Executive is the Executive Chairman. The AE through the Board of Directors appoints MSRM. The AE shall implement the following:

- Developing the strategic business planning process, i.e. mission, strategies, goals, and initiatives;
- Define and approving the Safety Policy of the organisation;
- Foster a positive safety culture;
- Including safety responsibility in each managers job description and performance review;
- Providing an environment and resources in which the Manager Safety & Risk Management and Safety Officers are able to effectively manage operational safety within the organization;
- Settlement of disagreements which create an impasse among the department heads.

4.2.2 The AE has authority to expend necessary resources for safety management at all aerodromes owned or managed by AFL.

### 4.3 Accountable Manager

4.3.1 The overall Accountable Manager for all certificates is GMATM & OPS. The AM is responsible for overseeing the smooth safe operation of all certificates (including all Aerodromes, AMO, ATI, ATSP/SAR and AISP) in consultation with the relevant line managers. The Accountable Manager shall be instrumental in the following:

- Oversee the safe operation of all certificates and provide timely advise to the AE in consultation with MSRM;
- Provide timely advise to the relevant certificate on operational safety matters;
- Advising the regulator (CAAF) of any changes in the organization of safety management in consultation with MSRM;
- Establishing specific safety performance measurements by each operating division;
- Naming specific individuals responsible to facilitate divisional/departmental safety initiatives;
- Ensure that each certificate areas comply with the Safety Management System requirements;
- Ensure that safety procedures are followed by all certificates;
- Oversee the timely address of any non-compliance issues raised by the regulator.

#### **4.4 Manager Safety and Risk Management**

4.4.1 The Manager Safety & Risk Management shall be the driving force and the focal point for the systematic changes necessary to effect the safety culture across the entire organization.

4.4.2 The responsibilities of the MSRM are as follows:

- Reports pertinent safety issues immediately to AE;
- Administer the day-to-day operation of the Safety Management System;
- Obtain and distributing pertinent aviation safety information to staff;
- Provide timely advice and assistance on safety matters to managers and staff at all levels;

- Coordinates the collection of required safety data for trend analysis;
- Provide and monitor the online Safety Portal to ensure relevancy and recency;
- Monitor the overall status of non-compliance issues and provide update once every 3 months to the Board in consultation with the Accountable Manager;
- Assist the organization in developing and sustaining a positive safety culture;
- Create awareness on how to identify operational hazard across the organisation;
- Implement and maintain an effective and efficient hazard and incident reporting system;
- Assist in Incident/Accident investigation and reporting;
- Ensure that safety documentations are current;
- Management of immunity based reporting systems;
- Provide feedback about ongoing safety issues;
- Conduct safety training in line with the company training requirement;
- Dissemination of valuable safety-lessons-learnt within the organisation;
- Assist in the development and/or endorse safety case studies prepared by the various certificate holders;
- Conduct workplace assessment to identify existing and potential hazards on a regular basis; and
- Reviewing and evaluating the Safety Management System at regular intervals.

## **4.5 Aerodrome Reporting Officer**

4.5.1 The Aerodrome reporting officer can be any of the following: aerodrome development inspector, Administration officer- outer station, maintenance staff, Airside officers, Rescue fire services personnel, flight information service officers and labourers/auxiliary firefighters/AMTM at domestic airports. The Aerodrome Reporting Officer shall perform the following functions:

- Monitor the serviceability of the aerodrome; and
- Report to the NOTAM Office and to air traffic services any changes in conditions, or any occurrences, at the aerodrome that may or will affect flight safety.

## **4.6 Safety Officer (SO)**

4.6.1 The function of the SO is to ensure that the aerodrome is safe for aircraft operations during and after the project implementation stage. This position is *only* required for the duration of a project. For further information, refer to the relevant Aerodrome Manual.

## **4.7 All Employees**

4.7.1 All staff members shall be responsible for the following:

- Accepting responsibility and accountability of their own behavior;
- Report any safety incident/accident and/or hazard to the SRM department preferably via the online Safety Portal;
- Adorn appropriate PPE at all times;
- Assist in investigations when required by management;
- Learn and share safety information available on the Safety Bulletin Board and progress of hazard reports related to their areas of work; and
- Ensure the safety of others (such as visitors/clients/contractors) whilst they are on the organization's premises.

## 4.8 Certificate Holders General Responsibilities

4.8.1 Certificate Holders shall be responsible for the following:

- Continuous improvement of their safety performance in relation to the performance targets stated in this manual;
- Adopt safety requirements as per this manual into their systems;
- Address hazards, risks, audit and inspection findings and certification non-compliance issues in a timely manner;
- Ensure that all equipment are operational and meet the performance requirements;
- Ensure that every staff are appropriately trained to undertake their responsibilities;
- Provide the required Safety Data to MSRM on a monthly basis for analysis;
- Ensure that the relevant safety meetings (**SAG and Safety Review Committee**) are conducted as scheduled and attended by appropriate quorum;
- Carry out scheduled monitoring, audits and ad-hoc inspection;
- Ensure all staff members are encouraged to report any hazards and associated risks to the Safety & Risk Management unit through the available medium.

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**SAFETY COMMITTEE**



Issue 5

**AIRPORTS FIJI LIMITED**  
**SMS MANUAL**

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## 1 SAFETY COMMITTEE

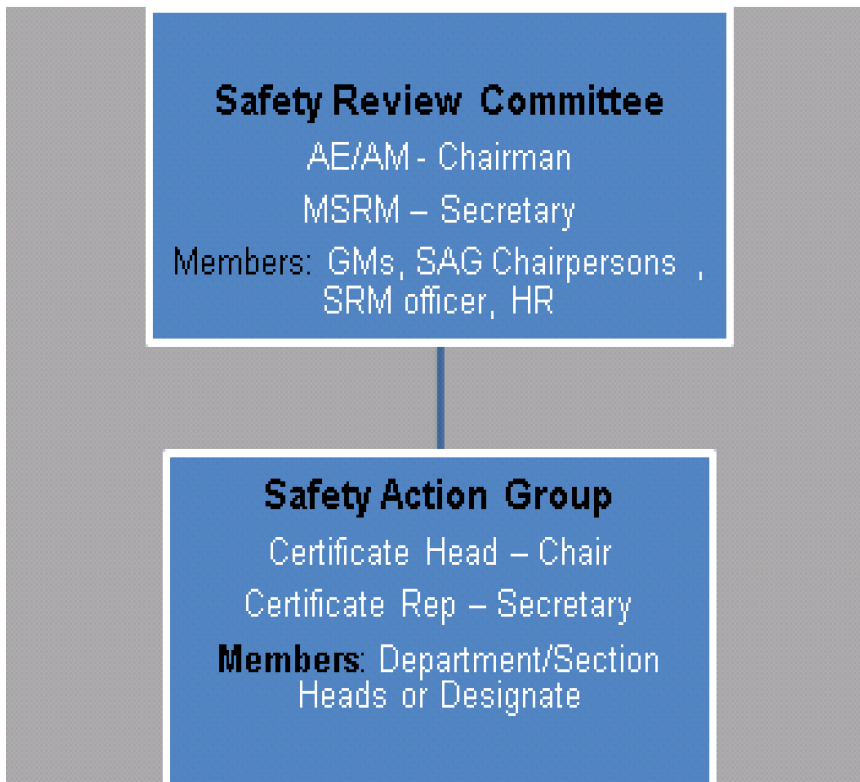
### 1.1 General

1.1.1 The objective of the safety committee is to provide a forum to discuss issues related to the safety performance of the organization and the health of the SMS.

### 1.2 Structure Of The Safety Committee

1.2.1 The structure and composition of the organisation's Safety Committee is highlighted below:

#### *Structure & Composition of the Safety Committee*



1.2.2 Each certificate holder is represented by their SAG committee. This SAG committee forms the basis of the reporting hierarchy. Issues requiring management input are forwarded to the MSC mainly deals with the strategic issues in regards to safety.

1.2.3 The organization's SAG committees are as follow:

- i) For Nadi Airport, the three SAG committees are:
  - Aerodrome SAG committee;
  - ATSP/AIS/ATI SAG committee; and
  - AMO SAG Committee.
- ii) For Nausori Airport, there is only one SAG committee which includes Aerodrome, AMO and ATSP certificates;
- iii) For aerodromes served by AFIS, each aerodrome has a SAG committee. All operational issues (i.e. Aerodrome, ATSP, AMO, etc) shall be discussed by the committee. All meeting minutes are required to be sent to the Operations Manager Outer-island Airports (OMOIA), CHOPS and MSRM for resolution;
- iv) The SAG committee for Rotuma, Labasa, Savusavu and Matei aerodromes shall be chaired by the relevant aerodrome Team Leader. However, OMOIA shall attend the relevant SAG meetings at least once every four months.
- v) For the other island airports, OMOIA shall ascertain daily inspection reports inclusive of hazards Annual refresher training shall be conducted to ensure currency of reporting requirements.
- vi) The Chairperson for the relevant Safety Action Group committees are as follow:

- Nadi Aerodrome – Manager Airside Operation;
- AMO Certificate – Manager ANES
- ATSP/AIS/ATI/SAR –CHOPS;
- Nausori SAG – APM Nausori;
- Airports (AFIS) – Relevant Team Leader;
- Airports (Non-AFIS) - OMOIA.

### 1.3 Responsibilities Of The Safety Review Committee (SRC)

1.3.1 The SRC has a strategic role and deals with high level issues in relation to policies, resource allocation and organizational performance monitoring while also monitors the effectiveness of addressing safety concerns.

1.3.2 The SRC is required to meet at least four times a year unless exceptional circumstances dictate otherwise.

1.3.3 Key roles of the SRC are as follow:

- Monitor the effectiveness of the SMS implementation;
- Monitor that corrective actions are taken in a timely manner;
- Monitors Safety performance against the SMS Safety Targets;
- Monitor the effectiveness of the safety supervision of subcontracted operations;
- Provide strategic direction to the SAG committees.
- Oversee operational Safety performance within the functional areas;
- Assess the impact of any operational changes to the organisation's Safety Objectives;

- Progress of all current incidents/accidents reports;
- Progress of all current hazard/risk reports;
- The status of internal audit reports and actions taken;
- The status of non-compliance issues and actions taken.

1.3.4 During the SRC meeting, MSRM is required to provide a brief on the following:

- Status of hazard/incident reports;
- Safety Performance against the approved Safety Performance Target;
- Key Issues noted through the Safety Audits, hazard and Incident reports; and
- Non-compliance Findings (CAR) progress.

1.3.5 The Chairman of the SRC is the accountable Executive, however in his/her absence the Accountable Manager or designate shall take on the role. All SAG chairpersons shall attend the committee meetings or send representative if not available.

## **1.4 Responsibilities of the Safety Action Group**

1.4.1 All SAG committees shall meet at least once a month, preferably prior to the SRC meeting, with the objective of providing required assistance in regards to the timely closure of pending safety issues and monitoring of the following:

- Progress of certificate's incidents/accidents and MOR reports and actions taken;
- Status of departmental hazards/risk reports and actions taken;
- Status of internal audit reports and actions taken; and
- Status of compliance issues and actions taken.



## 1.5 Minutes

1.5.1 All minutes of the various safety committee meetings shall be properly documented and maintained by the respective Secretariats and a copy sent to the SRM unit. The secretary should forward the draft minutes immediately to the Chairman or the designate after the meeting for approval to distribute. The final minute shall be distributed to each member of the committee within 10 working days after the meeting.

1.5.2 A copy of the meeting minute should be maintained by the relevant Secretariats and should be available when required.

## 1.6 Agenda

1.6.1 All committee members should have the opportunity to submit potential items for the agenda to the Chairman. The Secretary shall finalize the agenda in consultation with the Chairman. The Secretariat should follow up with relevant parties on outstanding issues from previous meeting.

1.6.2 The agenda shall include but not limited to the following:

- Review outstanding issues from previous meetings;
- Review hazards/risk register;
- Review accident/incident investigation reports;
- Review safety audits and action plans;
- Carryout/delegate risk assessment tasks on any new equipment or project;
- Staff safety training program;
- Safety Case/Assessment Report based on planned operational changes.

***The agenda should be distributed at least 2 working days before the meeting.***

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**SAFETY AND RISK  
MANAGEMENT**



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# 1 SAFETY AND RISK MANAGEMENT

## 1.1 General

1.1.1 Aviation is an industry that faces numerous risks on a daily basis. Risk Management is a decision-making tool that allows continuous improvement of safety performance. It is impossible to completely eliminate all risks; however, risk can be reduced to an acceptable level through risk management techniques. Risk management comprises of 3 essential elements:

- Hazard identification;
- Risk assessment; and
- Risk mitigation/treatment and monitoring.

1.1.2 Risk management serves to focus safety efforts on those hazards posing the greatest risks. It requires the analysis and elimination (or at least a reduction to an acceptable level) of those hazards that threaten the viability of an organization.

## 1.2 Hazard Identification

1.2.1 Hazard is a source of potential harm or injury to persons or the business. These hazards shall be reported immediately as and when identified. Refer to Chapter 8, para 2.1 for more detail on how to submit a hazard report;

1.2.2 It is imperative that all hazards are reported in order to analyze and identify any associated risks to our business for appropriate mitigation.

1.2.3 The opportune time to identify hazards at workplace is when staff are at their workstations. The norm appears to be a quick glance at the outcome without realizing the reason for its existence. For instance, rather than focusing on having a large flock of birds at the aerodrome we need to look behind why the birds are there. For example, there could be a pool of water, a new (permanent or temporary) food source or a more suitable habitat;

1.2.4 The methods of identifying hazards are as follows:

- Checklists and flowchart;
- judgments based on previous experience;
- Data analysis ;
- brainstorming meetings;
- System Gap analysis.

1.2.5 Existing hazards can either remain open on our risk register pending action to close it or has been documented accordingly with necessary levels of controls in place which makes it acceptable.

1.2.6 Refer to APPENDIX A for guidance on the type of hazards that should be reported.

### 1.3 Risk Assessment and Analysis Process

1.3.1 An important element of SMS is the assessment and analysis of all risks to determine their impact on the business and to identify mitigating actions required. Each identified hazard undergoes a risk assessment to determine its potential consequences. The risk assessment considers both the severity of the consequences and the probability of such an event occurring. The consequences will determine the level of risk that a particular hazard will expose to the organization. In assessing risks, the defenses that have been put in place to protect against the hazard need to be evaluated:

- Defenses if not implemented will result in the continued existence of the risk.
- If the risks are acceptable, the operation shall continue. If the risks are unacceptable, then steps (mitigating actions) should be taken to reduce the risk by attacking the hazard.
- The level of acceptable/unacceptable are determined using the risk matrix contained under **APPENDIX B**.



1.3.2 On receipt of a report via the Online Safety Portal, the Safety Data Coordinator (SDC) from the SRM team shall validate the report by filling in any requirements that may be missing and assign the report to the relevant QASO (ATM, ANES or SRM) who is required to conduct an independent risk assessment. Once submitted, the report will be referred automatically to the assigned manager for mitigation.

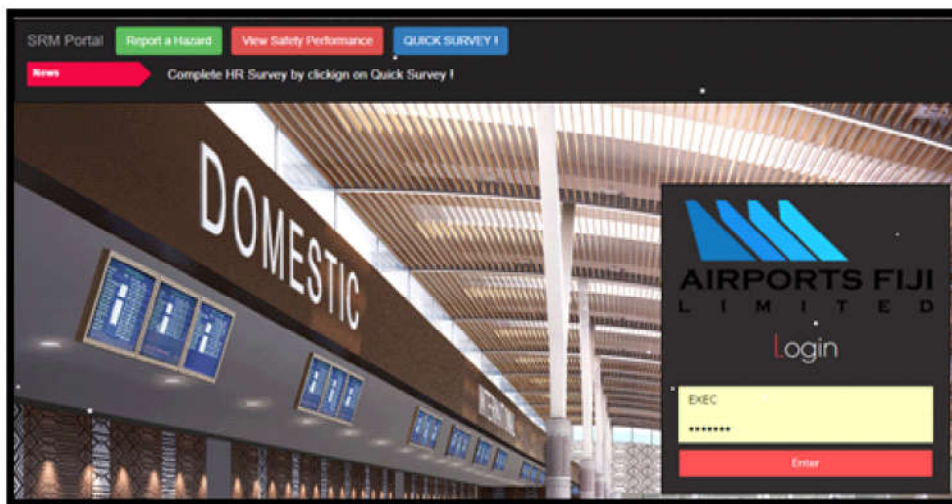
**Provided is the flowchart in regards to hazard report handling.**

1.3.3 Safety Data Coordinator Responsibilities:

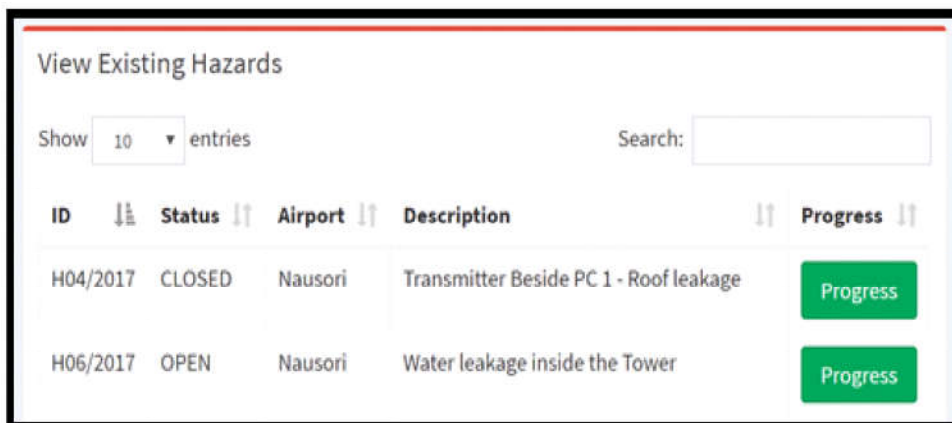
- Receives and process all safety related reports (MOR, Incident, Hazard reports or Audit report) received via the Online Safety Portal Database (OSPD);
- For all reports received (Hazard, MOR/Incident Register or Compliance Report), log and validate all relevant report details in the OSPD- before it is sent further through our reporting process;
- The SDC shall continually check his/her dashboard for any pending reports that needed processing. E-mail alerts on pending issues must be attended to as soon as practicable;
- Once the process owner has implemented the proposed recommendations the SDC is required to request the relevant QASO to confirm closure before the report is closed;
- Prepare summary of all reports to be presented to the relevant Safety Committee meeting on a monthly basis;
- Once confirmed closed by the relevant QASO, the SDC shall:
  - i) Update the Reporter accordingly (if name is known);
  - ii) Update the Risk Register and the Hazard Report form; and
  - iii) File records accordingly.
- All copy of any e-mail correspondence must be printed and attached to the relevant online report as an update;
- SDC shall brief MSRM including the SRM team on the detail and progress of all Safety reports received at the beginning the week;
- An alert shall be sent to all responsible manager at the beginning of the week, which details the number of pending issues, etc seeking their updates.

### 1.3.4 Viewing Existing Hazard and Progress:

- To view existing hazards and their progress, go to the link <http://10.99.100.29/srm/index.html> and click on the green button that says "Report a Hazard".



- Scroll down to the "view existing hazards" block and search for the hazard by keywords such as Id, status, airport or any other description of the hazards. Click on "progress" to view the status of the report.



## 1.4 Risk Mitigation/Treatment And Monitoring

1.4.1 Typically, there is a range of risk control measures that may help limit exposure to identified risks. Except where circumstances exist clearly preventing such an outcome, all hazards/risks mitigation should be treated in the following hierarchy:

- i) Eliminate the hazard/risk completely - Total removal of the risk/hazards;
- ii) Substitute - Use different material/process/method to improve risk level;
- iii) Isolate - Isolate employees from the high risk area or enclose the hazard through the use of guards or barriers;
- iv) Engineering - This includes the followings:
  - Design: try to ensure that hazards are 'designed out' when new materials, equipment and work systems are being planned for the workplace;
  - Remove: the hazard or substitute less hazardous materials, equipment or substances (for example lift smaller packages or use a less toxic substance);
  - Adopt a safer process: alterations to tools, equipment or work systems can often make them much safer.
- v) Administrative controls - Establish appropriate administrative procedures such as:
  - Job rotation to reduce exposure or boredom; or timing the job so that fewer workers are exposed;
  - Routine maintenance and housekeeping procedures; and
  - Training on hazards and correct work procedures.

- vi) Personal protective equipment - Provide suitable and properly maintained personal protective equipment and training in its use. Relying on personal protective equipment is the least acceptable control measure. It should be used as an interim measure until a more reliable solution can be implemented with other controls.

1.4.2 Often the most effective control of risk involves a combination of any of the methods above.

1.4.3 Each risk control option needs to be evaluated, the residual risks need to be assessed and the cost-benefits need to be analyzed. Having decided upon a course of action, management must then communicate its safety concerns and planned actions to all affected persons.

1.4.4 Mitigating actions should be fully analyzed to ensure that they address the root cause of the hazard. It may be beneficial to explore a range of mitigating strategies before choosing the preferred option, basing the decision upon factors such as timeliness, cost, organizational capabilities, and overall effectiveness. It is essential that management provide adequate resources to address the identified safety concerns.

## 1.5 Process Owner

1.5.1 The process owner shall be responsible for the following:

- Timely implementation of recommended corrective actions in accordance to the approved timeline below;
- Provide weekly updates via the OSPD in order to track progress made online;
- Seek timely assistance from the relevant manager if the report is not clear or assistance required;
- Notify the SDC when the corrective actions have been implemented;
- The approved timeline on the required response from the Process Owner shall be based on the following risks level:

Level of Risk	Required Responses	Management Level
<b>High</b>	Provide updates within 1 week	Executive
<b>Medium</b>	Provide updates within 2 week	Department Managers
<b>Low</b>	Not necessary be but should provide comments within 3 weeks if required.	Operational Level

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1.5.2 Once the process owner has confirmed the implementation of the corrective action, the SDC in consultation with the relevant QASO is required to verify and close the issue accordingly.

## 1.6 Errors and Non-Compliance Management

1.6.1 Errors are consequences of the safety system defenses failing to prevent a situation, and most genuine errors must be reported;

- All **certificated areas** are required to report any errors of which they become aware, to the Manager Safety & Risk Management or any of the Safety Officers using the available means of safety reporting;
- Any Occurrences which may lead to the degradation of flight safety must be reported to the regulator, CAAF within 96 hours using the MOR form.

1.6.2 Non-compliance refers to our operation's violation of ICAO or aviation related regulations and Standards Documents.

## 1.7 Non-Compliance Update and Closure Process

1.7.1 Step 1 – New Findings & Responses:

- New Findings are normally highlighted by the regulator after their annual renewal certification audit within a month before the certificate expires. These new findings are normally communicated to the Accountable Manager and the relevant certificate manager with a requirement to respond within seven (7) working days from the date it was received;
- Upon receiving the audit findings from CAAF, the relevant certificate team shall meet and instigate their responses in relation to the individual finding;

- The responsible certificate manager in consultation with his/her team shall provide a realistic action plan with target date that would close off the finding within the required time of closure;
- The required time of closure shall be based on the level of risk assigned. For instance Level 1 is required to be addressed within 7 working days, Level 2 within one month and Level 3 within three months;
- Should the finding be CAPEX related and cannot be addressed within the required time of closure, a safety case shall be prepared accordingly to demonstrate the controls that are or will be in place to achieve an acceptable level of safety;
- Once the audit findings responses have been finalised, a copy shall be sent to the Certificate Accountable Manager/General Manager and MSRM for their information before it is sent to CAAF;
- A copy signed by the responsible Manager and the Accountable Manager/General Manager should be delivered to CAAF within the required seven working days;
- All new compliance issues shall be entered onto our Safety portal Database by the SDC once the final list is received.

#### 1.7.2 Step 2 – Implementation of Action Items:

- This can be related to new audit findings or on-going audit findings. Once the responses have been communicated and accepted by the regulator, the relevant certificate through the SAG committee shall monitor the progress of all agreed action items on a monthly basis;
- At the department level, the identified responsible person shall work towards fulfilling the agreed action items mentioned in the certificate's audit responses. This needs to be monitored by the relevant department manager;
- The Safety & Risk Management is required to flag the responsible person on items that are nearing expiry at least 3 weeks prior;

- Should an item remain open after the agreed target date for closure, the responsible manager in discussion with his/her team shall be required to validate the action items including the corresponding target dates immediately after it expired. Reason for the extension should also be stated by the responsible manager. This shall be communicated accordingly to MSRM and the Accountable Manager for their necessary input and information before meeting CAAF further to discuss the update;
- Managers shall ensure that the update provided to CAAF are captured using the “Compliance Update Form”;
- All compliance updates shall be provided by the responsible manager via the Safety Portal Database on a weekly basis or when an update is made.

#### 1.7.3 Step 3 – Closure and Communication:

- Immediately after an action item has been completed, the responsible manager shall facilitate its closure with CAAF using the “Compliance Update Form” (*Refer to APPENDIX C*);
- Required evidence for closure must be attached to the form and submitted to the Accountable Manager/GM for signing before it is submitted to CAAF;
- Should CAAF agree to close off the issue; the responsible manager shall ensure that the form is signed off as closed by the regulator;
- After closure, the relevant manager shall forward all signed and completed copies of the “Compliance Update Form” to MSRM. Upon receiving the update, SRM shall update their record accordingly including the closure of issue in the Online Safety Portal;
- Progress of all certificates non-compliance is required to be provided to the Board every 3 months.

## 1.8 Control of Contracted Activities

1.8.1 All contracted activities must be controlled in a manner that ensures that the affected services or facilities are returned to normal as soon as reasonably practical.

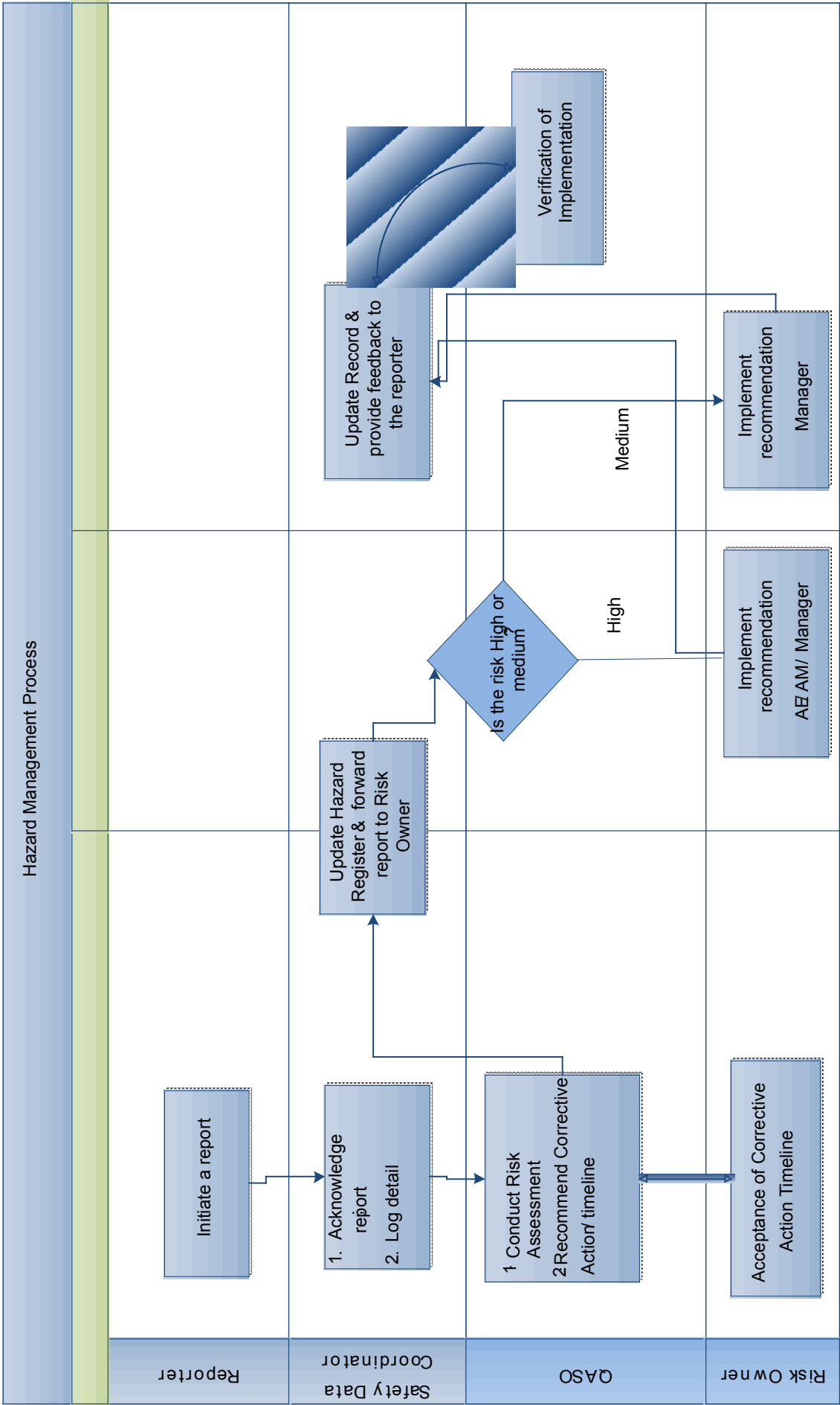
1.8.2 All **relevant certificates** are required to establish a process that ensures that all contractors operating under their jurisdiction are given the proper level of assistance in terms of information and personal protective equipment. This is to ensure that the contractors do not create any risk to our operation during the conduct of their approved work.

1.8.3 As a minimum, the following shall be included:

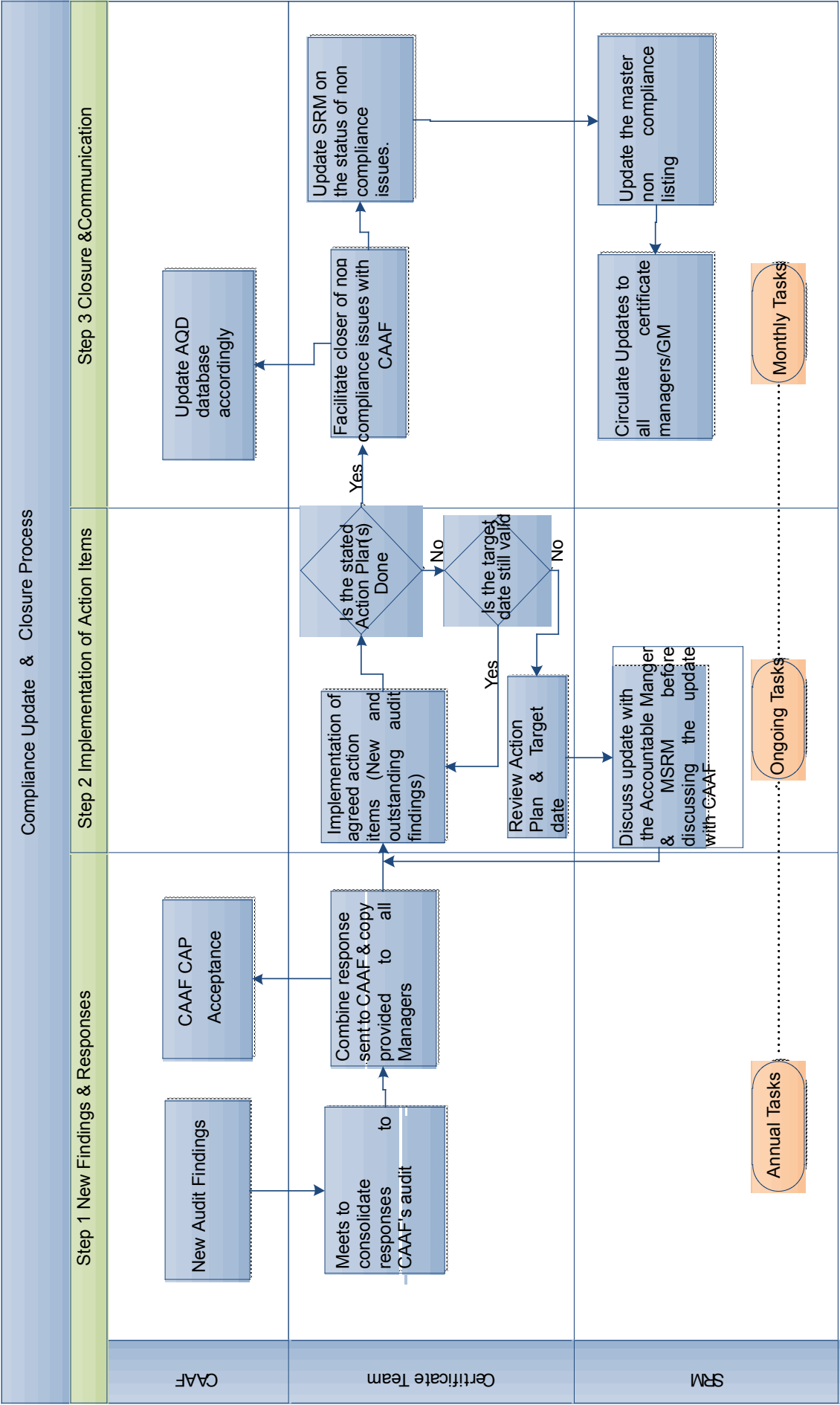
- Conduct a Safety Case of the contractor's proposed Method of Work Plan to determine any potential source of risks using an acceptable Risk Treatment Plan Form (refer to APPENDIX D). Corrective actions must be agreed to between the contractor, the responsible line manager and MSRM;
- In case the contractor is required to enter restricted areas, proper security clearance and briefing are to be arranged;
- In case the contractor be required to enter airside, proper airside permit (including permits and/or NOTAM) and safety briefing are to be conducted;
- A full time officer is required to accompany the contractors to ensure that all safety requirements are met;
- Special permit conditions should be developed if a contractor is going to be involved in Hot Work, Excavation duties, Asbestos removal, Height work and other high risk duties identified by the relevant certificates;
- Conduct review or audit after work to determine whether all the requirements were complied with.



Hazard Report Management Process



Non-Compliance Update and Closure Process



## APPENDIX A: HAZARD CHECKLIST

### HAZARD CHECKLIST for AERODROME SMS

Aerodrome Name: \_\_\_\_\_

(Refer to SMS Chapter 6 section 6.2 for information about the use of this Hazard Checklist)

This listing is indicative only, there may be other hazards on your aerodrome which you need to record for future use.

Hazard No:	Hazard	Cause of Hazard	Consequence of Hazard
<b>F</b>	<b>Aerodrome Facility</b>		
F-1	Facilities do not meet legislated or safety requirements	Applicable standard not being adopted	Aircraft accident/incident
		Current legislation or standard references not available	Illegal or inappropriate operation into aerodrome
		Inadequate checklist and inspection schedules	
		Poor quality of materials and maintenance	
		Poor design, construction and installation	
		Inadequate training to assess deficiencies	
<b>A</b>	<b>Aerodrome Administration</b>		
A-1	Unsafe or poorly operated aerodrome environment	No formal structure	
		Lack of human and other resources	
		Lack of staff and management commitment	

		Poor understanding of responsibilities	
		Lack of training	
		No clear lines of reporting	
		Outdated contact details	
<b>E</b>	<b>Aerodrome Emergency Plan</b>		
E-1	Inability to adequately respond to an emergency	Lack of appropriate documented procedures	Loss of life
		Poor distribution of current procedures	Damage to infrastructure
		Lack of appropriate communications	Enforced closure of aerodrome
		Lack of review of existing procedures through regular meetings, or after an actual accident or incident	
		Lack of testing of the procedures through exercises	
		Lack of availability of equipment and personnel to combat an emergency situation	
		Response agencies not being familiar with the aerodrome environment	
		Remoteness of aerodrome for response from agencies	
		Contact details out of date	
<b>L</b>	<b>Aerodrome Lighting</b>		
L-1	Failure of lighting system	Inadequate lighting for activity	Aircraft accident/incident

		Lack o knowledge of standards applicable	Restriction to operations
		Below standard non-conforming facilities provided.	Full or partial closure of aerodrome
		Poor maintenance	Diversion of flights
		Lack of appropriate checklist and maintenance schedules	
		Unqualified or untrained personnel conducting maintenance.	
		Environmental conditions deteriorating equipment lenses, cables, sensitive equipment	
		Infrequent serviceability inspections and poor reporting and remedial action arrangements	
		Inadequate maintenance of records to detect trends.	
R	Aerodrome Reporting		
R-1	Aircraft operations being exposed to unreliable conditions	Incomplete or incorrect information relating to the published aerodrome information	Accidents/Incidents
		Lack of review of the documented information	Operational restrictions
		Information not reported	Diversions
		Inadequate training of personnel responsible for the reporting arrangements	
		Contact details outdated	

<b>U</b>	<b>Unauthorized Entry to Aerodrome</b>		
U-1	Potential movement area incursion	Poor documented procedures	Accident/incident
	Security threat	Lack of adequate availability of facilities to prevent access either by humans or animals	Disruptions to operations
		Lack of adequacy and suitability of resources	Infrastructure damage
		No follow-up actions taken where security breaches are detected	
		Poor surveillance procedures	
<b>S</b>	<b>Aerodrome Serviceability Inspections</b>		
S-1	Potential unsafe aerodrome facilities and conditions	Inadequate timing of the inspection	Accidents/incidents
		Poor serviceability inspection checklist	Disruption to operations
		Inadequate training of personnel responsible for the inspection process	Closure of movement area/s
		Poor record availability of inspections to detect trends	
		Outdated contact arrangements	
		Lack of communication	
		Lack of commitment by personnel responsible for the inspection function	
		Lack of appropriate equipment to carry out the inspection	
		Lack of remedial action and follow-up	

<b>T</b>	<b>Aerodrome Technical Inspections</b>		
T-1	Potential non-compliant operation of facilities	Inspections not carried out to the required frequency	Accidents/incidents
		Unqualified personnel carrying out the various inspection functions	Failure of facilities
		Inadequate inspection processes	Closure of facilities
		Inspections not carried out in accordance with the checklists	Suspension of aerodrome certificate
		Poor reporting of the inspection findings	
		Aerodrome operator not following up on inspection findings and or recommendations	
<b>W</b>	<b>Aerodrome Work Safety</b>		
W-1	Unsafe aviation operations. Potential accidents/incidents	Lack of training of personnel associated with the works function	
		Poor planning of works	
		Heavy aircraft schedules	
		Poor communications	
		Potential runway/runway strip incursions	
		Facilities not left in a safe condition after a completed session of works	
		Inadequate procedures for the marking of the designated works site.	
		Poor marking of the works equipment	
		Poor identification of the works safety officer.	

<b>P</b>	<b>Aircraft Parking Control</b>		
P-1	Potential aircraft damage	Congestion due to poor apron parking planning and layout	
		Inappropriate provision of wingtip clearances for aircraft type	
		Poorly maintained apron parking arrangements to operators	
		Lack of training to ground staff	
P-2	Ground services equipment damage	Lack of adequate ground markings	
		Poor design	
		Poor Training	
P-3	Passenger safety	Lack of adequate ground markings	
		Lack of supervision	
		Poor design	
		Lack of consultation with the aircraft operators	
P-4	Jet Blast	Poor design	
		Inadequate protection to passengers and public	
<b>V</b>	<b>Airside Vehicle Control</b>		
V-1	Vehicle/mobile equipment accidents	Lack of knowledge	Injury/loss of life
		Excessive speed	Damage/cost
		Poor visibility	
		Unsafe vehicle	
		Complacency	
		Poor documented procedures	
		Lack of supervision	
		Lack of training	
V-2	Incursions	Lack of knowledge	Aircraft accident
		Lack of/fault in communications equipments	Disruption to operations
		Lack of supervision	



V-3	Unsafe vehicles operating airside	Lack of maintenance	
		Conspicuity	
		Non standard	
		Uncontrolled authority to operate airside	
B	Bird and Animal Hazard Management		
B-1	Bird/Animal strikes	Lack of adequate surveillance procedures	
		Poor harassment procedures/techniques	
		Lack of appropriately trained staff	
		Lack of appropriate harassment equipment	
		Unidentified problem sites	
O	Obstacle Control		
O-1	Protected airspace penetration Accident	Lack of knowledge of protected airspace requirements	
		Lack of adequate planning	
		Lack of appropriate surveillance	
		Lack of, or poor communication with industry of height limitations	
	Accident	Lack of information about the location of structure	
		Lack of marking and lighting of structure	
		Lack of monitoring and maintenance of penetrating structure	

D	Disabled Aircraft Removal		
D-1	Hazard on the movement area	Lack of equipment to remove the aircraft (obstacle)	
		Insufficient remaining runway for continued operations	
		Non reporting of the obstacle on the runway	
H	Handling of Hazardous Materials		
H-1	Hazardous material not contained	Fuel spill	Fire
		Biological material escape	Contamination of environment by hazardous materials
		Toxic chemical leakage	
		Lack of/poor procedures	
		Non-adherence to procedures	
H-2	Fire	Fuel spill	Death/injury damage to plant/equipment
		Lack of/poor procedures	
		Non-adherence to procedures	
NA	Protection of Navigational Aids		
NA-1	Unserviceable equipment for aircraft operations	Encroaching into restricted areas.	
		Unauthorized maintenance or digging in vicinity of aid	
		Lack of appropriate security measures – fencing, signs	
		Excessive vegetation growth or other obstacle.	

LV	Low Visibility Operations		
LV-1	Aircraft accident	Lack of adequate documented procedures	
		Lack of appropriate training for personnel conducting the assessment	
		Poor communications between assessor and ATC	
	Runway incursions	Lack of adequate procedures	
		Poor communications	
		Poor or lack of appropriate supervision	
N	Notified in FIJI AIP		
N-1	Unsafe aircraft operation, potential damage to aerodrome facilities	Incorrect published operational data	
		Inadequate training of personnel	
		Inadequate reporting arrangements	
		Inadequate documented procedures/checklist	
OH	Other Hazards		
OH-1			
SMS	Safety Management System Hazards		
SMS-1	Safety does not identify or treat safety risks	Poorly documented SMS	
		Poor understanding of SMS	

## **APPENDIX B: RISK MATRIX**

Risk Matrix for Safety Management System

The Risk Matrix below consists of 3 tables and each table is used as follows:

- The "Risk Matrix Table" provides a matrix to derive a numerical risk value for each hazard identified.
- The "Overall Risk Table" provides a guide to the classification of the overall risk as Low, Medium or High.
- The "Consequence and Likelihood Descriptions" provide definitions relevant to each of the numerical consequence and likelihood values.

**Risk Matrix Table**

Likelihood	Risk Severity/Consequences				
	Catastrophic A	Hazardous B	Major C	Minor D	Negligence E
Frequent 5	5A	5B	5C	5D	5E
Occasional 4	4A	4B	4C	4D	4E
Remote 3	3A	3B	3C	3D	3E
Improbable 2	2A	2B	2C	2D	2E
Extremely Improbable 1	1A	1B	1C	1D	1E

**Overall Risk Table**

	Risk level	Urgency of Action	Level of Management Action
	<b>High Risk</b> (5A, 5B, 5C, 4A, 4B, 3A)	Unacceptable under the existing circumstances. Immediate action required. Response is expected within 1 week.	Accountable Executive/General Managers
	<b>Medium Risk:</b> (5D,5E,4C,4D ,4E,3B,  3C,3D,2A,2B, 2C,1A)	Action as soon as practicable. Response is expected within 2 week.	Managers
	<b>Low Risk</b> (3E,2D,2E,1B ,1C,1D,1E)	Managed by routine procedures, and can be accepted with no action.	As appropriate

***Consequence and Likelihood Descriptions Table***

Likelihood Description			Severity/Consequences Description		
Likelihood	Meaning	Value	Severity	Meaning	Value
Frequent	Likely to occur many times (has occurred frequently)	5	Catastrophic	Equipment destroyed Multiple deaths	A
Occasional	Likely to occur sometimes (has occurred infrequently)	4	Hazardous	A large reduction in safety margins, physical distress or a workload such that the operators cannot be relied upon to perform their tasks accurately or completely  — Serious injury  — Major equipment damage	B


Remote	Unlikely to occur, but possible (has occurred rarely)	3	Major	— A significant reduction in safety margins, a reduction in the ability of the operators to cope with adverse operating conditions as a result of increase in workload, or as a result of conditions impairing their efficiency — Serious incident — Injury to persons	C
Improbable	Very unlikely to occur (not known to have occurred)	2	Minor	— Nuisance — Operating limitations — Use of emergency procedures — Minor incident	D
Extremely Improbable	Almost inconceivable that the event will occur	1	Negligible	Little consequences	E

### APPENDIX C: COMPLIANCE UPDATE FORM

 <b>AIRPORTS FIJI</b> <b>L I M I T E D</b>				<b>COMPLIANCE UPDATE FORM</b>			
SECTION A – To be filled by Department Managers							
Month/Year				Airport			
Description of Compliance Item							
Supporting Documents		Is the supporting document(s) attached?  This can include photographs or manuals, procedures, plans etc as evidence of the actions taken.				Yes	
						No	
Date First Reported							
Action (s) taken so far or planned							
Completion Target Date							
Name				Designation			
Signature				Date			
SECTION B – To be filled by the Accountable Manager( <i>Items with expired target dates only</i> )							
Name							
Signature				Date			
Comments							
SECTION C – Verification by CAAF							
Date Received							
Name				Designation			
Compliance Status? (Closed/Open)							
Other Comments							
SECTION D – To be filled by Safety& Risk Management Unit							
Date Received							
Name				Designation			
Master Compliance List Updated? (Y/N)							
Rev 5.0		Issue Date: 9 <sup>th</sup> Dec 2016			Form No: AFL393-06		



#### APPENDIX D: RISK TREATMENT PLAN

		<b>Risk Treatment Plan</b>	
Hazard Description:		Date Raised	Risk ID
Risk Context( <i>Effect/How it can happen?</i> )			
Initial Rating	Risk	Risk Consequence: Risk Likelihood: Risk Level:	
Recommended Actions:			Target Date
<b>RESIDUAL RISK AND TREATMENT</b>			
Risk Likelihood:		Risk Consequence:	
Residual Risk Rating:		Residual Risk Status:	
<b>RISK OWNER AND REVIEW DATE</b>			
Risk Owner:		Risk Status:	
Signatory :		Date :	
Comments:			
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# REPORTING SYSTEM



Issue 5

**AIRPORTS FIJI LIMITED**  
**SMS MANUAL**

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## 1 REPORTING SYSTEM

### 1.1 General

1.1.1 Reporting system is a formal means of collecting, recording, acting on and providing feedback to staff about hazards and risks to our operation. Any hazard or risk which has the potential to cause damage or injury or which threatens business operations and viability should be reported.

1.1.2 All records produced shall be legible, identifiable, traceable to the activity, and where staffs are submitting the information. Reported risks are those that have been identified and can be managed. Unreported hazards and risks are difficult to identify and therefore to fix. The company supports and encourages the open reporting and communication of hazards, incidents and accidents by having:

- Non-punitive, confidential hazard reporting systems;
- Formal and informal meetings to discuss safety concerns;
- Feedback from management about action taken as a result of hazard reports or safety meetings.

1.1.3 Both formal and informal processes are used to gather information from staff about hazards in our organization, including:

- Confidential Hazard & Incident Report Forms;
- Safety Audits using Hazard Checklist;
- Verbal;
- E-mails;
- Confidential surveys or questionnaires of staff;
- Observations/Inspection of work practices and work flow.

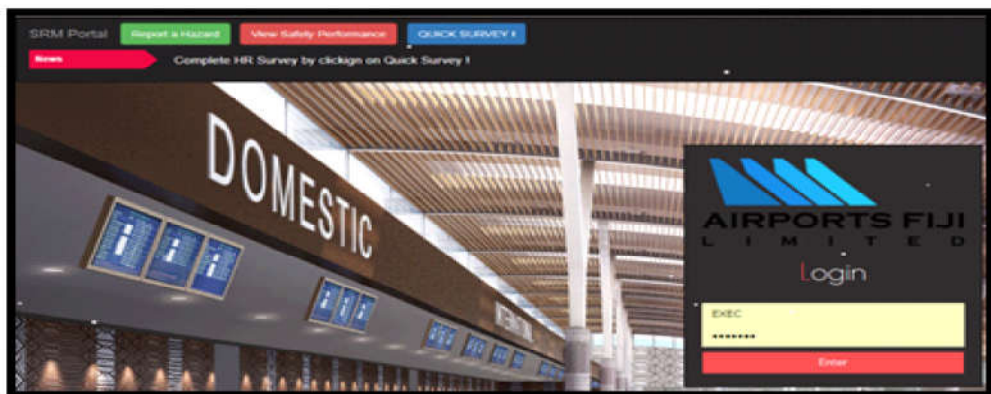
1.1.4 All information should be accepted with the aim of fixing problems and not punishing people.

## 2 MODE OF REPORTING

### 2.1 Confidential Hazard & Incident Report Form

2.1.1 The use of the Online Confidential Hazard & Incident Report form is the most preferred way of reporting. The Online Hazard/Incident Report Form is to be used to report any hazard, risk or occurrences that had happened.

2.1.2 To access the online Hazard/Incident Report form, go to the link “<http://10.99.100.29/srm/index.html>” and click on the green button that says “Report a Hazard”.



2.1.3 Select the airport of concern, enter the hazard description, upload a file if necessary, enter your name, email & phone contact and click on “submit”.

**Hazard/ Incident Report Form**

Select Airport Involved

Hazard/ Incident Description (Describe the hazard in your own words, effect and consequences if possible, include as much detail as possible)

Evidence Upload (if available)  
 No file chosen  
 Upload evidence here. Files Supported: .jpeg/.Word (2013 onwards)/Excel(2013 onwards)/PDF

Reporter Details



2.1.4 Should the staff cannot access the form online, the reporter is encouraged to relay the details of their report to the SRM department using any of the following:

- Direct Line: 9906526 / 9987064;
- Verbal: Telephone extensions – 6724, 6482, 6492 or 6484;
- Email: SafetyandRisk@afl.com.fj ; or
- Fax No: 6732383.

2.1.5 Hazards, incidents or accidents can be reported by staff, *management, customers or passengers* and *external contractors*.

2.1.6 The reported information is required to be fully validated by the SDC before it is referred further for mitigation.

## 2.2 Accident And Incident Reporting

2.2.1 All accident and incident related to safety of aircraft operations shall be reported to CAAF in accordance with the Mandatory Occurrence Report (MOR) reporting process stipulated in section 71 of the ANR 1981, as soon as practicable, but within 96 hours of the occurrence.

2.2.2 Where different units within AFL are involved, coordination shall be carried out to determine the unit ultimately responsible for filing the MOR. In cases where the matter is reported to ATC, ATC shall be responsible for filing the MOR with CAAF. A copy of the MOR form shall also be dispatched to the SRM section at the time the report is sent to CAAF.

2.2.3 For every incident or accident reported to SRM, MSRM or his designate shall review the details of the report, and forward:

- to CAAF, within 96 hours, through the MOR Form if such a report falls within then ambit of section 71 of the ANR 1981 and has not been sent to CAAF;
- to the relevant process owner to carry out the required investigation and provide feedback to MSRM within 2 weeks.

2.2.4 A responsible person, in relation to reportable matters, can be any of the following:

- a person providing Air Traffic Information within the Nadi Flight Information Region;
- a person performing a dedicated aerodrome rescue or firefighting service in relation to the aircraft;
- a person providing ATM facilities technical support services;
- a member of the ground handling crew in relation to the aircraft;
- an aircraft pilot;
- a member of the staff of the Civil Aviation Authority of the Fiji;
- the operator of an aerodrome.

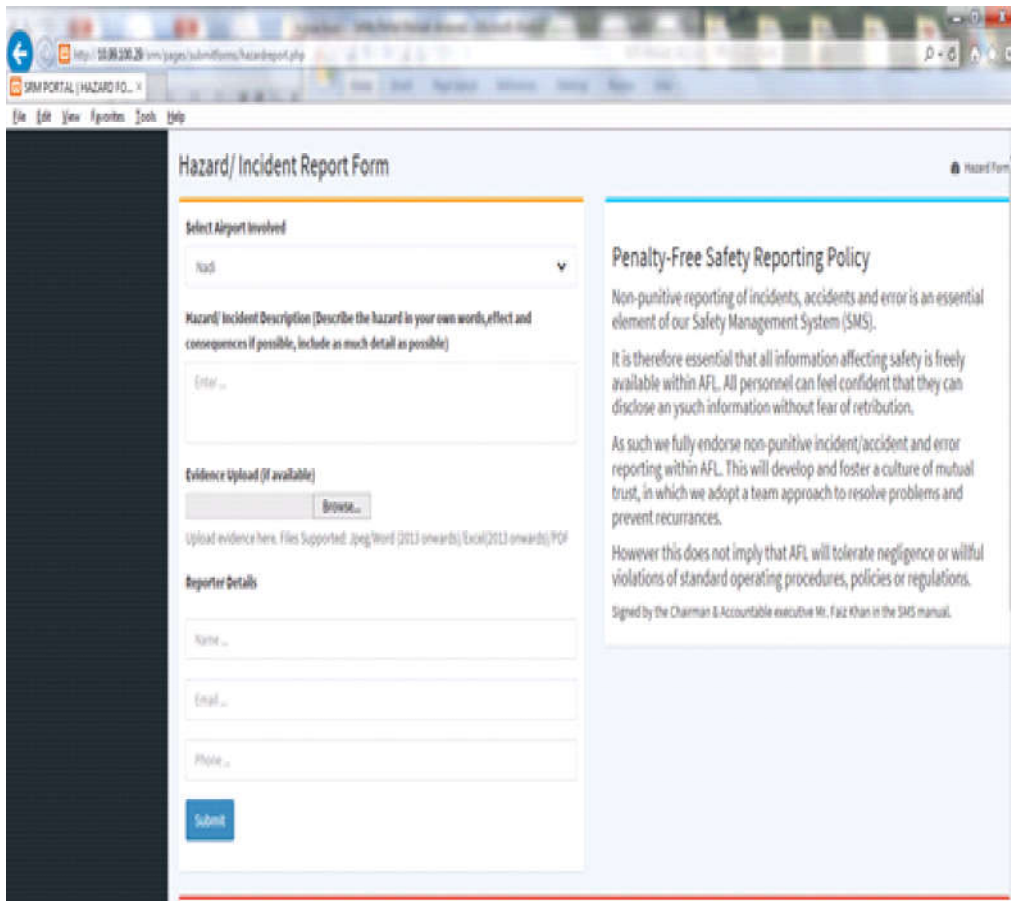
## **2.3 Reporting Review Process**

2.3.1 The Manager Safety & Risk Management and Safety Officers are responsible for the review of reports of hazards, potential hazards, incidents and accidents. The review shall ensure that:

- Each report is reviewed to determine whether it was dealt with efficiently and effectively;
- A log is maintained reflecting the status of all reports;
- Reports are reviewed to identify any trends in the types of hazards identified;
- Feedback is provided about the reporting system, the risk management process or the error management system to the submitter of a report.

## APPENDIX A: ONLINE HAZARD/INCIDENT REPORT FORM

Site: <http://10.99.100.29/srm/pages/submitforms/hazardreport.php>



The screenshot shows a web browser window displaying the 'Hazard/ Incident Report Form'. The browser's address bar shows the URL: <http://10.99.100.29/srm/pages/submitforms/hazardreport.php>. The browser's title bar is 'SRM PORTAL (HAZARD RPT...)'. The browser's menu bar includes 'File', 'Edit', 'View', 'Options', 'Tools', and 'Help'. The browser's status bar is 'Hazard Form'.

The form itself has a title 'Hazard/ Incident Report Form' and a 'Hazard Form' icon in the top right corner. The form is divided into several sections:

- Select Airport Involved:** A dropdown menu with 'Nadi' selected.
- Hazard/ Incident Description (Describe the hazard in your own words, effect and consequences if possible, include as much detail as possible):** A text input field with the placeholder 'Enter ...'.
- Evidence Upload (If available):** A section with a 'Browse...' button and a note: 'Upload evidence here. Files Supported: jpeg Word (2013 onwards) Excel(2013 onwards) PDF'.
- Reporter Details:** A section with three text input fields for 'Name ...', 'Email ...', and 'Phone ...', and a 'Submit' button.

On the right side of the form, there is a 'Penalty-Free Safety Reporting Policy' section. It states: 'Non-punitive reporting of incidents, accidents and error is an essential element of our Safety Management System (SMS). It is therefore essential that all information affecting safety is freely available within AFL. All personnel can feel confident that they can disclose any such information without fear of retribution. As such we fully endorse non-punitive incident/accident and error reporting within AFL. This will develop and foster a culture of mutual trust, in which we adopt a team approach to resolve problems and prevent recurrences. However this does not imply that AFL will tolerate negligence or willful violations of standard operating procedures, policies or regulations. Signed by the Chairman & Accountable executive Mr. Faiz Khan in the SMS manual.'



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**TRAINING AND  
EDUCATION**



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## 1 TRAINING AND EDUCATION

### 1.1 General

1.1.1 Training and education forms a critical element in the bridging of ideal safety requirements with the level of knowledge that exists across the organization. Without training our SMS initiative will just be a paper exercise that fails to influence “how things are done” both on the floor and the management level.

### 1.2 Training Aims

1.2.1 To ensure that all staffs are properly trained in the purpose of the company Safety Management System and in their role in applying it to the way we do business. The safety training aims shall be communicated to all staff during the awareness program.

### 1.3 Training Requirements

1.3.1 The **relevant certificate areas** are required to facilitate the following:

- A training program for the department to ensure all operational staff is competent to carry out their role safely. The training program shall include operational and safety training;
- A training program that meets the regulatory requirements of attaining/ maintaining a valid license;
- Attendance of all operational staff members on the AFL Corporate Safety Management System awareness training once every two years;
- Attendance of SAG members and operational line managers on the full 2 days SMS course based on the AFL SMS Manual and other references materials once every 2 years;
- Attendance by all other staff members on the one day SMS course upon recruitment (induction) and recurrent training every 2 years thereafter;

- In the event that amendments are made to the process and procedures contained in the SMS Manual, communication to all staff via the Safety Bulletin Board and staff briefings prior to the amendment becoming effective. Where applicable, update training shall be conducted.

## 1.4 Training Programs & Records

1.4.1 MSRM is required to inform all **relevant certificate areas** on the company's safety management training program at the beginning of the year.

1.4.2 In turn, the relevant line managers through the Human Resources Department shall inform MSRM on the list of their staff who will require safety management training.

1.4.3 Details of participants on SMS training shall be recorded in the "Training Register for SMS" (*refer to APPENDIX B*). This shall be maintained by MSRM.

1.4.4 All safety related trainings are required to be recorded, using the "Training Record for SMS" (*refer to APPENDIX A*) and maintained by the relevant line manager. This should capture:

- the name of each staff member who received the training;
- the results (if any) of an examination that was part of the course; and
- the date on which the course was concluded.

## 1.5 Safety Induction

1.5.1 The Manager Safety & Risk Management shall conduct induction training for all new operational staff. Where relevant, this training shall be customized to suit staff member specialist areas. It shall include, but not limited to the following:

- the Safety Management System;
- how the Safety Management System is advertised throughout the company;
- What is the company Safety Policy, and how does it affect you?

- the Safety Management System principle of anonymous reporting of hazards without fear of reprisals;
- Accountable Manager's role;
- Manager Safety & Risk Management roles and responsibilities;
- Confidential Hazard & Incident Reports and the reporting of incident and accidents;
- What is risk assessment and how is it done?
- the roles of the Safety Committee;
- the responsibilities of all employees in the Safety Management System.

## 1.6 Recurrent Training

1.6.1 The Manager Safety & Risk Management or designate is responsible to ensure that all staff receives relevant recurrent training.

1.6.2 Recurrent training will be based entirely on the AFL SMS manual and other changes to ICAO and the CAAF SMS requirements. For SAG Members and line managers a full 2 days training shall be conducted as part of recurrent training. This shall be undertaken every 2 years preferably after the amendments of the SMS Manual.

1.6.3 For operational staff, a one day training to cover the following shall be conducted as part of recurrent training after 2 years. It shall include, but not limited to the following:

- Safety Management System Overview;
- Safety Policy and Objectives;
- Compiling and submitting Confidential Hazard & Incident Reports, and reporting incidents and accidents;
- The responsibilities of all employees to participate in the Safety Management System;
- Safety and Risk Management;

- Safety concerns for our operation for the past few months; and
- Safety Data Performance and Monitoring.

1.6.4 When new technology or equipment is introduced, or changes made to aerodrome operations (with an impact on safety), training will be provided.

## **1.7 Review Of Training Effectiveness**

1.7.1 At the conclusion of each training course, an evaluation is required to be facilitated by the instructor to determine the effectiveness of the training as evaluated by the participant.

1.7.2 The Instructor shall evaluate the effectiveness of the company training programs by the use of training feedback sheets that are designed to measure:

- How well staff understand the operation of the Safety Management System;
- How well staff are aware of the role they play in the Safety Management System; and
- How much staff understands that the aim of the Safety Management System is to improve safety, and not to attribute blame.

1.7.3 The Manager Safety & Risk Management shall monitor training records for any required personnel who have not attended induction or ongoing safety training, and coordinate their attendance to the next relevant course.

1.7.4 As a simple means of determining the effectiveness of the safety training provided, MSRM should maintain a watching brief on the following:

- The trend in the volume of hazards reported (a growing trend in hazards reported may indicate staff acceptance of the concept);
- Safety Survey responses improvements compared to previous year; and
- Feedback received through the training evaluation form.





# AUDITING AND INVESTIGATION OF INCIDENT/ACCIDENT

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# 1 AUDITING AND INVESTIGATION

## 1.1 General

1.1.1 An audit is a systematic examination, formal and independent planned review of our routine operational functions against a set of predetermined criteria. A safety audit compares the stated objectives and operating procedures with the actual work practices. Safety audits will be part of the annual assessment plan for all functional areas. This includes Air Traffic Management, Aerodrome operations and Technical/ Maintenance departments.

1.1.2 The safety audit of the relevant certificate will be conducted annually or as and when required. Items requiring action or response will be identified along with the responsible person or area expected to take action. Reports and responses will be reviewed by the Manager Safety & Risk Management.

1.1.3 The Manager Safety & Risk Management is responsible to ensure that an audit program for the SMS is in place.

## 1.2 Auditing Requirements

1.2.1 The SRM department is required to conduct safety audits to ensure that every parts of our operation are critically examined with an objective to identify strengths, weaknesses (areas of risk) and areas of improvement. This is primarily done through a series of audits on all areas of our operations based on the approved annual SMS audit program.

1.2.2 An annual audit program/schedule will be prepared by the Manager Safety & Risk Management at the beginning of the year and communicated to all relevant Managers and General Managers for their necessary preparatory. The Manager Safety & Risk Management is responsible to ensure that all safety audits are performed as planned out in the annual audit program.

1.2.3 On the other hand, Controller Safety, Search and Rescue (CSSAR) based at the ATM and ANES department shall be responsible for the safety auditing of their relevant operations. For QASO ATM, scope of audit should include ATI, SAR and AISP certificate. The two units (ATM & ANES) shall provide their annual audit schedule and audit report to MSRM both the initial and follow-up audit.

1.2.4 The Manager Safety & Risk Management through the relevant QASO, when conducting the audit, shall consider previous audit reports including recommendations and action plan.

1.2.5 All SMS audits shall be conducted in accordance with the *Auditing Procedure* contained under Para 2 below.

## 2 AUDIT PROCEDURE

### 2.1 Purpose

2.1.1 To provide guidance on the required steps to be taken during any SMS internal audit to ensure that the audit process is carried out in a formal and systematic manner.

### 2.2 Introduction

2.2.1 SMS audit is one of the principal methods for fulfilling the safety performance monitoring functions. SMS audits shall be conducted by the SRM team at least once a year. External audit will also be conducted by the Regulator normally during their certification renewal audit. This procedure shall apply to all SMS internal audits.

### 2.3 SMS Internal Audit Process

2.3.1 Below is the overview of the audit process that shall be followed when conducting an internal SMS audit:

#### **Step 1: Initiating the Audits**

- Audit Request;
- Appointing of a lead auditor;
- Defining Objectives, test steps, criteria, scope and duration of the audits;
- Establish the audit team.

***Step 2: Conducting Document Review***

- Review relevant management system documents including records and determine adequacy.

***Step 3: Preparing for the On-site audit activities***

- Preparing the audit plan;
- Assigning work to the audit team;
- Preparing work documents.

***Step 4: Conducting On-site audit activities***

- Conducting Opening meeting;
- Roles & Responsibilities of guide and observers;
- Collecting & verifying information;
- Generate audit findings;
- Preparing audit conclusion;
- Conducting Exit meeting.

***Step 5 : Preparing, approving and distributing the audit report***

- Preparing the audit report;
- Approving and distributing the audit report.

***Step 6 : Completing the audit***

- Retaining documents;
- Finalizing the audit.

***Step 7 : Conducting audit follow up***

- After completion of an audit, follow up actions must be taken to verify all corrective actions that have been taken.

### 2.3.2 Step 1 - Initiating the audit

#### i) Audit Request

The audit request should be forwarded to the auditee informing them of the proposed dates of the safety audits. This should be sent via e-mail by MSRM at least one week before the proposed on-site entry meeting.

#### ii) Appointing of a Lead Auditor

MSRM is responsible for appointing a lead auditor if more than one auditor is required to carry out the audits. The lead auditor should have passed any accredited lead auditor course and should have thorough knowledge of the areas to be audited.

The audit team leader is responsible for the overall conduct of the audit.

The tasks to be undertaken by each audit team member shall be assigned by the audit team leader. These tasks may include reviewing documentation, conducting interviews with staff of the unit or section being audited, observing operations and writing material for the audit report.

The audit team leader must be an effective communicator and must be able to earn the trust of the section being audited.

#### iii) Defining Objectives, test steps, criteria, scope and duration of the audits.

An audit shall be based on documented objectives, test steps, scope and criteria. The audit objectives, scope and criteria should be defined by the lead auditor in consultation with MSRM and the audit team members.

#### iv) Objectives

The audit objectives shall define what needs to be accomplished during audit and to what extent the audit criteria are to be met.

#### v) Test Steps

The audit test steps set out ways in which the objectives can be tested using the criteria as a determining parameter. A particular objective can have several test steps.

vi) Criteria

The audit criteria set the bench mark to which an operation shall be performed. This shall be made in reference to the ICAO Annexes or Documents, CAAF Standard Documents, Company Policies, Procedures, law/regulations, management system requirements or contractual requirements.

vii) Scope

The audit scope describes the extent and boundaries of the audit such as physical locations or sites, organizational units, activities and processes to be audited.

viii) Duration of the audits

The duration of the audits should be determined by the team leader in consultation with MSRM. The determination of the audit duration shall take into account the scope and the activities to be undertaken on site with minimal costs.

ix) Establish the audit team

Safety audits may be undertaken by a single individual or a team, depending on the scale of the audit. Depending on the scope of the audit and the availability of resources, experienced and trained individuals may perform safety audits or they may assist external auditors.

The staff selected to conduct an audit should have practical experience in disciplines relevant to the area to be audited, a good knowledge of the relevant regulatory requirements and the organization's SMS, and should be trained in auditing procedures and techniques.

An audit team comprises of an audit team leader and one or more auditors.

The tasks to be undertaken by the individual team members shall be assigned by the team leader.

### 2.3.3 Step 2 - Conducting Document Review

Before the on-site audit activities the auditee's documentation should be reviewed to determine the conformity/compliance of the system as documented with audit criteria.

During documentation review the auditor shall carryout the following:

- compile list of questionnaires that are relevant to the audit objectives;
- compile data (maintenance records etc.) to see trend.

Upon conclusion of the document review, the lead auditor should inform the auditee of any additional information required for detailed evaluation during the on-site audit.

#### 2.3.4 Step 3: Preparing for the On-site audit activities

##### i) Preparing the audit plan

The lead auditor shall prepare an audit plan to provide necessary information to the audit team and the auditee.

The audit plan shall include:

- The audit objectives;
- The audit criteria and any reference manual;
- The scope, including the functional units and processes to be audited;
- The dates and places where the on-site audit activities are to be conducted;
- The expected time and duration for on-site audit activities, including meeting with the auditee's management and audit team meetings;
- The audit report expected date of issue and distribution.

The plan should be reviewed and acceptable by the auditee. Any objections by the auditee should be resolved with the lead auditor before continuing with the audit. This can be addressed during the opening meeting.



In addition the SMS audit plan should cover:

- the sampling of completed and/or existing safety risk assessments;
- Currency of safety performance indicators and their target/alert settings;
- Certificate's SMS interface with Contractors.

ii) Assign work to the audit team

The lead auditor in consultation with the audit team, shall assign to each team members responsibility for auditing specific area of the audit scope;

Such assignments should take into account the need for auditor independence, competence and effective use of resources as well as different roles and responsibilities of auditors;

The audit team members should review the relevant information related to their audit assignments and prepare work documents necessary for those assignments.

iii) Preparing work documents

Work documents shall be prepared and used by the audit team for the purpose of reference and recording the proceedings of the audit and can include:

- Checklists and audit sampling plan;
- Forms for recording information, such as support evidence , audit findings and records of meetings;
- Interview question sheets.

The preparing of these work documents is to ensure that all required audit information are properly recorded and documented.

### 2.3.5 Step 4: Conducting On-site audit activities

The objective of the on-site audit is to confirm the information gathered during the documentation review by performing interviewing of selected staff and carrying out on-site observation;

#### i) Conducting the Opening/Entry Meeting

At the start of the on-site audit, the lead auditor shall conduct an opening meeting.

The purpose of this meeting is to ensure that all participants are advised of the purpose and scope of the audit, and to confirm that arrangements have been made for the audit activities to proceed smoothly.

All attendees shall sign the opening meeting attendance register.

The lead auditor should address all items in the Opening Meeting Checklists.

The on-site audit plan should also be discussed and agreed upon during this meeting. Refer to *APPENDIX A* on the required format.

### 2.3.6 Roles and responsibilities of guides and observers

Guides and observers can accompany the audit team but are not a part of the audit. They should not influence or interfere with the conduct of the audit;

Where guides are assigned, they should assist the audit team and act on the request of the lead auditor;

Their duties can include:

- Establishing contacts and timing for interviews;
- Arranging visits to specific parts of the organizations site;
- Ensuring that rules concerning site safety and security procedures are known and respected by the audit team members.

ii) Collecting & verifying information

Information relevant to the audit objectives, scope and criteria that are related to the functions, activities and processes shall be collected by appropriate sampling during the audit and verified. Only information that is verifiable shall be used as audit evidence;

The techniques for gathering the information on which the audit team's assessment will be made include:

- Review of documentation and records;
- Interviews with all level of staff; and
- Workplace observations by the audit team.

iii) Interviews with all level of staff

The persons to be interviewed should be drawn from a range of management, supervisory and operational positions. The purpose of audit interviews is to elicit information, not to enter into discussions. It also gives the staff involved, an opportunity to explain the system and work practices.

iv) Workplace observation by the audit team

The purpose of conducting workplace observation is to confirm the information gathered during the interview and review of documentation. A review of all audit observations shall be carried out during the on-site audit. An assessment should be made by the auditor with respect to all items noted as nonconformities/non-compliance, deficiencies or safety shortcomings. It should be borne in mind that the audit should not focus only on negative findings. The audit should also highlight good practice within the area being audited.

v) Generate Audit Findings

Audit evidence shall be evaluated against the audit criteria to generate the audit findings. Audit findings can indicate either non-compliance, compliance, non-conformance, conformance or safety concern with the audit criteria.

All audit findings shall be reviewed with the appropriate auditee representatives to obtain acknowledgement that the audit evidence is accurate and reports are understood.

Every attempt should be made by the lead auditor to resolve any divergence of opinion concerning the audit evidence and/or findings.

All findings shall be recorded in the "Audit Finding Report Form" (refer to APPENDIX B) .

vi) Preparing audit conclusion

The audit team should confer before the exit meeting to:

- Review the audit findings and any other appropriate information collected during the audit against the audit objectives;
- Agree on the audit conclusions taking into account any uncertainty during the audit;
- Rating of audit findings;
- Prepare recommendations.

vii) Rating of audit findings

Based on the evidence provided to the auditors, each audit findings/ criterion shall be rated as one of the following: Non-compliance, Compliance, Non-conformance, Conformance, or Safety Concern;

The audit conclusion should be determined through the processes below:

***Source of Information***

e.g. *Station Log Book*

***Collecting by appropriate sampling***

e.g. *From 1<sup>st</sup> Jan 06 - 31<sup>st</sup> Dec 07*

***Verifying***

e.g. Confirm whether all monthly maintenance records are carried out on the above period.

#### ***Audit Evidence***

*e.g. Only 25% of the monthly maintenances are carried out as recorded.*

#### ***Evaluate against audit criteria***

*e.g. The Maintenance Manual stated that monthly maintenance should be carried out before the end of the month.*

#### ***Audit Findings***

*e.g. Monthly maintenances are not carried out on a monthly basis as stipulated in the SOP.*

#### ***Reviewing***

Involves discussion of all audit findings with appropriate auditee to obtain acknowledgement that the audit evidence is accurate and that the non-compliance/non-conformance are understood

#### ***Audit Conclusion***

#### **viii) Conduct Exit Meeting**

The purpose of the Exit Meeting is for the audit team to present the audit findings to the auditee and to agree on the findings raised, proposed corrective actions and the time to close off the finding.

All audit finding reports should be presented to the auditee during this meeting.

During this meeting, the parties will also discuss corrective/preventive actions required for individual audit findings.

If necessary, the lead auditor should advise the auditee of situations encountered during the audit that may decrease the reliance that can be placed on the audit conclusion.

The meeting should be formal with records of attendance to be kept.

The meeting shall be chaired by the lead auditor and be held with the auditee's management and those responsible for the functions audited.

Any diverging opinions relative to audit findings and /or conclusions between the audit team and the auditee should be discussed and if possible resolved. If not resolved, both opinions should be recorded.

#### 2.3.7 Step 5 : Preparing, approving and distributing the audit report

##### i) Preparing the audit report

The lead auditor shall be responsible for the preparation and contents of the audit report.

The audit report shall provide a complete, accurate, concise and clear record of the audit.

##### ii) Approving and distributing the audit report

The lead auditor shall present the audit report (preferably within 7 working days after the Exit Meeting) to MSRM for approval prior to its distribution.

The audit report should be issued within the agreed time period specified in the audit plan.

The audit report should be dated and be distributed to the Accountable Manager/AE and the recipients designated by the audit client.

Only the Accountable Manager/AE may require a hard copy of the audit report while the rest of the designated recipients can be supplied with a soft copy.

#### 2.3.8 Step 6 : Completing the audit

##### i) Retaining documents

All documents pertaining to the audit shall be retained and properly stored in a file.

Unless required by law, the audit team should not disclosed the contents of documents, any other information obtained during the audit, or the audit report, to any other party without the explicit approval of the auditee.

In case where the discloser of the contents of an audit document is required by law, the auditee should be informed as soon as possible.

#### ii) Finalizing the audit

The audit is completed when all activities in the audit plan have been finalized and the approved audit report has been distributed.

#### 2.3.9 Step 7 : Conducting the audit follow-up

Audit follow-up involves the management of change. Upon receipt of the final audit report, the auditee management shall ensure that progress is made to close the findings raised.

The primary purpose of an audit follow-up is to verify the effective implementation of the agreed corrective action plan.

Follow-up is required to ensure that any action taken pursuant to the audit does not in any way degrade safety.

Any known Hazards/threats from relevant industry reports (e.g. ICAO, CAAF or airlines, etc) should be examined during the audit follow-up or inspection.

The audit follow-up should be carried out at an agreed time with the auditee (*most preferably 4 months after the exit meeting*) during the exit meeting. Failure by the auditor to follow up on lapses in implementing necessary (and agreed) safety actions may compromise the validity of the entire safety audit process.

Where a follow-up visit has been made, a further report of this visit should be prepared. This report should clearly indicate the current status of the implementation of the agreed corrective actions. If any non-compliance, deficiency or safety shortcoming remains unresolved, the audit team leader should highlight this in the follow-up report.

### 3 INCIDENTS AND ACCIDENTS INVESTIGATION

#### 3.1 General

3.1.1 The Ministry of Transport & Civil Aviation has the sole responsibility for the investigation of aircraft accidents in the Republic of Fiji.

3.1.2 CAAF shall be responsible for the investigation of aircraft incidents.

3.1.3 The relevant process owner within AFL shall also be responsible for the investigation of their operational processes which may have contributed to an aircraft incident or accident.

3.1.4 The relevant Manager shall determine the next course of action as far as the seriousness and safety of the situation including relieving of the personnel involved in the accident/incident as required;

3.1.5 When an accident or an incident (occurrence or defect which affects, or has the potential to affect air safety) occurs, the reporting process as detailed in section 7.2 of this manual shall be activated;

3.1.6 In addition to the MOR or Incident reported, the personnel involved shall prepare a detailed explanation of the sequence of events leading up to the incident/ accident before the end of his/her shift. A copy of this report shall be submitted to his/her Manager.

#### 3.2 Purpose of Investigation

3.2.1 The purpose of the incident investigation is to:

- Determine the facts of an occurrence; and
- To identify the factors underlying the occurrence.

3.2.2 Most importantly to identify the “root cause” and provide recommendations on what should be done to either prevent or reduce the probability of a recurrence.



### 3.3 Investigation Process

3.3.1 As required, responsible manager shall ensure that all incidents related to their processes which affect flight safety are investigated. Relevant Certificates shall **develop** their investigation procedures specific to the type of incident related to their processes and shall encompass the following as a minimum:

- As soon as an incident occurs the personnel involved or the supervisor who is first aware of the situation shall inform the relevant manager immediately;
- Manager or designate shall immediately notify CAAF of the incident via phone in case it is a critical safety issue. In such case, MSRM shall also be informed. Else the report shall be made within 96 hours from the time it happened;
- Line managers shall facilitate or lead the investigation should the incident be related to their process;
- Investigation to begin immediately but not more than 2 hours from the time of the incident for vehicle related incidents or accidents on airside. For other units, investigation shall convene immediately once the appointed investigation officer is available;
- Personnel involved should be excluded from the investigation team;
- Investigation report should cover what, when, how, why it happened and also provide recommendations to ensure that the same incident is not repeated;
- Provide a prescriptive event flow of what happened leading up to the incident/accident (*if possible*);
- Ensure that the investigation team is competent to conduct the required investigation;
- Initial report to be submitted within two working day;
- Final investigation report to be distributed within 10 working days from the date of incident.

3.3.2 The final investigation report shall be signed by the investigation team and approved by the Process Owner prior to it being distributed to the Accountable Manager, affected operational managers, MSRM and the relevant certificate's SAG committee members. Release of report to any external parties can be accommodated with prior approval of the Accountable Manager.

3.3.3 The copy of the final investigation report shall be maintained in the SRM archives for 7 years from the date the report was issued as final before it is destroyed.

3.3.4 Upon request, the safety investigation team should be available to present the final report to the relevant SAG committee.

3.3.5 Safety Investigation report should include the following:

- Cover page;
- Executive summary of findings & recommendation;
- Location, Date & Time of Event;
- Investigation scope & objective;
- Investigation Team's Roles & Responsibilities;
- Incident/accident synopsis;
- Event Flow leading up to the incident/accident;
- List of System/Processes deficiencies;
- Recommendations and Conclusion;
- Appendices (*if applicable*):
  - i) Tape transcript (ATM incidents/accidents);
  - ii) Statements by personnel involved, etc.

3.3.6 MSRM shall also advise the Senior Financial Officer upon receiving any accident report for insurance purposes.

### 3.4 Corrective Actions

3.4.1 MSRM shall be responsible for tracking to ensure the timely closure of the corrective action items.

3.4.2 Corrective actions identified shall be monitored by the SAG committee during their monthly meeting.

3.4.3 Hazards or threats uncovered during the incident/accident investigation processes shall be captured and monitored until closure in our Online Safety Portal.

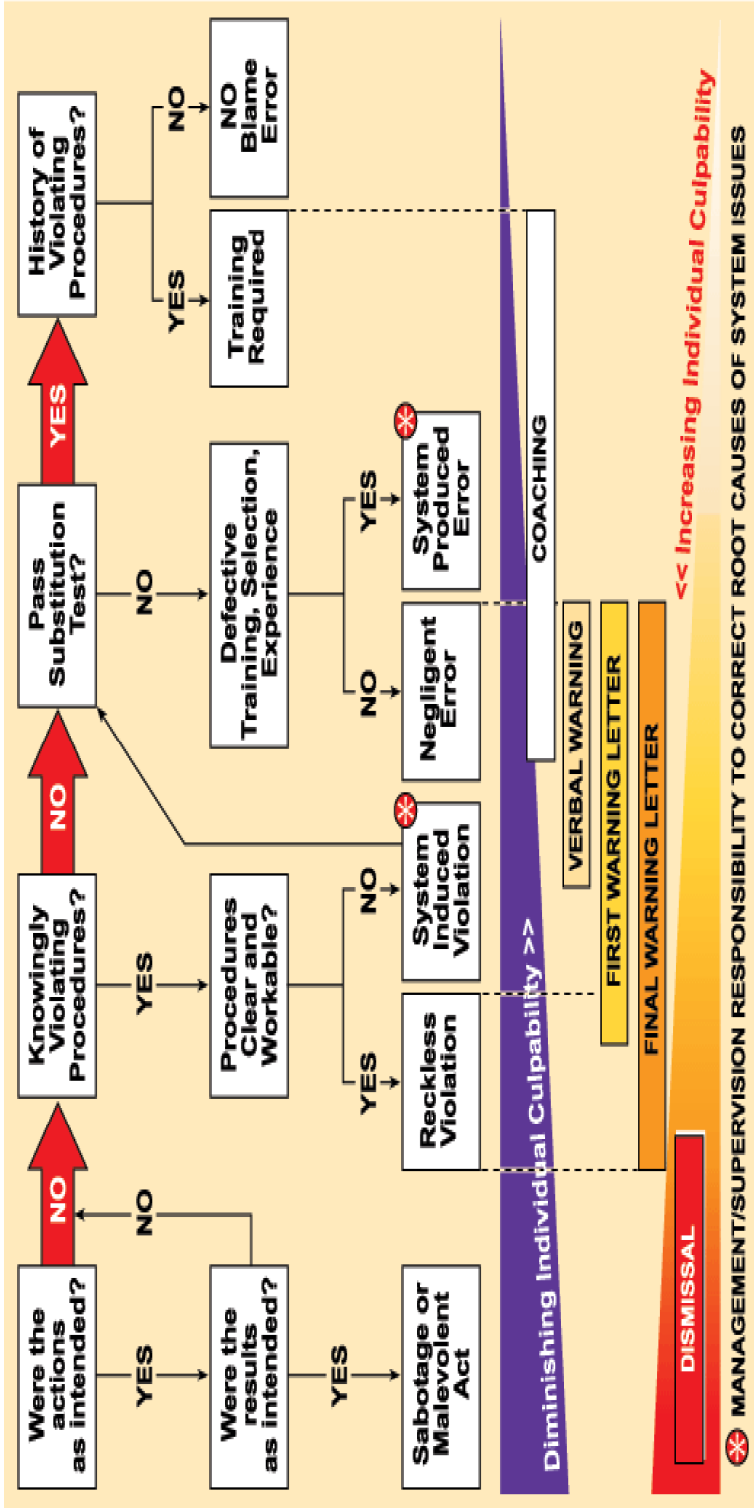
### 3.5 Actions Against Safety Violation

3.5.1 The flowchart below should be used as guidance to determining whether the actions of the officer(s) involved in the incident were deliberate or unintentional. The flowchart also dictates the appropriate penalties to be accorded in the event of a deliberate act.

3.5.2 The final decision in terms of penalties to be incurred should be made in consultation with the Accountable Executive/Manager and Manager Human Resources.

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Action taken against Safety Violation




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## **APPENDIX A: ON SITE AUDIT PLAN**

 <b>AIRPORTS FIJI</b> <b>L I M I T E D</b>	<p style="text-align: center;"><b><i>On-Site Audit Plan</i></b></p> <p>Date: .....</p>
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**Location:** .....

**Audit No.:** .....

**Entry/Opening Meeting:**

Date: ..... Time: ..... Location: .....

**Exit/Closing Meeting:**

Date: ..... Time: ..... Location: .....

**Audit Objective:**

**E.g.** To determine whether:

- The departments' structure is supporting the current operations & support of Nausori Tower.
- Personnel are competently trained & licensed to perform their allocated tasks.
- Processes & Procedures are in compliance with ICAO SARPS and National Rules and Regulations and staff are aware of these.
- Equipment & Facilities are adequate to support the departments' operations.

**Audit Criteria:** **E.g.** Fiji MATS, Nadi Local Unit Orders, Nadi ATSI's, Fiji AIP, SD-ATS, SD-PEL


Auditors	Day 1		Day 2		Day 3		Day 4	
	AM	PM	AM	PM	AM	PM	AM	PM
[List of auditor's name]	Opening Meeting							

- AM : 9am – 1pm
- PM : 2pm – 5pm

**\* Note: The table above may change according to the activities to be undertaken.**



### APPENDIX B; AUDIT FINDING REPORT FORM

 <b>AIRPORTS FIJI LIMITED</b>	<b>AUDIT FINDING REPORT FORM</b>		
	<input type="checkbox"/> Non-Compliance	<input type="checkbox"/> Non-conformance	<input type="checkbox"/> Safety Concerns
	<input type="checkbox"/> Compliance	<input type="checkbox"/> Conformance	
Audit Name:	[System Name] AUDIT - [Location]		
Auditor:			
• Audit Objective			
• Test Step			
• Source Data			
Finding			
• Condition (What is in place?)			
• Criteria (What should be?)			
• Effect (So what? /consequences/result)			
• Cause (Why the condition exists? /source?)			
Recommendation (How to make it better?)			
[Department Manager]:			
Agree/Disagree:			
(If not, why?):			
Action Plan:			
Target Dates:			
Responsible Officer:			
Rev 2.0	Issue Date: 9 <sup>th</sup> Dec 2016	Form No: AFL393-08	

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**DOCUMENTATION AND  
SAFETY DATA MANAGEMENT**



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## 1 DOCUMENTATION AND SAFETY DATA MANAGEMENT

### 1.1 General

1.1.1 The company follows quality principles in applying a systematic approach to safety management and continual improvement practices to the overall safety objectives.

1.1.2 The Manager Safety & Risk Management is responsible for the control of the SMS manual.

1.1.3 The Controller – AIS is responsible to ensure that any changes to the SMS manual are promulgated to all Holders of the manual in a timely manner.

### 1.2 Procedures

1.2.1 The procedures for the safe operation of the relevant certificate are as follows:

- Aerodrome - relevant Aerodrome Manual, Airside Operations Manual (Nadi & Nausori only), Department's Operations Manual Airport Emergency Plan (AEP), and Corporate Wild life management manual;
- Air Traffic Management –Exposition Manual, Fiji Manual for Air Traffic Services (FMATS), Local Unit Order (LUO), Air Traffic Services Instruction(ATSI), Aeronautical Information Publication (AIP)and Aeronautical Information Circular (AIC);
- Approved Maintenance Organization - Exposition Manual, Safety & Quality Manual, Operation Manual & Maintenance manual;
- AIS – Exposition & AIS Manual;
- Aviation Academy –Exposition Manual, ATS Training Manual, Aviation Academy Quality Manual;
- Search and Rescue – Exposition Manual and Search &Rescue (SAR) Manual.

1.2.2 In regards to any emergency, the following documents shall be applicable:

- a) Airport Emergency Plan for all our aerodromes. The Airport Emergency Plan is published for each airport and provides the procedure that the organisation will activate in cases of any aircraft emergency (incl. incident and accidents), Bomb Threat, Natural Disaster, Dangerous Goods, etc at our aerodromes;
- b) Tower Contingency Plan for Nadi & Nausori airport and the Nadi FIR Contingency Plan – These Contingency Plans shall be activated as and when a contingency arises due to partial or total disruption of Air Traffic Services. The Contingency Plans aim at advance preparedness and instantaneous response to a contingency arising due to disruption of Air Traffic Services with an objective of providing safe and orderly passage to the air traffic operating within the Nadi Control Area, Nausori Control Zone and Nadi FIR;
- c) ATM Emergency Response Procedures – provides guidance to ATM staff in the execution of their responsibilities whenever abnormal situations are being simulated as per the requirements of the respective Local Unit Orders and the Standards Document – Air Traffic Service Provider.

***The control and management of the above documents is dictated by the Documentation Management Manual, Doc 301.***

### **1.3 Safety Data Collection**

1.3.1 The purpose of collecting safety data on our business activities is to identify trends and areas requiring safety action. This data will be used to identify areas that are in need of attention.

1.3.2 Data collections are to be conducted on the following Safety Focus Areas based on the required frequency of data collection stated below:



	Safety Focus Area	Frequency of Data Collection& Monitoring
1.	Wildlife Management	Monthly
2.	Runway Incursion	Monthly
3.	Foreign Object Damage to aircraft	Months.
4.	Aerodrome Electrical Facilities	Monthly
5.	Navigational Aids, Air Traffic Management Systems and Airport Systems & Services	Monthly
6.	Aerodrome Field/RWY, Telecom incl. airport system, Electrical & Mechanical and Fire Fighting Equipment Maintenance	Monthly
7.	Rescue Fire Service	Monthly
8.	Aerodrome surfaces	Every 2 years.
9.	Non-Compliance	Every month.
10.	Operational Hazards	Every month.
11.	ATM Incidents	Weekly
12.	Human Fatigue	6 monthly.

1.3.3 The above safety data shall be collected by the relevant process owner and sent to MSRM on the first week of the next immediate month once it is due (based on the above frequency of data collection).

1.3.4 The relevant QASO both at ATM and ANES is required to cross check their Safety Data records with the SRM database on a monthly basis preferably before their monthly SAG meeting on current report status.

1.3.5 All Safety related Data including hazard reports, risk assessment reports, safety committee meeting minutes, safety performance indicator charts, SMS audit reports and SMS training records shall be maintained in the SRM archives for 7 years from the date the report was made before it is destroyed. The method of storage includes both electronic and printed copy;

1.3.6 For analysis purposes, these data shall be maintained by the Safety Data Coordinator (SDC) and analysed further to identify trend and other important information that would enhance our effort to make our current control effective. Preferably, these needs to be maintained using a database.

***Ensure the protection and back-up of data.***

## **2 SAFETY PERFORMANCE MONITORING**

### **2.1 General**

2.1.1 Safety performance monitoring plays a crucial role in:

- Providing the necessary feedback on the health of our Safety Management System;
- Assist the organization to proactively respond to any irrational safety performance; and
- Enable the organization to set realistic future performance targets and direction.

2.1.2 For each of the Focus Areas, the following are required to be defined in order to carry out the necessary safety performance monitoring as required under the ICAO Safety Manual, Doc 9859:

- Safety Target Levels; and
- Safety Alert Levels (*applicable for event based Focus Areas only*).

2.1.3 To successfully set a realistic Safety Target Level/ Alert level that is commensurate to the organization, historical safety data is required.

## 2.2 Safety Target levels

2.2.1 The Safety Target Levels define the desired specific goals to be achieved during a monitoring period;

2.2.2 As a start, the STL stated by the regulator can be used as an initial method of monitoring however each certificate shall facilitate improvements based on previous year's performance;

2.2.3 The target levels setting are planned improvements and should be based on previous monitoring period e.g. the target incident rate for the new (current year) monitoring period's average rate to be, say 5% lower (better) than the preceding period's average value;

2.2.4 Safety Target Levels are to be reviewed annually, preferably during the month of January. This allows those responsible for data-collection to analyse the dataset for a period of one year and set a realistic target level for the new monitoring year. SRM is available to assist the relevant certificate in this regard;

2.2.5 At the end of each monitoring period stated in para 1.3.2 for each Focus Area, the SRM unit in consultation with the relevant certificates is required to determine whether the defined target level has been achieved or not. If the current average rate is at least equals the target set or lower if its event based or higher if its activities based, then the set target improvement is deemed to have been achieved;

2.2.6 For every Safety Performance that did not achieve its defined target level, an assessment is required to be conducted by the SRM team in consultation with the process owner in order to determine the areas of deficiency. Findings are required to be discussed with the process owner for appropriate remedial action and tabled in the relevant SAG committee meeting for monitoring purposes.

## 2.3 Safety Alert Levels

2.3.1 The Safety Alert Level is meant to capture any erroneous safety performance in our system. This shall apply to incident or accident event only as a way to actively monitor and implement timely actions that would improve any erroneous safety performance.

2.3.2 With the employment of standard deviation (SD) in three levels, these act as “alerter” providing feedback on any continuous/major deviation from our defined safety performance targets;

2.3.3 The alert level for a new monitoring period (current year) should be based on the preceding period's performance (preceding year), namely its data points average and standard deviation. The three alert lines are to be calculated as:

- Average + 1 SD;
- Average + 2 SD; and
- Average + 3 SD.

2.3.4 For the purpose of calculating the Standard Deviation (SD), this can be easily done using the MS Excel Spread-sheets preset formula;

2.3.5 An alert (abnormal/unacceptable trend) is activated if any of the conditions below are met for the current monitoring period (current year):

- any single point is above the 3 SD line;
- 2 consecutive points are above the 2 SD line;
- 3 consecutive points are above the 1 SD line.

## 2.4 Corrective Action for Alerts

2.4.1 When an alert is triggered (potential high risk or out-of-control situation), appropriate corrective or follow-up action has to be conducted by the SRM team in consultation with the process owner;

2.4.2 The corrective or follow-up action is to determine the source and root cause of the abnormal incident rate and any necessary action to address the unacceptable trend. This require a safety review of all processes/activities related to the safety outcomes;

2.4.3 Findings are required to be communicated immediately to the process owner for corrective action and tabled in the relevant SAG committee in their next immediate meeting for necessary monitoring.

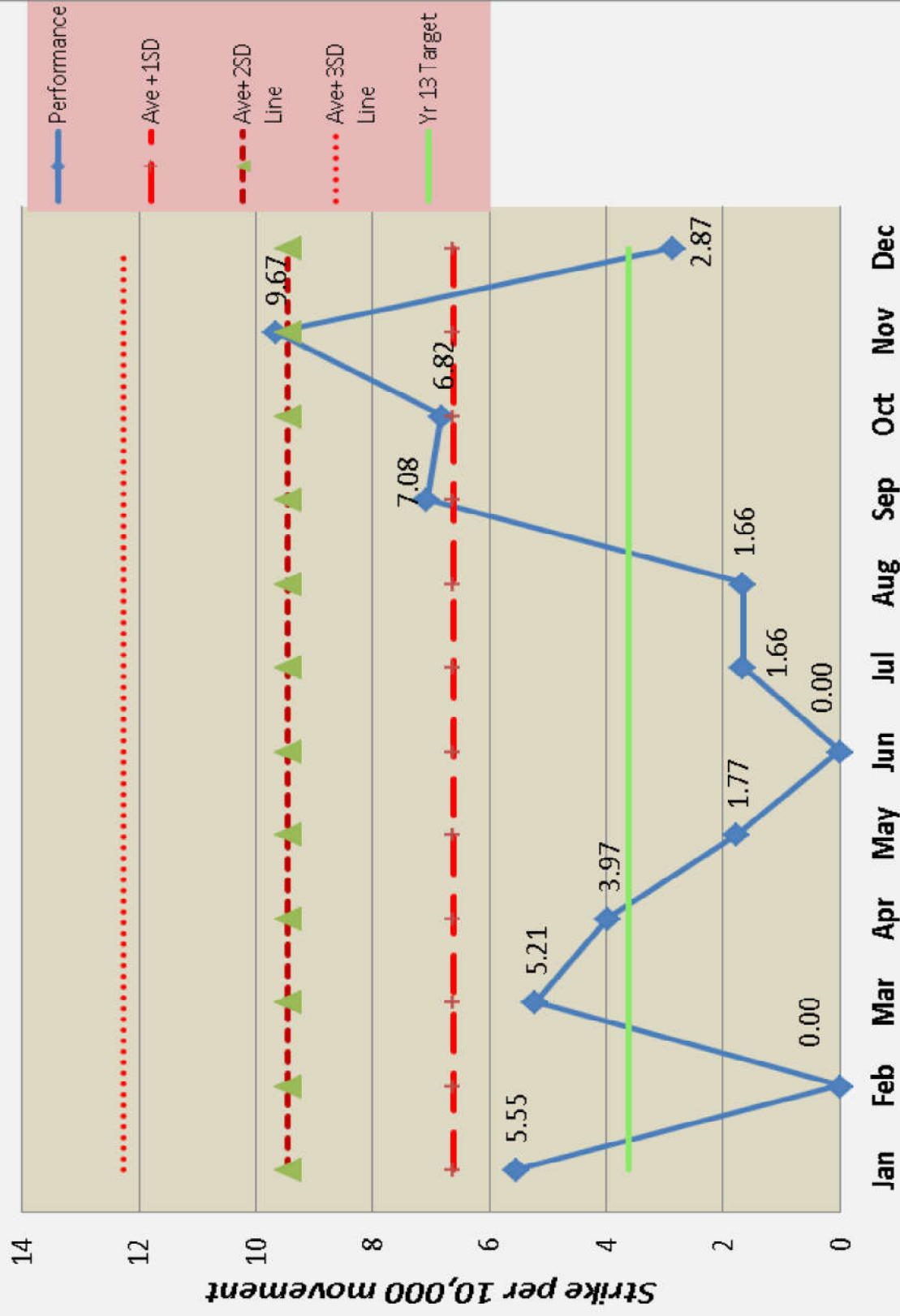
## 2.5 Safety Performance Indicator Monitoring

2.5.1 Depending on the frequency of data collection for each Safety Focus Area, actual performance are required to be plot against the relevant Safety Target Level and the three alert levels preferably using Line graph to give an indication on our performance against the STL. Refer to Graph below for detail.

2.5.2 In reference to Graph below, the Jan, March and April performance actually went above the STL, however these were not of immediate concern as it did not satisfy the alert conditions. However, between Sep – Nov it actually triggered an alert as 3 consecutive points were above the 1 SD line. This would necessitate a safety assessment to determine any loop holes in our defenses.

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## 2013 Bird Strike Rate



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# **SAFETY PROMOTION AND CHANGE MANAGEMENT**



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## 1 SAFETY PROMOTION

### 1.1 General

1.1.1 Safety Promotion is necessary to ensure that the entire organization fully understands and trusts the SMS policies, procedures, and structure. This pillar is achieved by establishing a culture of safety, training employees in safety principles, and allowing open communication of safety issues.

1.1.2 Senior managements are expected to promote a positive safety culture in their respective areas through the following:

- All personnel are trained for their safety responsibilities;
- Safety is a shared responsibility;
- Safety-related information is disseminated to all affected personnel;
- Potential system failures and hazards lead to prompt managerial inquiries and any necessary reforms taken;
- a formal programme is in place to regularly assess safety performance; and
- new ideas related to safety are welcomed.

### 1.2 Safety Culture

1.2.1 The main goal of safety promotion is to create a “safety culture” that allows the SMS to succeed. Having a safety culture means that all employees are responsible for safety. Such a culture is led by top management example, especially in the manner with which they deal with day-to-day activities.

1.2.2 Employees must fully trust that they will have management support for decisions made in the interest of safety, while also recognizing that intentional breaches of safety will not be tolerated. The result is a non-punitive environment that encourages the identification, reporting, and correction of safety issues.

1.2.3 Safety culture relates to such *intangibles* as personal attitudes and the style of the organization.

1.2.4 To ensure that we keep track of our safety culture performance, *safety survey* will be conducted by MSRM at least once a year in all certificate areas.

1.2.5 The survey results are required to be used for decision making in not only identifying our areas of focus but also enable us to gauge the effectiveness of our safety initiatives compared to previous years.

1.2.6 The annual outcome analysis and recommendation is expected to be distributed across the organization.

### 1.3 Change Management

1.3.1 As part of the SMS safety assurance activities, any changes that can/may affect the safety performance of an operational unit need to undertake a risk assessment evaluation case (safety assessment) of the intended changes. The exercise should be carried out with a close consultation of the staff involved.

1.3.2 For instance, major changes involving operating procedures, equipment acquisition or configuration, organizational working relationships, etc. are planned, a safety assessment is warranted. Annex 11 — *Air Traffic Services* requires that any significant safety-related change to the ATC system shall be implemented only after a safety assessment has demonstrated that an acceptable level of safety will be maintained.

1.3.3 Similar requirements in respect of any change in an aerodrome operating environment exist in Annex 14 — *Aerodromes*, Volume I — *Aerodrome Design and Operations*, and in the guidance material provided in the *Manual on Certification of Aerodromes* (Doc 9774). The scope of a safety assessment must be wide enough to cover all aspects of the system that may be affected by the change, either directly or indirectly, and should include human, equipment and procedural elements.

1.3.4 Relevant Line Managers shall advise MSRM on any planned changes immediately after acquiring the required approval either from the Accountable Executive/Manager or the Board.

## 1.4 Safety Case Process

1.4.1 Safety case studies are a process conducted prior to the introduction of a new equipment or procedure to identify any hazard(s) and their associated risk level. It will also generate recommended corrective actions to eliminate or reduce the risk level and determines whether the proposed change is safe for adoption.

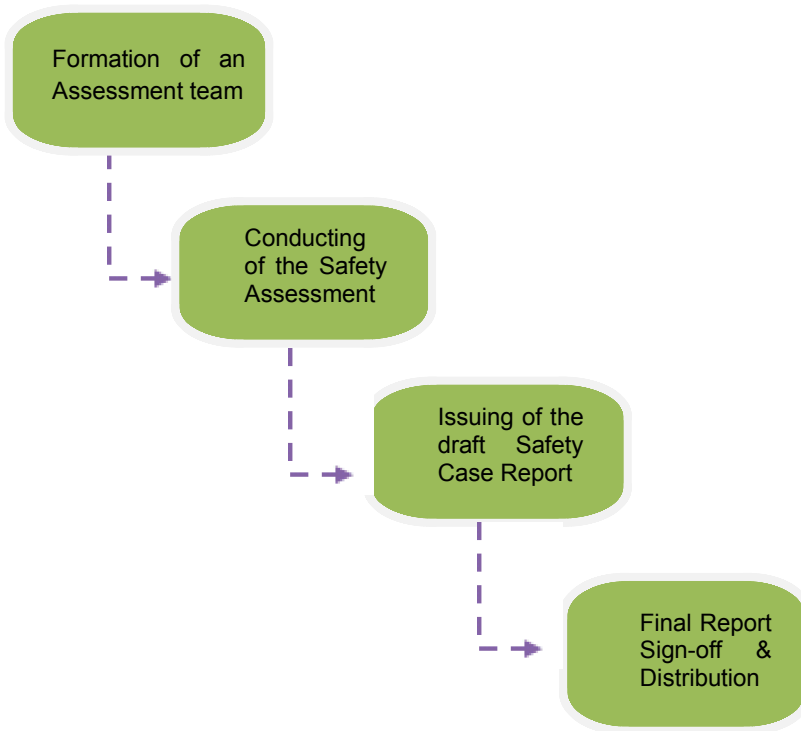
1.4.2 A Safety Case shall be undertaken prior to the implementation of any change that has the potential to affect flight safety. Safety case shall be conducted when any or all of the following conditions exists:

- Changes in facilities or equipment that is used by aircraft;
- Changes in operations and processes that affects flight safety; and
- Changes in regulation or requirements (internal or external) that affects the effectiveness of our operation.

1.4.3 The Safety case identifies, but is not limited to, the risk to the following areas:

- Systems, including lapse in procedures and breach of regulations;
- Human, effect on staff numbers, ability to do one's job, etc;
- Equipment – reliability, availability, integrity;
- Environment – appropriateness of the environment to the rest of the elements (human, equipment etc); and the
- Process or activities needed to bring the required changes into effect.

1.4.4 Provided below is the required process to be undertaken when dealing with any safety case.



***Safety Case Flow Chart***



## 1.5 Formation of An Assessment Team

1.5.1 Once the proposed change scope and the work plan has been finalized, the project manager in charge should formally request MSRM of the need to conduct a safety case.

1.5.2 The MSRM in consultation with the Process Owner will then be required to form a team ( headed by the Process Owner or designate) that consist of relevant representatives from other operational units;

1.5.3 MSRM shall ensure that all required representatives are part of the Safety Case team.

## 1.6 Conducting of the Safety Assessment.

1.6.1 As a start, the team shall define the following:

- Project Context/System Description;
- Project Objective;
- Roles & Responsibilities; and
- Project Environment.

1.6.2 The Safety assessment should focus on identifying potential risks that could arise from the required change in view of the project context, objective, responsibilities and environment in the above.

1.6.3 The safety assessment should take into account the need to eliminate or modify safety risk controls that are no longer needed due to changes in the operational environment;

1.6.4 The safety assessment shall be carried out in line with the process below:

### Safety Case Process



1.6.5 The assessment outcome should be recorded using the Risk Treatment Plan form (*Refer to APPENDIX A*).

1.6.6 The Safety Assessment should take at most one week to complete.

## 1.7 Issuing of the Draft Safety Case Report

1.7.1 The draft Safety Case report should be circulated within one week after the completion of the safety assessment. The draft should be distributed to the certificate's Accountable Manager, affected operational managers, MSRM and the certificate's SAG committee members;

1.7.2 As a minimum, the Safety Case report should include the following:

- Cover Page;
- Executive Summary;
- Project Context/System Description;
- Project Objective;
- Roles & Responsibilities;
- Project Environment;
- Summary of Hazard;
- Mitigation Plan;
- Conclusion;
- Attachment (include RM Matrix).

1.7.3 If required, the safety case team should be available to present the draft report to the relevant SAG committee.

## **1.8 Final Report Sign-off& Distribution**

1.8.1 After acceptance of the draft report by the Accountable Manager, the team shall prepare the production and distribution of the final report.

1.8.2 The final report cover page is required to have the signatory of the following personnel:

- Process Owner ;
- Accountable Manager; and
- Manager Safety & Risk Management.


1.8.3 Once the report is signed, MSRM is required to maintain the original copy of the report while all the others (AE, Project Manager and the Regulator) shall be issued with a controlled copy. Upon request, affected stakeholders (such as the airlines, tenants etc) should be given a copy;

1.8.4 The Process Owner shall ensure that the corrective actions highlighted in the Safety Case are implemented within the agreed target date. This may require a review of the project "Method of Work Plan" to ensure that all safety issues are appropriately addressed.

1.8.5 The final report shall be distributed immediately once it is signed.

1.8.6 The effectiveness of the corrective, preventive and recovery measures that have been developed shall be evaluated by the Management Safety Committee and the Safety Action Group (refer chapter 6 para 1.3 and 1.4). This evaluation ensures that a process is in place for the periodic review of the completed safety assessments and documenting their outcomes.

### APPENDIX A: RISK TREATMENT PLAN

		<b>Risk Treatment Plan</b>	
Hazard Description:		Date Raised	Risk ID
Risk Context( <i>Effect/How it can happen?</i> )			
Initial Rating	Risk	Risk Consequence: Risk Likelihood:	
		Risk Level:	
Recommended Actions:			Target Date
<b>RESIDUAL RISK AND TREATMENT</b>			
Risk Likelihood:		Risk Consequence:	
Residual Risk Rating:		Residual Risk Status:	
<b>RISK OWNER AND REVIEW DATE</b>			
Risk Owner:		Risk Status:	
Signatory :		Date :	
Comments:			
Rev 3.0		Issue Date: 9 <sup>th</sup> Dec 2016	Form No: AFL393-06

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# EVALUATION OF SAFETY MANAGEMENT SYSTEM



Issue 5

**AIRPORTS FIJI LIMITED**  
**SMS MANUAL**

Date of Issue: 26 APR 18

**AFL**  
**392**

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**COVER - 2**

**Document Owner: MSRM**

**26 APR 18**



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1.3	Communication And Consultation .....	CHP 13-2
1.4	Corrective Actions Review .....	CHP 13-3

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# 1 SAFETY MANAGEMENT SYSTEM

## 1.1 General

1.1.1 Evaluation is a set of techniques for checking for adequacy and effectiveness of our Safety Management System. It helps us make decisions about safety controls in our organization. The evaluation process should be carried out in line with the Amendment Process contained in the preliminary page of this document. The evaluation is required to be carried out once a year.

## 1.2 Areas Of Focus

1.2.1 The relevant *certificates Accountable Executives* together with the Committee members are required to evaluate the following aspects of the company SMS on an annual basis and make proposal for amendments accordingly:

	Area of Focus	If No, then state reason.
1.	Is there a clear safety policy?	
2.	Have we included any recent amendments to the SMS legislation?	
3.	Are we receiving the necessary support from Top Management?	
4.	Is the hazard reporting system effective?	
5.	Are we on track in terms of achieving our safety targets?	
6.	Are we recognizing its contribution towards enhancing safety?	
7.	Is there timely feedback provided at all levels?	
8.	Is refresher information or training offered?	
9.	Is there an internal investigation and auditing system in place, and is it working?	
10.	Have we improved the organization's safety culture based on our safety culture performance?	
11.	Is our safety performance measured on a timely basis?	
12.	Is all relevant data relate to our safety objectives readily available?	

1.2.2 The criteria for evaluation should include the commitment in terms of finance, time and personnel (expertise). The evaluation process should address the overall effectiveness of the safety management system within our company.

### **1.3 Communication and Consultation**

1.3.1 The company uses the following media to communicate information relating to the company's Safety Management System.

- Safety Bulletin Boards;
- Safety Action Group Committee meetings;
- Management Safety Committee; or
- Company e-mail system.

### **1.4 Corrective Actions Review**

1.4.1 In order to ensure that the safety program is effective, any action taken to correct a problem must be assessed to determine whether it is having the desired effect. One cannot assume that it would be the only action needed and therefore conclude that the problem is solved;

1.4.2 Company personnel should see the results of any inputs they make to the safety reporting system;

1.4.3 The results of all safety audits, and all risk assessments shall be maintained on file. These results, along with any actions taken to prevent recurrence of the risk, will provide feedback on the overall safety program. These records may also help provide direction for correcting future problems, where actions which have been only partially effective or ineffective can be discarded and new directions tried, thus saving time and resources.

31 March 2020

Hon. Alvick Maharaj  
The Chairperson  
Public Accounts Standing Committee  
Parliament of Fiji  
P O Box 2353  
Government Buildings  
Suva

Dear Hon. Alvick Maharaj,

**RE: Response on issues – 2018 Audit Report of the Auditor General of the Republic of Fiji.**

We acknowledge receipt of letter dated 20 March 2020 on the clarification of issues on 2018 Audit report for Copra Millers of Fiji Limited (CMFL).

**Question 1**

**Has the Company documented Risk Management Framework in place? If yes, please submit a copy to the Committee.**

CMFL have received the final draft copy of Risk Management Policy and Risk Register from KPMG. The Partner Mr. Anare Manulevu presented the Risk Management Policy and Risk Register to Board and Management on 13 March 2020.

We enclose the Risk Management Policy and Risk Register for CMFL.

**Question 2**

**Why was the financial transactions of the two Mills not included in the financial statements?  
What role does the Company play in managing the two Mills?**

The financial transactions of CMFL and Bio Fuel Mills are kept separate. With separate bank accounts and all records.

The Island Accounts shall be audited separately by Office of Auditor General.

CMFL has signed an agreement with Department of Energy to manage the idle Bio Fuel Mills on the island of Rabi, Lakeba, Cicia, Gau, Moala and Matuku. CMFL has been provided an initial startup capital of \$150,000 for Mill Repairs and buying of raw materials on the island and processing into Coconut Oil on the island.

To date, 4 Mills are fully operational – Rabi, Lakeba, Cicia and Gau.

### **Question 3**

**Why is the Company generating negative cash flows from operations? What measures has the Company put in place to ensure positive cash flows are derived from operations. What is the status of the cashflow now?**

The Bank Overdraft is exceeded on numerous occasions due to delay in receiving the refunds for Producers and Millers from Copra Price Stabilization Fund – Ministry of Economy/Agriculture. Around 3 to 4 months then we receive the reimbursement with our Daily operations continuing.

The Copra Price has been below the minimum support price of \$1,000. During these situations, CMFL pays farmers a minimum guaranteed price of \$1,000/ton of Copra and claims the balance from Government. The claim is processed in 3 to 4 months period which leads to Overdraft of \$400,000 exceeding at times.

#### **Measures:**

CMFL is selling its Coconut Oil every month for cash inflow. We are stock piling the raw material for 3 weeks and processing in 4<sup>th</sup> week of month and selling Oil stock by first week of each month.

With the delay in refunds for Producers and Millers Share we are working with Bank of South Pacific to increase Overdraft from \$400,000 to \$600,000. \$200,000 as a standby only during need.

#### **Cashflow Position Now:**

Bank Overdraft Position: 31 January 2020: NO Overdraft – Bank Balance Positive \$51,522.

As at 31 March 2020 – Producers & Millers Share & Whole Coconut Subsidy receivable:

	<b>Producers &amp; Millers Share</b>	<b>Whole Coconut Subsidy</b>
Dec	\$55,989.01	31,695
Jan	\$25,269.86	51,175
Feb	\$80,813.98	93,341
Mar	<u>\$91,033.00</u>	<u>127,339</u>
Total due	\$253,106.00	\$303,550

Total receivable as at 31 March 2020 \$556,656. If this is received timely, there will be no cashflow issues.

#### **Question 4**

**What is the current position of the Company's current ratio? What measures were put in place to improve the current ratio?**

2019: Current Ratio: **1.47:1**

#### **Receivables as at 31 December 2019**

Whole Coconut Subsidy & Replanting	\$176,690
Producers & Millers share refund – CPSF	<u>\$381,101</u>
Total	\$557,791

#### **Measures:**

we are discussing with our Ministry of Agriculture and Ministry of Economy on timely refund of Producers and Millers share so it assist us in our cashflow.

CMFL is using its own funds to pay price up to support level \$1,000 and when the claim comes after 3-4 months, this puts pressure on our cashflow.

#### **Sustainable Development Goals (SDGS)**

The SDGS forms part of our Corporate Plan section 1.5. (Annex 1)

CMFL has also referred to National Development Plan and Ministry of Agriculture's Plan during the preparation of Corporate Plan.

Please feel free to contact me if any further information is required.

Yours sincerely,



John Deo  
General Manager

cc. Mr. Raj Sharma – The Board Chairman

## **Part of CMFL Corporate Plan**

### **Section: 1.5 Sustainable Development Goals**

The Sustainable Development Goals, otherwise known as the 2030 Agenda, are a universal call to action to end poverty, protect the planet and ensure all people enjoy peace and prosperity. The seventeen (17) goals of the SDGs build on the successes of the Millennium Development Goals (MDGs), while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The Goals interconnect and in order to leave no one behind, it is important that we achieve each Goal and target by 2030.

#### **17 SDGs**

CMFL Contributes to SDG goal 1 and 13.

- Income for our coconut farmers
- Eliminating poverty
- Food security
- Farmer bundled insurance
- Coconut planting as a resilient crop to Climate Change, coastal protection and strong wind barrier.



CMFL's contribution towards eliminating poverty and



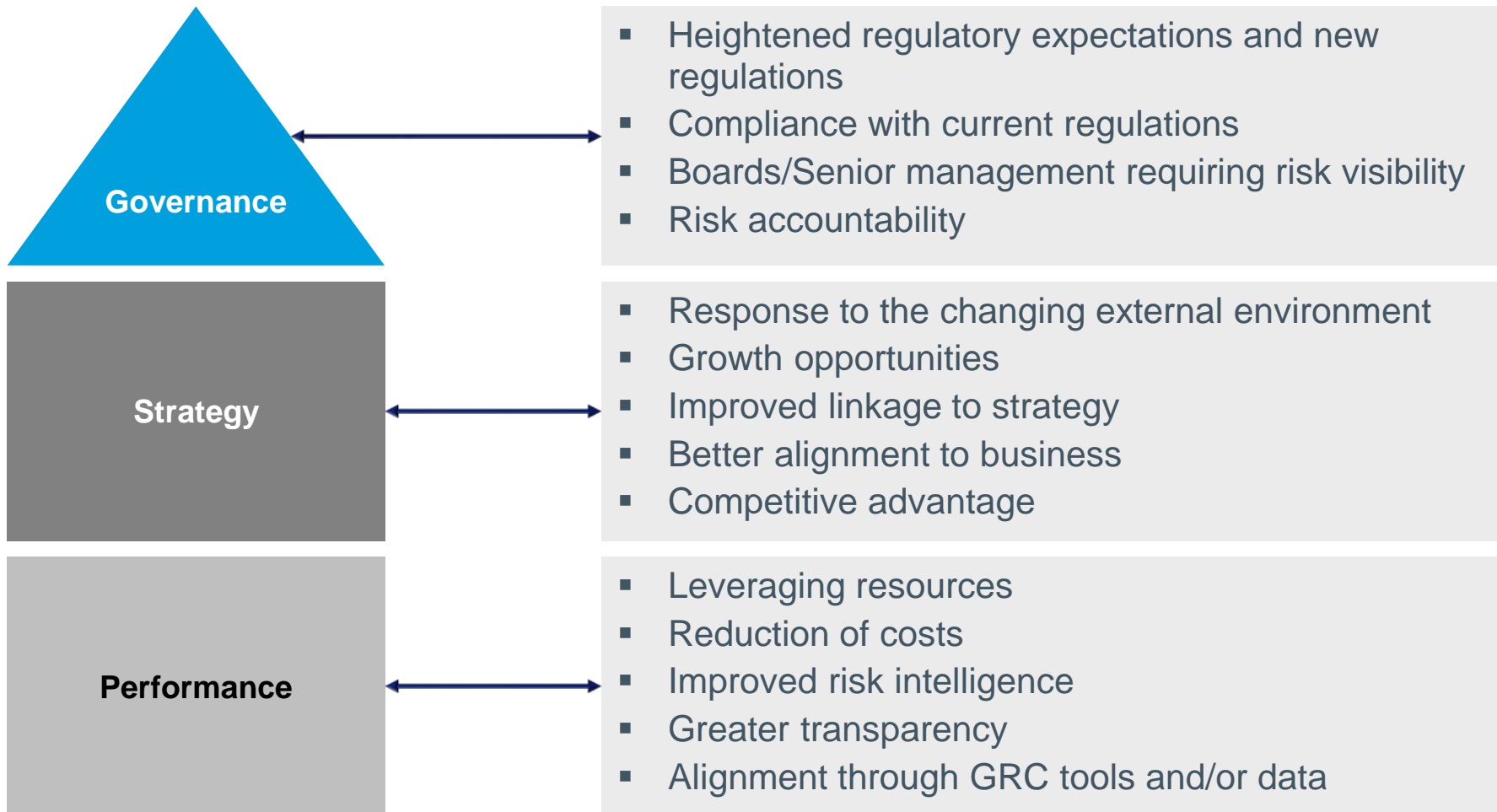
# Copra Millers Fiji Limited

## Enterprise Risk Management

March 2020



# Drivers of Strong Risk Management in the Current Environment



# Value of Enterprise Risk Management

- 
- ❖ Strategic Planning Risk / Reward Decision
  - ❖ Operational Risk / Reward Opportunity Evaluation
  - ❖ Capital Cost

- ❖ Avoiding Losses
- ❖ Financial Risk Management
- ❖ Governance / Compliance Cost

**A measurable, positive contribution to the organization.**

# Overview of the program

## The opportunities...

- ✓ Clear and robust framework to identify and manage risk consistently
- ✓ Opportunity to sit back from day-to-day operations, pop the head up, and look at the business objectively through a different lens
- ✓ Focus on optimising and capitalising on the opportunities arising from risk, whilst still minimising the downside of risk
- ✓ Indication of how much of the risk is controllable by the business
- ✓ Opportunity to reflect on whether optimal resource allocation, to focus on the areas of highest risk across the business, is being achieved
- ✓ Framework that provides the business with better input into decision making...a start but often not perfect from day 1

# Brief overview of key concepts:

## What Is Risk?

### Risk is defined as:

The **threat** that an **event, action or inaction** will **adversely affect** the organisation from **successfully achieving its objectives**

### Key issues

Context is impact on achievement of strategic objectives

Consider both:

- **Minimising downside** (things that may constrain/impact)
- **Maximising upside** (things we can do **more** effectively)

# Brief overview of key concepts:

## Gross And Net Risk

### **Scenario 1 – Gross Risk**

Is the rating of a risk without having regard to mitigation strategies in place

Allows us to understand the importance of each risk to the business

#### ***That is...***

*What are the important risks to manage well*

### **Scenario 2 – Net Risk**

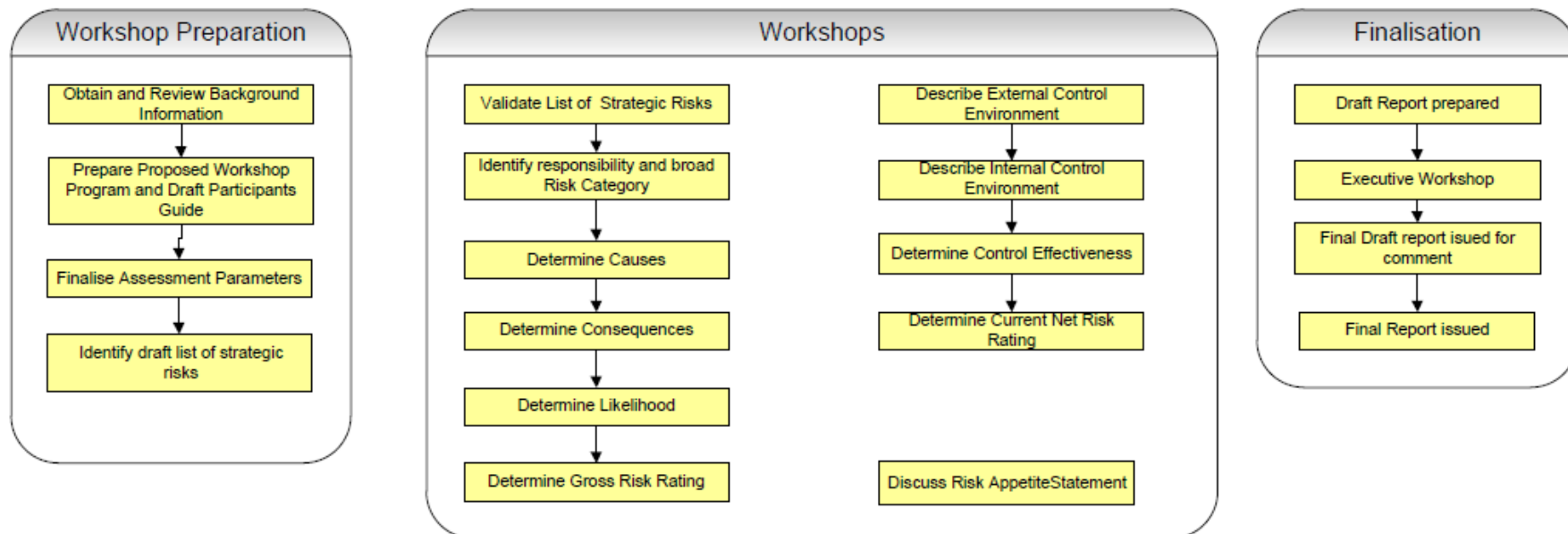
Is the rating of a risk having regard to the mitigation strategies in place

Allows us to assess the effectiveness of controls and the capacity to control/influence the risk

#### ***That is...***

*How well are we managing risks and where can we improve*

# Our approach





# Brief overview of key concepts:

## Measurement Methodology

**To determine the gross risk rating, each identified risk is measured in terms of Consequence and Likelihood**

### Consequence

A measure of the impact of the identified risk occurring

Tiered rating scale: insignificant...minor...moderate ...major...catastrophic

Refer to Consequence table

### Likelihood

A measure of the frequency of the risk occurring

Tiered rating scale:

Likelihood rating	Scale
Almost certain	Happens every year
Likely	Once every 2-5 years
Moderate	Once every 5-10 years
Unlikely	Once every 10 -20 years
Rare	Once every 20 years

# Risk rating framework...

Determination of Consequence Rating					
Consequence and Category	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Financial impact (Or change in revenue - excluding Govt. Grant)	< FJD 300k < 10% of net profit	FJD300k - FJD600k 10 - 20% of net profit	FJD600k - FJD900k 20 - 30% of net profit	FJD900k - FJD \$1.5m 20 - 50% of net profit	>FJD 1.5m > 50% decline in revenue
Brand & Reputation	Limited public awareness. Issue contained on an individual or local level. Unlikely to lead to a stakeholder complaint.	Minor local media exposure. Members disappointed. Likely to lead to stakeholder complaint	Stakeholders questions CMFL's values or ongoing commitment. Likely to be referred to a politician, lobby group or state/national media	Consistent and continued adverse criticisms by stakeholders (incl staff). Likely to receive significant or extended negative media coverage by national media	Serious public or media outcry with national coverage.
Governance (Legal & Compliance with Ports Act & SOE Act)	Minor breach (i.e. small fine). No regulatory or legal consequence	Warning issued by regulator. Legal style letter received or sent.	Likely fine or prosecution. Detailed legal advice required.	Inquest intobusiness. Major fines and/or court case	Loss of licence and directors/ senior management charged and/or convicted
EHS - staff health	No injuries and/or no first aid treatment (non-reportable).	Minor injuries or first aid treatment (reportable).	Medical treatment incl doctor or hospital visit required.	Extensive injuries resulting in incapacity for at least one week.	Death or severe incapacity. No longer able to work.
Business Interruption	Business interruption for 1 hour to 1 day	Business disruption for 1 to 2 consecutive days	Business disruption for 3 to 5 consecutive days	Business disruption for 6 to 10 consecutive days	Business disruption for more than 10 consecutive days - major loss of services, IT systems, power etc.

# Brief overview of key concepts:

## Measurement Methodology

The combination of the likelihood and consequence assessments for each risk produces the risk rating :

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost certain	High	High	Extreme	Extreme	Extreme
Likely	Moderate	High	High	Extreme	Extreme
Moderate	Low	Moderate	High	Extreme	Extreme
Unlikely	Low	Low	Moderate	High	Extreme
Rare	Low	Low	Moderate	High	High

# Brief overview of key concepts:

## Measurement Methodology

To determine the net risk profile, the effectiveness of the control environment/mitigation strategies are assessed

<b>Satisfactory</b>	Controls are strong and operating properly, providing a reasonable level of assurance that objectives are being achieved.
<b>Some weaknesses</b>	Some control weaknesses / inefficiencies have been identified. Although these are not considered to present a serious risk exposure, improvements are required to provide a reasonable assurance that objectives will be achieved.
<b>Weak</b>	Controls do not meet an acceptable standard, as many weaknesses/inefficiencies exist. Controls do not provide reasonable assurance that objectives will be achieved.

## External Factors are considered...controllability

<b>Controllable</b>	Organisation has the capacity to significantly influence the risk rating.
<b>Partially controllable</b>	Organisation has the some capacity to influence the risk rating.
<b>Not controllable</b>	Organisation has <u>limited</u> or <u>no</u> capacity to influence the risk rating.

## Based on these factors the ratings are reassessed

Likelihood may reduce or Consequence may reduce

# KPMG's Strategic Risk Outputs

Assessing risk before controls is critical.  
Allows focus on those risks that matter the most

- Risk Register

Risk Id	Risk Issue	Gross Conseq.	Gross Lik'hood	Gross Risk Rating	Control Effective Rating	Net Conseq.	Net Lik'hood	Net Risk Rating
1	Failure to develop and implement a corrective and preventative maintenance program for all the ports infrastructure	Major	Likely	Extreme	Weak	Major	Moderate	Extreme
2	Inability to maximise commercial and productive activities on the Authority's land	Moderate	Likely	High		Major	Moderate	Extreme
3	Inability to attract, train and retain key personnel	Major	Moderate	Extreme	Some weaknesses	Moderate	Unlikely	Moderate
4	Failure to appropriately respond to major event impacting the Authority	Major	Likely	Extreme	Some weaknesses	Moderate	Likely	High
5	Failure to appropriately prevent, detect and respond to major fraud against the Authority	Minor	Almost certain	High	Satisfactory	Minor	Likely	High
6	Inability to respond in a timely manner to changes in Market environment (competition)	Minor	Moderate	Moderate	Some weaknesses	Minor	Unlikely	Low

# KPMG's Outputs - Detailed Risk Register

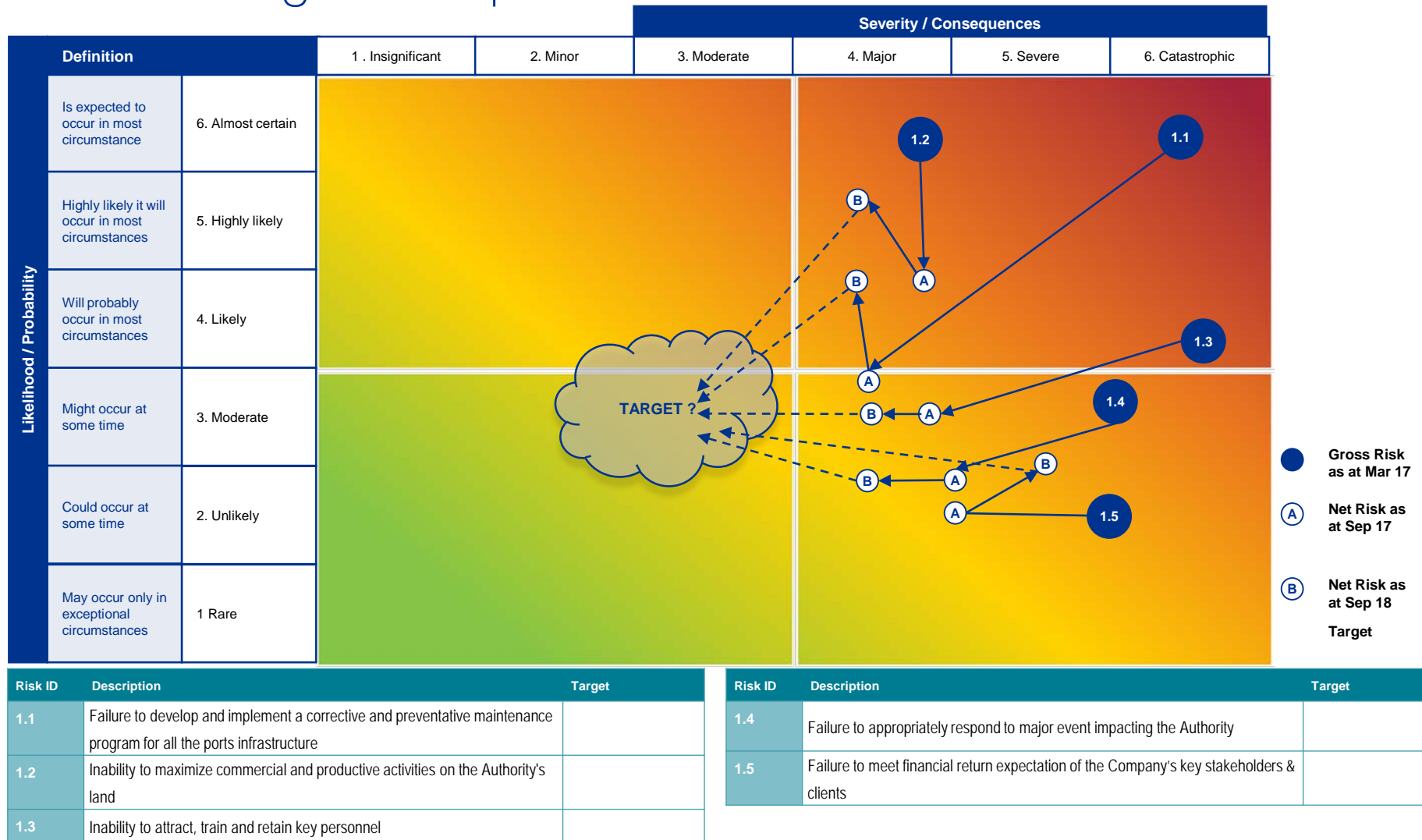
A repository for risk information that:

- Is intuitive and easy to use
- Captures the improvements opportunities and progress against these
- Promotes accountability
- Comes with inbuilt 'bells and whistles'

Risk ref:	Risk Title	Risk category	Cause	Consequence	Consequence	Likelihood	Gross risk	External factors	Controls	Control Strength	Control	Controllability	Consequence	Likelihood	Net risk
1	Failure to develop and implement a corrective and preventative maintenance program for all the ports infrastructure	Governance	- Ineffective asset management framework - Lack of a scheduled maintenance program/plan - Lack of long term infrastructure replacement plan	- Increased maintenance costs - Safety risks for staff, customers and public entering wharf - Lack of budget allocation for maintenance	Major	Likely	Extreme	- External events (fire, natural catastrophe, etc)			Weak	Largely controllable	Moderate	Moderate	High
2	Inability to maximise commercial and productive activities on the Authority's land	Commercial	- No master plan for port commercial development - Lack of a long term strategic development plan - Lack of funding	- Missed opportunities to maximise income - Potential loss of revenue - Staff morale	Moderate	Likely	High						Moderate	Likely	High
3	Inability to attract, train and retain key personnel	Human Resources	- Poor recruitment practices - Lack of investment in staff (salary, other benefits, professional development, mentoring) - Lack of cross-skilling & back-up training - Lack of career development & succession planning	- Staff morale - Loss of staff - Sustainability of operations - Drop in service levels leading to Customer dissatisfaction	Major	Moderate	Extreme	- Competition for key skilled resources	a) Strong performance management processes and career development planning/focus b) Succession Plan c) Training & Development Plan d) Staff Retention Policy e) Strong recruitment practices	a) Some weaknesses b) Some weaknesses c) Some weaknesses d) Some weaknesses e) Satisfactory	Some weaknesses	Largely controllable	Moderate	Unlikely	Moderate
4	Failure to appropriately respond to major event impacting the Authority	Governance: Business Continuity	- External events (fire, power outage, IT outage, natural disaster etc) interrupting IT and business operations > 10 days	- Inability to operate and provide services to Members for prolonged period of time - Loss of members - Financial sustainability	Major	Likely	Extreme	- External events (fire, power loss or loss of IT Server etc)	a) Insurance (only for properties) b) Regular testing of emergency response c) Data backup offsite (not in place) d) Power back up generator (UPS - uninterruptable power supply) (in place) e) Business stress testing	a) Satisfactory b) Some Weaknesses c) Satisfactory d) Some Weaknesses e) Some Weaknesses	Some weaknesses	Largely controllable	Moderate	Likely	High
5	Failure to appropriately prevent, detect and respond to major fraud against the Authority	Governance	- Internal fraud (staff) - External fraud (Customer/Other) - IT access (internal/external) - Lack of appropriate tone from the top on fraud - Tolerance/Culture - Lack of appropriate policy framework - Robbery/theft	- Loss of Authority's Fund - Reputation Loss - Financial loss to Authority - Staff safety and morale	Minor	Almost certain	High	- IT technology advances (external fraud)	a) Biometric Technology for staff and customers b) Fraud Policy c) Fraud awareness training d) Withdrawal process - validate bank account & verify identity of member prior to processing e) IT access/Security controls f) Segregation of duties in key processes	a) Some Weaknesses b) Satisfactory c) Satisfactory d) Some Weaknesses e) Some Weaknesses f) Satisfactory	Satisfactory	Partially controllable	Minor	Likely	High
6	Inability to respond in a timely manner to changes in Market environment (competition)	Governance	- Barriers to entry lowered - Major economic event (eg FX change) leading banks to focus on Authority's member base - Exit by existing market participant - Current market participants performing poorly (service) and not meeting customer needs - Lack of Market intelligence & response plans	- Loss of members and deposits & loans - Threat to ongoing sustainability - Loss of staff	Minor	Moderate	Moderate	- Society Act changes - Competitor performance	a) Market research and intelligence; member survey, suggestion box. b) Complaints register	a) Some weaknesses b) Some weaknesses	Some weaknesses	Partially controllable	Minor	Unlikely	Low

# KPMG's Outputs: Snapshot risk profile with mitigation impacts

- Insight to the:
- 'as is' risk rating
  - extent of mitigation
  - appropriate resource allocation
  - gap to the target



# Risk Brainstorming

## What do you think are the key things that could stop CMFL achieving its strategic objectives?

**Vision:** To be the leading manufacturer and processor of coconut products and beyond in Fiji and the South Pacific.

**Mission:** To operate an efficient and profitable company that provides consistently good returns to its customers and shareholders.

### Values

The key value for the organisation are as follows:

- ☐ Team Work
- ☐ Success
- ☐ Integrity
- ☐ Reliability
- ☐ Quality





Thank you



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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**Copra Millers Fiji Limited**  
**Key Risks**

*Outlined below are the preliminary key risks identified in the review of the documents provided by Copra Millers. For discussion and feedback of management and the Board*

Risk ref	Risk definition and summary
1	<p><b>Inability to maintain a consistent supply of raw materials to meet the production capacity of the Mills -</b>  CMFL heavily relies on the consistency of the raw materials supply from the farmers to meet the production capacity of the <b>XX</b> mills around Fiji and also the production targets set by CMFL. In the Corporate Plan for 2019, this is a key objective 'Supply Chain Management'.</p> <p>A number of factors have adversely impacted the supply chain including natural disasters, pest &amp; diseases, lack of farmers initiative, lack of a strategic replanting program for coconut, unreliable transportation program and also the level of government assistance. Notable increase in the supply of raw materials since 2016 after recovery from Tropical Cyclone Winston.</p> <p>Inability to maintain the consistency of raw materials has ripple effects on other key processes including production, distribution, human resources, finance and ultimately the achievement of the company's strategic plan.</p> <p>Production targets set by the Company vs actuals: 2018 - 2020  Number of farmers by region and kilograms per farmer: 2018 to 2020</p>
2	<p><b>Inability to utilize the Mills to full capacity, improve machine efficiencies and to boost production -</b>  A core process for CMFL is the milling and production of raw materials into finished goods. The operational efficiencies and capacity of the Mills is highly critical to the achievement of the production targets set by the company. The company has Mills operating in the following locations: - <b>XXXX</b></p> <p>Key factors that could impact the operations of the Mills include old/aged equipment, lack of expertise in operating machines, explosion of boilers, irregular power supply, sabotage of machines, inadequate repairs &amp; maintenance schedule, significant increase in operating costs of machines. The strategic plan outlines a number of strategic initiatives including installing new machines (crude oil expeller), robust repairs &amp; maintenance schedule, monitoring factor expenses, etc.</p> <p>Production capacity of the Mills vs targets: 2018 - 2020  Number of machine breakdowns by Mills: 2018 - 2020  Efficiency ratios of Mills: 2018 to 2020</p>
3	<p><b>Inability to attract, train and retain key personnel -</b>  The company employs 25 staff which comprise of 3 management staff and 22 non-management staff. There are 5 staff in Suva Office and 20 staff in Savusavu.</p> <p>The HR function is responsible for recruitment process, staff exit, performance reviews, training &amp; development, succession planning, staff disciplinary procedures, OHS and staff leave management. The HR function of the company is governed by the <b>HR Policy V5</b> which was revised in Feb 2019.</p> <p>Key challenges that impacts HR include inability to attract the right people, inefficient recruitment processes, weak organisation culture, staff fraud and improper conduct, inadequate oversight &amp; supervision, poor leave management, weak overtime management, OHS issues, inadequate training programmes and performance management system.</p>
4	<p><b>Failure to appropriately respond to major event impacting the company -</b>  Considering the nature of its operations, the company could be severely impacted by major external or internal events. Some of the events are considered 'uncontrollable' risk while others are 'partially controllable'. External events comprise of the natural and man-made events:</p> <ul style="list-style-type: none"> <li>- Incidence of Fire</li> <li>- Incidence of Power Outage</li> <li>- Incidence of IT Outage</li> <li>- Natural disaster including earthquake, tsunami, cyclones and flooding</li> <li>- OHS issues</li> </ul> <p>These major events may impact certain key processes of the company such as the supply chain of raw materials, mills production, operations and administration and human resources. Major events could result in significant disruption to business as usual, low supply of raw materials, low production levels, damage/loss to infrastructure, injury or loss of staff and financial losses.</p>
5	<p><b>Failure to appropriately prevent, detect and respond to major fraud against the company -</b>  Fraud could have a major impact on the reputation, operations and financial affairs of the company. There are mainly three types of fraud which include management fraud (risk of override of controls/ poor governance practices), internal fraud committed by staff, and external fraud committed by customers or 3rd parties.</p> <p>Number of fraud cases from 2018 to 2020.</p> <p>Opportunities for fraud could include IT access (internal/external), robbery/theft of inventory/assets, weak culture/ behavioural patterns, poor tone at the top/governance, control deficiencies, poor oversight and monitoring.</p>

Risk ref	Risk definition and summary
6	<p><b>Failure to meet financial return expectation of the key shareholder (being Government of Fiji and the farmers) -</b>  The company has projected to achieve a sustainable level of profits for the financial years ending 2019 - 2021. Even without the government grant, they project to achieve profits of \$233k - 2019, \$289k - 2020, and \$354k in 2021. Financial performance from 2016-2017 indicates consecutive operating losses for the two years. However, the 2018 and 2019 financial results shows turnaround and improvement in the financial performance of the company.</p> <p>Key issues impacting financial performance include - no growth in sales, high cost of goods sold, reduce gross margins, gross margins not able to cover operating costs, and increasing operating costs. This is also exacerbated by competition, market risks and poor oversight of budgeted costs.</p>
7	<p><b>Failure to comply with key regulatory requirements -</b>  Regulatory compliance is a fundamental aspect of good governance and the company is regulated by various bodies. As a company (is CMFL a private or public company), it is governed by the requirements of the Fiji Companies Act 2015 and also has to comply with relevant taxation and labour laws / regulations. Additionally, there are other laws &amp; regulations that the company has to comply with such as the environmental regulations, OHS regulations, LTA regulations (e.g., weight restriction), FNP Act, Food Securities Act,</p> <p>Key challenges that could impact the compliance to regulatory requirements are the lack of understanding / awareness of the regulations, regular changes in regulatory requirements, policies &amp; practices not aligned to regulatory requirements, inadequate compliance.</p>
8	<p><b>Inability to respond to changes in market dynamics -</b>  The company operates in a highly competitive market for its final products including coconut oil, virgin oil, etc. There are strong competition for raw materials and finishes products and the company needs to be more proactive and strategic in anticipating the changes in market conditions and optimising the upside or mitigating any downside. Key factors to drive this initiative include management oversight, sound marketing &amp; promotion programs, in-depth market intelligence, delivering quality products in a timely manner.</p> <ul style="list-style-type: none"> <li>- List of top 10 customers</li> <li>- List of competitors in the market</li> <li>- Market share for CMFL</li> </ul>
9	<p><b>Failure to respond to events that could severely impact the community and environment -</b>  Working in collaboration with key stakeholders including the farmers and communities is fundamental to the success of the company as it heavily relies on them to achieve it strategies and to ensure sound operational performance.</p> <p>Maintaining sustainable development and promoting green growth is also critical to uphold the reputation of the company as an environmental friendly organisation.</p> <p>Key issues that could impact the company reputation in the community and the environment include lack of proactive engagement with communities, inadequate corporate social responsibility, and unethical practices impacting reputation.</p>
10	<p><b>Inability to quickly respond to machine breakdown for key plant and equipment -</b>  In consideration of the heavy reliance of the production process on the sound operations of the plant and equipment, the servicing and maintenance of machines and equipment is critical.</p> <p>Key matters that result in inability to quickly respond to breakdown include the lack of availability of key spare parts, lack of scheduled maintenance, lack of robust reporting by operators in terms of machine failure, lack of expertise in operating the machines, and general safeguarding &amp; security of these machinery.</p>
11	<p><b>Fail to implement strong corporate governance practices</b>  Having a sound corporate governance framework is fundamental to the success and good reputation of the company. Good systems and processes of corporate governance promotes strong tone at the top, effective communications, trust, accountability, commitment, transparency, and ethical behaviour. Good corporate governance also consists of having a board of directors governance framework, robust assurance framework (three lines of defense), sound risk management practices, effective compliance framework and good whistle-blowing platform.</p> <p>Poor corporate governance leads to lack of trust, reputational issues, unethical behaviours, fraud and irregular activities, weak tone at top, lack of strategic direction, poor risk mitigating/treatment plans, and inability to achieve commercial success.</p>
12	<p><b>Inability to respond to deficiencies in the internal controls framework</b>  Policies and procedures are in place to govern the key processes including human resources, financial process and Mill operations. It is fundamental that these guidelines have been developed to address the key process gaps and pain points, and also reflect best practices that is relevant to the process or organisation. Additionally, some of these policies should be aligned to regulatory requirements.</p> <p>Furthermore, the knowledge and awareness of the internal controls and also having a control conscious culture is also critical to the organisation. Compliance to policies, procedures, and controls is also a critical element.</p> <p>The assurance &amp; compliance framework to test and check the effectiveness of the design and compliance to such frameworks is not formally in place.</p>

Copro Millers Fiji Limited ("CMFL"): 2020 Strategic Risk Register - Risk Summary (all risks)											
Risk Id	Risk Issue	Gross Conseq.	Gross Lik'hood	Gross Risk Rating	Control Effective Rating	Net Conseq.	Net Lik'hood	Net Risk Rating	Net Conseq.	Net Lik'hood	Net Risk Rating
1	Inability to maintain a consistent supply of raw materials to meet the production capacity of the Mills	Major	Likely	Extreme	Some weaknesses	Major	Moderate	Extreme	Major	Moderate	Extreme
2	Inability to utilize the Mills to full capacity, improve machine efficiencies and to boost production	Major	Moderate	Extreme	Some weaknesses	Major	Moderate	Extreme	Major	Moderate	Extreme
3	Inability to respond to adverse movements in world market prices	Major	Moderate	Extreme	Some weaknesses	Major	Moderate	Extreme	Moderate	Moderate	High
4	Inability to attract, train and retain key personnel	Moderate	Moderate	High	Some weaknesses	Moderate	Unlikely	Moderate	Minor	Moderate	Moderate
5	Failure to appropriately respond to major event impacting the company	Major	Unlikely	High	Some weaknesses	Major	Rare	High	Moderate	Unlikely	Moderate
6	Failure to appropriately prevent, detect and respond to major fraud against the company	Major	Moderate	Extreme	Satisfactory	Moderate	Unlikely	Moderate	Moderate	Rare	Moderate
7	Failure to meet financial return expectation of the key shareholder (being Government of Fiji and the farmers)	Major	Moderate	Extreme	Some weaknesses	Moderate	Moderate	High	Moderate	Unlikely	Moderate
8	Failure to comply with key regulatory requirements	Moderate	Moderate	High	Some weaknesses	Moderate	Unlikely	Moderate	Moderate	Unlikely	Moderate
9	Inability to respond to changes in market dynamics	Major	Unlikely	High	Some weaknesses	Moderate	Moderate	High	Moderate	Unlikely	Moderate
10	Failure to respond to events that could severely impact the community and environment	Major	Unlikely	High	Some weaknesses	Moderate	Unlikely	Moderate	Moderate	Unlikely	Moderate
11	Inability to quickly respond to machine breakdown for key plant and equipment	Major	Moderate	Extreme	Some weaknesses	Moderate	Moderate	High	Moderate	Unlikely	Moderate
12	Fail to implement strong corporate governance practices	Major	Moderate	Extreme	Some weaknesses	Moderate	Moderate	High	Moderate	Unlikely	Moderate
13	Inability to respond to deficiencies in the internal controls framework	Major	Moderate	Extreme	Some weaknesses	Moderate	Moderate	High	Moderate	Unlikely	Moderate

# Copra Millers Fiji Limited

## Risk Management Policy

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April 2020

Next Review Date: April 2022

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The following definitions will be used during the workshop analysis:

<b>Business risk</b>	The threat that an event or an action will adversely affect the organisation from successfully achieving its objectives. Business risk considers both the upside (risk as lost opportunity) and downside (risk as hazard) of risk.
<b>Consequence</b>	The assessment of how significantly exposure to a particular risk could impact on the organisation.
<b>Likelihood</b>	The assessment of how likely it is that the organisation could be exposed to the risk taking into account the prospective frequency of occurrence.
<b>Gross risk rating</b>	The “gross risk rating” represents a rating of the importance of the risk, without having regard to the mitigating actions in place to manage the risk. This is determined having regard to the assessed consequence and likelihood for each risk.
<b>Control effectiveness</b>	An assessment of the effectiveness of the organisation’s control environment in managing a particular risk after due consideration is given to the external environment factors.
<b>Net risk rating</b>	The “net risk rating” that is derived after taking account of the external and internal control factors and the resultant impact on the gross risk rating.

# 1. OVERVIEW

Copra Millers Fiji Limited (“CMFL”) Management Policy outlines the strategies and processes applied in implementing an effective risk management system for the organisation.

## 2. OBJECTIVES OF RISK MANAGEMENT

The objective of risk management at CMFL is to ensure:

- Appropriate internal processes are in place for identifying, rating, managing and reporting on key strategic risks.
- Appropriate internal processes are in place for ensuring the strategic risk profile remains up to date and relevant to CMFL.
- An appropriate risk aware culture is embedded within and throughout CMFL.
- Available resources to execute controls are used optimally to manage key strategic risks and have regard to the ratings assigned to risks.
- Appropriate controls are in place for key strategic risks and that the residual risk (after considering controls in place to manage the risks) are consistent with the risk appetite of CMFL and of Management (which may vary from time to time).
- CMFL takes informed and considered risks.

## 3. RISK MANAGEMENT – AN OVERVIEW

### 3.1 What is a risk?

A risk is defined as any uncertain future situation or event which could influence the achievement of CMFL objectives or realisation of opportunities. For CMFL strategic risk profile, the central contextual consideration is the strategic objectives whilst for other risk management considerations, the objectives refer to the objectives of the process or decision that is being considered from a risk perspective.

### 3.2 What is risk management?

Risk management is the culture, processes and structures in place at CMFL that are directed toward taking advantage of potential opportunities (maximising upside) and managing potential adverse effects (minimising downside) of a risk.

Risk management is a continuous process, rather than an activity conducted at a point in time. It demands proactive action on the part of management to continually update their understanding of risk and to develop cost effective solutions for the treatment of risks in the light of changing external and internal environments.

### 3.3 What is a risk management framework?

A risk management framework is a set of information components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management processes throughout the organisation.



### **3.4 Why manage risk?**

CMFL in accordance with better practice, develops and maintains an appropriate Risk Management Framework so that applicable risks are identified, managed and minimised.

All business transactions and activities carry an inherent level of risk to an organisation's financial position, operational requirements, sustainability and reputation.

A risk management system allows CMFL to be aware of the risks facing the organisation and make business decisions based on the level of risk that the organisation and those charged with governance are prepared to take.

Risk management allows the organisation to identify what risks it needs to manage well to succeed in the achievement of its strategic objectives and measure how effectively it is managing these risks and implement changes to improve the management of risk as necessary.

A robust risk management framework and supporting processes will enable CMFL to:

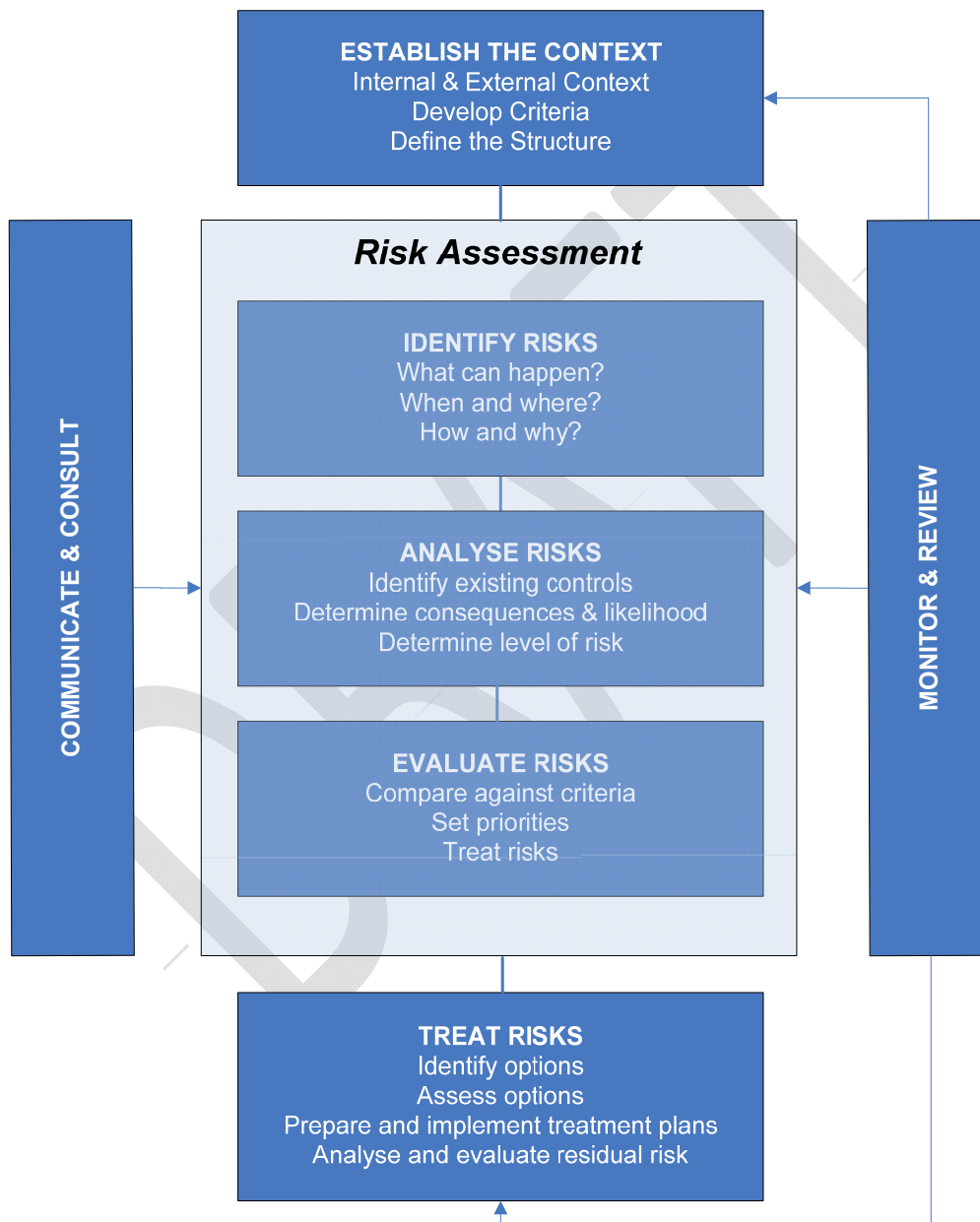
- Minimise unexpected financial and operational results.
- Foreshadow and identify future emerging risks and act early to combat potential impacts of risk.
- Execute more efficient and effective procedures.
- Improve individual accountability.
- Encourage innovation, whilst providing greater transparency and input into decision making, ensuring a complete picture of the potential risks and their potential impacts are well understood prior to making a decision.
- Exploit business opportunities quickly with a full appreciation of risks involved.

### **3.5 The risk management process**

The CMFL's risk management framework is outlined in Section 4 of this policy.

## 4. CMFL RISK MANAGEMENT FRAMEWORK

- 4.1 CMFL adopts a framework for risk management that is consistent with the most recent Australian and International Standards on Risk Management (currently AS/NZS: 4360 and ISO 31000). Importantly, this framework provides CMFL with the flexibility to adapt quickly to the changing needs of the business.
- 4.2 The Framework applied by CMFL is depicted below:



#### **4.3 Establishing the context**

This phase establishes the basic parameters within which risk must be managed and sets the scope for the rest of the risk management process. CMFL's Corporate Plan 2019 is key to the context for risk, as this sets out the strategic objectives of CMFL at a point of time. Regard is also given to CMFL Vision and Mission, and CMFL strengths, weaknesses, opportunities and threats (SWOT).

#### **4.4 Identify risks**

This phase seeks to identify the risks to be managed. This phase must ensure a complete set of risks are identified, including those that may not ultimately be able to be controlled by CMFL.

#### **4.5 Analyse risks**

This phase seeks to analyse further the elements of the risk that help CMFL develop a comprehensive understanding of the risk, so that it can apply a rating to the risk and rank its risks from highest to lowest. This includes:

- Evaluating the existing controls in place to manage and treat the risk.
- Identifying the consequences of the risk to the organisation.
- Assessing the likelihood of the risk occurring within or to the organisation.

This analysis phase is generally conducted through workshops involving key staff to ensure staff are afforded with the opportunity to participate in the process and learn and understand the broader principles of risk management.

#### **4.6 Evaluate risks**

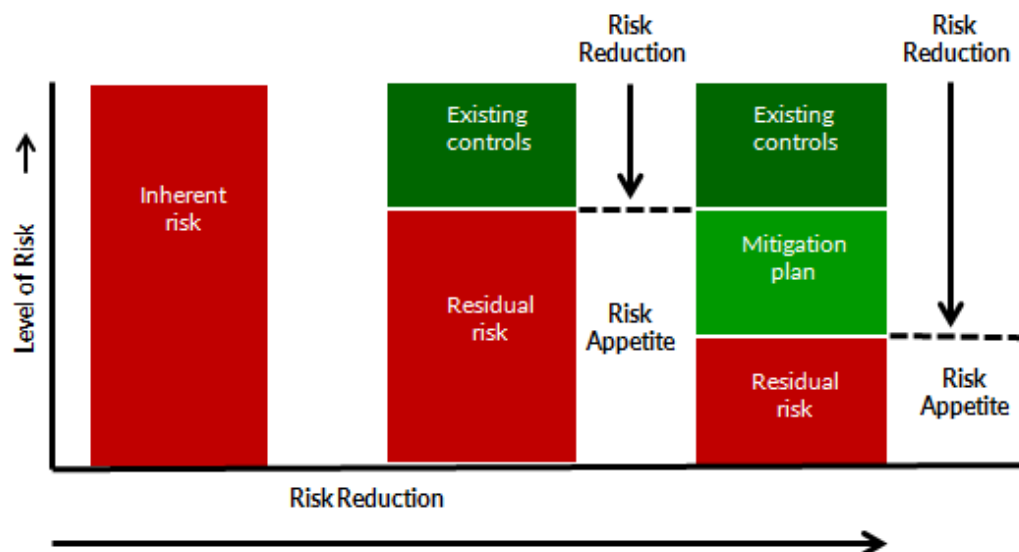
This phase involves making decisions, based on the outcomes of risk analysis, about which risks need treatment and prioritisation and also those risks which are not acceptable (having regard to the risk appetite of CMFL).

#### **4.7 Treat risks**

This phase involves the identification of the options for treating risks, assessing these options, and the preparation and implementation of treatment plans.

Figure 1 below illustrates how risk can be reduced through the application of controls and a mitigation plan. Mitigation options include transferring, treating, terminating or tolerating risk. These options should be assessed on the basis of the degree of risk reduction, the extent of any additional benefits or opportunities created, and the cost/benefit trade off.

Figure 1: Reduction in risk through assessment and mitigation activities



One or more of the following mitigation options can be used to treat the residual risk.

*Transfer the Risk*

Transferring the risk involves another party bearing or sharing some part of the risk, commonly through contractual or insurance arrangements.

*Treat the Risk*

Treating the risk involves reducing the likelihood and/or the consequences by changing the nature of the risk itself and/or developing additional controls.

*Terminate the Risk*

Terminating the risk is achieved by deciding either not to proceed with the activity that contains an unacceptable risk or choosing an alternative more acceptable (less risky) activity which meets business objectives.

*Tolerate the Risk*

After elements of the risk have been transferred or treated, there may be residual risk that has to be tolerated (or accepted) if the work unit wants or needs to undertake a certain function. Risks may also need to be tolerated by default where nothing can be done at a reasonable cost to mitigate the risk.

#### **4.8 Monitor and review**

This phase is vital to ensure that the agreed management plans are being implemented; risk records, rating and risk profile are kept up to date; risk policies remain relevant and up to date; an appropriate culture is continually developing and improving.

The risk profile and supporting risk records will be updated on an annual basis.

#### **4.9 Communicate and consult**

This phase involves establishing a culture that is committed to openness and transparency on risk management and consulting within and external to CMFL as required.

A quarterly report on risk management activities and progress against action plans will be prepared by management and reported to the Board of Directors and to Management.

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## 5. RISK APPETITE

### 5.1 What is Risk Appetite?

Risk appetite is the amount of risk the Board considers is acceptable to expose the organisation to, in the pursuit of its strategic objectives, and considers both value creation (upside) and value preservation (downside). These risks include those 'material' risks that are identified through CMFL's Risk Management Strategy.

The Risk Appetite Statement (RAS) is an integral part of CMFL's overall Risk Management Framework. As such it should be noted that CMFL's risk appetite:

- fundamentally guides its risk culture and sets out boundaries on risk-taking activities. These boundaries are defined by principles and metrics, both quantitative and qualitative, which must be considered as a collective set and not in isolation;
- guides decision making to ensure major decisions are assessed through a prism of both opportunity and risk;
- defines governance processes and disciplines to ensure adherence to all boundaries and underlying limits;
- commits CMFL to operate within its appetite and causes it to move quickly to address actions and circumstances that may take CMFL outside of it;
- is dynamic in nature, hence CMFL reviews it on a regular basis in conjunction with its strategic plans and business actions taken in changing macroeconomic environments; and
- applies across all parts of CMFL's operations.

An important component of defining CMFL's risk appetite is to recognise that most risks cannot be eliminated entirely and that there is a 'trade off' between the level of risk on the one hand, and the actions required to reduce the risk. The Board weighs up such trade-offs when assessing risks. It may be possible to reduce some risks to a very low level; however in some circumstances the cost to CMFL (and ultimately the members) may outweigh the benefits.

In respect to the risk appetite at the individual risk (Level 3) level, information has been sourced from CMFL's current Risk Management Strategy and resultant Strategic Risk Register. The Strategic Risk Register helps CMFL to align real risk exposure with its management and escalation activities. Once a risk tolerance level (target risk) has been breached, risk management treatments and business controls are implemented to bring the exposure level back within the accepted risk tolerance limit.

There are certain risks to which CMFL is intolerant. Nevertheless, it is recognised that incidents will take place that create exposures to these risks. At such times CMFL will take actions to address problems arising, and establish processes and controls to minimise the chance of reoccurrence.

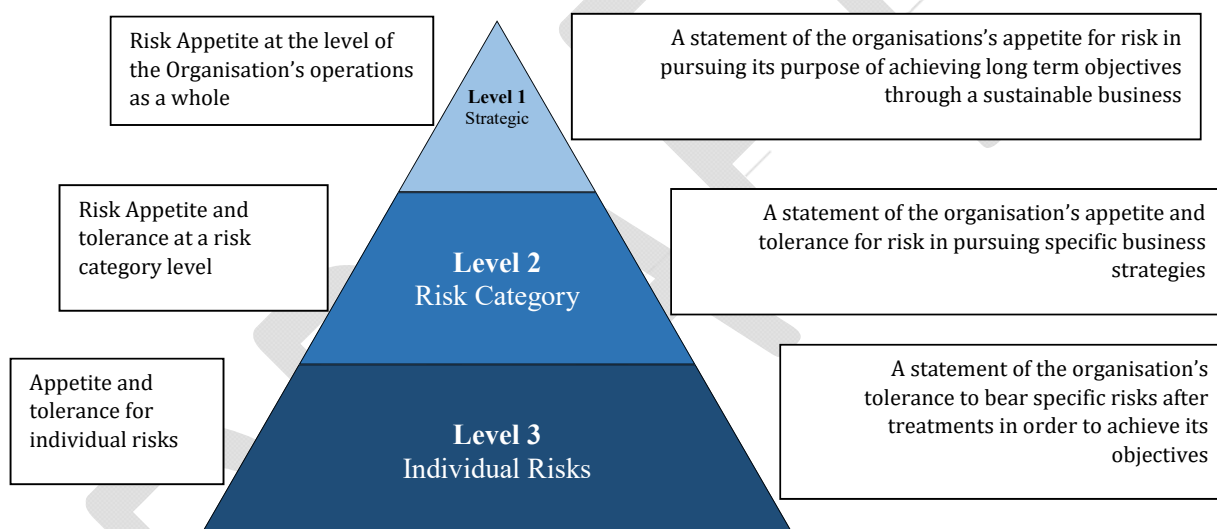
## 5.2 The Risk Appetite Statement (RAS)

The RAS is an integral part of the Risk Management Framework and represents the type and degree of risk that CMFL is willing to accept in pursuit of its business objectives, considering its capacity to bear risk and philosophy on risk taking.

Key Definitions relevant to the Risk Appetite Statement are as follows:

- Risk capacity: means the amount and type of risk an organisation is able to support in pursuit of its business objectives.
- Risk appetite: means the amount and type of risk an organisation is willing to accept in pursuit of its business objectives, having regard to its risk capacity.
- Risk tolerance: means the specific maximum risk that an organisation is willing to take regarding each relevant risk.

In developing the risk appetite the Board has expressed the risk appetite at three levels which are interlinked:



All three levels of risk appetite are interlinked as the:

- 1 Risk appetite at the strategic level (Level 1) expresses an appetite for activity in the context of the strategic direction and organizational purpose of CMFL;
- 2 Risk appetite at the risk category level (Level 2) expresses risk appetite in the context of operational activities or functions of CMFL undertaken to achieve business strategies;
- 3 Risk appetite at the individual risk level (Level 3) expresses risk appetite in the context of desired tolerances for each material risk encompassing both strategic and operational risks. Refer section 4.7 above for further guidance on treatment of risks.

Within each level, risk appetite is expressed as qualitative statements and quantitative measures which are intended to guide decision making. Further quantitative measures are expected to be incorporated into the risk appetite statement and embedded in the organisation as risk management continues to mature throughout all levels of the organisation.

### 5.3 Ongoing Assessment and Review

To ensure that CMFL's RAS remains relevant, practicable and is monitored and complied with on an ongoing basis, the Board must review the risk appetite and risk tolerance levels at least annually and must incorporate into the Trustee's business strategy and planning cycle.

The following trigger events will necessitate a review of CMFL's RAS:

- The occurrence of an event which has a material impact on the operation of the RAS;
- A material change in CMFL's structure; and
- A significant change in the strategic direction of CMFL.

The Board also has the responsibility to oversee a review of those risks that exceed CMFL's risk appetite and tolerances. The risk appetite and tolerances within CMFL are monitored via the assessment and reporting of the key trigger events (outlined above) and variance of net risk ratings of material risks from the target risks.

The Board is notified of any breaches of the risk appetite. Following investigation by the General Manager, an Action Plan is developed and presented to the Board for their review, recommendation and approval. The Board will also require the General Manager to review the underlying cause of the identified risk and implement updated processes to minimise likelihood of reoccurrence.



## 6. RESPONSIBILITIES FOR RISK MANAGEMENT WITHIN CMFL

Importantly, all people involved in the achievement of CMFL objectives have a role to play in the management of risk. These roles are broadly outlined below:

### 5.1 CMFL Senior Management

CMFL Senior Management is responsible for instilling a strong risk culture throughout the organisation and for ensuring that an effective process of risk management and internal compliance and control is in place.

### 5.2 Board of Directors

In accordance with the Board of Directors Charter, management oversees the risk management process including the risk assessment process and the effectiveness and status of risk mitigation actions.

### 5.3 CMFL Management

Management is responsible for the implementation of organisational policies to achieve effective risk management, and for ensuring adherence to policies by employees. Members of management are responsible for identifying and evaluating risks within their area of responsibility and implementing agreed actions to manage risk.

#### General Manager's specific roles

The General Manager (GM) has the role of:

- Endorsing the organisational risk profile and associated management action plans/mitigation strategies and submitting these to the Board of Directors for approval.
- Maintaining this policy document and ensuring that the risk management policy and underlying procedures remain current and relevant to the business in the context of emerging risk management practice.
- Establishing risk management related procedures and ensuring procedural documentation incorporates risk management principles in accordance with the policy.
- Developing and embedding risk management knowledge and culture within the organisation.
- Co-ordinating, facilitating and reporting the outcomes of the periodic organisational risk profile to relevant stakeholders and in particular the Board of Directors.
- Co-ordinating and facilitating the timely reporting of risk activities by the organisation to relevant stakeholders and in particular the Board of Directors. This includes status of risk mitigation actions, expected timeframe for completion of action items, significant changes to the organisational risk profile and emerging risks.

### **Managers specific role**

The line managers are responsible for:

- Developing, documenting, approving, communicating, maintaining and reporting of procedures within their work unit to give effect to this policy.
- Contributing to the development of the organisational risk profile.
- Establishing, complying with, and implementing risk mitigation actions within their area of responsibility.
- The timely reporting of risk management activities within their area of responsibility to the GM. This includes status of risk mitigation actions, expected timeframe for completion of action items, significant changes to the organisational risk profile and emerging organisational risks. This includes any breaches, incidences of fraud or suspected fraud, non-compliance with legislation or internal policies or procedures.

#### **5.4 CMFL Staff**

All employees are responsible for ensuring compliance with the requirements of the risk management policy and risk related procedures. Employees must report any potential risk exposures to their line manager.

#### **5.5 Assurance providers**

CMFL external and internal auditors play a key role in monitoring and reporting to the Senior Management on CMFL management of risk by:

- Assessing the risk mitigation actions and internal controls in place to mitigate risks as they relate to the financial statements.
- Assessing the extent of compliance with various procedural/legislative/regulatory requirements as they relate to the financial statements.

Providing recommendations to enhance CMFL risk management and internal control framework.

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# Fiji Development Bank

Reference SH/sn

Development  
Bank Centre  
360 Victoria Parade  
GPO Box 104  
Suva FIJI  
Tel : 331 4866  
Fax : 331 4886  
Email : [info@fdb.com.fj](mailto:info@fdb.com.fj)  
Website : [www.fdb.com.fj](http://www.fdb.com.fj)  
 : Fiji Development Bank

16 April 2021

The Chairperson  
Public Accounts Committee  
Parliament of Fiji  
Government Buildings  
**SUVA**

Dear Sir,

**RE: Clarification of Issues – 2018 Audit Report on Government Commercial Companies, Commercial Statutory Authorities and other Entities (PP No. 154 of 2019)**

We refer to your letter dated 07 April 2021 regarding the above. Please refer to the responses below on the issues highlighted.

**Section 6.4: Fiji Development Bank - Financial Information**

**1.0 The Bank's operating profit after tax decreased significantly. The operating expenditure increased by \$1.4M. What were the economic activities that resulted in the increase in the operating expenditure? Please provide details.**

The Bank's total operating expenses increased by \$1.4M over the year mainly due to the following:

- An increase in employee (staff) costs. The Bank, during this period carried out the Job Evaluation exercise to align its salaries to the market rate. This exercise is undertaken once after every three (3) years. In addition to this, the Bank also paid Merit/Bonus payments to staff that were eligible for a payout based on the Banks Performance Measurement Rating (PMR) system.
- The Bank's staff complement also increased from 176 staff to 194 staff over the year with recruitment of 18 new staff. This included positions such as the General Manager Talent & Organizational Development, additional Relationship & Sales Officers, Research Officers, Audit Officer, Marketing & Development Officers and Monitoring & Compliance Officer. Vacant positions for Chief Executive Officer and Manager Legal Services were also filled during this period.

- Other major activities undertaken during the year included marketing expenses relating to the Bank's 50<sup>th</sup> anniversary celebrations and consultancy work undertaken on the implementation of the International Financial Reporting Standard (IFRS 9).

**2.0 Allowance for credit impairment increased significantly in 2018. The increase is about \$3.3M. This indicates that the Bank is at a risk of recovering these loans from customers. What are the measures and strategies that the Bank is undertaking to ensure debts are collectible? What is the current status for the allowance now?**

At the onset, the Bank tries to mitigate all its risks at project appraisal stage by assessing quality loans or projects that have strong viability. Once the loan is disbursed the Bank closely monitors its loan portfolio on a monthly basis as part of its portfolio management process in order to collect its dues as and when it falls due. The Relationship & Sales Officers also do regular visits to clients in order to assess the project performance on the ground as a proactive measure to avoid accounts going into arrears.

The Bank's allowance for credit impairment increased by \$3.3M due to the movement of two major accounts – Toa Fiji Ltd (a Nadi based poultry project) and Brighton Holdings Fiji Ltd (Shipping project) to the non-performing loans portfolio. As such, specific provision of around \$1.8M was created for this loan account under the RBF minimum provisioning guidelines.

At the end of 30 June 2020, the Bank had allowance for credit impairment of \$14.3M. This was mainly done to cater for all loans where the Bank had given moratoriums to clients that were impacted by the Covid-19 pandemic. Under the IFRS 9 expected credit loss model, the Bank has taken stage 2 provision for the Covid impacted accounts (total portfolio value of around \$100M).

**Section 6.5: Fiji Development Bank Nominees Limited - Financial Information**

**1.0 Provide background on Fiji Investment Corporation Limited? What is the current engagement of the Company with FICL?**

Fiji Investment Corporation Limited is a 100% owned Government Corporation which was previously managed by its own Board.

However, in July 2011, the Government (Ministry of Industry, Trade & Tourism [MITT]) transferred the operations of FICL and its projects to FDB Nominees Limited (FDBNPL) under a "Management Agreement" dated August 2010. This Agreement was for 3 years and expired in August, 2013. However, FDBNPL continued to manage the Company until June 2016 in the attempt to have the agreement renewed which was unsuccessful. Since then, no work was carried out for FICL by FDBNPL.



Currently, Fiji Investment Corporation Limited is being managed by its own Board.

On 13<sup>th</sup> October 2020, FICL requested FDB Nominees Pte Limited to hand over all administrative, financial and operating documents to the new Board.

The same was arranged on 22<sup>nd</sup> October 2020.

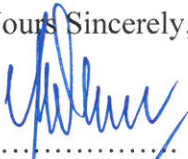
**2.0 The Company has not earned any revenue from operations in 2018 and also in 2017. The only revenue was from interest income from Investment. Is the Company sustainable?**

The principal activities of FDB Nominees Pte Limited since its formation is to provide accounting, management and secretarial services to Companies in which FDB has a lending or equity interest and supervision of some of its large non-performing loans and its operations were mostly adhoc. Since the expiration of Fiji Investment Corporation Limited (FICL) Management Agreement in August 2013 and further management services till June 2016 to FICL, FDBNPL has not been engaged in any major activities.

Hence, FDBNPL has been dormant and will commence on a need basis at the discretion of its owner, Fiji Development Bank. Therefore, FDBNPL's main source of income remains the interest income earned from its term deposit investments.

I hope the above responses will suffice. Please do not hesitate to contact me for any further information or clarification.

Yours Sincerely,



.....  
Saiyad Hussain

**ACTING CHIEF EXECUTIVE OFFICER.**

29<sup>th</sup> March, 2020

The Chairperson,  
Standing Committee on Public Accounts  
Parliament of Fiji  
P. O Box 2352  
Government Buildings  
**Suva.**

**Attention: Hon. Alvick Maharaj**

**Re: Clarification of Issues-2018 Audit Report on Government  
Commercial Companies, Commercial Statutory Authorities and other  
Entities (PP No. 154 of 2019)**

Dear Sir,

As per the letter dated 20<sup>th</sup> March, 2020 (File Ref No: Parl 6/15-7/14) regarding the above subject, attached please find FBC's comments in relation to the audited financial statements for the period ending 31<sup>st</sup> December 2018.

Enclosed also find copies of the following:

- FBC's Disaster Recovery Plan
- FBC's Risk Register.

Please feel free to contact us for further clarification.

Yours faithfully



.....  
Riyaz Sayed-Khaiyum  
**Chief Executive Officer**  
Fijian Broadcasting Corporation Pte Limited.

## **2018 AUDIT REPORT –PAC RESPONSE - Fiji Broadcasting Corporation Ltd**

### **FINANCIAL INFORMATION**

#### **1. Reasons**

- 40% increase in wages & salaries is not only due to bonus pay out but is mostly constituted of 2 Yearly staff salary increments – staff were previously on much lower salary brackets which resulted in staff turnover and loss of talent. All salary bands were re-evaluated and staff were placed on near current market rate. The first assessment/ alignment after board's approval took place in the year 2016, followed by the second more significant one in the year 2018. The next one is scheduled for the financial year 2020.
- Decline in profit before income tax for current financial year (2018) is also a result of high programme acquisition costs (an increase by 76%). Since Local production costs are quite high, most TV content acquired are from overseas and are invoiced in USD currency. However, it must be noted that USD currency also strengthened in comparison to the previous years and has been strengthening throughout the current financial year. (2018)
- It is to be noted that FBCL's total revenue had actually increased by \$3m – a 13% increase as compared to the previous year.

The Company's core Operating Revenue is from –advertising income, programs and special events sponsorships, which have also shown a remarkable increase (a 22% increase from previous year).

Hence, the above figures substantiate the reason for a performance bonus pay-out which is linked to the FBC's PMS policy. This was paid to successful recipients based on the achievement of their individual KPI's.

The Company bonus was paid out based on the entity's positive operational financial results for the year ending 31<sup>st</sup> December 2017.

### **OTHER SIGNIFICANT MATTERS:**

#### **1. Absence of Risk Register**

Disaster Recovery Plan - Enclosed.

This plan covered various aspects of business continuity plan which is in line with the consistent radio and television broadcast services.

Also as recommended by the auditors, a draft version of FBC's Risk Register was provided.

FBC's Risk Register – enclosed.



## **2. Regular Board Meetings Not Held**

The appointment of board members was delayed, hence only 3 meetings were held in this financial year. The Line ministry- Ministry of Public Enterprise was informed of all important decisions.

Timely update/ correspondences was done via email and the Ministry of PE was also updated in a timely manner. Even though the board did not meet as anticipated, approvals/ updates and decisions were sought by means of email correspondence.

## **3. Long Outstanding Accrual**

This relates to the broadcast licence fees owing to Telecommunications Authority of Fiji. FBCL had recorded an accrual of \$20,505 per annum since 2013 based on initial licencing agreement. A copy was provided to the auditors for verification. The FBCL does monitor accruals in a timely manner to determine whether it is appropriate to continue to record it as a liability. In this instance, it was a prudent decision as per accounting standards to record this as a liability, which the FBC has to pay in near future.

As per CFO's correspondence with TAF, it was confirmed that this needs to be paid, however this largely depends on receipt of official invoice from TAF. Telecommunications Authority of Fiji is yet to bill FBCL for this.

## **4. Public Service Broadcast Fee**

Based on the Cabinet's decision in 2012, grants/fee or special funding from the Government of Fiji, as the shareholder, were treated as a capital contribution. As such, grants/fee or special -funding by the Government of Fiji were treated as additions to equity rather than being recognized as operating revenue of the Company.

Effective from **8 March 2016** and based on the Cabinet's decision in 2016, grants/fee or special funding (now referred to as **Broadcast Service Fee**) from the Government of Fiji, as the shareholder, is treated as operating revenue. This is to align the accounting treatment for all State Owned Entities (SOEs) in accordance with International Financial Reporting Standards (IFRS). As such, PSB Fee paid by the Government of Fiji after 8 March 2016 has been recognized in the statement of comprehensive income as operating revenue.

## **SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

We at the FBC do everything as per our operational plans which is submitted to our line ministry and which is in line with national plans.

Our regular planning documents are updated and is accessible at and through our line ministry. Annual planning documents submitted to our line ministry in the September 2018 included:

- 1. FBC 2019 - Employment & Industrial Relations Plan.**
- 2. FBC 2019 - Statement of Corporate Intent**
- 3. FBC - Strategic Plan 2019-2021**

Other initiatives include:

- Gender Equality is supported and promoted by the two public service broadcast radio stations (Radio Fiji One & Radio Fiji Two) and the FBC Television.
- The FBC promotes Equal Employment Opportunity. EEO is fair treatment in employment, promotion, training, and other personnel actions without regard to race, color, religion, sex (which includes gender, sexual harassment, and pregnancy), age, national origin, reprisal (for prior EEO activity), physical or mental disability, genetic information, status as a parent, and sexual orientation.
- Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world. Providing women and girls with equal access to education, health care, decent work, and representation in political and economic decision-making processes will fuel sustainable economies and benefit societies and humanity at large. Implementing new legal frameworks regarding female equality in the workplace and the eradication of harmful practices targeted at women is crucial to ending the gender-based discrimination prevalent in many countries around the world.
- The FBC has formulated Standard Operating procedures which are incorporated in the employee handbook. A copy is provided to all staff and during training and induction process of all recruits.
- The FBC had QMS in place and all policies and procedures are provided to various departments heads and updated and amended in a timely manner.
- The FBC has MOUs with Asian broadcasters (AIBD, ABU, AVN) in promoting gender equality. A lot of trainings are offered to women in the workplace.
- The FBC pays annual membership fees for Women in Business for our aspiring women leaders. As a result, the members are able to attend various conferences and workshops.

- The FBC promotes gender equality through the Selection and Recruitment process, however, individuals are employed solely on their suitability for the position.
- The FBC has a Women's Forum which is chaired by the CEO. This is a quarterly forum attended by all women at the FBC to discuss and share development and growth opportunities.

# Disaster Recovery Plan

## Standard Operating Procedure

<b>Document Information</b>	
Version:	V.1
Document Owner:	Operations
Author(s):	Nitendra Prasad [Acting Director Technical Operations]
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Approved by:	Riyaz Sayed-Khaiyum [Chief Executive Officer]
Distribution List:	All Staff
Storage:	All Department Manuals
Restriction:	Confidential
Type of document:	SOP
Document No:	SOP 012

### Disclaimer

The Fiji Broadcasting Corporation is the parent company of FBC TV, GoldFM, MirchiFM, BulaFM, 2DayFM, Radio Fiji One and Radio Fiji Two, this publication is confidential and has been prepared and written for Fiji Broadcasting Corporation. It is subject to copyright. No part of this document may be disclosed, copied, reproduced, stored in a retrieval system, or transmitted without prior written permission from Fiji Broadcasting Corporation.

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## 1. Purpose

The purpose of this document is to capture all the information relevant to the company's ability to withstand a disaster and to document the steps to be followed when a disaster occurs. The procedure also outlines the processes to be carried out before, during and after an emergency situation. In the event of a disaster, the following measures will be taken:-

- The FBC will ensure that all employees and any other individual on the premises are safe and secure.
- The FBC will enact the steps outlined to restore business operations as quickly as possible.

This includes:-

- Preventing loss of the company's resources such as hardware, data, and physical assets.
- Minimizing downtime related to transmission and IT.
- Keeping the business running in the event of a disaster.

## 2. Scope

The Disaster Recovery Plan takes the following areas into consideration:-

- Network Infrastructure
- Server Infrastructure
- Telephony System
- Data Storage and Backup
- Data Output Devices
- End-user Computers
- Organizational Software
- Database Systems
- Transmission of Radio and Television

## 3. Key Responsibility Area

In the event of a disaster, the respective departments will be required to assist the Disaster Recovery Team in their effort to restore to normal operations the functions of the business.

The respective teams are as follows:-

- Disaster Recovery Team
- Senior Management Team
- IT Team
- Studio Team

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- Transmission Team

The lists of roles and responsibilities in this section have been created by the FBC and reflect the likely tasks that every team will have to perform in the event of a disaster. The Disaster Recovery Team will be responsible for performing all of the tasks below. In some disaster situations, DRT will be called upon to perform tasks not described in this section.

## 4. Introduction

This Disaster Recovery Plan (DRP) captures, in a single repository, all of the information that describes the FBC's ability to withstand a disaster as well as the processes that must be followed to achieve disaster recovery. This DRP allows the radio and the television services aired by the FBC to be restored in a timely manner with no or minimal disruption.

A disaster can be caused by a man or nature and result in the FBC not being able to perform all or some of the regular service for a period of time.

The FBC defines disaster as the following:-

- One or more vital system are non functional.
- The building is not available for an extended period of time but all systems are functional within it.
- The building is available but all systems are non functional.
- The building and all systems are non functional.

The following events can result in a disaster, requiring this Disaster Recovery document to be activated:-

- Fire
- Storms or Flooding
- Power Outage
- Civil Unrests
- Theft

## 5. Related Documents

Name of Record	Retention Time	Responsibility/Location
Nil		

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## 6. Procedure

### 6.1 Disaster Recovery Team

The Disaster Recovery Team will oversee the entire disaster recovery process. The team will evaluate the disaster and determine the steps to be taken to normalize business operations.

#### Responsibilities

- The DRT will set the DRP into motion after the disaster has been declared by the relevant authorities.
- Determine the magnitude and class of the disaster.
- Determine what systems and processes have been affected by the disaster.
- Communicate the disaster to the Senior Management Team (SMT).
- Determine the steps to be taken by the respective departments.
- Keep the respective departments on track with pre-determined expectations and goals.
- Keep a record of all finances spent during the disaster recovery process.
- Create a detailed report of all the steps undertaken in the disaster recovery process.
- Notify the relevant parties once the disaster is over and business operations have normalized.

#### Contact Information (DRT)

Name	Role	Work Phone Number	Mobile Phone Number
Vimlesh Sagar	Chief Financial Officer	3314333	9992810
Vinal Raj	Manager TV Operations	3314333	7020038
Nitendra Prasad	Acting Director Technical Operations	3314333	7020015
Sameer Narayan	Senior IT Network Engineer	3314333	7020024
Walter Whippy	Engineer Studio / OBs	3314333	7020013

N.P. V.S. R.S.



## 6.2 Radio and Television Studios

The Studio & OB Team will be responsible for assessing damages specific to the any studio infrastructures and for provisioning connectivity of audio and video from the studios to the broadcasting equipments. They will be primarily responsible for providing a baseline network functionality for audio and video and may assist other teams as and when required.

### Studios

- In the event of a disaster that does not require migration to standby facilities for setup; the team will determine which studio services are not functioning at the primary facility.
- If multiple studio services are impacted, the team will prioritize the recovery of services in the manner that causes least impact on business operations.
- Recovery will be done in the following manner:-

#### Radio Studios

Public Service Broadcast Stations (Radio Fiji 1 and Radio Fiji 2)

Commercial Stations:

- Gold FM
- Bula FM
- Mirchi FM
- 2day FM

#### Television Studio

- TV Studio
- Control A
- Control B

- Ensure that auxiliary equipments are available to be used at remote site in case the primary facility is completely damaged.
- Ensure that all equipment is remotely accessible at the primary facility.

### Contact Information

Name	Role	Work Phone Number	Mobile Phone Number
Walter Whippy	Engineer Studio / OBs	3314333	7020013

### 6.3 ICT Infrastructure

The IT Team will be responsible for assessing any damage following the event of a disaster and the restoration of the IT related matter for business to resume.

#### Servers

- Provide the physical server infrastructure for the company to run its operations and applications. If multiple servers are impacted, the team will prioritize the recovery of the servers in the manner and order that has the least impact on business.
- Recovery will include the following tasks:-
  - Assess damages to any servers
  - Restart and refresh servers if necessary
  - Start rebuilding of servers if necessary
- Once assessment of the damages has been completed, the restoration of the servers will proceed in the following order to minimise impact on business.
  - Backup Server/Tape Restoration
  - Domain Controller (DC) Server
  - LAN Switches
  - Structured Query Language (SQL) Server Main followed by Slave
  - Nexgen
  - Cinegy
  - Accpac
  - Scheduler – Air Waves
  - Link Soft
  - HR Database
  - Nexgen Servers – A to E (5 servers)
  - I Profiler
  - Network Attached Storage (NAS)
  - Path Finder Servers Main followed by Slave
  - File Servers
  - File Server Main
  - File Server Slave
  - Email Server
  - Firewall Server
  - Terminal Server
  - Term Server 1
  - Term Server 2
  - File Transfer Protocol (FTP) Server
  - Storage Area Network (SAN) Storage

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- Private Automated Branch Exchange (PABX)
- Ensure that critical spares are on hand and stored in a well secured place.
- ICT Supervisor is to ensure that one set of routine incremental data backup tapes are always stored off site for recovery purposes.
- Ensure that all company applications operate as required to meet business objectives.

#### Network/Telephony

- Assessing damages to any network infrastructure and for provisioning data and voice connectivity including WAN, LAN and any telephony connections within the premises and as well as to the outside world. They will be primarily responsible for providing baseline network functionality.
- Once critical system have been provided with connectivity, employees will be provided with connectivity on the following order:-
  - All members of the DR Teams
  - All C-level and Executive Staffs
  - All IT employees
  - All remaining employees

#### Key End Users

- Ensure that the key end users are provided with services such as telephone connections, emails and any other applications for normal business operations.
- Recovery will include the following tasks:-
  - Assess the impact to application process
  - Restart application as required
  - Patch, recode and rewrite applications as required.
  - Once damage assessment has been completed, team will proceed with restoration of priority end users applications:-

#### Studios

- Ensure that the studios machines are up and running.
- Ensure that necessary applications are available.

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### Database/Configurations Backup

- Ensure that all relevant company databases used in daily business operations are fully backed up with current versions.
- Databases to be backed up are:-
  - Cinegy
  - Accpac
  - Link Soft
  - Nexgen
  - HR Database
  - Scheduler – Air Waves

The team will summarize any and all costs and will provide a detailed report to the Disaster Recovery Team.

### Contact Information

Name	Role	Work Phone Number	Mobile Phone Number
Sameer Narayan	Senior IT Network Engineer	3314333	7020024

## **6.4 Transmitter Sites**

The transmission team will be responsible for maintain uptime and quality of the network (both media and equipment) segments at all FBC transmitting sites.

### Backup Power Supply

- Carry out an assessment of the site power and check if the backup generator is in operational order.
- Notify DR lead of any mains power line damages so that it can be escalated to the supplier (FEA).
- Check the mains meter box for any sign of damages, blown fuses, circuit breakers or damaged meters.
- Check for fuel leaks from the pipe line and the fuel storage tanks and take necessary actions to rectify the problem.
- Notify any critical damages to DR Lead and get mechanic on site to rectify the problem.
- Check that the auxiliary power supply unit (UPS- Uninterrupted Power Supply) is in functional order and all equipments connected to it are operational.

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### Transmission Back Haul

- Carry out an assessment of the site microwave transmission for damages and notify the DRP lead for any revival of the links for the following sites:-
  - FBC Broadcasting House
  - Nakobalevu
  - Naulu
  - Monasavu
  - Koro O
  - Lololo
  - Sabeto
  - Kavukavu
  - Sigatoka
  - Rakiraki
  - Uluivuya
  - Delaikoro
- Check for damage to cables and secure any loose cables to the tower structure and the cable tray as necessary.
- Check all the power injectors over the Ethernet for damage and ensure that they are functional.
- Check that all microwave links are operating within the designed link budget. If values are outside of the designed value, align microwave dishes for optimum operation.
- Ensure that supporting struts for the microwave dishes are securely fastened.
- Routine maintenance should be carried out to check and repair any problems before hand ensuring that entire microwave installations are well secured before the storm.

### Radio and Television Transmitters

- Assess damage to transmitter racks, combiner units and cables connected to the antennas.
- Ensure that all radio and television transmitter services are up and running with no/minimal downtime of services.
- If radio transmitters are damaged, place the standby transmitters on air to restore services.
- Ensure that maintenance is carried out as per transmission plan to reduce the risk of service disruption.
- Install and implement any tools, hardware, software and systems required at the transmitting facilities.

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### Building and Tower Infrastructure

- Carryout assessment of the building and the tower structure to check the extent of the damages.
- Ensure that radio and television transmission antennas are not damaged and cables are intact. Replace damaged cables and resume service.
- Collect and secure any damaged parts/equipments for further assessment.
- Check for water leaks inside the building and clean as necessary.
- Ensure that the building and the compound is secure before leaving site.
- Clear all debris from the compound, building and tower.

### Preventative Maintenance Plan

The transmission team has quarterly repair and maintenance plan which ensures that the transmission sites are thoroughly checked and all problems rectified to allow minimal disruption in services.

The site backup generators are checked on a half yearly basis by a mechanic to check the operation status and reliability of the system. The fuel storage tanks are monitored on every visit to check that adequate level of fuel is at sites at all times. Tanks are topped up as and when required or every 6 months.

After FBC is back to business as usual, this team will summarize any and all costs and will provide a detailed report to the disaster recovery team summarising their activities during the disaster

### Contact Information

Name	Role	Work Phone Number	Mobile Phone Number
Nitendra Prasad	Acting Director Technical Operations	3314333	7020015

## **6.5 Senior Management Team**

The Senior Management Team will make any business decisions that are out of the scope of the DRP such as:

- Constructing a new data centre
- Relocating the primary facility
- Rebuilding of data centres

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- Significant hardware and software investments and upgrades for backup
- Other financial and business decisions

#### Contact Information

Name	Role	Work Phone Number	Mobile Phone Number
Riyaz Sayed-Khaiyum	Chief Executive Officer	3314333	9927683
Vimlesh Sagar	Chief Financial Officer	3314333	9992810

### 6.6 Recovery Facility

Plans are underway to implement a complete standalone system to be used for backups. This will include servers, radio and television studios and other auxiliary equipments to allow the FBC to be fully resilient to disasters should it happen.






## 7. Definitions / Glossary

Term	Definition
FBC	Fiji Broadcasting Corporation
DRP	Disaster Recovery Plan
DRT	Disaster Recovery Team

## 8. References

Associated document	Location	Doc. No
Emergency Evacuation Procedures	HR Office	SOP 019

## 9. Document Approval

Name and Position	Signature	Date
Nitendra Prasad Acting Director Technical Operations		01/07/14
Vimlesh Sagar Chief Financial Officer		01/07/14
Riyaz Sayed-Khaiyum Chief Executive Officer		01/07/14

## 10. Document Control Log

Version	Date	Authors	Summary of Changes
V.1	01/07/2014	Nitendra Prasad	

## 11. Attachments

Nil





Fiji  
Broadcasting  
Corporation

# FIJI BROADCASTING CORPORATION

## RISK REGISTER 2018



Compiled by the Finance Team

# Risk Register

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## Introduction

Standards for risk management have been produced by many professional bodies (e.g. Institute of Internal Auditors (IIA), International Standards Organization (ISO) and, Committee of Sponsoring Organizations (COSO)).

A useful definition of risk for company directors is provided by AS/NZS ISO 31000:2009 where the definition of risk is:

**The effect of uncertainty on objectives.**

While the definition provided in the COSO Enterprise Risk Management - Integrated Framework:

**The possibility that an event will occur and adversely affect the achievement of objectives.**

Directors are interested in taking risks to gain rewards. They must consider the opportunity (upside) as well as the adverse effects (downside). In his book *Against the Gods - a history of risk*, Bernstein claimed that risk comes from the Italian 'Risicare' - to dare. Directors must be prudently daring.

Another useful comment is:

**Risk management is about taking risks and not about not taking risks.**

This is an important concept. Too many novice directors and managers see risk management as a constraint on business rather than an opportunity.

Note:

**The purpose of risk management is to identify potential events that may impact on an entity, quantify the impact and likelihood of the occurrence and then manage the risk in accordance with the organization's risk appetite.**

## Risk terms

Terms used to describe risk vary and require a common understanding by directors and the organization. In this session the following three terms are used.

**Risk appetite** - is generally understood to be the amount of risk that will be accepted in meeting the organization's goals.

**Risk tolerance** - is measurable and is most often described as the amount of loss an organization is willing to accept.

**Risk profile** - does not remain fixed and will change according to changes in the environment (ie a change in strategy, the economy, the competitive environment). It must be monitored and updated on a regular basis.

## Risk and directors

Company directors should understand risk. Their understanding is often based on information which can be sourced from:

- The organizations of which they are directors.
- Their advisers and the advisors to their organizations.
- Their own experience and understanding of business.
- The political, social and economic environment in which business operates, has operated in the past and may operate in the future.
- The directors' own enquiries and professional advice.

In risk management there are generally considered to be two types of risk:

1. **Inherent risks** - risks that have been identified but not treated, controlled or managed.
2. **Residual risks** - risks that have been treated, but nevertheless some of the risk remains and is retained by the organization.

It is unlikely, or impossible, that all risk can be eliminated. It is a sign of poor corporate health when too much inherent or residual risk is retained. It is equally a sign of poor corporate health when organizations try to reduce residual risk below the level that is appropriate for their operations.

It is important to highlight the importance of risk as an opportunity as well as a threat. For example, a risk that presents a significant opportunity should be considered differently to a

risk that generates little opportunity. Risk management for directors is about taking risks in a controlled environment and it is not about not taking risks.

## **What is risk appetite?**

In defining risk appetite, the board and directors should ensure that the appetite aligns to the risk culture, the purpose, vision and values of the organization.

### ***What comes first - the vision, purpose, and values or the risk appetite?***

Modern risk theory suggests that investors have a risk appetite that can be communicated via the boards to the executives who can then develop a strategy, including vision, purpose and values, to meet that appetite. Most companies are not able to start developing their risk appetite from a conceptual basis and prefer to develop a strategy which they then analyse to decide if the risks appear to be manageable to provide results within an acceptable range and with an acceptable likelihood. Strategy and risk appetite usually follow an iterative process involving discussing, evaluating, challenging, and finally benchmarking against good practice and the aspirations of shareholders and other stakeholders.

Directors should play an active role in:

- Establishing the risk appetite for the organization.
- Establishing and regularly revisiting the risk appetite of the board itself.
- Ensuring that directors receive active (rather than passive) reports that inform them on key issues and risk appetite influencers. Such active reports set out triggers and indicators, and report against the parameters and tolerances set out in the risk appetite enunciated by the directors.

To do this directors need to understand:

- Their own risk appetite.
- The board's risk appetite.
- The organization's risk appetite.

These should be in harmony even if the nature of the risk faced at each level and across the organization may be different, and change over time.

## **Reflection - personal risk appetite**

### **Your personal risk appetite: making a decision to cross the road**

Crossing the road comes with a wide range of inherent and residual risks. What level and type of risk is involved in this everyday activity?

We may make different decisions about where we decide to cross or whether we wait a couple of seconds to let the oncoming car pass us by:

- At night.
- When we are with other people.
- If we are in a hurry.
- For a wide range of other reasons.

Does this reflect our risk appetite? Does our risk appetite change depending on the circumstances? In each case our behavior is a manifestation of our risk appetite.

What are the factors we may need to consider in formulating our risk appetite for crossing the road?

- We will be late for a meeting.
- We may be hit by a car and not arrive at all.
- We may have to spend time in hospital or be permanently disabled.
- We may cause an accident as the driver of a car swerves to avoid us.
- If we may be hit by a car we will miss seeing our children or grandchildren grow up.
- Our behavior may damage our reputation in some way.
- Our behavior will cost the community money by disruption, use of emergency services or hospital and medical facilities or insurance / legal costs.

Do we have a set risk appetite for crossing the road or do we change our appetite all the time?

Would our appetite change if we became aware of a statistic for how many people on average are killed in pedestrian accidents in our area each year?

Would it change depending on the visual or other triggers we see, such as a policeman standing beside us?

We may give effect to our risk appetite by, for example, walking to a pedestrian crossing or a street light.

Do we have a formulated risk appetite that we have thought about for crossing the road?

Perhaps the most ardent risk manager does, but the rest of us have an intuitive appetite; we are unlikely to have gone through a formal process to establish this.

To complicate things further, some of the road-crossing risks have been treated. Examples may be street lighting to improve our and car drivers' view at night, speed restrictions on cars and pedestrian crossings and design features of cars to reduce the effect of the impact on the pedestrian.

Some of the risks are in the hands of the car driver and possibly out of our control. What is the probability that the driver will see us or may be drunk?

We can be informed by statistics, reports and our own knowledge, and be able to reasonably defend our judgement but it is our decision to cross the road when and where we do.

As a company director every time we cross the metaphoric road and make or not make a decision individually, we do so in the context of our own risk appetite.

## **Aligning risk appetite**

Although it is important to know and recognize our individual risk appetite this is not enough for a diligent director. Having recognized our own appetites we must then consider the appetite of the shareholders and other stakeholders. Sometimes a director will allow a company to take risks that he or she would not personally take and at other times the same director may require a company to forego risks, and hence rewards, that he or she would happily face in their private life. The only correct risk appetite is the one that suits the needs of the company.

There is a large difference between forcing a board to compromise by meeting your own personal risk appetite, and helping a board to carefully decide what constitutes an appropriate organizational risk appetite.

## **Reserve Bank of Fiji Corporate Governance Code for Capital Markets**

Although the Corporate Governance Code for Capital Markets was developed especially for the listed corporate sector, it is common sense good practice and should be widely adopted across other sectors, including the not-for-profit and government sectors.

### **Recognize and manage risk**

The Corporate Governance Code for Capital Markets identifies the following matters for consideration by boards of listed companies in regard to Principle 10.

#### **1. Establish a sound system of risk oversight and management and internal control.**

This implies that the board and directors should participate in and oversight the establishment of the system. Ultimately the board is accountable and should ensure that this process is rigorous.

#### **2. The risk management system should be designed to:**

- **Identify, assess, monitor and manage risk.**
- **Inform investors to material changes to the company's risk profile.**

The board should establish a risk profile and create triggers and reports that will help identify material changes to the profile and so that the board can act in response to the changes.

## **Best practices**

### **1. Risk profiling.**

**Each company shall determine the material business risks it faces. Risks may include but are not limited to: operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, human capital, product or service quality, financial reporting, legal and market-related risks.**

The board needs to identify the material risks and review these, adding to them or reducing their number as things change. The board must also monitor and regularly review the definition of materiality, the nature of controls and reporting arrangements and the extent to which those controls are appropriate and within the risk profile of the company.

### **2. Policies on risk oversight, management and internal control.**

**The company's risk management policy should clearly define the roles and responsibilities of the board, audit committee, or other appropriate board committee management and any internal audit function. Management should develop, implement and review the company's risk management and control system. The board should review the effectiveness of the implementation of the system at least annually.**

The board needs to ensure that reporting and control systems are appropriate and are likely to inform the board of issues and changes in circumstances that may require a redefinition of the material risks or changes in the company's strategy.

### **3. Risk management committee.**

**The company may form a separate risk management committee for risk oversight and risk management but the ultimate responsibility rests with the full board.**

While the work may be done by management, the accountability will rest with the board, and therefore directors need to be satisfied with the rigor of the reporting systems in place.



## Identifying, reporting and reviewing risk

Directors should assure themselves that information and reporting systems exist in the organization that are reasonably designed to provide to senior management and the board itself timely, accurate information sufficient to allow management and the board, each within its scope, to reach informed judgments, concerning both the corporation's compliance with law and its business performance.'

## Risk identification and preliminary assessment

### The 'three classes of risk' approach

One means of approaching risk identification, often attributed to Donald Rumsfeld, is to consider three classes of risk:

1. **The 'known-known' risks-** those risks that we know we know about, for instance those that are obvious and often easy to rate and rank. These form the majority of risks in an enterprise risk management system.
2. **The 'known-unknown' risks-** those risks that we know we know about, but it may not be obvious when they will manifest or occur. These risks are widely applied in enterprise risk management systems and include emerging risks.
3. **The 'unknown-unknown' risks-** those risks that we don't know about (yet). Such an event may have been the idea that terrorists would take over a plane and fly into the twin towers in New York.

## Business and organizational risks

There are seven 'traditional risks' that many business people expect to see explicitly addressed. These are market risk, financial risk, operational risk, project risk, regulatory risk, technology risk and disaster risk.

### 1. Market risk

The following questions provide an insight into market risks, and also provide the basis for considering risk appetite, reporting and controls in this area:

- When we take a product or service to market, will it sell?
- What happens when the market moves or changes, and what happens when product or service becomes commoditized or less distinguishable?
- How price sensitive is the market?
- What will happen to imported or exported goods if there is a change in overseas regulations or movement in foreign exchange rates?
- How will this be managed?

## **2. Financial risk**

In establishing financial risk, the following are questions to consider:

- How much money are we spending?
- How much money are we making?
- How do we know?

It follows that one major financial risk facing organizations is spending more money than they are making. Many directors find financial reporting daunting and feel that they lack the skills to properly analyse the risk that reports are incorrect or to identify the warning signs in correct reports. Accounting profit and cash flow may be very different. Directors are not expected to be accountants but they must read and understand the financial statements and make diligent inquiries about them before they disclose information outside the organization.

## **3. Operational risk**

Operational risks arise due to an organization's activities. The main treatment strategy for operational risk is strengthening business processes. The aim of this strategy is to put in place systems and procedures that ensure consistent, measurable and appropriate (in line with strategic and operational plans) outcomes.

The quality movement, ISO standards such as ISO 9000, the Good Manufacturing Programs (GMP) and many business books set out methods and systems to understand and manage these risks.

Each director must understand the key risks in the organization's operations. It is not enough for a committee or an expert on the board to have this understanding; it must be shared.

## **4. Project risk**

Many companies operate through discrete projects. The main imperative of projects or major initiatives is to achieve the result on time, within budget, according to specifications and/or due diligence. Project decisions or initiatives should be informed by the organization's risk appetite and the risk management framework that operates as a result of it.

It is not always enough to deliver these imperatives; they must be delivered with the organization intact.

Risk management becomes of major importance not the least because of the application of Murphy's Law - if something can go wrong, it will.

## **5. Regulatory risk**

Company directors have to comply with a complex, and sometimes conflicting, array of regulation. Directors need to be aware of the regulations that affect their business and aware of the risks of non-compliance.

Major regulatory risks include:

- Not understanding the regulation in which your organization operates.
- Ignoring the regulation in which your organization operates.
- Creating a culture that permits the regulation to be ignored.
- Not telling employees and stakeholders about the regulation, how to comply and why it is important to comply.
- Not finding out quickly that the conditions exist that might permit the regulation to be ignored or breached.
- Not finding out that the regulation is about to be broken or was broken.
- Ignoring the initial approach of the regulator by design or incompetence.
- Not investigating the cause of the problem so that it will not happen again.
- Not learning from the experience personally, and more broadly as an organization.

## **6. Technology risk**

Almost all organizations in Fiji have an increasing level of technology dependence. Consequently, technology poses a significant area of risk to many organizations, requiring a level of attention at board level. Some areas of technology risk include:

- Inadequate business continuity planning in the event of technology disruption, leading to increase costs, loss of revenue, loss of customers and reputational damage.
- Inadequate information management processes resulting in duplication of information systems, lack of integration of data and an inability to provide timely information for management and directors.
- Loss of data leading to a privacy breach, reputational damage to the company and potential regulatory and legal action.
- Inappropriate information system function position in the organizational and internal relationships with the broader company, leading to ineffective information system delivery, suboptimal utilization of resources and additional costs.

## **7. Disaster risk**

Fiji's location in the Pacific 'ring of fire' and tropical cyclone belt exposes it to a range of natural disasters. These include cyclones, floods, droughts, earthquakes, tsunamis and landslides. The damage and loss impact of these events for the country, its communities and organizations is very high. Fiji has a National Disaster Management Office which is the government's coordinating center for natural disasters. When a natural disaster occurs there is involvement by international, national and local organizations.

Consequently, disaster management needs to be part of any organization's risk management system. In particular, procedures in the event of a disaster need to be current and well documented, including emergency signage and contact numbers, and most importantly, staff need to be trained.

## **Directors' perceived risks**

There are many risks that directors have to consider in undertaking their role, and in considering if they should take on a particular role.

From research with 241 company directors in Australia, undertaken from 2004 until 2006, 10 the key risks as perceived by the directors were:

- Finance.
- Government.
- Resources.
- Reputation.
- Strategy.
- Leadership.
- Competitors.
- Mergers or acquisitions.

Of themselves, the risks in this list are unremarkable; however, in discussion about how risk will manifest the directors' perception differs from the way in which risks are often portrayed by management or specialist advisors. The ideas below will help to focus the board discussion on the issues of most concern to directors:

- **Finance** - financial risk is rarely considered in terms of fraud or of financial statement inaccuracy. These things are embarrassing and annoying, but they are rarely 'company killers'. The key risk perceived by directors is cash flow and the need to have sufficient money when it is needed.
- **Government** - government is seen as the second most likely factor to prevent a company from achieving its strategy. In discussion, this risk is characterized as a risk of change in the legislative and regulatory environment. Government action is, clearly, outside the control of most companies. However, that is no excuse for failing to develop systems for monitoring likely developments or for briefing politicians and their advisors on the implications of change.

- **Resources** - when discussing the risk of inadequate or misapplied resources most directors go straight to the human resources of the organization. The most common risk is a lack of appropriately skilled resources at an affordable price. Another resource risk, which is frequently mentioned, is loss of intellectual property with departing staff. This tends to be more of an issue for directors in organizations where the HR plan is only weakly linked to the strategic and business plans.
- **Reputation** - the risk of reputation damage is often presented to the board in terms of failure to manage the reputation rather than in terms of avoiding activities which are not acceptable to modern day society.
- **Strategy** - many directors voice concern that they may have simply endorsed the wrong strategy. In particular they fear that the organization may not have the skills required for implementation. Lack of decision-making skills at other levels in the organization is also cited as likely to exacerbate this risk, as are poor communication of the strategy and a lack of the leadership required to drive it.
- **Leadership** - many directors claiming a lack of confidence in the leadership ability of management raise lack of skill in change management, and lack of management support for the endorsed strategy. If management does not really support the strategy no board can expect it to be delivered.

The CEO may also be a key risk to the board and boards are often slow to address CEO failure.

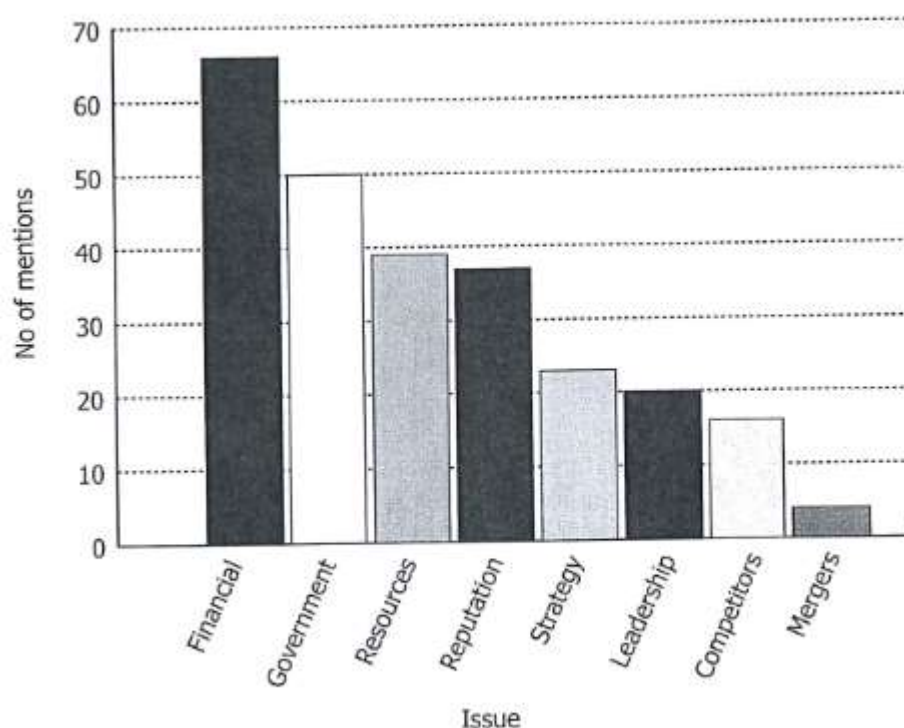
Another frequently raised leadership issue is board failure. This is frequently characterized as a failure to reach consensus, which leads boards to pursue small 'no regrets' actions, rather than make bold progress.

- **Competition** - when discussing competitor activity boards tend to mention issues and risks in a way which would normally be covered by a traditional risk management system. These include customers switching, lack of pipeline of development products, blockage of suppliers by a more powerful competitor, and unexpected competitor actions.
- **Mergers and acquisitions** - boards and management usually agree on how to report and manage these risks. Integration risk tends to be the key internal weakness, whilst adverse publicity for failure of an expected deal is the most common external weakness.

## How are companies managing the commonly identified risks?

Companies manage the risks of competition and of failed merger and acquisition activity quite well. A possible hypothesis would be that when board and management concur about what the biggest risks are, and share a common vocabulary for discussing these risks, the company is better able to effectively address and manage the risks. Unfortunately, as shown by the charted responses below, the risks board and management tend to agree upon are the two least common risks perceived by board members.

**Figure 1: Issues perceived by directors**



Garland McLellan, J, 2011 — *Presenting to Boards, Great Governance, USA*.

The risks that more commonly worry directors tend not to be raised. They also don't reside in the risk management system and are therefore not managed explicitly.

The simple observation is that companies cannot manage well risks for which no management plan has been developed, implemented or monitored.

It is important that directors are able to raise the issue of what may be an unpalatable source of failure, without becoming personally associated with the issue and risking personal opprobrium. It can be hard to raise contentious issues, especially when the board wishes to support management in implementing their strategic plan and do not wish to be seen as unduly critical. Bringing in an external facilitator, conducting an anonymous process or engaging the chair in a one-on one discussion are all legitimate ways to raise these issues.

It is important to create an environment where directors feel safe to voice their concerns even though these concerns are not palatable to management. Once risk concerns are discussed it is much easier to develop a suitable management response. Many companies, however, do not yet seem to have developed a robust mechanism for getting these issues openly discussed.

## **A simple way to identify risks**

Another way the director can identify risks is to ask a series of questions such as:

- What can happen?
- Who can cause it to happen?
- Who can stop it?
- Who can prevent it?
- Who or what can minimize the damage if it does occur?

This approach should provide a basic list of risks. The following list of questions expands on the above and provides further guidance in identifying risks:

- What can pose a serious threat to the organization in areas such as financial or other viability, quality of service delivery, the law and legal or reputational?
- What is likely to undermine the purpose of the organization or the organization's strategic plan and its implementation?
- What is likely to cause a serious threat to the organization's reputation or probity?
- What may interrupt the implementation of the strategic and operational plans?
- What may call into question the basic accountability and controls, and limit the ability of the organization to report?
- What would represent a significant deviation from the organization's constitution, or in the case of a government agency, its charter, legal or legislative authority or the public interest?"

## Appropriate risk-taking

All decisions made by directors carry an element of risk.

Risk managers often focus on the distinction between risk and uncertainty. This is an important point and critical to engineers and those who are able to work with effective probability analysis. For directors, this separation is not helpful, as much of their decision-making is based on skills and experience, and is informed by quantifiable data. The concepts of reasonableness and informed decision making are important for directors; they form the basis for legal judgements on the appropriate discharge of directors' duties. Directors need to consider risk in terms of the potential lost opportunity (the risk associated with foregoing an opportunity) and the risk to the organisation's strategy during its execution and day to day business operations.

People with the wisdom of hindsight may come to a different conclusion than that arrived at by directors operating with imperfect information and making judgements about future consequences of current actions. To make a claim to the 'reasonable person' defence directors must be able to demonstrate that they acted on the basis of information that was sufficient to allow any reasonable person with the same level of skill and duty to reach a similar judgement and hence undertake a similar course of action.

It is important for directors to have an accurate record of the information they relied upon to make each decision. This can normally be obtained from the board minutes and papers. Additional information, such as newspaper reports that directors could, or arguably should, have read around the time of their decisions is also likely to be considered when judging whether risk taking was reasonable or reckless.

Directors also need to demonstrate that the board has made appropriate time available to discuss risks and their management as well as discussing the risks associated with any particular decision. They should demonstrate a sound approach to risk identification and management.



## Organisation risk cycles

Every organisation operates in cycles. These cycles may be related to the industry or product life-cycle, or simply an annual or rolling business cycle.

Risk appetites and risk management approaches and systems vary over time and should be managed in a cycle. They can be influenced by factors including:

- The size of the organisation.
- Its financial health.
- Stage of maturation.
- Competition.
- The nature of the decision.
- The state of the economy (locally and internationally).
- The issues confronting the organisation.

There is no time when a risk management strategic planning and operations cycle review is not appropriate. Some cycles may be simple, and some may be highly sophisticated and influenced by wide ranging qualitative and quantitative analyses, active reports and detailed and challenging decision making dynamics.

In any case, the cyclical framework below is helpful in arriving at effective risk based decision making. As mentioned earlier, many organisations develop a plan and then analyse the risks and adjust the plan in an iterative process rather than first setting a risk appetite and then developing a plan to deliver it.

## The strategic risk cycle

**Figure 2:**



Regardless of whether the risk appetite or the strategic plan is developed first this model requires a systematic approach to risk management.

The establishment of risk appetite and the identification of risks facing the organisation and/or the board must fit the purpose, vision and values of the organisation. These risk decisions inform the development or revision of the strategic plan.

On this cycle, two-way traffic is permitted and encouraged. At any time in the process, the environment, dynamics or risk appetite of the parties may change. Similarly, the aspirations of the organization or its shareholders may change and require a corresponding change in strategic operational or implementation plans. The risk appetite should be readjusted to reflect what is possible or to change processes, structures and behaviours to address the problem; a flexible approach to the cycle is required.

The risk cycle is essentially a cycle ensuring appropriate decisions leading to sustainability, review and renewal. How often or how frequently the cycle is completed depends on the nature of the organisation and the issues it is confronting. Most organisations have a short term or annual cycle and a longer term strategic horizon of five years.

An important element of the cyclical approach is board monitoring of key risks and early warning indicators to enable this flexibility to occur.

Another important element is stakeholder inclusion and communication. This ensures all critical parties are included and informed and hence are more likely to operate within the risk culture.

Directors and the boards that follow this system are likely to be well placed to have effective risk management systems.

## **A risk culture**

Once the risk appetite for the organisation is established and aligned to the vision, purpose, and values of the organisation the directors need to establish a risk culture. They should ensure that their views are communicated across the organisation including critical stakeholders, contractors, suppliers and related parties.

It is important to remember that communication is a two-way process. Issuing statements, policies, and edicts is only a small part of communication. Modelling behaviours and values will help to reinforce the desired culture.

Directors also need to take actions to find out what the current culture is like. They need to interact with staff in the workplace to gain a 'feel' for the culture. These interactions are fraught with danger as directors must be careful not to upset the chain of command or to over-emphasise any single aspect of the culture or activities at the expense of others that management may be wishing to emphasise. Good communication with the CEO is essential when directors interact with staff.

Organisations that have a board audit and risk committee will often use the committee's interaction with management personnel as one element of assessing risk management culture.

Developing a risk culture is critical to effective risk management. For directors, a risk culture takes a number of forms and can include the following seven elements.

## **1. Leadership in creating and maintaining a reporting culture**

- The directors and board need to create a culture where people are prepared to report errors, near misses, unsafe conditions, inappropriate procedures and any other concerns they may have.
- The directors, board and CEO influence this by setting reporting and performance parameters and taking it seriously, i.e. directors ask for active reports against agreed parameters informed by their risk appetite. The board rewards the CEO for achievement across the organisation through their KPIs.
- To encourage people in the organisation to report. Directors should facilitate effective internal and external complaints handling and near miss reporting systems. Directors and the board should say what they want and ensure the CEO delivers it.
- Systems often fail because accountabilities and reporting are incorrect. For example, organisations still consider the number of complaints to be a definitive measure. In fact the nature of complaints, the manner in which they are managed against agreed standards, the extent and effectiveness of root cause analysis and what complainants think of the complaint experience after the event, are also useful indicators. Counting complaints alone is more likely to prevent staff from reporting them than to encourage staff to deal with the issue.
- In some countries, such as Australia, whistleblowing systems can help in establishing a reporting culture and in turn a risk culture. If staff feel encouraged and protected in using a whistleblowing system they are likely to engage in the risk culture sought by the board. Fiji does not have any formal whistleblowing legislation or mechanisms in place to protect the rights and freedoms of whistle-blowers from victimisation. There is some reference to the protection of sources in the 2007 anti-bribery legislation, but given the small size of Fijian society, many consider anonymity and protection of whistle-blowers would be difficult to achieve.

## **2. Leadership in creating and maintaining a just culture**

- The way in which directors and the board signal to staff and stakeholders that blame and reporting should be handled has a big impact on culture.
- If blame is the routine response to error, then reports will not be forthcoming. Directors should ensure that blame is reserved for defiant behaviour, whether knowing or reckless, and malicious behaviour. Blame should not be attached to reporting less palatable information the organisation needs to hear.

## **3. Leadership in creating and maintaining a learning culture**

- Modelling a risk culture where information is reported and processed in a conscientious way and changes are made accordingly.
- Directors and the board as a whole should take a lead on modelling appropriate behaviours. This includes acknowledging when the board is making a judgement in the absence of perfect knowledge (such as deciding to expend money on responses to climate change) or when the board is taking calculated risks.
- Directors set an example by their own behaviour and a learning organisation will have a learning board that takes time to develop new skills and gain new knowledge.

## **4. Leadership in creating and maintaining a flexible culture**

- Directors should aim to create a risk culture where the risk management system is informed and flexible. It should allow risk analysis and consequent decision making processes to vary, depending on the urgency, the size of the risk, and expertise of the people.
- This does not mean the risk appetite and metrics should vary across the organisation. It does mean that changes can be made to take account of changed circumstances

## **5. Leadership in creating and maintaining a risk aware culture**

- Directors and boards are mindful of risk but not afraid of risk.

Typically this requires an understanding of the risk appetite, and a willingness to take and not take risks at the appropriate time consistent with strategic and operational plans.

- Whatever is done at this level can set an example for the rest of the organisation either directly, or by 'following the leaders'.

## **6. Leadership in creating and maintaining an ethical culture**

- Directors and boards need to consider how the ethics and culture of the organisation impinges on its risk framework. Most leadership aspects can be undermined if there is an inadequate or inappropriate culture throughout.
- The organisation will take its lead from directors as to what is ethically acceptable, and the relationship between ethics and risk.

## **7. Communication**

- Directors, the board and CEO must take the lead in identifying, defining and communicating the risk culture. This is a legitimate aspect of the strategic framework of the board.
- Directors should ensure that there is an effective strategy to communicate the risk culture of the organisation to employees and stakeholders.
- In addition to policies and procedures, the best means of doing this is through the links between the vision, purpose and values of the organisation and its code of ethics I conduct.

- Accountability arrangements for all supervisors and managers should reflect a requirement to demonstrate commitment and compliance with the framework for the risk culture, risk management and the risk appetite.

## **Assessing and treating risks**

### **A step by step approach**

There are many tools and frameworks to assess, rate and rank risks. Information derived from assessments helps directors to rate, rank, and subsequently treat risks. After treatment some residual level of risk will usually remain. Directors should be confident that the organisation can effectively cope with the level of residual risk.

For the board, an appropriate risk management process should involve the following steps:

- Set the context by aligning the vision and purpose with the needs of the shareholders.
- Identify risks by using one or a combination of the methods.
- Analyse the risks by considering their likelihood and consequence (or impact).
- Evaluate the risks and determine how they will be managed and what level of residual risk is appropriate. Refer back to the pre-determined level of risk appetite.
- Treat the risks and ensure that the desired level of risk is retained.
- Determine how to apply and communicate the outcome of each step in the process.
- Determine the review, reporting and control framework for any implementation or activity resulting from the risk decision making of the board.

This process may seem complex but once the model is established it is simple and intuitive to apply.

After a catastrophic event it may well be necessary to be able to show that the director and board followed a rigorous and well-informed process in arriving at both critical and what may have appeared at the time, mundane decisions.

### **Qualitative and quantitative techniques**

There are many ways of assessing and managing risk. All require good data and careful analysis. Both qualitative and quantitative methods are widely used.

In some cases the result of the analyses may appear counter-intuitive. Directors need to be sure probability and other assessments are based sound data. Directors should understand the methodology used and make sure that it is explained to them if they have any difficulty understanding. A healthy scepticism is appropriate. Where the models and assessments are internally derived then any scepticism must be handled sensitively.



## **Likelihood and consequence**

One way of considering risk is to break it down into two critical parts likelihood and consequence. Systems to manage risks based on this type of analysis should be found in every well run organisation. They are the tools that a director would use to assess the risks the organisation faces, and form a view about how much risk to accept, and what to do about it.

### **Creating a likelihood / consequence matrix**

Likelihood / Consequence matrices are ineffective if they rely on random guesses made without the benefit of sound information, analysis and forethought in selecting the rating, ranking, and score of the risks.

Therefore, this technique requires the director to know their own and their colleagues' conceptual framework for likelihood and consequence.

Most people use a numerical scale to reflect likelihood and consequence. Others use a simple scale based on the board's view that the treatment is satisfactory, unsatisfactory or needs improvement.

Board decisions about both likelihood and consequence should be based on common language and metrics for determining likelihood and consequence across the organisation.

Organisations that do not have this common language and understanding have no way of appreciating the relativities of risk analysis undertaken by the board and managers in different parts of the business. Operational risk cannot be effectively assessed in the broader context of the organisation if it cannot be discussed using words that everybody understands.

Risk likelihood and consequence ratings underpin the organisation's risk policy and culture. They also allow widespread training on risk management, where the curriculum is based on the enterprise risk management system of the organisation, the policy, culture, risk appetite and relevant metrics.

Table 1 is a helpful example of a clear communication and analysis of risk likelihood. Directors should discuss how they wish to characterise each 'step change' in the level of likelihood. The likelihood table may vary depending on the nature of the decision. Many directors find it easier to use tangible examples in establishing their risk appetite.

**Table 1: Likelihood**

Rank	Rating	Description of likelihood
5	Almost certain	Expected frequency > once per year May happen several times a year with the defined consequence
4	Likely	Expected frequency of once per year May happen once in the next year with the defined consequence
3	Moderate	Expected frequency of once per 10 years Has occurred in the industry with the defined consequence
2	Unlikely	Expected frequency of once per 10 to 40 years Low chance that the situation with the defined consequence will occur
1	Rare	Expected frequency < once per 40 years Possible but very unlikely that the situation will occur with the defined consequence

For consequence it is appropriate that directors have discussions about the type of risks that are facing, and then attribute a score to how they wish to rate the consequence. Table 2 is a good example.

**Table 2: Risk consequence rating**

Rating	Score	Cost Loss of net income or increase in costs (\$)	Liability	People	Reputation
Catastrophic	5	=>10m	Third party Claims =>\$10m	Multiple Fatalities	Adverse National Media Coverage
Major	4	=>1m & <10m	Third party Claims =>\$1m & <\$10m	Single Fatality	Adverse Local Media Coverage
Moderate	3	=>100k & <1m	Third party Claims =>\$100K & <\$1m	Multiple Serious Injuries	Intra Industry Knowledge
Minor	2	=>10k & <100k	Third party Claims =>\$10k & <100k	Serious Injuries	Concerns Raised by Clients
Insignificant	1	<10k	Third party Claims < \$10k	Minor Injuries	Internal Knowledge Only

It is relatively easy to give a dollar value to tangible risk issues such as loss of net income. It is much more difficult to rate issues such as death and reputation.

The table should allow for the possibility of risk consequences even if the stated appetite is such that the risk is to be avoided at all costs. Directors are unlikely to accept a workplace

death under any circumstances. In Fiji a recent study identified annual injury related hospitalisation and death rates at 73.4 and 7.3 per 100,000 workers. On this basis the likelihood of a fatality is a matter that should be discussed even if the conclusion is that it will be rated as catastrophic or beyond. Similarly, it is inevitable that most high profile organisations will find themselves in the media in a way that is beyond their control from time to time.

In his book *Safety, Culture and Risk*, Andrew Hopkins discusses the issue of risk systems and their failure. He suggests the following questions might be asked:

**'Why did the individual or business unit fail or behave in the way they did? What were the error enforcing conditions? What were the organisational circumstances that contributed to the event?'**

These questions are also useful in formulating a risk appetite by considering some possible risks and how the director may respond to them. This technique is known as reversion to hindsight.

Once the relativities of the risk are established they can be recorded in a variety of ways. Table 3 represents an example of this. Note however, that this table does not allow for the rating of the risk for a second time after the initial assessment and the decision to accept certain residual risk. It is important that having rated and ranked the risk in its initial form and applied whatever controls and treatments are appropriate to achieve a target risk rating level within the board's risk appetite, the assessment is then done again on the residual risk to see if it has converged with the target level. This way the board can check and monitor the level of risk it chooses to retain, and set in place communication strategies and controls that relate to the retained residual risk.

**Table 3: Relativities of risk**

Risk Type	Risk Description	Existing Controls and owner	Adequacy of existing controls	Likelihood of Risk occurring	Consequence of risk occurring	Risk Exposure Number	Risk Rating / ranking	Treatment Required, owner and timeframe
			Numerical Value	Numerical Value	Numerical Value	= ( Likelihood x Consequence) + weighting	From Risk Rating Scale	Include who has responsibility, time frame for implementation, when is next review to be carried out. Give Ref. to any additional Risk Treatment Plans.
OH&S	Workplace Injury	Training	95%	5%	Unlikely	\$1,000 – \$10,000	2	HR

There are a number of approaches to deciding how to rate the risk and devise a treatment strategy. Risk management is never static and always depends on environmental factors that will change.

For large and complex initiatives and decisions, complex and sophisticated risk management strategies should be used. As the circumstances change so do each of the elements from appetite through to consequence and likelihood rating. Final and residual risk rating should be updated after this. The range of risks confronting a board can be plotted on a matrix. Use of this matrix after careful risk analysis and rating will flag many types of risks and their consequences in their various manifestations.

Sometimes it is the risks with high likelihood and low consequence that are the hardest to rate. As single risks they have little consequence, but as the frequency of occurrence increases the risk may require different action or treatment or control. A good example of this is customer complaints and pro-active sampling of customer experiences with the organisation.

**Figure 3** shows a rating table with consequences rating on the bottom axis and likelihood on the side.

**Figure 3: Risk rating table**

Likelihood					
almost certain					
likely				high	
possible			medium		
unlikely	low				
rare					
	insignificant	minor	moderate	major	catastrophic
	Consequence				

This is a simple but effective means of understanding and rating risks but it is only indicative. Without detail and a framework for attributing values linked to risk appetite, it can lead to misunderstanding and poorly formed decisions by directors and the organisation.

## **Risk control, mitigation or management**

The language to describe these concepts varies but as a general rule control, mitigation and management strategies include:

### **Avoidance**

Not proceed with task, project activity or decision that is likely to generate the risk.

### **Acceptance**

Accept the risk in the context of the risk appetite and establish appropriate management systems and finance plans to mitigate or control the risk within acceptable parameters. Agree on reporting metrics to ensure the risk(s) are understood and controls are realistic and effective.

### **Reduce occurrence (likelihood)**

Develop processes, or put in place controls, to reduce the likelihood of the risk occurring such as new or revised systems or processes, preventative maintenance, limiting tolerances and thresholds with appropriate active reports and early warning triggers, reviews and audits, testing and inspections. This is analogous to reducing the likelihood of a traffic accident by only allowing qualified persons to drive.

### **Reduce consequence**

This can be done by either managing (treating) or transferring the risk:

- Transfer all, or some part of the risk, to a second or third party through insurances, contractual arrangements or organizational structures.

- Develop new systems of work, processes and controls. This is analogous to reducing the consequence of a traffic accident by wearing seat-belts, driving a car with airbags, reducing speed, etc.

### **Retain**

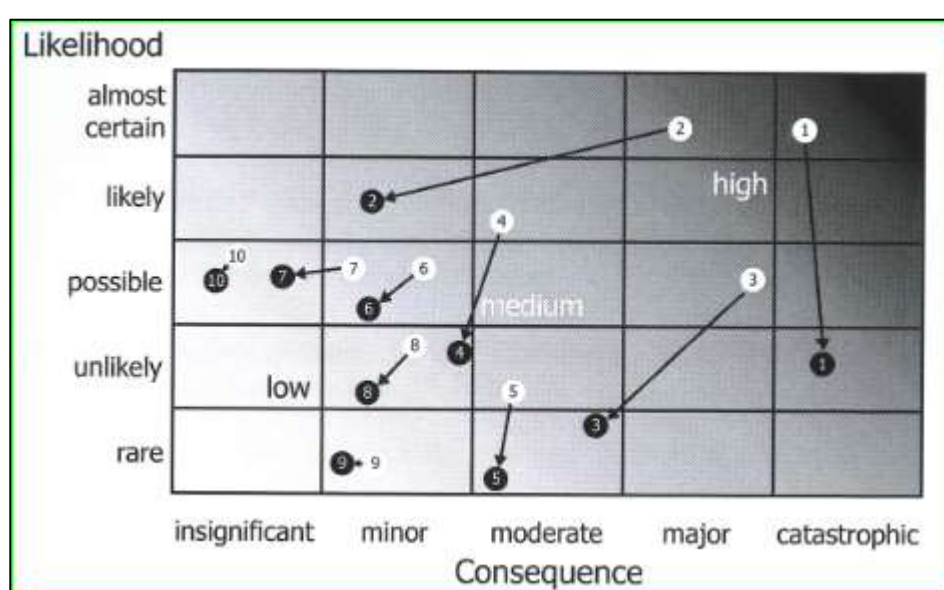
Accept the risk in the context of the risk appetite and management systems. Establish frameworks for moving forward whilst keeping the risk as low as reasonably practicable. Establish a capital and finance plan, management systems and active reporting.

## Residual risk and internal control considerations

Once the various risk treatments have been implemented the organization will be left with a range of residual risks. The movement from the inherent risk (the untreated risks) to the residual risks relates to the treatment and internal controls that have been put in place.

The following diagram represents how the inherent risks and residual risk might be represented.

**Figure 4: Inherent to residual risk movement**



Where there are significant movements in risk (e.g. risks 1, 2 and 3 in the above figure), directors would focus to ensure that the appropriate controls are in place, effective and operational. If they are not, the organization may be operating at the inherent (higher level of) risk.

Directors may seek assurance from internal audit and control self-assessment as to the effectiveness of the controls supporting the significant movement of risk.

## **Roles and functions of directors**

The roles and functions of directors in risk management will depend on a number of factors. Directors should consider the size of organizations, the performance and environment, life cycle, and competence of management and staff before establishing roles and functions for themselves, the board as a whole and the management to whom they delegate much of the day to day activity.

A board is expected to take an active role by setting risk appetite and developing and enforcing appropriate risk policies. A risk policy need not be a long or complex statement. There is some evidence to suggest that a brief policy, well supported by frequent accurate and active reporting, is easier to communicate.

Directors should play an active role in establishing the risk appetite for the company, establishing and regularly revisiting the risk appetite of the board itself and ensuring that directors receive active reports that inform them on key issues and risk appetite influencers. Such active reports set out warning triggers and report against the parameters and tolerances set out in the risk appetite enunciated by the directors.

Obviously, directors will rely heavily on management for assisting them in all aspects of their role in risk management.

Once the basic policy and framework of risk management is identified, the board may delegate to the CEO and management the task of developing, implementing and reporting on the risk management system. Management must be accountable through reports, and an inclusive process, to ensure that the board and directors are informed and involved, where required, within the framework of various delegations.

Risk management committees are also part of this process and within the framework of their delegations can work closely with management consistent with the committee's charter.

The management of enterprise risk lies with the CEO and in turn management. Larger organizations may have a nominated chief risk officer (CRO) who has responsibility for implementing and monitoring the risk framework for the organization. However, it is important that risk management remain an activity of all management

Directors must resist the temptation to take roles beyond their positions. (Note: in small organizations or at times of business critical decision making, the role of the board in risk management can be quite interventionist).

In most cases, the level of director and board involvement will turn on agreed principles, delegations and criticality. Where possible, these can be defined in advance but active organizations rarely manage to stay within such boundaries so a degree of flexibility and trust is required.

This is an important issue for directors. It is appropriate that they ensure that all of these arrangements fall within the frame of their personal risk appetite. All directors will have different risk appetites and this will sometimes be a challenge for chairs and CEOs.

## **Personal risks for directors**

Directors need to be aware of the risks that they face as well as the risks faced by the organization. Some of the risks facing directors include:

### **1. Inability or lack of skills to meet the challenges of the organization's governance**

Director's should consider what skills are necessary to be a director and specifically of their suitability to be a director of each specific organization at this particular time. They should also consider the skills of the board as a whole and take steps to optimize these.

### **2. Reputation (i.e. the risk to your reputation by joining (or not joining) a board, or in making a decision or strategic direction of the board)**

Directors will be judged to share the values and culture of their board colleagues and to espouse the values suggested by any decision the board makes during their tenure. If a director believes his or her reputation may be harmed by joining or remaining on a board, or by association with a decision of the board, he or she should discuss this with the chair and, if the matter cannot be resolved, either resign or refuse to join. Similarly directors should be careful lest the reputation of an incoming board member adversely affect their own reputation.

### **3. Defamation, either by you or others**

Defamation is a constant risk for directors involved in open and frank discussion. Sometimes an idle remark can be taken as imputation against the reputation of an individual or organization. Board meeting discussions are generally confidential but there is no absolute guarantee of this. A director's duty to inform the board of an issue affecting the organization does not constitute protection if, in fulfilling that duty, the director defames someone. Directors should note the extent to which directors and officers insurance may protect them and the circumstances where such insurance may not cover them.

### **4. Secrets and surprises from the board or organization that may emerge regardless of pre-appointment due diligence**

Directors should undertake wide ranging formal and informal due diligence before joining a board. They should remain vigilant through questioning, demanding active reports and reading them, obtaining market information and intelligence, and 'corporate tyre kicking'.



## **5. Secrets and surprises due to inadequate risk reporting and /or management**

Directors must ensure that reports presented to them are comprehensible, clear and aligned to the risk appetite, risk framework and established warning trigger and indicator frameworks. They should also verify key information.

## **6. Organizational or personal viability e.g. obsolescence**

These things change over time and directors should be- on the lookout for organizational obsolescence at all material levels including the skills of the board, just as well as the organization's products and services.

## **7. Board dysfunctionality, governance arrangements, committee charters, delegations and accountabilities**

Directors should ensure that the board is operating efficiently and

Effectively including communication and decision making processes. This does not suggest total collegiality. Lack of open discussion and forthright exchange of views is a major risk.

Directors should recognize the benefits in clear delegation of authority and effective reporting requirements. At all times, directors need to recognize that it is not possible to delegate all their duties, responsibilities and accountabilities. Being a member of a board committee with responsibilities for risk does bring with it greater insight but may involve additional risks and issues for directors.

## **8. Financial viability (e.g. cash flow, financial resources, borrowing capability, current solvency)**

Directors cannot rely on the particular expertise of other directors and need to form their own opinion of these matters. The need for independent opinion increases where the director sits on the audit and finance committee, but it remains significant at all times.

## **9. Inappropriate or wrong asset valuations**

Directors need to understand the financial strength of the organization including its assets. Directors must form a view of the value of the assets. They may rely on external advice but must appropriately check and understand this. This is an ongoing risk but one which manifests at times of critical strategic decision making and policy formulation. Comprehensible expert advice supported by systems to preserve value over time and during times of crisis, are important for risk management.

#### **10. Outstanding or emerging legal or regulatory issues, tax liability, claims likely to threaten the viability of the organization, strategic plans or your reputation**

Directors need to conduct due diligence prior to joining boards in this area. Often such information is difficult to obtain at early stages of such events.

Directors must have systems in place to inform themselves of these issues. Active reports including effective complaints and compliance systems and an effective risk culture are important.

#### **11. Your ability to contribute to the board**

Directors should know when they can no longer contribute and ensure that systems are in place to address this issue for other directors.

Directors should look carefully at the skill mix on the board and ensure they have access to appropriate additional skills if and when they are needed.

#### **12. Conflicts of interest**

Directors should look carefully at the culture of disclosure of conflicts in the board and the organization. Failure to have strong systems and culture around conflicts of interest is a major risk for directors. This is not just a reputational risk but can call into question the integrity, reputation and viability of the organization.

#### **13. Consequences of taking a role, or remaining on a board, for future opportunities as a director or in other roles**

Directors can make unfortunate choices in joining, not joining, or remaining on a board. While a position may look attractive now, a strategic approach is required for board roles, just as it is in any other situation.

#### **14. The competence or otherwise of risk management systems in the organizational a tool for guiding directors' personal decision making**

Directors may consider a checklist like the one in figure 5 to guide their understanding of enterprise risk management.

#### **15. The effectiveness, or otherwise, of the organizations work health and safety processes**

Directors may have personal liabilities in relation to failures of WHS processes.

**Figure 5: Enterprise-wide risk management(ERM) checklist**

<b>Stages</b>	<b>Current Status</b>	<b>Goal and timing</b>	<b>Action required</b>
Risk appetite settings established: risk culture socialised across business; identification of risks; environmental assessment			
Risk analysis: classification, ranking against consequence, frequency tools, magnitude, frequency, probability			
Risk assessment- application of rating and ranking criteria, financing, estimation of costs of solutions			
Risk treatment, mitigation control, implementation, communication, review of residual risk			
Review of residual risk repeat steps to final controls, confirm reporting parameters			
Risk monitoring and review			

## **Insurance**

Directors should ask at least 3 questions about insurance.

- Do we have any?
- What does it cover and what does it not cover? When may it pay and not pay, and in what manner?
- Can I see the policy?

It is important to ensure:

- The adequacy of professional indemnity or directors and officers insurance at board level.
- The policy is reviewed annually.
- More generally having an insurance framework in the organization consistent with the board's risk appetite, for example not moving to self-insurance in workers compensation without a robust system.

## Identifying and addressing dysfunctionality

Here are 10 steps to avoid dysfunctionality in risk appetite and risk management for directors and the organizations they govern.

1. Have an effective and well defined risk appetite and communicate it across the organization. Testing should be undertaken to see if it is understood. Risk appetite should be linked to the organization's code of conduct / ethics and be a feature of induction training for all staff at all levels, including directors.
2. Have an effective risk management plan and agreed systems for identifying, rating, ranking, treating, controlling and reporting risks. This will ensure consistency at all stages and ensure that it is known, applied and varied consistently and in accordance with the board's strategic risk framework and process.
3. Establish a common language for risk management in the organization, including common or at least consistent and understood metrics and reporting frameworks. This will permit confidence in an active and clear reporting framework. For directors this provides the key to informed decision making, strategic planning and application of the risk management cycle.
4. Ensure staff have training on risk management, and at a practical level, how to undertake a risk assessment in accordance with the organization's metrics, identification and reporting framework. If necessary, forms, computer aids and other assistance will be required. There is no point in suggesting staff undertake a risk assessment if they have no training, no tools and don't know what to do when they have undertaken the risk assessment.
5. Ensure that staff who participate and report are rewarded, and that those who do not are counselled. This involves specific disciplinary arrangements, as well as strategic reporting and accountability requirements for key managers. Active reporting by managers includes breaches and near misses, activities falling outside the risk appetite or risk plan, exceptions, and of course, the achievement and operation of the plan. All industries have high risk elements.
6. Ensure that senior staff and the CEO take the lead in risk management by demonstrating commitment and actively living up to the risk management approach. Directors can support this through their actions and the discharge of their duties. Amongst the important roles for directors is active participation and setting out their expectations and standards for reports and culture. Directors need to monitor the communication strategy and any change management strategy.

7. Ensure that the enterprise risk management plan is comprehensive, operational, inclusive and effective to ensure coverage of all aspects of the organization, and also as appropriate, is inclusive of stakeholders.
8. Ensure that the organization knows risk management is not about eliminating risk, but rather about managing risks taken, in an informed and open environment.
9. Ensure that the system is robust enough not only to deliver timely warnings on the 'known known' and 'known unknown' risks but also those 'unknown unknown' risks. The latter risk can be managed through the application of sound business continuity plans, disaster recovery plans and crisis management plans. It also requires the establishment by the board of clear triggers.
10. Ensure that the internal audit function sees risk management systems 'not working' as a major risk, such that the system and its elements are reviewed. Ensure that the system is validated by internal and external review.

As with all of the lists in this course there are different ways of arriving at the same or similar conclusions.

## **Data collection, metrics, reports, early warning and key response triggers**

From time to time, directors find themselves in situations outside their experience. At these times it is difficult to know what data and information is necessary to inform the decision making process.

Finding metrics and performance measures to populate active reports for directors is often challenging.

Directors, guided by management and trusted advisers as required must give some substance to strategies for monitoring identified risks through the identification of warning or action triggers. Using this information, directors can formulate requirements for active reporting to inform them when the triggers have been passed, why this has occurred and to guide action that must or may be taken.

In most organizations there are a variety of metrics and performance measures available to inform directors in establishing the triggers.

For example:

- Data from repetitive processes such as manufacturing errors or lost time injuries.
- Data such as patterns from incident or near miss logs, complaints and customer satisfaction ratings.
- The cost of carrying out processes, sources of system and operations failures and possible issues such as the outcomes of exit interviews or breaches reports.

There are still many situations where data cannot be collected. Experts and forecasters can be of assistance when dealing with the 'unknown unknown' or 'known unknown' risks.

## Conclusion

Risk management is a process like any other in the work of a director.

It is important to strike a balance between the risks to the organization and your personal risks. Obviously they cross over but there are critical differences.

The techniques for understanding risk appetite are the same in both cases but the inputs and values derived will often be different.


Important steps in managing both types of risk include:

- Undertaking due diligence before joining the board and keep a watchful eye on those due diligence issues during your tenure.
- Taking an active role in developing and renewing the risk appetite.
- Taking an active role in developing and sustaining the risk culture of the organization.
- Forming a view on what type of active reports are required and what are the personal and board trigger points for action.
- Ensuring you ask questions in a timely manner with an appropriate balance of assertiveness and facilitation.

Being a director brings with it many obligations, and underlying them all is effective risk management.

## **APPENDIX: FBCL Risk Register**



<div><div></div><div><div>IMPACT</div><table><tr><td>Extreme</td><td>20</td><td>25</td><td>30</td></tr><tr><td>High</td><td>15</td><td>20</td><td>25</td></tr><tr><td>Medium</td><td>10</td><td>15</td><td>20</td></tr><tr><td>Low</td><td>5</td><td>10</td><td>15</td></tr></table><div>UnlikelyPossibleLikely</div></div><div>LIKELIHOOD / PROBABILITY</div></div> <div>RISK REGISTER : 2019</div>												Extreme	20	25	30	High	15	20	25	Medium	10	15	20	Low	5	10	15
Extreme	20	25	30																								
High	15	20	25																								
Medium	10	15	20																								
Low	5	10	15																								
Risk Ref No.	Risk area	Ownership	Risk Description	Cause or risk trigger	Probability ("likely, possible, unlikely")	Impact ("extreme, high, medium, low")	Score	Mitigation (Action taken/available to mitigate risk)	Responsibility	Assurance mechanisms	Date last reviewed																
KEY RISK AREAS																											
R0001	All FBC Sites	CEO/CFO	Business interruption (Due to catastrophic events or system failures - hardware, software, telecommunications)	Possible causes: • Structure fires • Water damage • Loss of electricity or • Data breaches, network liability, hacker attacks or cyber BI. In that:	Possible	High	20	• Installing sprinkler systems to minimize fire damage; • Maintaining machinery to prevent unexpected downtime; • Install Generator back-ups; • Oversee security cameras and alarms to detect breaches and • Conduct regular competitor analysis	CFO/DTO	Maintain register for all potential risks	Jun-18																
R0002	All FBC Sites	CEO/CFO	Market developments (Volatility, Intensified competition/ new entrants, Mergers and acquisitions, market stagnation)	Businesses have strong competitors in the market and the manufacturers produce is cut throat	Possible	Medium	15	• Base decisions on robust research and figures • Set clear goals and key performance indicators (KPIs) • Identify potential risks in advance	CFO/DSM	Maintain register for all potential risks	Jun-18																
R0003	All FBC Sites	CEO/DTO	Cyber Incidents (Cyber crime, IT failure, data breaches etc.)	Data breaches, network liability, hacker attacks or cyber BI. In that: • Employees or customers	Likely	High	25	• Ensuring back-up power sources are in place • Putting staff and processes in place to ensure technology is kept up to date and in good working order • Install fire and smoke detectors and maintain software	DTO	Maintain register for all potential risks	Jun-18																
R0004	All FBC Sites	CEO/DHR	Natural catastrophes (e.g. cyclone, flood, earthquake)	Nature is an independent phenomenon and human beings have no control over	Likely	High	25	• Set and manage preventive plans or Business Continuity Plan, which defines counter measures such as contingency plans and at the same time subscribed to various insurances; however, these plans and insurances does not guarantee to cover all the	DTO	Maintain register for all potential risks	Jun-18																
R0005	All FBC Sites	CEO/CFO	Changes in legislation and regulation (government change, economic sanctions, protectionism, etc)	• Lack of privileges and immunities for the businesses and its staff; • Workplace Accidents	Likely	Medium	20	• Ensure staff have specific roles in place to manage and enforce your business compliance • Stay on top of new legislation and plan in advance how you	CFO/DHR	Maintain register for all potential risks	Jun-18																
R0006	All FBC Sites	CEO/DTO	Fire, explosion	• Lack of privileges and immunities for the businesses and its staff; • Workplace Accidents	Possible	High	20	• Install safety features such as fire and smoke alarms, sprinkler systems and fire escapes • Ensure that you and your staff know where all the exits to the building are	DTO	Maintain register for all potential risks	Jun-18																
R0007	All FBC Sites	CEO/CFO	Political risks and violence	Government policies are unavoidable for business. If a sudden change comes in	Unlikely	Medium	10	• Identify risks ask "How can political actors or conditions impact our business?" • Diversify sources of materials, suppliers, site locations, products	CEO/CFO	Maintain register for all potential risks	Jun-18																
R0008	All FBC Sites	CEO/DSM	Loss of reputation or brand value	• Reputation-reality gap: When the reputation of a company is more positive than the actual reality	Unlikely	Medium	10	• Reputational risk occurs when performance doesn't match expectations. • Track evolving stakeholder expectations to manage the risk • Carry out appropriate research and development.	DSM	Maintain register for all potential risks	Jun-18																
R0009	All FBC Sites	CEO/DTO	New technologies	Business is characterized by rapid technological changes and rapid evolution of technological	Unlikely	Low	5	• The businesses, performance, and financial condition may all be adversely affected by product obsolescence and the appearance of competitive products	DTO	Maintain register for all potential risks	Jun-18																
R0010	All FBC Sites	CEO/DHR	Theft, fraud, corruption	Business loss may also occur due to theft, forgery, lavish expenditure and top	Likely	Medium	20	• Robust recruitment process and background checking • Clear succession planning • Rigorous staff training • Performance Management	DHR	Maintain register for all potential risks	Jun-18																
R0011	All FBC Sites	CEO/CFO	Human error	Mistakes made by employees in the course of their work.	Possible	Medium	15	• Robust recruitment process and background checking • Clear succession planning • Rigorous staff training • Performance Management	DHR	Maintain register for all potential risks	Jun-18																
R0012	All FBC Sites	CEO/DHR	Talent shortage	The businesses works hard to secure superior human resources for management, technology development	Unlikely	Low	5	• Since such superbly talented people are of limited number, there is fierce competition in the acquisition of human resources; • This will require incentive or bonus programs	DHR	Maintain register for all potential risks	Jun-18																
R0013	All FBC Sites	CEO/DTO	Failure of Utilities (e.g. water and electricity)	• CFL Power outage • Water disruption • Utility cut-off due to non-payment of bills	Possible	High	20	• Back up generators and/or off grid solutions • Water storage on site or own bore hole • Move location for more reliable supply e.g. rural locations • Have more than one back-up	CFO/DTO	Maintain register for all potential risks	Jun-18																
R0014	All FBC Sites	CEO/DTO	Machinery breakdown	Machinery breakdown may be caused by mechanical failure, electrical short circuiting, or a motor	Possible	High	20	• Follow recommended servicing and maintenance schedules • Keep stock of parts • Have contract with emergency/24/7 repair services • Train employees on safety, maintenance and basic repair	DTO	Maintain register for all potential risks	Jun-18																

RISK REGISTER : 2019

IMPACT	Extreme	20	25	30
	High	15	20	25
	Medium	10	15	20
	Low	5	10	15
		Unlikely	Possible	Likely
LIKELIHOOD / PROBABILITY				

Risk Ref No.	Risk area	Ownership	Risk Description	Cause or risk trigger	Probability ("likely, possible, unlikely")	Impact ("extreme, high, medium, low")	Score	Mitigation (Action taken/available to mitigate risk)	Responsibility	Assurance mechanisms	Date last reviewed
<b>OPERATIONAL RISKS</b>											
OP001	IT Department	DTO	Hard drive meltdowns	Power surge	Possible	High	20	<ul style="list-style-type: none"> <li>Get back-ups done</li> <li>Check and test back-up</li> <li>Store back-up at a remote site</li> </ul>	IT Officer	Report to be prepared by the IT officer at end of month	Jun-18
OP002	All FBC sites	DTO	Power failures	EFL Power outage	Possible	High	20	<ul style="list-style-type: none"> <li>Back-up generator</li> <li>Schedule test every week</li> </ul>	Transmission officer	Report to be prepared by the transmission team of all downtime hours	Jun-18
OP003	All FBC sites	DTO	Building fire	Workplace Accidents	Possible	High	20	<ul style="list-style-type: none"> <li>Schedule test of Fire Alarms</li> <li>Ensure an effective Evacuation Plan</li> <li>Attend to all building hazards</li> </ul>	Building officer	Report to be prepared by the Building officer	Jun-18
OP004	All FBC sites	DHR	Occupational, health & safety risks	<ul style="list-style-type: none"> <li>staff injury</li> <li>product or service liability</li> <li>ability to operate</li> </ul>	Possible	Low	10	<ul style="list-style-type: none"> <li>comply with law and regulation</li> <li>train staff and compliance officer</li> <li>put in place monitoring and reporting procedures</li> </ul>	OHS/ HR officer	OHS officer to organise workshops & trainings	Jun-18
<b>HUMAN RESOURCE RISKS</b>											
HR001	Human Resources Department	DHR	Loss of key staff	Brain drain	Possible	Low	10	<ul style="list-style-type: none"> <li>Effective Staff Evaluation</li> <li>KPI assessment</li> <li>Implement training programmes</li> <li>Succession planning</li> </ul>	Human Resource Officer	HR officer to document systems, organise workshops, & review recruitment processes	Jun-18
<b>FINANCIAL RISKS</b>											
FN001	Finance Department	CFO	<b>Liquidity Risks:</b> potential that an entity will be unable to acquire the cash required to meet short or intermediate term obligations	Uncontrolled and/or unexpected cash outlays	Likely	Medium	20	<ul style="list-style-type: none"> <li>Maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows</li> </ul>	Finance Officer	Daily cash flow maintained by the Finance officers	Jun-18
FN002	Finance Department	CFO	<b>Credit Risks:</b> risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company	Borrower fails to pay debts	Likely	Medium	20	<ul style="list-style-type: none"> <li>Stringent credit policies</li> <li>Limit credit</li> </ul>	Finance Officer	Regular follow-up's on all outstanding credits by the credit controller	Jun-18
FN003	Finance Department	CFO	<b>Market Risks:</b> risk posed to a financial institution's condition resulting from adverse movements in market rates or	Adverse market conditions	Likely	Medium	20	<ul style="list-style-type: none"> <li>Monitor market trends</li> <li>Mitigate by hedging interest rates and foreign exchange</li> </ul>	Finance Officer	Interest rates negotiated by the management on a more frequent intervals for instance, every six months	Jun-18
<b>LEGISLATIVE &amp; REGULATORY RISKS</b>											
LR001	FBC Headoffice	CEO/CFO	<b>Regulatory Risks:</b> is the risk that a change in laws and regulations will materially impact security, business sector or market. <ul style="list-style-type: none"> <li>Media Industry Development Act 2011 (Fiji Media Act)</li> <li>Companies Act 2015</li> <li>Public Enterprise Bill 2019</li> </ul>	<ul style="list-style-type: none"> <li>Lack of privileges and immunities for the businesses and its staff;</li> <li>Improper monitoring of legislative/regulatory changes applicable to the business, including due to poor communication with</li> </ul>	Possible	Low	10	<ul style="list-style-type: none"> <li>Ensure staff have specific roles in place to manage and enforce your business compliance;</li> <li>Stay on top of new legislation and plan in advance how you will comply and what the impact on your business will be;</li> <li>Staff training and creating a culture of compliance within your business;</li> <li>Ensure you have the appropriate analytics and processes in place to monitor your compliance;</li> </ul>	Compliance/ HR /Finance Officer	<ul style="list-style-type: none"> <li>Ensure staff have specific roles in place to manage and enforce your business compliance</li> <li>Stay on top of new legislation and plan in advance how you will comply and what the impact on your business will be</li> <li>Staff training and creating a</li> </ul>	Jun-18

7<sup>th</sup> May 2020

The Honourable Minister & Chairperson  
Public Accounts Standing Committee  
Parliament of Fiji  
**SUVA**



**Post Fiji Pte Limited**  
Head Office: 10 Thompson St, Suva.  
Postal Address: G.P.O. Box 40, Suva, Fiji  
Telephone: 3302 022 Fax: 3306 088  
[www.postfiji.com.fj](http://www.postfiji.com.fj)

Dear Honourable Minister & Chairperson Mr. Alvick Maharaj,

**Re: Clarification of Issues – 2018 Audit Report on Government Commercial Companies, Commercial Statutory Authorities and Other Entities (PP No. 154 of 2019)**

Greeting from Post Fiji Pte Limited (PFL).

This is further to our letter dated 25<sup>th</sup> March 2020 with reference to your letter dated 20<sup>th</sup> March 2020 on above mentioned subject. We agree through the contents and understand the importance of Sustainable Development Goals (SDGS) and Fiji's 5 years and 20 years National Development Plan is critical tool to progress. We appreciate your genuine efforts and sincerity to pursue these national importance strategic goals.

Prior to COVID-19 Post Fiji were hand in hand with SDGs and Fijis 5 years and 20 years National Development Plan under the reforms and re-structure plan to serve the country and progress Fiji growth through Automation. With the COVID-19 pandemic, Post Fiji's priority and strategic plan has changed to making our business sustainable, stable and safety and security of Post Fiji staffs and management team.

Hence we wish to inform the Public Accounts Committee with our honest feedback, that we have not given any due consideration to the Sustainable Development Goals (SDGS) at this stage. However, our goals and plans will get align with SDGS and 5 and 20 years National development plan once the COVID-19 situation stabilizes. Once situation is normal, we will have workshop and formal session with staff of post Fiji to get acquainted with SDG, Fiji 5 years and 20 years National Development plan.

Bearing in mind, that we are a Government enterprise and an essential service, currently, we are trying to cater for the needs of community. Currently, we are working on skeleton staff in each departments. Post Fiji being an essential service and our objective is to deliver our services during crisis, our staff were engaged in delivering day to day and extra ordinary services to maritime area. As our strategic direction changed because of COVID 19, our staff are more focussed on new strategy to deal with this COVID 19 situation. We kindly request your guidance to advise us if we are in right shape or you still want us to consider your request during this COVID-19 situation.

Please feel free to contact me on 9999648 or email [ceo@postfiji.com.fj](mailto:ceo@postfiji.com.fj) should you wish to discuss anything further.

Humbly yours,

  
**Dr. Anirudha Bansod**  
Chief Executive Officer

*We Deliver More .....*

1<sup>st</sup> April, 2020

Hon. Alvick Maharaj  
Chairperson, Public Accounts Standing Committee  
Parliament of Fiji  
Government Buildings  
**Suva**

Dear Chairperson,

**Re: Clarification of Issues – 2018 Audit Report on Government  
Commercial Statutory Authority – Energy Fiji Limited**

Greetings from Energy Fiji Limited.

Reference is made to your letter dated 20<sup>th</sup> March, 2020 regarding the above.

Kindly find attached EFL's responses and or clarifications to the questions raised by the Parliament Standing Committee on Public Accounts.

Please do not hesitate to contact us for any further information that is required.

Thank you.

Yours faithfully



Hasmukh Patel  
**Chief Executive Officer**



# PUBLIC ACCOUNTS COMMITTEE

## QUESTIONS

### 2018 Audit Report on Government Commercial Companies, Commercial Statutory Authorities and Other Entities

#### SECTION 6.8: ENERGY FIJI LIMITED

#### OTHER SIGNIFICANT MATTERS

##### Internal Use of Electricity

1. Why is the Company unable to record accurate cost of internal electricity usage as part of its electricity expense?

In the past, the internal electricity usage was recorded as electricity cost and the contra entry went to sales. This accounting methodology for treating internal usage of electricity was accepted by the past auditors.

In view of a different accounting treatment recommended by the Auditors in 2018, EFL has started recording the cost of internal electricity usage accurately from 2019 as part of cost of goods sold for the production of electricity based on the monthly weighted average cost of generation (hydro plus thermal). We have commenced the accounting treatment using this methodology from 2019, which is considered the correct way to account for internal electricity usage. Both the methodologies will not have an impact on the profitability of EFL, as revenue and expenses offset (old methodology) and cost of fuel is reallocated (new methodology). The calculation for the 2019 internal electricity usage is tabulated below based on the average cost of hydro and diesel:

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	
Generation	kWh 93,106,000	88,189,952	91,962,359	90,135,880	84,878,970	78,925,002	80,401,040	80,179,595	73,872,571	83,501,210	81,050,982	86,230,000	
Internal Usage	kWh 123,426	114,843	114,575	114,458	101,763	96,734	94,511	96,052	90,675	92,158	123,675	103,013	
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	
Fuel Cost	8,809,949.01	9,009,478.59	10,513,542.22	11,404,153.16	9,886,257.66	12,707,000.69	13,214,888.08	12,982,129.83	11,201,965.17	12,163,801.85	9,964,393.21	12,644,404.37	
	0.09	0.10	0.11	0.13	0.12	0.16	0.16	0.16	0.15	0.15	0.12	0.15	
Pernix	788,120.79	915,125.56	893,053.70	926,617.22	847,758.58	1,144,422.63	1,545,254.11	1,204,136.20	1,151,009.48	1,189,216.21	1,180,428.45	1,212,294.76	
	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.01	0.01	0.01	
Generation O&M	766,022.38	2,489,247.80	784,164.44	1,330,520.72	231,123.53	1,383,382.53	1,046,140.43	251,917.06	769,049.70	778,077.93	941,124.04	1,339,274.06	
	0.01	0.03	0.01	0.01	0.00	0.02	0.01	0.00	0.01	0.01	0.01	0.02	
<b>Total</b>	<b>10,364,092.18</b>	<b>12,413,851.95</b>	<b>12,190,760.36</b>	<b>13,661,291.10</b>	<b>10,965,139.77</b>	<b>15,234,805.85</b>	<b>15,806,282.62</b>	<b>14,438,183.09</b>	<b>13,122,024.35</b>	<b>14,131,095.99</b>	<b>12,085,945.70</b>	<b>15,195,973.19</b>	
	0.11	0.14	0.13	0.15	0.13	0.19	0.20	0.18	0.18	0.17	0.15	0.18	
Internal Electricity Usage	13,739.17	16,165.55	15,188.40	17,347.62	13,146.27	18,672.42	18,580.25	17,296.46	16,106.73	15,596.17	18,441.84	18,153.58	Total
<b>Break Down By Cost</b>													
Fuel Cost	11,678.92	11,732.31	13,098.76	14,481.42	11,852.78	15,574.23	15,534.07	15,552.15	13,749.94	13,424.91	15,204.58	15,105.39	166,989.48
Pernix	1,044.77	1,191.69	1,112.65	1,176.65	1,016.39	1,402.65	1,816.44	1,442.51	1,412.82	1,312.51	1,801.21	1,448.24	16,178.55
Generation O&M	1,015.48	3,241.55	976.99	1,689.55	277.10	1,695.53	1,229.74	301.79	943.98	858.75	1,436.05	1,599.94	15,266.42
<b>Total</b>	<b>13,739.17</b>	<b>16,165.55</b>	<b>15,188.40</b>	<b>17,347.62</b>	<b>13,146.27</b>	<b>18,672.42</b>	<b>18,580.25</b>	<b>17,296.46</b>	<b>16,106.73</b>	<b>15,596.17</b>	<b>18,441.84</b>	<b>18,153.58</b>	<b>198,434.44</b>
	GL Code	Cost Centre	Location	Dr	Cr								
Internal Electricity Usage COGS	2458	9999	1001	198,434.44									
Internal Electricity Usage - Fuel	3053	9999	1001		166,989.48								
Internal Electricity Usage - Pernix	3101	9999	1001		16,178.54								
Internal Electricity Usage - Generation O&M	2198	2501	1001		15,266.42								

2. What is the current status of creditors with debit balance?

EFL Team has met with Navision Financial Management System Service provider, Eclipse in May 2019 and have rectified the timing issue. The updated ageing report has been rectified

and now the debit balance is offsetted against the credit balance in the Aged Creditors Trial Balance. In other words, the outstanding invoices have been allocated correctly to the payments made against these invoices.

Snapshot of the Aged Creditors Trial Balance as 31<sup>st</sup> December 2019 from Navision Financial Management System is shown below:

#### Aged Accounts Payable

Fiji Electricity Authority

22. January 2020

Page 1

Aged as of 31. December 2019

Aged by Posting Date

All Amounts in LCY

Vendor: No.: V0001..V2582, Vendor Posting Group: DOMESTIC, Date Filter: 01/01/19..31/12/19

#### Aged by Posting Date

No.	Name	Balance	1 - 31 days	32 - 61 days	62 - 92 days	93 - 122 days	More than 122 days
V0043	CARPENTERS MOTORS	-170,265.80	-170,265.80	0.00	0.00	0.00	0.00
V0089	DOMINION WIRE AND CABLES PTE LTD	-70,685.16	-70,685.16	0.00	0.00	0.00	0.00
V0099	ENGINEER PROCURE CONSTRUCT ( FIJI) PTE LTD	-69,023.69	-69,023.69	0.00	0.00	0.00	0.00
V0141	HONEY DEW FARMS COMPANY PTE LTD	-28,425.00	-28,425.00	0.00	0.00	0.00	0.00
V0207	MERCURE HOTEL	-154.00	-154.00	0.00	0.00	0.00	0.00
V0212	MOBIL OIL (AUST) LTD	-4,715,433.29	-4,715,433.29	0.00	0.00	0.00	0.00
V0233	NEWWORLD SUPERMARKET	-250.20	-250.20	0.00	0.00	0.00	0.00
V0248	PACIFIC SAFETY & INDUSTRIAL SUPPLIES PTE LIMITED	-3,332.00	-3,332.00	0.00	0.00	0.00	0.00
V0254	PATTERSON BROS SHIPPING(SUVA)	-47.00	-47.00	0.00	0.00	0.00	0.00
V0279	Ramesh Crane Hire Ltd	-4,322.50	-4,322.50	0.00	0.00	0.00	0.00
V0299	SAFEQUIP FIJI PTE LIMITED	-83.20	-83.20	0.00	0.00	0.00	0.00
V0302	SAHAY BROTHERS LTD	0.00	0.00	0.00	0.00	0.00	0.00
V0311	SIGATOKA ELECTRIC LIMITED	-1,895.00	-1,895.00	0.00	0.00	0.00	0.00
V0333	SUVA BOOK SHOP	-50.00	-50.00	0.00	0.00	0.00	0.00
V0352	THE WATERFRONT HOTEL	-172.00	-172.00	0.00	0.00	0.00	0.00
V0356	TOTAL (FIJI) PTE LIMITED	-149,565.74	-149,565.74	0.00	0.00	0.00	0.00
V0372	VATUWAQA INDUSTRIAL ENGINEERING LTD	-588.60	-588.60	0.00	0.00	0.00	0.00
V0376	VINOD PATEL & CO PTE LIMITED	-1,048.35	-1,048.35	0.00	0.00	0.00	0.00
V0558	ZAID ENGINEERING LTD	-1,485.00	-1,485.00	0.00	0.00	0.00	0.00
V0685	DAYALS QUARRIES LIMITED	-11,376.00	-11,376.00	0.00	0.00	0.00	0.00
V0713	D V MASTER'S	-152.50	-152.50	0.00	0.00	0.00	0.00
V0744	CROW'S NEST RESORT	-170.00	-170.00	0.00	0.00	0.00	0.00
V0761	BOLT FASTNERS PTE LIMITED	-36,500.00	-36,500.00	0.00	0.00	0.00	0.00
V0857	SNP (FIJI) LIMITED	-177.00	-177.00	0.00	0.00	0.00	0.00
V0881	VISIONS INVESTMENTS LIMITED	-783.00	-783.00	0.00	0.00	0.00	0.00
V0921	CLIMATEC AIRCONDITIONING REFRIGERATION & ELECTRICAL	-300.00	-300.00	0.00	0.00	0.00	0.00
V1050	WATER AUTHORITY OF FIJI	-3,270.00	-3,270.00	0.00	0.00	0.00	0.00
V1208	KPSM SOLUTIONS PACIFIC PTE LTD	-1,308.00	-1,308.00	0.00	0.00	0.00	0.00
V1209	PREMIER DISTRIBUTORS	-650.00	-650.00	0.00	0.00	0.00	0.00

Aged by Posting Date							
No.	Name	Balance	1 - 31 days	32 - 61 days	62 - 92 days	93 - 122 days	More than 122 days
V1262	KHAN BROS BULLDOZING WORKS LTD	-6,400.00	-6,400.00	0.00	0.00	0.00	0.00
V1390	CJ PATEL (PACIFIC) PTE LIMITED	-784.80	-784.80	0.00	0.00	0.00	0.00
V1391	PACIFIC ENERGY SOUTH WEST PACIFIC LIMITED	-8,255,210.75	-8,255,210.75	0.00	0.00	0.00	0.00
V1395	JANTY KANVAN LIMITED	-109.50	-109.50	0.00	0.00	0.00	0.00
V1401	NORTHERN AIR SERVICES CHARTERS LTD	-190.00	-190.00	0.00	0.00	0.00	0.00
V1527	VISION MOTORS LIMITED	-5,565.40	-5,565.40	0.00	0.00	0.00	0.00
V1619	ADITYA'S AUTO WINCHES PTE LIMITED	-540.00	-540.00	0.00	0.00	0.00	0.00
V1704	DYNAMIC SOLUTIONS LTD	-1,637.00	-1,637.00	0.00	0.00	0.00	0.00
V1735	PERNIX (FIJI) LIMITED	-1,319,168.34	-1,319,168.34	0.00	0.00	0.00	0.00
V1767	INTEC ELECTRICAL SERVICES	-4,095.00	-4,095.00	0.00	0.00	0.00	0.00
V1867	MACUATA ELECTRICAL SERVICES	-1,560.00	-1,560.00	0.00	0.00	0.00	0.00
V2179	OCEANIA GAS LIMITED	-754.17	-754.17	0.00	0.00	0.00	0.00
V2262	RAMS CLEANING SERVICES LTD	-630.00	-630.00	0.00	0.00	0.00	0.00
V2274	KARAN'S CIVIL & EXCAVATION PTE LTD	-796.00	-796.00	0.00	0.00	0.00	0.00
V2406	PRINT ZONE	-3,669.00	-3,669.00	0.00	0.00	0.00	0.00
V2436	TOTAL MECHANICAL & ELECTRICAL SOLUTION SERVICES	-2,900.00	-2,900.00	0.00	0.00	0.00	0.00
V2478	VINEY HIRE SERVICES	-2,696.20	-2,696.20	0.00	0.00	0.00	0.00
V2487	SOUTH PACIFIC ALUMIUM AND GLASS WORK	-3,670.00	-3,670.00	0.00	0.00	0.00	0.00
V2519	RASHID'S BULLDOZING WORKS & BUILDING CONTRACTORS	-2,472.20	-2,472.20	0.00	0.00	0.00	0.00
V2526	DIGMACH CIVIL & BUILDING CONTRACTORS PTE LTD	-12,600.00	-12,600.00	0.00	0.00	0.00	0.00
V2529	SAIRAN CONSTRUCTION	-2,398.16	-2,398.16	0.00	0.00	0.00	0.00
V2531	ISLANDS CABLE & POWER CONSTRUCTION PTE LTD	-18,255.00	-18,255.00	0.00	0.00	0.00	0.00
<b>Total (LCY)</b>		<b>-14,917,614.55</b>	<b>-14,917,614.55</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
			100.0%	0.0%	0.0%	0.0%	0.0%

### 3. What is the current status of the debtors with credit balance?

On a daily basis Customers themselves opt for advance payment of their electricity account to ensure that they don't get disconnected for failure to pay or clear bills in a timely manner. This is beyond EFL's control and as such the report will continue to reflect credit balance to offset future electricity consumption. This happens to the banks as well where customers prefer to advance pay their loans in anticipation of reduction the interest. This is also beneficial from EFL's working capital point of view as electricity usage are paid well in advance. However, EFL will continue monitoring the credit balance refund monthly and intends to keep the credit balance under control and at minimum level where possible. The unallocated credit balance as at 31<sup>st</sup> December 2019 of \$7.75M is going to offset the debtors balance as at 31 December 2019 of \$34.2M and is a matter of timing only. Finally, while the ideal situation is to have zero credit balance on a monthly and annual basis, however, this is

**unrealistic and impractical, in view of EFL's larger customer base of around 170,000 who pay their electricity bills daily on monthly basis.**

## **SUSTAINABLE DEVELOPMENT GOALS**

4. **SDG Target No. 7.1 by 2030 ensures universal access to affordable, reliable and modern energy services. What is the proportion of Fiji's Population have access to electricity (What are the various sources of electricity)? Please provide the desegregated data by sex (customers) and persons living with disability**

**The estimated number of Fiji's Population having access to electricity is over 90% of the country's population.**

**EFL has various sources of electricity as follows: Hydro, Thermal, Wind & IPP (Solar & Bio Mass).**

**The current billing system of EFL does not have the desegregated data by sex and persons living with disability.**

5. **The Fijian Government is driven by the establishment of a modern and inclusive Fijian Constitution, along with an unprecedented programme of administrative reforms across Government; substantial and consistent public investment in infrastructure, public utilities, education, health and social inclusion; and a concerted effort to position Fiji as the hub of economic activity and regional engagement in the Pacific. The National Development Plan portrays an inclusive socioeconomic development and the strategies within are ultimately designed to empower every Fijian and widen the reach of programmes, services and networks of infrastructure to transform Fiji for every Fijian. At the evaluation stage of the construction implementation, is there a gender impact analysis carried out following the conclusion of the project? How effective was the resource allocated in meeting the needs of both women and men? Is there an understanding of the gender patterns and their impact of achieving the overall goals?**

**EFL is an equal opportunity employer.**

6. **Please advise how is EFL contributing towards achieving SDG 7.3 (a) and (b)**

*(a) By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology; and*

*(b) By 2030, expand infrastructure and update technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, Small Island Developing States and landlocked developing countries, in accordance with their respective programmes of support.*

EFL has its 10 year Power Development Plan (PDP) and reviews this every 2 years.

The ten (10) year power development plan contains the load forecasting and power generation planning scenarios up to 2026 for Viti Levu, Vanua Levu, Ovalau and Taveuni Power Systems with associated network assets to be augmented/developed and the investment plan required to implement this 10 year Power Development Plan.

It is estimated that the total funding to execute the 10 Year Power Development Plan will require an investment of around FJ\$2.4B

Development of Power Generation Projects - F\$1.6B

Transmission & Distribution Power Network - F\$0.8B



EFL expects the private sector to invest in the Power Generation Sector as Joint Venture (JV) Partners, Independent Power Producers (IPP) or on a Private Public Partnership (PPP) basis.

Ongoing discussions with prospective IPPs to develop various Renewable Energy technologies. i.e. Biomass/Waste to Energy Projects, Solar Projects & Hydro Projects.

## **Operational Renewable Energy Plants**

### **A. Hydro**

- Monasavu Hydro Scheme has a capacity of 72MW and is capable of generating around 400M units of electricity per annum on an average
- Nadarivatu Hydro Scheme has a capacity of 40MW and is capable of generating around 100M units of electricity per annum
- Wainikasou Hydro Scheme has a capacity of 6MW and is capable of generating around 22M units of electricity per annum
- Nagado Hydro Scheme has a capacity of 2.8MW and is capable of generating around 8M unit of electricity per annum
- Wainiqueu Hydro Scheme has a capacity of 0.7MW and is capable of generating around 1.5M units of electricity per annum
- Taveuni Hydro Scheme has a capacity of 0.7MW and is capable of generating around 2M units of electricity per annum

### **B. Biomass**

- TWIL supplies up to 6MW of capacity and supplied 28.7M units of electricity in 2019
- FSC supplies energy to the EFL grid during the crushing season from their Lautoka & Labasa Sugar Mills
- Nabou Green Energy Limited has a 10MW plant and started feeding into the EFL grid since July, 2017

### **C. Solar**

- surplus energy from solar roof-top installations are currently fed into the EFL grid at an agreed upon price between EFL & the individual customers and the number keeps increasing – presently 166 customers

### **► Prospective Renewable Energy Projects – Viti Levu**

EFL has plans to develop the following renewable energy schemes:

- ✓ Biomass – Waste to Energy Plant by utilizing municipal waste – via JV, IPP or PPP model
- ✓ Solar – 3 x 5MW (without batteries) – via JV, IPP or PPP model in North Western Viti Levu (Sigatoka to Rakiraki corridor)
- ✓ Hydro – Upper Wailoa/Qaliwana Diversion Project & the Lower Ba Project.
  - Presently European Investment Bank is carrying out full feasibility studies for the first project. The final feasibility report will be completed by end of 2020.
  - Furthermore, the intention is to carry out full feasibility studies for the Lower Ba Project as well on completion of the above.
- ✓ Hydro – Namosi Hydro Project
  - 3 Hydros in Namosi with a total capacity of 32MW and anticipated total energy output of 120M units/annum. Feasibilities completed, EIA obtained & land has been acquired by EFL for this Project.

► **Prospective Renewable Energy Projects – Vanua Levu**

- ✓ There are two independent power systems in Vanua Levu – Labasa & Savusavu
- ✓ EFL had called for Expressions of Interest for the Development of Grid Connected Renewable Energy Projects in Vanua Levu, covering both Labasa & Savusavu Power Systems – Opportunities for either JV, IPPs or PPP
- ✓ There is also an opportunity for the establishment of an independent mini grid in the township of Nabouwalu.

► **Prospective Renewable Energy Projects – Ovalau**

- ✓ The entire island of Ovalau is electrified with 100% fossil fuel generation.
- ✓ The present peak demand in Ovalau is 1.6MW
- ✓ The largest customer in Ovalau is PAFCO with a peak demand of 1.2MW
- ✓ Study has been undertaken for a Solar Hybrid Plant by a Korean Company
- ✓ EFL will be calling for expressions of interests soon in this regard.

► **Prospective Renewable Energy Projects – Taveuni**

- ✓ EFL entered the island of Taveuni in December, 2017.
- ✓ Presently only 30% of the island is electrified.
- ✓ The remaining 70% will be electrified over the next 2 years.
- ✓ The present demand on the island is 340kW and it is anticipated that the demand will increase to 2.4MW once the entire island is electrified by extending the grid.
- ✓ The present power generation is as follows:
  - Somosomo Mini Hydro – 700kW
  - Waiyevo Diesel Plant – 2 x 1MW
- ✓ The Mini Hydro Scheme is able to cater for the present demand of 340kW practically throughout the year
- ✓ Through grant-in-aid, KOICA is in the process of developing a 1MW Solar PV Plant with 400kWh battery capacity to be connected to the grid. This project is anticipated to be completed by December 2020.
- ✓ The prospect for further development is to establish renewable energy schemes of around 1.5MW to 2MW based on the demand growth as the grid is extended over the next 2 years.



# Housing Authority

HEAD OFFICE: HOUSING AUTHORITY BUILDING, SAQA STREET  
VALELEVU, NASINU. P. O. BOX 6472, NASINU  
TEL: (679) 339 2977  
E-mail: [info@housing.com.fj](mailto:info@housing.com.fj), Website: [www.housing.com.fj](http://www.housing.com.fj)

*All correspondences to be addressed to the Chief Executive Officer*

30<sup>th</sup> April 2020

Our Ref : Fin/27/20

The Chairperson  
Public Accounts Standing Committee  
Parliament of Fiji  
PO Box 2352  
Government Buildings  
**SUVA**

Dear Sir

Re : Clarification of Issues – 2018 Audit Report on Government Commercial  
Companies, Commercial Statutory Authorities and Other Entities  
(PP.No.154 of 2019)

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We refer to your letter dated 20<sup>th</sup> March 2020 in regards to the matters itemized as follows:-

## **SECTION 7.1: HOUSING AUTHORITY OTHER SIGNIFICANT MATTERS**

### **Inventory Provisioning and Valuation**

1. **What is the current status on the formal policy on provisioning of inventory?**  
The provisioning policy was approved by the Board in June 2018 through Board resolution for BP/34/18 and we have been complying with the policy which is in-line with the accounting standards.
2. **Why didn't the Authority carry out valuation of land held for sale on regular intervals?**  
The number of lots from old subdivision or delivered prior to 2014 is now 23 lots, while 7 lots is currently under review for lot discrepancies and 2 lots sold waiting for lease confirmation from other Land Lords. The balance of 14 cases is currently on sale and valuation is required on regular intervals. The valuation for the recently completed subdivision is current and reviewed on regular interval.

## **SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

- 1. Describe briefly, the general level of awareness by the staff members of your Department, of Fiji's 5 years & 20 years National Development Plan, the 2030 Agenda, the Sustainable Development Goals (SDGs) and the SAMOA Pathway?**

The 5 year & 20 years National Development is the Authority's bed rock while developing the annual budget and five-year development plan including the SDGs goal. The provision of affordable housing in the Governments strategic direction plan page 4 states that "The housing authority and public rental board will ensure that more land is developed for residential lots and more affordable and accessible housing is provided".

The Authority's strategic direction is more focused in providing more residential lots in partnership with PRB and aligning planning for subdivision development to the SDG goal 11 : Sustainable Cities and Communities in ensuring that all subdivision subject to land area to provide opportunities for all, with access to basic services, energy, housing, transportation and more. Also supports goal 1 - No Poverty through provision of affordable housing to Fijians earning below \$30k and providing opportunities to those in squatter settlement.

- 2. Describe the mechanism, in any, currently in place in your Department to enhance awareness of your staff members, of the alignment between the national development priorities, as per the Fiji's 5years & 20years National Development Plan, with the SDGs and its targets and indicators?**

This is discussed during the corporate planning stage including other relevant goals and gender equality – goal 5; a fundamental human right and necessary foundation for a peaceful, prosperous and sustainable world. The Authority has recruited female trainee engineers and female clerk of works in a predominantly male field.

- 3. Describe how your Department monitor and report on the progress of the implementation of Fiji's 5years & 20years National Development Plan and of the SDGs under your responsibility?**

The Authority's three to five-year plan incorporates corporate target of delivering 500 lots per annum with a stretch target of 1000 lots that's affordable to the target market, fulfilling government's development plan including the SD Goals.

- 4. Is your Department a part or member of an inter-agency or inter-ministerial/departments co-ordination mechanism that plan, monitor and evaluate the progress of the implementation of the National Development Plan and the SDGs under your responsibility?**

**If yes:**

- a) How often does it meet?**
- b) What aspects of its function can it be improved?**

**If no:**



**c) Do you see the need for such a mechanism?**

The Authority's activity is of national interest and closely monitored by the Ministry of Economy for funding programs under debt arrangement and Ministry of Housing, closely monitoring deliverables. The planning for subdivisions incorporating with SDG 11 provides more meaningful approach in providing basic services, energy, housing, transportation and more which is an enhancement to the Authority's role when developing any new subdivision.

**5. Do you think your Department is sufficiently equipped to ensure an integrated and coordinated decision making process for SDGs implementation and for strategic planning?**

In terms of supporting the SD goal 11, this is part of the national development plan improving the infrastructure and basic services which is part of the scheme plan requirement.

**6. From your perspective, what are or ought to be the roles/functions of the lead government agency for coordinating the SDG implementation, and (b) how have these roles/functions been institutionalized?**

The Ministry of Housing & Community Development plays a critical role in terms of policy direction in ensuring that Housing Authority complies with the requirement to fulfil the SD goals which is incorporated by the Authority and reviewed by regulatory stakeholders.

**7. From your best recollection, what steps has the Fiji Government taken so far to update or review its institutional setup (beyond the SDGs lead agency) in order to support the SDGs implementation?**

We are currently required to deliver according to the Ministry's expectation which incorporates the SDG goals element.

**8. Briefly describe steps, if any, taken by your Ministry or Department to engage sub-national level including authorities, including provincial, district and community level authorities, in the design and implementation of policies and measures.**

The Authority's role is confined to land development incorporating SDG goals while the Ministry is involved with the different housing stakeholders and providing the required direction.

Respectfully submitted for your information and for further clarification please contact the General Manager Finance & Administration – Poasa Verevakabau on mobile number 9993446 or E-mail : [pverevakabau@housing.com.fj](mailto:pverevakabau@housing.com.fj)

Yours faithfully



**[Robert Sen]**  
**CHIEF EXECUTIVE OFFICER**



# Fiji Rice (PTE) Limited

HEADOFFICE: LABASA  
DAMANU BLDG, DAMANU ST.  
P O BOX 466, LABASA, FIJI  
TEL: (679) 8812101  
FAX: (679) 8817006

MILL: MAUNIDEVO  
DREKETI  
MOBILE: 9908482

7<sup>th</sup> April 2020.

The Hon Chairperson,  
Public Accounts Standing Committee  
Government Buildings  
Suva

Dear Sir,

**Re: Response for Clarification of Issues – 2018 Audit report on Government Commercial Companies.**

We refer to your letter dated 20<sup>th</sup> March 2020 for clarifications on Issues for Audit report 2018.

Our response to issues:

Part 1	Issues	Response
1	Included in the cash at bank balance of \$90,997 are unidentified deposits with a credit balance of \$15,641. I was not provided with necessary supporting documents to ascertain the accuracy of this amount. Consequently, I am unable to determine if cash at bank balance is accurately stated in the financial statements.	This is a 2014 year issue and the same balance is carried forward in the next financial period with the same opening balance. Previously the management was catching up with the backlog audit as 2013 audit started in year 2016. Now FRL is up to par with the current audit therefore the Management will prepare a write-off paper to the board for the amount of \$15,641 from the books in 2019-2020 FS. This will solve the recurring issue. In current practice the monthly Bank reconciliation is carried out by the accountant and signed off by the General Manager on a monthly basis after which monthly account is prepared and presented to the board. Any direct deposit done in bank account is rectified at the same time so that it offset with the correct vendor and does not appear in the Unidentified direct deposit account.
2	Included in the Trade Creditors and accruals balance of \$366,008 i an amount of \$31,855 and Vat Payable of \$146,245. I was not provided with the supporting documents and reconciliations of these balances to ascertain its accuracy. Consequently, I am unable to determine if Trade Creditors and accruals is fairly stated in the financial statements.	The company maintains the Creditors Listing and it's presented on a monthly board meeting to the Directors. The Company also prepares the vat reconciliation for the taxes paid to FRCA. This balance is from prior years (before 2013). The Management will prepare for a write-off paper to the board for all balances without proper documentation.





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3	<p>The Company has reported nil provision for employee entitlements in the financial statements. I was not provided with the necessary supporting documents to ascertain employee entitlements .Consequently, I am unable to determine if any adjustments is required in the financial statement of income statement and statement of Financial position in relation to employee entitlements.</p>	<p>The management accepts the recommendation and included provision for employee entitlement in 2017 &amp; 2018 Financial Statement. The sick leave for employees is not paid if not taken and the Annual Leave is taken at the balance date .As per the company policy all annual leave is to be taken within the same financial year and this is compulsory for all the staff.</p>
4	<p>There is an un-reconciled variance of \$10,971 in Trade Receivables between the general ledger and the subsidiary ledger. Consequently, I am unable to determine if trade and other receivables is accurately stated in the financial statements.</p>	<p>The company maintains the Debtors Listing and it's presented on a monthly board meeting to the directors with monthly statement to debtors and follow- up payment. This is a prior year (before 2013) balance and the management will prepare write off paper to the board for the balances for all receivables without proper documentation</p>
5	<p>Included in the Borrowings of \$6,758,548 is Advance from Shareholders amounting to \$4,825,382.I was not provided with the written confirmation of the Loan balance. Additionally it has been disclosed in Note 12 that shareholders have agreed in principal to convert \$4,825,382 as grant to the company. However, I was not provided with any written supporting document on the status of this conversion as at 31 July 2016. As such, I am Unable to satisfy myself on the accuracy and completeness of the borrowings and the related disclosure as disclosed in the financial statement.</p>	<p>The Debt Equity Conversion has been confirmed by Ministry of Economy in March 2020. This has solved this re-occurring issue.</p>
6	<p>The Company did not provide supporting Schedules for Computation of Income Tax to support the Income Tax expenses of \$72,344 .As a result, I unable to satisfy myself on the accuracy and completeness of the income tax expense and if any adjustments is required for the related income tax payable in the statement of Financial position.</p>	<p>The Company calculated 20% of income tax on the Net profit and the same been submitted to OAG. The company maintains the Income Tax Schedule and the same are submitted to FRCA when it's lodged. The Company also prepares the income tax reconciliation.</p>
7	<p>The Company changed its financial Year from 31 December to 31 July. I was not informed of the change prior to 31 July 2016 and therefore could not attend the stock take for the financial Year ended 31st July 2016.As a result, we were unable to verify the existence of Inventory at balance date. I was also unable to ascertain the existence of the Inventory through alternative audit procedures. Consequently, I am unable to ascertain the accuracy of the Inventory of \$319,057 reported in the statement of Financial Position.</p>	<p>The OAG was invited and were present for the Annual Stock take for the Financial Year 31st July 2019. The change of Financial Year to July 2016 was approved in September 2016, thus FRL was not be able to conduct the Annual stock take on 31st July 2016.</p>



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Part 2	Most issues in the Audit Report were relating to lack of supporting documents. Why couldn't the company maintain supporting documents for the account balances as highlighted by the Auditor General?	The Company maintains all the supporting documents and all hard copies are filed accordingly. There are some prior year balances appearing (before 2013) which the company will prepare the write-off paper to the board in the Financial year 2019-2020
Part 3	The company is recording continuous excess of liabilities over assets. What are the plans for the company to overcome the situation?	The Debt to Equity Conversion has been confirmed last month and this will strengthen FRL balance sheet position. The company has also sold off its idle properties and plans to reinvest into the company's core business. The company is engaged in own rice farming projects to increase rice supply and hence reduction in cost
<b>OTHER SIGNIFICANT MATTERS</b>		
<b>Corporate Governance</b>		
Part 4	Has the Disaster Recovery plan and Risk Management policy prepared	The Company is currently working towards the preparation of Disaster Recovery and Risk Management Plan. FRL plans to complete this by the end of 2020
<b>Anomalies in Procurement Process</b>		
Part 5	Why wasn't there any tender policy to govern the Tender Process? Why didn't the company maintain tender process documentation for the purchase of the new mill?	The Company's tender policy as documented is any purchase above \$10,000 is approved by the Board. The 1st process the company follows is call for tender through newspaper advertisement. After the closing the, the tender is summarized by the management and presented to the Board for analysis/approval. For Procurement of new mill the company advertised for tender and also visited supplier in China to purchase the best rice Mill. As local supplier do not have the expertise in supplying and repairing the rice Mill.
<b>Overstatement of Trade and other payables</b>		
Part 6	Provide an update on supporting documents for the trade creditors and accruals?	The Trade creditors has some prior years (before 2013) balances without any supporting documents. Now we are up to date with the current audit therefore the Management will prepare to write-off the amount of old balances from the books. This will solve the recurring issue
<b>Financial Information 2017</b>		
Q1. Provide current update on the 7 issues raised by the Auditor General in his audit Report		
Including what measures has the company taken to ensure that such issues do not arise again.		
	FRL conducted 2016 and 2017 audit together, thus the issues highlighted in 2016 are also highlighted in 2017 audit	
Part 1	<b>Issues</b>	<b>Measures</b>





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1	<p>Included in the cash at bank balance of \$458,737 are unidentified deposits with a credit balance of \$15,641. I was not provided with necessary supporting documents to ascertain the accuracy of this amount. Consequently, I am unable to determine if cash at bank balance is accurately stated in the financial statements.</p>	<p>This is a 2014 year issue and the same balance is carried forward in the next financial period with the same opening balance. Previously the management was catching up with the backlog audit as 2013 audit started in year 2016. Now FRL is up to par with the current audit therefore the Management will prepare a write-off paper to the board for the amount of \$15,641 from the books in 2019-2020 FS. This will solve the recurring issue. In current practice the monthly Bank reconciliation is carried out by the accountant and signed off by the General Manager on a monthly basis after which monthly account is prepared and presented to the board. Any direct deposit done in bank account is rectified at the same time so that it offset with the correct vendor and does not appear in the Unidentified direct deposit account.</p>
2	<p>Included in the Trade Creditors and accruals balance of \$248,614 i an amount of \$31,855 and Vat Payable of \$84,095. I was not provided with the supporting documents and reconciliations of these balances to ascertain its accuracy. Consequently, I am unable to determine if Trade Creditors and accruals is fairly stated in the financial statements.</p>	<p>The company maintains the Creditors Listing and it's presented on a monthly board meeting to the Directors. The Company also prepares the vat reconciliation for the taxes paid to FRCA. This balance is from prior years (before 2013). The Management will prepare for a write-off paper to the board for all balances without proper documentation.</p>
3	<p>The Company has reported nil provision for employee entitlements in the financial statements. I was not provided with the necessary supporting documents to ascertain employee entitlements .Consequently, I am unable to determine if any adjustments is required in the financial statement of income statement and statement of Financial position in relation to employee entitlements.</p>	<p>The management accepts the recommendation and included provision for employee entitlement in 2017 &amp; 2018 Financial Statement. The sick leave for employees is not paid if not taken and the Annual Leave is taken at the balance date .As per the company policy all annual leave is to be taken within the same financial year and this is compulsory for all the staff.</p>
4	<p>There is an un- reconciled variance of \$9,440 in Trade Receivables between the general ledger and the subsidiary ledger. Consequently, I am unable to determine if trade and other receivables is accurately stated in the financial statements.</p>	<p>The company maintains the Debtors Listing and it's presented on a monthly board meeting to the directors with monthly statement to debtors and follow- up payment. This is a prior year (before 2013) balance and the management will prepare write off paper to the board for the balances for all receivables without proper documentation</p>



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5	Included in the Borrowings of \$7,006,000 is Advance from Shareholders amounting to \$4,825,382. I was not provided with the written confirmation of the Loan balance. Additionally it has been disclosed in Note 12 that shareholders have agreed in principal to convert \$4,825,382 as grant to the company. However, I was not provided with any written supporting document on the status of this conversion as at 31 July 2017. As such, I am Unable to satisfy myself on the accuracy and completeness of the borrowings and the related disclosure as disclosed in the financial statement.	The Debt Equity Conversion has been confirmed by Ministry of Economy in March 2020. This has solved the re-occurring issue.
6	The Company did not provide supporting Schedules for Computation of Income Tax to support the Income Tax expenses of \$72,344. As a result, I unable to satisfy myself on the accuracy and completeness of the income tax expense and if any adjustments is required for the related income tax payable in the statement of Financial position.	The Company calculated 20% of income tax on the Net profit and the same been submitted to OAG. The company maintains the Income Tax Schedule and the same are submitted to FRCA when it's lodged. The Company also prepares the income tax reconciliation.
7	The Company changed its financial Year from 31 December to 31 July. We were not able to attend the stock take for the financial Year ended 31st July 2017. As a result; we were unable to verify the existence of Inventory at balance date. I was also unable to ascertain the existence of the Inventory through alternative audit procedures. Consequently, I am unable to ascertain the accuracy of the Inventory of \$404,261 reported in the statement of Financial Position.	The OAG was invited and were present for the Annual Stock take for the Financial Year 31st July 2019.
<b>SUSTAINABLE DEVELOPMENT GOALS (SDGS)</b>		
1	Describe briefly, the general level of awareness by the staff members of your department, of Fijis 5 Years & 20 years National Development Plan, the 2030 Agenda, the sustainable Development Goals (SDG) and the SAMOA pathway?	FRL works with 5 year strategic plans and some of the major highlights include self-sustainability in rice, land use, green growth environment initiatives, community developments and livelihood of rural communities. Please refer to attached document for details of goals set for FRL
2	Describe the Mechanism, in any, currently in place in your department to enhance awareness of your staff members, of the alignment between the national development priorities, as per the Fijis 5 years & 20 years National Development Plan, with the SDGs and its targets and indicators?	The inclusion of different villages and Mataqali's in rice planting projects. FRL signed MOU with Tabia, Navidamu, Qawaira and Vunivuto villages for rice planting projects. FRL also engaged one on one farmers in Bua and Dreketi. About 249 acres of rice has been planted in this season with expected output tonnage of minimum 249 tones with expected income of \$186,750.00. after cost deduction theses land owners are expected to get \$87,150.00





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3	Describe how your department monitor and report on the progress of the implementation of Fijis 5 Years and 20 Years National Development Plan and of the SDGs under your responsibility?	FRL through the board provides 6 monthly update to Ministry of Economy on all financial update and all Capital Projects. FRL also has its Board Meeting on a Monthly basis and Ministry representative sits in the Board where monthly reports are tabled with a copy of paper is provided to the representative.
4	Is your department a part or member of an inter-agency or inter-ministerial/department co-ordination mechanism that plan, monitor and evaluate the progress of the implementation of the National Development Plan and the SDGs under your responsibility?	We do not have a special committee to look after this. However FRL feels that for any strategic planning done, we are mindful of National Development plans and how we are aligning our plans. The process can further improve by have a special sub committee to oversee the projects and timelines
	If Yes:	
	a] How often does it meet?	
	b] What aspects of its function can it be improved?	
	If No:	
	C] Do you see the need for such a mechanism?	
5	Do you think your department is sufficiently equipped to ensure an integrated and coordinated decision making process for SDGs implementation and for strategic planning?	Yes. We have a management team of 4 people and the Board with 3 members to look into all the plans and projections. This plan is submitted to Ministry of Economy yearly however the Board meets every month and at times the projects and timelines changes due to social and economic changes
6	From your perspective, what are or ought to be the roles/functions of the lead government agency for coordinating the SDG implementation, and (b) how have these roles/functions been institutionalized?	FRL believes the driving force to lead this should be the line Ministries as the commercial companies are mainly focused on their products, services and profitability. The national objectives are often taken as secondary focus. However FRL has recognized these goals as part of strategic plans.
7	From Your best recollection, what steps has the Fiji government taken so far to update or review its institutional setup [beyond the SDGs lead agency in order to support the SDGs implementation?	Grants available for green energy - set up of solar systems grants and tax rebates....supply excess power to EFL which is added revenue for the institution. Planting grant under rice development programme and subsidy on input to enhance rice planting



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8	Briefly describe steps, if any, taken by your Ministry or Department to engage sub-national level including authorities, including provincial, district and community level authorities, in the design and implementation of policies and measures related to SDGs realization [for example by encouraging the localization of the SDGs or the design of local strategies]. if so, what initiatives have been taken in this respect and what have been the results and or challenges so far?	Setting up of CBUL, taskforce to address problems provincial levels. The committees will oversee problems faced by individual industries and solve problems through integrating government services. So far most of the problems are discussed and solved at committee levels
9	What institutional arrangements or mechanisms are in place in your department to engage civil society organizations, scientific community and private sector in the monitoring, review and follow up of the SDGs?	We provide data on our industry for them to identify key areas by locations. We are then provided with reports to focus on recommended areas. Some institutions are PM's office, Ministry of Economy, bureau of stats, FCCC, Ministry of agriculture. etc.

We hope that we have clarified all issues and please feel free to contact us if you require any further information.

Sincerely,

For: 

Raj Sharma  
Chairman – Fiji Rice Limited



**Sustainable Development Goals Work Plan**

<b>2016-2019 ACHIEVEMENT</b>		<b>STRATEGIES 2019 - 2024</b>
<b>GOAL</b>		
<b>1- No Poverty</b>	Inclusion of Individual farmers, Co-operatives, villages and mataqali's for rice planting projects under Rice Development Project.	Expansion of investment on the farm Consolidated farming business, merger with farmers and land owners. Assist potential new farmers to start up rice farming
<b>2- Zero Hunger</b>	Maximum use of Land Investment in rice farms Investment in farm Mechanization	Review of the subsidy and support from Ministry of Agriculture Review of machinery rates to commercial levels Review of lease conditions for massive planting Self-sustainability with less imports
<b>3- Good Health and well being</b>	Affordable Medical/Life Insurance cover for farmers Promote farming for people from other sectors Promote organic farming	Comprehensive insurance coverage/Wellness Forum Subsistence Farming research & techniques Awareness vide technology platform – development of farmers app
<b>4 – Gender Equality</b>	Promote women farmers Financial Literacy Training	Promote more women participation in Farming Women appointment at leadership roles
<b>5 – Affordable and Clean Energy</b>	Portable solar systems	Reach household without national power supply in rural areas Provide alternative solution - Solar projects



<b>6 - Industry Innovation and Infrastructure</b>	Support Farm mechanization by way of new modern farming equipment's	Investment in new Modern Mill & Farm Machinery/ Technology System- Information and communication. Continue to support with modern machinery & farm techniques Education and awareness for use of technology
<b>7 - Climate</b>	Rehabilitation projects after natural disaster Modern Irrigation systems to control water on farms Development of seawalls to avoid salt water intrusion.	Seasonal Planting & Inter-cropping Drainage and waterways funding for farms Disaster Rehabilitation program- quick response (reserve funds / seeds) Establish Crop Insurance Scheme



**YAQARA PASTORAL  
COMPANY LIMITED**  
YAQARA ESTATE

P.O. BOX 6, TAVUA - FIJI.

PHONE : 679-668 0400

FAX : 679-668 0091

Email: [estateyaqara@connect.com.fj](mailto:estateyaqara@connect.com.fj)

05 June 2020

**The Chairman,**  
Standing Committee on Public Accounts  
Parliament of the Republic of Fiji  
P.O Box 2352. Government Building  
**SUVA**

Dear Sir,

**RE: CLARIFICATION OF ISSUES – 2018 AUDIT REPORT ON GOVERNMENT COMMERCIAL COMPANIES,  
COMMERCIAL STATUTORY AUTHORITIES AND OTHER ENTITIES (PP NO. 154 OF 2019) – YAQARA  
PASTORAL COMPANY LTD (YPCL)**

1. Our sincere apologies for the delay in responding to your queries.
2. Annexure 1 outlines the YPCL's responses to the Public Accounts Committee's queries in respect of the 2015 Account.
3. As of now, the company continues to improve its resolve past archaic process and procedures to have a robust governance and accountability charter. Being a commercial cattle breeder, the YPCL intends to contribute to nation building through the Fijian Government's National Food and Nutritional Security Policy, thus providing national food sustainability and greater returns to shareholders.
4. For further clarifications, kindly contact Mr. Adrian Ram email address [adrian2007ws@gmail.com](mailto:adrian2007ws@gmail.com) or mobile 992 9401.

Yours faithfully,

Chief Executive Officer - Adrian Joseph Ram



## **ANNEXURE 1: RESPONSE TO THE PUBLIC ACCOUNTS COMMITTEE WITH RESPECT TO 2015 AUDIT**

### **1. Old Creditor dating back to 2010**

- It is understood that this related to a debt owing to Sahu Khan & Sahu Khan of \$15,943.06 in respect legal services and representation on behalf of Yaqara Pastoral Company Limited (YPCL). The case was between YPCL and Sunbeam Buses Limited which involved a motor vehicle accident with a Sunbeam and the death of an employee. This case ended up in High Court. These fees remained unpaid pending the outcome of the case and the subsequent receivership of the legal firm Sahu Khan & Sahu Khan. No decision was made by the Board as to the clearance of this case because of the current impasse and uncertainties.

### **2. Status of recovery of debt of \$1,150.10**

- It is unclear whether the Board was notified of this debt, but it is understood that the debt was supposed to be recovered by management then from the said employee. Apparently, no action was taken before the employee left the company and this amount was not provided for as bad debt. This amount still exists in the bank reconciliation as funds not yet credited to date.

### **3. Aged Receivables Listing**

- No specific attempt was made by management to ensure the MYOB application was updated and the accounts officer trained to ensure the system was able to generate an aged debtor's listing. To date the license the MYOB has still not been updated. Over the years the aged debtors listing was always done on an Excel spreadsheet.

### **4. Annual Returns not lodged**

- It is understood that the reason for the delay in the lodgment of the company annual returns was the absence of specific details for the completion of the returns. The Registrar of Companies (RoC) has been approached to discuss this matter and YPCL has been advised that the non-lodgment of returns from 2006 has been forgiven but that, going forward, the Company should ensure proper and timely lodgment of the new e-returns and strictly complied with. Management has already contacted and liaised with RoC on the new submission of e-returns.
- Currently, YPCL is in the process of updating its entire operations and bringing it to par with applicable regulations and laws, incorporating technological changes and best management practices as practiced by similar organizations in other countries.
- YPCL has drastically improved its farm productivity status over the last three (3) years with set production goals, and is currently improving administrative and financial functions of the company which includes clearing backlogs, development of recording and financial systems (field to financial data) and capacity building of staff across all departments.





## SUSTAINABLE DEVELOPMENT GOALS (SDGS)

1. Awareness by staff members on Fiji's 5 years and 20 years National Development Plan (NDP), the 2030 Agenda, the Sustainable Development Goals (SDGs) and the SAMOA Pathway.
  - **General level of awareness by staff is unknown. However, staff are aware that YPCL business plan is based on the SDGs and partially derived from the 5- and 20-years National Development Plan.**
2. Mechanisms in place to enhance awareness of staff members of the alignment between the National Development priorities as per the Fiji's 5 years and 20 years National Development Plan with the SDGs and its targets and indicators.
  - **At this stage, there is no mechanisms in place.**
  - **Weekly management meetings with senior management discuss the workplan and the primary focus with regards to the current economic situation in relation to the NDP and key focus areas for YPCL operations which is derived from the NDP and SDGs.**
  - **This is then discussed with employees to generate awareness of the changing demands and the role YPCL must play to meet these demands especially in National Food Security, Commercial Agriculture, and the Public Enterprise Act.**
3. Monitoring and Reporting on the progress of the implementation of Fiji's 5 years and 20 years National Development Plan and of the SDGs.
  - **None, specifically. Moreover, senior executives are been briefed through the Department of Public Enterprises of the latest and relevant national developments taking place.**
4. Is YPCL a member of an inter-agency or inter-ministerial/department co-ordination mechanism that plan, monitor and evaluate the progress of the implementation of the National Development Plan and the SDGs.
  - a. If yes:
    - i. How often does it meet?
    - ii. What aspects of its function can be improved?
  - b. If no:
    - i. Do we see a need for such a mechanism?
  - **Currently YPCL is not a member of any such mechanism. Our reports are forwarded to the YPCL Board, and the Department of Public Enterprise, Ministry of Economy.**
  - **YPCL participates in surveys by the Reserve Bank of Fiji and various Ministries and Institutions as and when the questionnaires are distributed.**



- ***YPCL is a 100% Fijian Government Commercial Company with defined goals of sustainable profitability and increased shareholder returns. YPCL would be glad to be a part of any mechanism that plan, monitor and evaluate the progress of the implementation of the NDP and the SDGs.***
5. Is YPCL sufficiently equipped to ensure an integrated and coordinated decision-making process for SDGs implementation and for strategic planning?
- ***YPCL needs educated and literate personal on its staff. The YPCL's business plan incorporates aspects relevant to the company's YPCL operations from the National Development Plan and the SDGs.***
6. From your perspective, what are or ought to be the roles/ functions of the lead government agency for coordinating the SDG implementation, and (b) how have these roles/functions been institutionalized.
- ***No comments.***
  - ***The plan is to make YPCL a sustainable profitable company from its farming enterprises to raising the quality stock of YPCL biological asset to tackle the problem of Food and Nutritional Security especially in the light of COVID – 19 repercussions on the economy.***
7. From your best recollection, what steps has the Fiji Government taken so far to update or review its institutional setup to support the SDGs implementation?
- ***No Comments.***
8. Briefly describe steps, if any, taken by YPCL to engage sub-national level including authorities, including provincial, district, and community level authorities in the design and implementation of policies and measures related to SDG realization.
- ***YPCL corresponds with the Ministry of Agriculture on relevant issues pertaining to the performance of YPCL. As the moment, YPCL sustainable profitability is a strategic priority, and once this goal is achieved, YPCL will attain its goal of National Food and Nutritional Security.***
9. What institutional arrangements or mechanisms are in place to engage civil society organizations, scientific community and private sector in the monitoring, review and follow-up of the SDGs?
- ***Nil***

