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**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**REPORT NO. 1 OF 2017**

***Report of the Public Accounts Committee on the Audits of  
Government Commercial Companies and Commercial  
Statutory Authorities 2009-2013.***

***Volume Two of Three***



**PARLIAMENT OF THE REPUBLIC OF FIJI**  
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## Chair's Foreword

This is my second report as the Chair of the Standing Committee for Public Accounts. I welcome the opportunity to showcase the progress commercial entities in Fiji continue to make. Even the issues identified in these reports have either been resolved or are in the process of being addressed.

There are no outstanding issues needing referral to investigative bodies such as FICAC, and the relationship between most entities and the Audit Office seemed to be of open and healthy dialogue.

While some financial statements have been of a higher standard than others, the Committee is now in a position to advise Parliament that the Committee has successfully reviewed the audited accounts from 2009 to 2013 of the listed entities and that recommendations made by the OAG are being pursued, clarified, or are resolved.

I would like to thank the representatives of each entity covered by this report. Although some entities received short notice for public hearings, most responded in a positive way.

I also thank fellow committee members for their efforts in clearing this backlog. Members of both Government and Opposition engaged in this process in a constructive manner and this is appreciated.

This report contains eleven (11) recommendations by the Committee, listed on the following page.

These recommendations have been made in good faith, and we urge the relevant party for which the recommendation is made, to consider and respond accordingly.

It should be noted that this report is on the accounts of entities from 2009 to 2013 and may not necessarily reflect the current position. Lot of the issues were resolved and corrective measures put in place before the reports came to the Committee.



Ashneel Sudhakar

Chairperson



## Committee Recommendations

The Committee recommends the following:

1. All Government entities should have the following in use; Human Resources Policy, Finance Manual, Risk Management Policy, and a standard Valuation Policy for Property Plant and Equipment (PPE).
2. All Government entities should have an Internal Audit and Assurance Unit.
3. All entities should engage with FICAC to assist it in progressing and concluding the matters reported to FICAC.
4. The Ministry for Agriculture address all outstanding matters with the Office of the Auditor-General in regard matters relating to the transition of the Coconut Industry Development Authority into the department.
5. The role of the Committee is not to resolve the individual issues in relation to the Marriott Hotel development at Momi Bay. In view of intervening legislation the Committee does not have the mandate to comment on the loan issue. The Committee recommends all future FDB contracts be specific and explicit regarding all issues of any development. The contract stage is critical in avoiding dispute throughout a development.
6. The Committee recommends that FDB review its operations, its core functions, and the basis upon which the Bank was established.
7. The Committee recommends the Office of the Auditor-General consider undertaking several independent performance audits, including the Fiji Development Bank, PAFCO, Food Processors Limited, CATD.
8. The Committee recommends that PAFCO regularly conduct the Quality and OHS Audit for food safety requirements as per the

Food and Drug Administration (FDA) requirements of the USA. This will ensure the factory is meeting the required quality and standards to ensure there is a continuous pathway into the USA market.

9. PAC encourages the Ministry of Lands to review the two outstanding lease renewals of significance to PAFCO.
10. The Committee recommends PAFCO liaise with Ministry of Public Enterprise to immediately update its shareholder's status as most are out of date.
11. Food Processors Limited complete their financial reports as a matter of priority.

## Committee Members

The Standing Committee on Public Accounts comprises the following Members of Parliament:

Hon. Ashneel Sudhakar MP, Chairman  
Hon. Mohammed Abe Dean MP, Deputy Chairman  
Hon. Alex O'Connor MP (Member)  
Hon. Aseri Radrodro MP (Member)  
Hon. Ratu Sela Nanovo MP (Member)

The following Alternate Members were also requested to sit in during the absence of the substantive Members:

Hon. Balmindar Singh  
Hon. Mikaele Leawere  
Hon. Howard Politini

## Resource Persons

The Committee together with the officials from the Office of the Auditor General and the Ministry of Public Enterprises conducts public hearings in the Parliamentary precincts. The officials that assisted the Committee were:

Office of the Auditor General: Mr Sairusi Dukuno, Director Corporate Service Group  
Ms Finau Nagera, Director Audit  
Mr Dineshwar Prasad, Acting Audit Director  
Mr Esala Niubalavu, Audit Manager  
Mr Moshin Ali, Audit Manager  
Mr Ilaitia Varani, Audit Manager

Ministry of Public Enterprises: Mr David Kolitagane, PS Public Enterprises  
Ms Laisa Bolalevu, Acting Director Monitoring  
Ms Salote Lalabalavu  
Mr Faizal Khan  
Mr Low

Consultants Mr Robert Oakeshott  
Mr David Meek

# CHAPTER 1: INTRODUCTION

## Background

Even though the Public Accounts Committee (PAC) has powers under Standing Orders 112(1)(a) to “*summon any person to appear before it to give evidence or provide information*”, all those called to appear before the Committee did so willingly and clarified all audit issues of concern.

The PAC tabled its first report in Parliament on the Reports of the Office of the Auditor-General Parliamentary Paper Numbers 26 to 46 of 2016 on 28<sup>th</sup> September 2016. Due to the substantial number of entities involved, the Committee chose to split reporting obligations into three volumes.

This is the second of these three volumes.

Copies of the relevant Auditor-General's reports are available for perusal on the Parliament website [www.parliament.gov.fj](http://www.parliament.gov.fj) under “*Parliament Business*”.

The organisations which appeared before the Public Accounts Committee are as follows:

- Fiji Electricity Authority (FEA)
- Coconut Industry Development Authority
- Fiji Independent Commission against Corruption (FICAC)
- Civil Aviation Authority of Fiji (CAAF)
- Consumer Council of Fiji
- Fiji Revenue and Customs Authority (FRCA)
- Fiji Development Bank
- Pacific Fishing Company (PAFCO)
- Agriculture Marketing Authority
- Fiji Meats Industry Board
- Fiji National Council for Disabled Persons (FNCDP)
- Commerce Commission
- Investment Fiji
- Navua Rural Local Authority
- Training Productivity Authority of Fiji (TPAF)
- Centre for Appropriate Technology and Development (CATD)
- National Food and Nutrition Centre (NFNC)
- Food Processors (Fiji) Limited
- National Fire Authority (NFA)
- Fiji Institute of Technology
- Western Division Drainage Board
- Fiji National Sports Council
- Fiji National Sports Commission
- National Centre for Small and Micro Enterprises Development
- Tourism Fiji

- Fiji Servicemen's After Care Fund
- Sugar Industry Tribunal
- Land Transport Authority
- Ministry of iTaukei Affairs

## CHAPTER 2: REVIEW OF STATE-OWNED ENTERPRISES

In this report to Parliament, it is important to note this audit for State-owned enterprises is between four to seven years old, and therefore many issues raised have been addressed or are no longer relevant. Nonetheless, the Committee identified several anomalies during their scrutiny of the OAG Reports and called upon the following organisations for clarification of those anomalies:

### 2.1 Fiji Electricity Authority (FEA)

#### 2.1.1 Background

The Fiji Electricity Authority (FEA) supplies electricity through its grid systems on three islands - Viti Levu, Vanua Levu and Ovalau. Its powers, functions and duties under the Electricity Act are for the basic purposes of providing and maintaining power supply that is financially viable, economically sound and consistent with the required standards of safety. The Authority aims to provide clean and affordable energy solutions to Fiji and the Pacific and to provide energy through renewable resources by 2011.

#### 2.1.2 Audit Opinion

The audits of the financial statements of FEA for the years ending – **31 December 2007, 31 December 2008, 31 December 2009, 31 December 2010, 31 December 2011, 31 December 2012** resulted in the issue of unqualified audit reports.

#### 2.1.3 Audit Issues Raised by the Committee:

The PAC noted several anomalies highlighted by the Audit Office and sought further clarification with FEA. The Committee took note of the response<sup>1</sup> and was satisfied with the answers provided. Further questions were also put to the representatives from FEA and the Committee took note of the following:

- *Power Purchase Agreements:* FEA signed Power Purchase Agreement with Tropik Woods in 2008 to enable them to sell surplus electricity to the FEA grid at a certain price. This policy has also been extended to individuals or organisations which have also installed solar rooftops to enable them to also sell excess electricity to the grid at an accepted price.
- *Financial System:* In terms of the financial system, a gap analysis of the old system, the Mosaic Accounting System, was undertaken as there were a lot of gaps in their existing system. A new system, Navision, has been put in place since 2009 addressing the loopholes in terms of report generation and it has a lot of key functions which were not available with the old system and it is very user friendly.

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<sup>1</sup> Copy of response attached as Appendix 1

#### 2.1.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2008 to 2012 have been resolved.

However, the Committee noted the Nagado Power Plant is not in operation. Despite FEA spending \$9 million on the Nagado Power Station to produce 2MW, it has not been in operation for some time.

## 2.2 Coconut Industry Development Authority

### 2.2.1 Background

The Coconut Industry Development Authority (CIDA) was established under the Coconut Industry Development Authority Act 1998 to revive and expand the coconut industry. The Coconut Industry Development Authority was responsible for the functions, assets and liabilities of the Coconut Board and the Coconut Advisory Council at that time.

The Coconut Industry Development Authority Act 1998 was repealed by the Coconut Industry Development Decree 2010 and all its functions, assets and liabilities was transferred to the Ministry of Agriculture.

### 2.2.2 Audit Opinion

The audit of the financial statements of Coconut Industry Development Authority for the years ending **31 December 2005**, **31 December 2006** and **31 December 2007** resulted in the issuance of qualified audit reports. The qualifications were as follows:

#### 1) 31 December 2005:

- a) The debtors and creditors general ledger as at 31 December 2005 was not in agreement with the debtors and creditors subsidiary ledgers by \$9,749 and \$65,594 respectively.
- b) There was a difference in the CIDA term loan balances as per the general ledger and the audited signed financial statements of Copra Millers of Fiji Limited. Term loan balances as per the Authority amounted to \$633,192 whereas the subsidiary's financials recorded \$758,644.

#### 2) 31 December 2006:

- a. There was an unreconciled difference of \$80,055 in the inter-company term loan. An adjustment for the alignment of balances was passed to accumulated funds.
- b. The Authority had advanced \$70,000 to its subsidiary, Copra Millers of Fiji Limited. The review indicates that this amount is not recoverable from the subsidiary and the Authority has not provided provision for doubtful debts for the fiscal year 31 December 2006. Accordingly, the Authority's total assets are overstated by \$70,000.



- c. The Authority's attention was also drawn to the fact that the Board approved on 15 February 2006, the receivable from its subsidiary, Copra Millers of Fiji Limited amounting to \$726,446 to be converted to grant. However, this conversion was not approved by the Ministry of Finance and the Cabinet.

3) 31 December 2007:

- (a) The Authority's advance to subsidiary had a balance of \$240,000 as at 31 December 2007. The balance of the advance in the subsidiary company's records was \$180,000. The Authority had taken up an allowance for doubtful debts of \$60,000 to reconcile its balance to the subsidiary company. OAG could not verify the accuracy and completeness of the variance of \$60,000 in related parties and the formal approval by the Board of Directors.

### 2.2.3 Audit Issues Raised by the Committee

The Committee was informed the operations of CIDA had ceased. However, the Committee summoned the Ministry of Agriculture Executive Team to attend to audit queries. Some of the pertinent issues raised during public hearings included:

- Ministry for Agriculture representatives stated the following: Copra Millers is still Government owned; 96 percent by Government and four percent by the growers. Regarding its financial performance, Copra Millers' main major product was crude coconut oil and coconut milk but for CIDA there was no other main source of income, apart from the licensing and the levies that were imposed to the stakeholders or the growers. There were plans in place to produce coconut timber, the machines were brought in but this did not actually materialize before it was dissolved.
- Office of the Auditor-General representatives stated the following: The Auditor General had followed up with a letter to CIDA but did not receive any response as to the preparation of the accounts after 2007. The OAG was not be able to say what actually happened to the debts or to the liabilities of CIDA as they existed in 2007.
- Office of the Auditor-General representatives stated the following: The Auditor General was making attempts to find out what happened and why CIDA moved to the Ministry of Agriculture. When they were following up on the financial statement for 2008 they wrote the letter to the Ministry but it did not attract any response. The OAG was not able to comment on the linkage of the transition and why it moved back to the Ministry of Agriculture.

#### 2.2.4 PAC Resolutions

The committee was of the view that changes in policies which affected organisations like CIDA had the danger of leaving management in a vacuum. Despite the transitional provisions in the Coconut Industry Development Decree 2010, it was noted that employees of CIDA were not aware of the reasons for its dissolution in 2010. This resulted in the accounts of CIDA not being completed and submitted to OAG for audit.

The Committee noted that certain audit issues for the Ministry of Agriculture with the Office of the Auditor-General were not answered, which left the Committee in a vacuum. This is unacceptable.

PAC strongly recommends that all the unanswered issues are to be attended to by the Ministry immediately.

## 2.3 Fiji Independent Commission against Corruption (FICAC)

### 2.3.1 Background

The Fiji Independent Commission against Corruption (FICAC) was established on 4th April 2007 to investigate acts of corruption by Public Officers, employees of government and government-related organizations. FICAC is governed by Section 12 of the FICAC Promulgation 2007 and Section 115(4) of the 2013 Constitution. To maintain its independence, it reports directly to His Excellency the President.

The primary objective of the FICAC Promulgation is to promote the integrity and accountability of public administration by investigating and prosecuting corruption and bribery-related offences, examining and advising the government of its practices and procedures that are conducive to corruption, and educating and enlisting public support to combat corruption. The Constitution requires it to follow the United Nations Convention against Corruption (UNCAC).

### 2.3.2 Audit Opinion

The audit of the financial statements of the Fiji Independent Commission against Corruption for the years ending **31 December 2008**, **31 December 2010** and **31 December 2011** resulted in the issue of unqualified audit reports. However, the audits for the year ending **31 December 2009** resulted in the issuance of a qualified report for the following reasons:

- a) The closing balance of Accumulated Fund as at 31 December 2008 was \$149,168 (credit) against the opening balance of \$101,615 (debit). The difference of \$250,783 (debit) resulted from various adjustments made by the Commission to numerous accounts during 2009 for which necessary accounting details and information were not made available.
- b) Supporting documents for salaries and wages were not made available during the audit to carry out necessary audit procedures to confirm salaries and wages of \$2,161,161.

### 2.3.3 Audit Issues Raised by the Committee

The Committee noted several anomalies and sought further clarification from FICAC. The Members considered the response<sup>2</sup> on the following issues:

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<sup>2</sup> Copy of response attached as Appendix 2

- *Fluctuation in Legal Fees:* the Committee was informed that the fluctuations in legal fees from \$470,315 in 2008 to \$185,899 in 2009 was due to the hiring of legal consultants from overseas. Initially, lawyers were sent from the Solicitor General's office to assist FICAC with their cases and they were paid from FICAC's budget.
- *Engagement of Prosecutors from Sri Lanka:* the Committee enquired on the process in which the prosecutors were appointed and if it was transparent. The Committee was informed that when the post was advertised, most of those applied were fresh graduates but what was required was someone with at least 12 years' experience in the field, hence the recruitment of prosecutors from Sri Lanka.
- *FICAC's Operating Expenditure:* the Committee was informed that the increase in operating expenditure from \$399,000 to \$1,000,000 was due to the increase in the number of new recruitment due to the increase in FICAC's operations. This resulted from the increase in the number of complaints received, the establishment of new departments and officers, and the increased number of cases handled.
- *Case Management System:* the Committee was informed that the Case Management System is a tailor-made software and is fully operational in FICAC. It was specifically developed for FICAC's needs, so it is an ongoing program and if further changes are required, the changes will be made in India via a source code. When a case is referred to an investigator, he will be the only one privy to the information provided from this software and no one else will see it unless it is referred to them for input of other details.
- *Technical Assistance:* the Committee was informed that the only assistance received from any international organisation was from the Malaysian Anti-Corruption Commission in 2009. UNCAC only came into the picture in 2009 when they had the first Peer Review of FICAC based on a list of questions submitted for them to respond to and that Peer Review was done by Serbia and France. FICAC has, on several occasions, sent requests for technical assistance in terms of computer forensics, forensic accountants, et cetera, but no assistance has been provided by them. FICAC has never had any external assistance in terms of technical assistance nor any external funding, but it has survived solely through Government assistance.

#### 2.3.4 Resolution

All audit queries for the years 2008 to 2011 have been resolved.

## 2.4 Civil Aviation Authority of Fiji (CAAF)

### 2.4.1 Background

The Civil Aviation Authority of Fiji (CAAF) was declared a Commercial Statutory Authority on 3<sup>rd</sup> April 1997 and subsequently declared a Re-Organised Enterprise on 23<sup>rd</sup> May 1997. Apart from being declared a pure regulator, the Authority reverted to its original status as Government Statutory Authority with effect from 1<sup>st</sup> January 2007 when Government decided to reform the former CAAF which resulted in the establishment of two new institutions, namely Airports Fiji Limited (AFL) and CAAF.

Airports Fiji Limited took over the commercial activities of the CAAF, both regarding properties and commercial services being air navigation services dealing with flights and the ground movement of aircraft - both in the air site and at the land site.

CAAF became a pure regulator in terms of regulating all the aviation activities regarding air transport in accordance with the ICAO standards. It has been formed in line with what ICAO expects a State to have in their Civil Aviation Authority, therefore the model followed is no different from the model followed by many other countries around the world. CAAF has a limited scope in terms of activities carried out in that it does not manufacture aircrafts so it does not have airworthiness design sections, however it focusses purely on the maintenance of the aircraft and the oversight of that activity. The scope of CAAF's work is based on the number of aircrafts, number of training schools, number of personnel including pilots, engineers, air traffic controllers, etc and the number of maintenance companies providing maintenance to Fiji-registered aircrafts.

### 2.4.2 Audit Opinion

The audit of the financial statements of Civil Aviation Authority of Fiji for the years ended **31 December 2008, 31 December 2010, 31 December 2011** and **31 December 2012** resulted in the issue of unqualified audit reports.

The Committee noted that for **31 December 2009**, the audit of CAAF's financial statements resulted in the issue of a qualified report because:

- There was no independent verification on the correctness of the departure tax revenue totaling \$4,910,860 as the Authority relied solely on information provided by Airports Fiji Limited.

### 2.4.3 Audit Issues Raised by the Committee

The Public Accounts Committee identified several anomalies and sought further clarification from CAAF. The Members considered the responses<sup>3</sup> on the following issues:

- *Departure Tax:* This is a recurring issue which has been continually being highlighted in the Auditor-General's Report. Airport Departure Tax is collected under the Departure Tax Act of 1986, as a separate charge at the airport prior to passenger departure. However, this has changed with the introduction of the new collection mechanism introduced by Airports Fiji Limited to include it as part of the airplane ticket. It is now collected by FRCA and remitted to CAAF monthly. Despite this, CAAF has been continuously requesting for reconciliation to be provided to them.

The Authority ceased to receive its share of the departure tax from government from 1<sup>st</sup> January 2011, because of the government's policy decision in the 2011 budget.

The Authority last received departure tax from government up to 31<sup>st</sup> December 2010. Between 2011 and 2012, CAAF was required by government to use its own reserves to sustain its operations.

- *Other Fees and Charges:* Other fees and charges revenue is based on the Legal Notice No. 37 [Civil Aviation (Fees and Charges) Regulations 2007] which came into effect from 1<sup>st</sup> July 2007 and amended Legal Notice No. 5 dated 28<sup>th</sup> January 2011 to account for changes in the VAT rate. Other fees and charges are levied for Aircraft Airworthiness, Airport License, Air Operators Certificates, Personnel Licenses, service provider's certifications, etc.
- *Accounting Software:* The accounting software in 2008 was Image Accounting which facilitated the daily accounting functions of the Authority. The Authority had initially assumed divestiture of its core activities to AFL after which it had planned to purchase software based on changed requirements, however, the divestiture did not take place until 2010 and the Authority continued to use Image Accounting software until then. The new accounting software (which includes payroll) – JIWA was acquired in 2011 for \$55,000. The Authority is currently using this new software.

The service providers are Link Business Solutions from Suva who are on Service Level Agreements with CAAF for service and maintenance of accounting and payroll software. Unlike the previous software, JIWA provides an automatic roll-over of balances at predetermined intervals.

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<sup>3</sup> Copy of response attached as Appendix 3.

- *Increase in Operating Revenue from \$8.2 million in 2008 to \$6.9 million in 2009:* The revenue for 2008 included airport land lease revenue accrued from Airports Fiji Ltd of \$825,000. Furthermore, there was also a decrease in Departure Tax revenue of \$535,479 in 2009 which resulted in a significant decrease in income. Land was transferred to AFL in 2010. Decrease in departure tax was a result of decrease in passenger departures.
- *Decrease in Total Revenue from \$7.7m in 2010 to \$1.5m in 2011:* the decrease is due to the substantial loss of revenue from Departure Tax (approx. \$6m) due to the withdrawal of the Authority's share (\$5.00) as per governments budget announcement in 2011.
- *Deferred Income Tax Asset:* The appropriate provisions for deferred income tax asset have been recorded in the books for future losses, hence the Authority is now utilizing the losses since it is making profits.
- *Non-submission of supporting documents:* the original FN103 Form required submission of receipts, invoices or cash dockets for all expenses incurred on overseas trips, however, since the Authority paid UNDP allowances, the above requirement is no longer valid. The Form thus, has been revised to reflect the correct procedure.

#### 2.4.4 Resolution

Apart from the queries raised by the Committee, all audit queries for the years 2009 to 2012 have been resolved.



## 2.5 Consumer Council of Fiji

### 2.5.1 Background

The Consumer Council of Fiji (CCF) was established in 1977, a statutory body, established under the Consumer Council Act (Cap. 235). The Council protects the rights and interests of consumers by promoting a fair and just delivery of goods and services so that the marketplace is more conducive to consumers as much as it is to the traders. It is an advocacy organisation and not an enforcement agency.

### 2.5.2 Audit Opinion

The audit of the financial statements of the Consumer Council of Fiji for the years ending **31 December 2008, 31 December 2009, 31 December 2010** and **31 December 2011** resulted in the issue of unqualified audit reports. However, during the audit of the financial statements for the year ended 31 December 2008, attention was drawn to the following:

- a) The MYOB creditor's ledger balances did not reconcile with the creditor's listing confirmations resulting in a variance of \$14,229; and
- b) A variance of \$18,252 was noted from the salaries and wages reconciliations undertaken and the audited figure.

### 2.5.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the Consumer Council of Fiji's financial statements resulted in the issuance of unqualified reports, however it identified several anomalies and sought further clarification from the Council. The Members considered the response<sup>4</sup> on the following issues:

- *VAT component up to 2010 not paid:* These VAT arrears resulted from the government budget announcement made in 2008 that salaries and wages would be VAT exempted. Since Consumer Council of Fiji receives grant from the Government and pays salaries and wages of its staff. However, FRCA maintained that the Council is a statutory body and is subject to VAT in accordance with Section 3(6) of the VAT Decree.

The matter was eventually resolved when the Ministry of Industry and Trade paid the Council's VAT arrears to FRCA. This was the reason that the current liabilities had surpassed current assets for both fiscal years ended 31 December 2010 and 2009.

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<sup>4</sup> Copy of response attached as Appendix 4.



- *Unreconciled variance:* The fundamental errors in MYOB was due to wrong data entry in Grants Payable. To remedy this, the Council sought assistance from an expert from Australia in December 2010 who assisted the Council in reorganizing accounts in MYOB to make it more relevant. Furthermore, he provided training to staff on the use of MYOB software. Grant funds were efficiently utilized and monies were not missing however variance resulted due to improper data entry into MYOB.

The grant received from the Government was not sufficient to cater for operational costs. Therefore, the Council secured F\$116,868.69 from four different international donors (Government of Australia, EU, Consumers Korea and Consumers International) to meet increased consumer expectations. In 2010, the Council received further donor funds from AusAID - \$2990 final payment; EU - \$109,541 for a project on strengthening consumer rights; Consumers International - \$2373 for access to knowledge; Consumers Korea - \$1964 for cosmetic labeling.

- *Salaries, wages and related payments:* In March 2007, the Public Service Commission had imposed 5% pay reduction for all government employees. But the Council restored the full salary in 2009. Status quo remained the same till 2011. After 2009, the next increase in the Council budget was in 2012, where effort was made to realign the salary. A sum of \$15,788 was used to cater for this.
- *Details of other grants:* \$107,852 was paid by the Ministry of Industry and Trade directly to clear VAT arrears in 2011.
- *Unused donor fund balance:* The unused donor fund balance was treated as grant payable. The amount in 2011 was \$266,751 which was mainly from the Australian Aid.

#### 2.5.4 Resolution

PAC is satisfied that all anomalies raised by the Auditor-General's Office for the period in question have been addressed.

## 2.6 Fiji Revenue and Customs Authority (FRCA)

### 2.6.1 Background

The Fiji Revenue Customs Authority is a statutory Authority under the Fiji Revenue and Customs Authority Act of 1998. It is governed by a Board and administered by a Chief Executive, together with more than 800 officers, including Managers. FRCA's role is to collect taxes and duties on behalf of the Government, provide quality advice on tax and customs matters to all its stakeholders, facilitate trade and travel, as well as protect Fiji's borders.

FRCA has embarked on a journey to becoming a world class organisation and the transition phase has allowed it to welcome many changes from the restructure to changes in the processes, systems, policies and evidently, internal acts. The team has continuously levelled up, ensuring that output is delivered according to the changing needs. FRCA's organisation structure now operates in six core business streams, namely:

1. Border Forces (oversees border security and controls at airports, seaports, post office and international mail centre, cargo clearance, inspections and primary passenger processing);
2. Intelligence Investigations and Audit Compliance (Investigations and Compliance is responsible for intelligence and risk profiling, fraud investigations and audit compliance);
3. Revenue Management (oversees tax revenue, customs revenue, lodgment, enforcement, debt management and FRCA customer services);
4. People Capability and Culture (responsible for people capability development and technical capability development, human resource services, wellness health and safety);
5. Corporate Services and Information (oversees strategy, marketing, communications, financial assets and management, legal and policy services); and
6. The Chief Information Officer (responsible for strategic and operations, technology enablement and knowledge management systems).

The services of FRCA spread across the country from 10 locations throughout Fiji, including Ba, Labasa, Lautoka, Levuka, Nadi, Rakiraki, Rotuma, Savusavu, Sigatoka and Suva.

## 2.6.2 Audit Opinion

The audit of the financial statements of **31 December 2008, 31 December 2009, 31 December 2010** and **31 December 2011** resulted in the issue of unqualified reports.

In the audit for the year ended 31 December 2008 although the Authority was given an unqualified audit opinion, the Authority's attention was drawn to the following:

- The correctness of the revenue collected by the Authority on behalf of the State could not be substantiated as the Audit was denied access to taxpayers' records contrary to Section 111 of the Income Tax Act and Section 7(2) (a) of the Audit Act (Cap 70).

## 2.6.3 Audit Issues Raised by the Committee

The Committee noted that the audit of Fiji Revenue and Customs Authority's financial statements resulted in the issue of unqualified reports, however it identified several anomalies which it felt required further clarification. The Members considered the response<sup>5</sup> on the following issues:

- *FRCA's Warehouses*: The Committee has noted various issues in relation to FRCA's Warehouses in terms of Deteriorating Items in the Warehouse, Missing Vehicle Parts, Expired Warehousing Period, Damaged Vehicles, Product Code Identification for Warehousing, Lack of Inspection of Bonded Warehouse and Auction Sales.

The Authority stated that during the time of Audit, the time for detaining motor vehicles in the warehouse is 5 years. However currently, all motor vehicles are subject to a 1 year warehouse period.

The Authority continues to put the auction dates in the local newspapers but cannot comment on the level of public response. However, the Authority, through its PR team, will aim to improve marketing of the goods available for auction via use of social media and FRCA website.

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<sup>5</sup> Copy of response attached as Appendix 5

- *Motor Vehicle under Duty Concession:* the Committee noted that a Concession Monitoring Unit is now established. A follow-up method is now designed of running the reports of running the reports every fortnightly and submitting to LTA for registration details. This can be enabled as part of the MOU between the 2 organisations (FRCA and LTA). Before disposal, it should be mandatory for LTA to request the applicant to provide a clearance letter from Customs FRCA that there is no further duty liability applicable and that the vehicle can be disposed.
- *Long Outstanding Collections:* the Debt Management Unit now have teams based on age of debtors (1-30 days, 1 month – 5 years and over 5 years). This is to ensure that debt lapsed into other categories are managed.
- *Legal Title to Land and Buildings:* all movable property vested in the State previously and used or managed by the Inland Revenue Department or Customs and Excise Department, and all assets, interests, rights, privileges, liabilities and obligations of the State relating to those Departments shall be transferred to and shall vest in the Authority without any conveyance, assignment, or transfer

Out of the \$10.9 million in Property, Plant and Equipment (PPE), land valued at \$3.9million is not supported with legal titles. Moreover, land worth \$500,000 at the Nadi Airport is land leased by Airports Fiji Ltd (AFL). Despite this, FIRCA, neither having title nor a lease, has reflected the value of this land in its financial statement.

Satisfactory explanation on the legal title or the signed certificate from the Minister for Land is yet to be provided by the Authority. In the absence, such title to support ownership, it could not be substantiated whether land reflected in the financial statement is true and fair.

However, the Authority claims that they are in the process of formalizing the legal ownership to the property.

The Authority should ensure that Legal titles for the land or the signed certificates from the Minister are obtained for the ownership of the land and that the ownership for the land at Nadi Airport is clarified.

Held cases refers to those under audit, insufficient documentation, and outstanding tax matters. Also include tax payers who wish to transfer their refunds to the next period. Missing returns includes those who have outstanding VAT/Tax returns, consistently between two periods.

- *ESU-Superfluous Investigation (ESU/IRS/03/08 v FRCA)*: suspension will only be considered if the staff is Risk to direct or indirect evidence in his/her work environment and if he/she is senior/managerial or executive staff and is a risk to other subordinates.

Risk is identified during preliminary investigation and executives advised accordingly for decision as per the Code of Conduct (COC) promulgation.

- *ESU-Unproductive Salary Payouts due to Reinstatement of Officers*: following the COC promulgation allowing for full representation by the staff to answer to any allegation. This is in accordance with the COC after which the decision against the staff is made.

This prevents the risk of a backlash by staff as decision taken after full disclosure of evidence and an opportunity for staff to question evidence.

The absence or partial following of process in the name of cost cutting may result in the organisation paying more for unproductive time in reinstating.

- *Lautoka Customs*

- *Lautoka Intelligence System*: steps have been taken to negotiate with property to provide unmarked vehicles when required. Company mobiles and laptops are being provided to assist in field work.
- *Customs Boat for Lautoka Office*: a collaborated border management approach is adopted with relevant border agencies. This is to ensure sharing of resources. Further the Authority is working on a single window concept with other border agencies and this will enhance monitoring at our borders.

- *Nadi Customs*

- *Detention Requiring Permits*: FRCA advises the relevant Authority issuing the permit. Till their clearance, the Authority detains the consignment.
- *Local Disposal by Tax Free Factories*: the DSS Scheme has phased out and all imported raw materials are zero rated. Revenue risks are minimum with options for audit control still exist which is carried out by the Risk & Compliance Section. Application of risk management techniques practiced by all business units with intel based audit is more effective means of control.
- *Duty Suspension Scheme (DSS)*: there was an MOU between FRCA and the Fiji Exporters Council in the administration of DSS. The Fiji Exporters Council calculate and monitors the credit limit. As confirmed with Fiji Exporters Council a software was acquired and trialed but it did not work according to expectation and the Council switched back to manual calculation.

- *Duty Free Shop Bond*: the border officers based at the passenger clearance office to conduct audit on weekly basis.
- *Customs Labasa-Surveillance*: profiling and risk management is now being done. The team is conducting its awareness across the community for surveillance purposes.
- *Savusavu*
  - *Border Control*: a collaborated border management approach is adopted with the relevant border agencies. This is to ensure sharing of resources. Further the Authority is working on a single window concept with other border agencies and this will enhance monitoring at our borders.
  - *No SPA issued after Detention of Goods*: the Authority acknowledged the finding and an SOP is in place now to ensure that short payment is used for detention of goods of that nature.
- *Anomalies for the Assessment for Company Return*: the Authority's concerns is having a complete set of accounts, including comparative years. Register for audit referrals maintained. Desk audit process for Company Returns Processing – with new NTIS system having inbuilt risk profiling features. Returns are accepted on basis that they are signed.
- *Amendments to Form S*: amendments to returns are now independently handled by the Objection Review Team (ORT). Form S is now processed via Employer Monthly Summaries (EMS) process. Access to amendment is closely monitored by IT with appropriate personnel given appropriate access levels.
- *Assessment Anomaly*: checker role is now given to senior officers who do the checking to ensure accuracy of assessment of returns. The structure has been put in place to ensure errors/anomalies are minimised.
- *Hotel Turnover Tax (HTT)*
  - *Overpayment of HTT (now Service Turnover Tax (STT))*: STT teams are now doing reconciliation between amounts paid and the amount as per the return. There is also on-going awareness with taxpayers on the compliance with the STT legislation and ensure that appropriate amount of tax is paid.
  - *Short Payment of HTT*: STT teams are now doing reconciliation between amounts paid and the amount as per the return. There is also on-going awareness with taxpayers on the compliance with the STT legislation and ensure that appropriate amount of tax is paid.

- *Tax Agents Outstanding Returns*: following the introduction of the Tax Compliance Certificate, the Authority has now made it compulsory that all new applications and annual renewal of licenses of tax agents must have the Tax Compliance Certificate, thus their lodgments and payments must meet the compliance requirements.
- *Lottery Permit*: lottery is done by NGOs and sporting bodies to raise funds and the person (secretary/treasurer) making the application is held responsible. Provisional assessments are set for Gambling Turnover Tax (GTT) based on expected profit from the lottery. Extension is normally required by the permit holders for collection of expected funds. Follow-ups are done to ensure timely payment and as per TAD, system generated penalties kick-in for non-remission of GTT return for the respective permit holder on the expected date, unless extension is given.
- *Valuation*: the committee was informed that officers are now trained to use the GATT valuation while valuing goods.

#### 2.6.4 Resolution

The Committee is satisfied that all anomalies raised by the Auditor-General's Office through the period in question have been addressed.



## 2.7 Fiji Development Bank

### 2.7.1 Background

The Fiji Development Bank was established under the provisions of the Fiji Development Bank Act, to take over the operations of the former Agricultural and Industrial Loans Board. It came into operation on 1<sup>st</sup> July 1967 and the Government of Fiji currently owns total share capital of the Bank.

Section 5 of the FDB Act highlights the functions of the Bank which includes facilitating and stimulating the development of natural resources, transportation and other industries and enterprises in Fiji. The Bank gives special consideration and priority to the economic development of rural and agricultural sectors of the economy of Fiji.

### 2.7.2 Audit Opinion

The financial statements of the Fiji Development Bank and its subsidiaries for the years ended **30 June 2010**, **30 June 2011** and **30 June 2012** resulted in the issue of unqualified audit reports from the Audit Office.

### 2.7.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Fiji Development Bank resulted in the issue of unqualified reports, however it identified several anomalies which it felt required further clarification. The Members considered the response<sup>6</sup> on the following issues:

#### *Loans and advances:*

- *Fee Waiver:* the Bank waived fees of \$2,688 including application and establishment fees. – this was granted as a practical retention measure for the customers as a loss of fee income was much lower than the loss of relationships and more importantly future prospects as well. Fee waiver is granted on a case-by-case basis.
- *Security Value to Loan Ratio (SVLR):* As per Parliamentary Paper 34 of 2016 SVLR assessed during the appraisal process for the customer's loan application was 72% ratio of security to loan amount. Even though the SVLR was below the required 100% the loan was still approved by the Bank without any equity contribution by the customer towards the total project cost.
  - The loan was approved despite SVLR was only 52.6%

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<sup>6</sup> Copy of response attached as Appendix 6



- The loan was approved by the Bank without any equity contribution by the customer towards the total project cost despite SVLR was 61%.
- Loan accounts have valuations reports that are more than 2 years old which is non-compliant with the Bank's Policy.

#### *Momi Bay Development –*

- As per Parliamentary Paper 45 of 2016 audit year 30 June 2012, the Committee noted that FDB had financed \$23,642,154 to Vuksich & Borich on 15/11/2005 for construction of a dual tar-sealed road, water supply, reservoir and pump station to the Marriot Hotel from the main (Suva-Nadi) Highway. This loan was to be fully settled by government upon completion of the road works.
- The project was completed and the bank disbursed funds to V&B. However, Government failed to settle the FDB loan.
- However, as the Marriot hotel project was not complete (major financier), FNPF and Government later came up with the Momi Bay Development Decree (Decree no. 28/2010 of 8th June 2010), which states they cannot be sued to recover any funds related to Momi Bay development.
- Government is adamant that it will settle with FDB only once the Marriot Hotel is complete. This was not part of the initial arrangements.
- The Marriot hotel project is underway and the bank is optimistic that it will be completed soon. It is then expected that the Government will settle the FDB loan.

#### 2.7.4 Resolution

1. The role of the Committee is not to resolve the individual issues in relation to the Marriott Hotel development at Momi Bay. In view of intervening legislation the Committee does not have the mandate to comment on the recouping of the loan. The Committee however recommends all future FDB contracts be specific and explicit regarding all issues of any development. The contract stage is critical in avoiding dispute throughout a development.
2. The Committee recommends that FDB review its operations, its core functions, and the basis upon which the Bank was established.
3. The Committee recommends the Office of the Auditor-General should consider undertaking an independent performance audit on the operations of the Bank.

## 2.8 Pacific Fishing Company (PAFCO)

### 2.8.1 Background

Pacific Fishing Company (PAFCO) has been in existence for over 50 years. PAFCO's history began in the mid to late 1950s as a joint venture between the Fiji Government and the Japan Ministry of Trade and Commerce. It was incorporated in 1963 as a private company and continued until the Government of Fiji acquired almost full ownership in 1987. The Government of Fiji holds 99.58% of shares with the balance held by private shareholders.

The principal activities of the company are loin processing and fish canning for local and overseas markets. The main processing plant is based in Levuka, Ovalau with the executive headquarters located in Suva. PAFCO signed a 7-year tuna loin processing agreement in 2002 with Bumble Bee Foods, USA. Following the successful operation of the initial loin processing agreement with Bumble Bee from 1998, the agreement has since been extended twice, with the current extension valid until March 2017.

PAFCO processes raw tuna into cooked frozen tuna loins and canned products. For shipment, the loins are vacuum-packed/sealed, frozen and palletized. Fish-flakes and pieces are collected and further processed for local canning. Wastage from the processing operation (guts, skin, bones, heads, and tails) are sent to the fish meal plant where fish oil is extracted before the remains are dried and converted into fish meal.

### 2.8.2 Audit Opinion

The audit of the financial statements of PAFCO for the years ended **31 December 2007, 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issue of unqualified audit reports.

### 2.8.3 Audit Issues Raised by the Committee

Despite the unqualified audit reports, the Public Accounts Committee identified several anomalies and sought further clarification with PAFCO. The Committee was provided with a written response<sup>7</sup>. In response to some of the questions put to the representatives from PAFCO, the Committee took note of the following issues:

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<sup>7</sup> Copy of response attached as Appendix 7

➤ *Decline in Sales:*

Year	2006	2007	2008	2009	2010	2011
Sales (M)	\$25.8	\$21.1	\$20.8	\$29.5	\$29.9	\$17.5

Other than 2011, which was an exceptional year as the operations were closed for 5 months, the other years have slight variations in revenue with the major contributing factor being the supply of tuna. Tuna is a seasonal fish. Catch rates and delivery of tuna are dependent on many factors.

The audit for the year ended 31 December 2011 showed a decrease in sales revenue from \$29.8 million in 2010 to \$17.4 million in 2011. The tuna processed in 2010 was 25,768 tons compared to 9,748 tons in 2011. The main reason for the low tuna processed in 2011 was the suspension of loining operations for 5 months from July 2011 to November 2011 due to some sudden changes in FDA regulations, loins produced at PAFCO could not be exported to the USA markets. As Bumble Bee was the contracted buyer, they suspended their processing contract. Processing resumed in December 2011 after major remedial work at PAFCO.

- *Lands Title:* the Committee noted that PAFCO had applied for renewal of expired leases with the Lands Department in 2008. Out of the 7 titles for leases applied, 5 were renewed in January 2009. The other 2 titles PAFCO is still waiting for the renewals to come from the Lands Department. The Committee was informed that all this land is in Ovalau, Levuka on the shoreline where the factory is, the cold storage and the container yard. The Committee has also noted that these leases are town leases and PAFCO regularly pays rates on these leases despite there being no title on the properties.
- *Interest Bearing Borrowings:* The Committee noted that PAFCO had a total IBB of \$3.9 million as at 31 December 2009. This included a bank overdraft facility amounting to \$3.3 million for the operation of the company and a long term borrowing of \$0.6 million for capital projects.
- *Risk Management Policy:* the Committee noted that PAFCO needed to finalise the following at that time:
- Procurement Manual
  - HR Manual
  - Risk Management
  - Insurance Cover

- *Payment of Leave Compensation:* as per Parliamentary Paper 38 of 2016, the Committee noted that the Company paid a total of \$41,000 as leave payout (compensation) to the former CEO and \$13,598 paid to the Human Resource Manager despite the officers leave schedule not being updated and an overpayment by 20 days respectively.

#### 2.8.4 Resolution

1. The Committee recommends that PAFCO regularly conduct the Quality and OHS Audit for food safety requirements as per the Food and Drug Administration (FDA) requirements of the USA. This will ensure the factory is meeting the required quality and standards to ensure there is a continuous pathway into the USA market.
2. PAC encourages the Ministry of Lands to review the two outstanding lease renewals of significance to PAFCO.
3. The Committee recommends the Office of the Auditor-General consider undertaking an independent performance audit on PAFCO, as Government continues providing guarantees for bank loans to the entity.
4. The Committee recommends PAFCO finalise all Risk Management Policy documents.
5. The Committee recommends PAFCO liaise with Ministry of Public Enterprise to immediately update its shareholder's status as most are out of date.

## 2.9 Agriculture Marketing Authority

### 2.9.1 Background

The Agricultural Marketing Authority (AMA) is a statutory organisation of the Fiji Government with a core role of finding markets for all agricultural products and making markets accessible to the rural dwellers in the remote areas of Fiji.

To achieve this the Agricultural Marketing Authority trading as Fiji Agro marketing will facilitate agro-producers in the collection and marketing of their products.

The audit of the financial statements of the Agriculture Marketing Authority for the years ended **31 December 2007**, **31 December 2008** and **31 December 2009** resulted in the issue of qualified audit reports for the following reasons:

- 1) No provisions were made for doubtful debts (2007-2009);
- 2) VAT payable did not reconcile with VAT reconciliation;
- 3) No records for movement of inventory during the year (2007);
- 4) Bad debts written off in 2008 was not approved by the Board;
- 5) Records to substantiate trade creditors were not provided; and
- 6) A sum which could not be substantiated was incorrectly disclosed under the Statement of Changes in Equity.

### 2.9.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Agricultural Marketing Authority resulted in the issue of qualified reports for the years 2007 to 2009. A response was provided for queries raised by PAC Members in terms of certain recurring issues and anomalies. The Committee considered the response<sup>8</sup> on the following issues:

- Debtors Issue with Overseas Debtors: the Committee was informed that the authority is now signing MOU's with every importer before any trade commences. A 50% deposit should arrive with importers order for product consignments. The balance of payment of the invoice should arrive within 7 days from the clearance of the consignment at the importers end. No second consignment is sent before the invoice clearance of the first consignment.
- Hire of Private Carriers: AMA now has its own essential fleet to address the hiring of private carriers but only for exceptional and seldom case.
- Unapproved Payment of Bonus: the Authority has fully recovered this payment through payroll deductions.

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<sup>8</sup> Copy of response attached as Appendix 8

- Losses incurred in Trading Activities: the Authority is now addressing this with stern attempts to avoid repetition of losses.
- Anomalies in Inventory system: all inventory losses and disposals are accounted for and monthly and annual stock takes are being carried out by the authority with personnel from the Authority and the OAG.
- Working capital payment: all working capitals disbursed to the field officers are reconciled with the Product Purchase Orders filled by the field officers.
- Records not Produced for Audit Verification: all records are promptly filed, kept, and monthly reports are duly filed and kept for future references
- Overpayment of acting allowance: all acting positions notified through the Board and rates are calculated as per the HR Policy Manual. Some cases are still with FICAC.
- Non-compliance with purchases and payments procedures: all purchases of goods and services are issued with service purchase orders and for those items more than \$5,000 3 quotations are required.
- Operation of Bank Accounts: the Authority's 2 bank accounts are now reconciled and maintained. The issue of transferring funds from 1 account to the other and incurring additional bank charges has been discontinued.
- Credit balances for overseas debtors: the Committee noted that the previous Management of the Authority neglected in carrying out the procedures in pursuing and recovering long outstanding debts. Debtors' reconciliation is done on a regular basis on both local and overseas debtors.
- Unsubstantiated balances and missing records: most of the Files and documents are still with FICAC and the Authority has found it difficult to produce these records during the time of the Audit.
- Delay in banking: the Committee noted that the Authority had a practice of not doing banking deposits regularly. However, all receipts are now regularly deposited. A banking batch is prepared and filed. Supervisory checks are carried out (the Receipts against the banking book with the banking batch summary) after the banking is done.

#### 2.9.4 Resolution

1. The Authority should review its fleet management to ensure value for money.
2. The Authority should ensure all risk management policies are in place and complied with.
3. The Authority should work transparently and efficiently with FICAC to conclude all outstanding cases and records.
4. PAC invites the Office of the Auditor-General to conduct an independent performance audit on the operations of the Agriculture Marketing Authority.



## 2.10 Fiji Meats Industry Board

### 2.10.1 Background

The Fiji Meats Industry Board (FMIB) was established in 1976 with two registered abattoirs and a Tannery in Viti Levu. The Nasinu Abattoir was established in 1976 on State land and Vuda abattoir was established in 1983 in the Western Division. The tannery was built in 1984 at Nasinu to process hides into leather and semi process wet blue hides.

The main function of the FMIB includes:

- the protection, preservation and expansion of the meat industry in Fiji;
- the construction and operation of public slaughtering facilities;
- borrowing funds as and when required to effectively discharge its functions; and
- purchasing, trading or selling of livestock, meat and its byproducts.

### 2.11.2 Audit Opinion

The audit of the financial statements of Fiji Meats Industry Board for the years ended **31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issue of unqualified audit reports. However, in 2009 the attention of the Board was drawn to the following matters:

- OAG officials were unable to observe the counting of the Board's physical inventories as of 31 December 2009. The Board recorded a closing stock of \$160,390 in its balance sheet. The clearing stock at year end could not be verified and validated by other audit procedures.
- The Board's working capital deficiencies, negative cash flows from operating activities, adverse key financial ratios and uneconomic long term commitment indicated the existence of a material uncertainty which may cast significant doubt on the Board's ability to continue as a going concern.

### 2.10.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for Fiji Meats Industry Board resulted in the issue of unqualified reports for the years 2008 to 2011. The Committee considered the written response<sup>9</sup> provided for the issues that the Committee required further clarification on the following issues:

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<sup>9</sup> Copy of response attached as Appendix 9



- Industrial Land Lease: FMIB owns 78 acres of land in Nakasi of which approximately 5 acres is for Industrial purpose and the rest is for grazing. The Town Council has been charging industrial rate for the whole 78 acres without providing any services. Management had sought approval since August 2009 from the Director Lands to have the abattoir land rezoned so that it can reduce the area classified as industrial lease and have the balance as agricultural lease. Despite several reminders and personal visits to the Director of Lands there was still no approval given and the matter was still being pursued.

#### 2.10.4 Resolution

1. FMIB should liaise with the Nausori Town Council to be levied the correct town rates as per the lease specification differentiating between industrial and agriculture.

## 2.11 Fiji National Council for Disabled Persons (FNCDP)

### 2.11.1 Background

The Fiji National Council for Disabled Persons Act was passed by Parliament in December 1994. The main functions of the FNCDP are to:

- Operate as a body corporate;
- Act as coordinating body for all organisations dealing with the care and rehabilitation of persons with disabilities;
- Raise awareness at all levels;
- Work towards eliminating the causes of disabilities or impairment; and
- Promote the recognition of skills, merits and abilities of persons with disabilities and their contributions to the workplace and labour market.

The audit of the financial statements of the Fiji National Council for Disabled Persons for the years ended **31 December 2009**, **31 December 2010** and **31 December 2011**, resulted in the issue of unqualified audit reports.

### 2.11.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for Fiji National Council for Disabled Persons resulted in the issue of unqualified reports for the years 2009 to 2011. The Committee considered the written response<sup>10</sup> provided by the Executive Director for the issues that the Committee required further clarification on, and were satisfied with the answers provided.

### 2.11.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.

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<sup>10</sup> Copy of response attached as Appendix 10

## 2.12 Fiji Commerce Commission

### 2.12.1 Background

Fiji Commerce Commission is the competition regulator of Fijian markets. It is an independent statutory body established under section 7 of the Commerce Commission Decree 2010 following the merger of the Department of Fair Trading and the Prices and Incomes Board in 2010 to ensure the integrated framework for the regulation of monopoly market structures; encourage competition prevent restrictive trade practices, ensure consumer protection, and undertake pricing of public utilities and other price controlled items.

The various functions of these institutions have now been merged and the Commerce Commission now looks after consumer protection issues. The Commission promotes effective competition and development of industries and is basically a competition regulator, a price regulator and a customer protection agency.

### 2.12.2 Audit Opinion

The audit of the financial statements of the Fiji Commerce Commission for the years ending **31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issue of unqualified audit reports.

### 2.12.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Commerce Commission resulted in the issue of unqualified reports, however several anomalies were identified which the Committee felt required further clarification. The Members considered the response on the following issues:

- *Misappropriation of funds and forging of invoices:* the Committee noted that one of the former Accountants fraudulently debited \$16,608.24 in 2009 from the Commission's bank account to his personal account. The Committee also noted that the accountant was charged on 29 counts of Larceny by Servant and was sentenced to prison for 18 months. In view of that the Commission had set up a financial regulation which came into effect in 2010 to address the issue.

- *Increase in government grant and personal expenses:* the Committee noted there was a huge increase in the government grant from \$293,777 in 2009 to \$619,849 in 2010 and that personal expenses increased from \$170,788 in 2009 to \$517,644. The Committee also noted that this increase in grant was due to the merger of Prices and Incomes Board and Fair Trading with the Commerce Commission and the increase in personal expenses were due to the recruitments that took place after the merger.
- *Receipt not issued:* the Committee noted that receipts for monies received that were deposited into the Commission account did not have any receipts issued. The Commission is currently issuing receipts for all money collected either at the Commission office or through direct bank deposit.
- *Financial statement errors:* the Committee noted that the Commission agreed that they will ensure to check financial statements thoroughly for accuracy and completeness in future.

#### 2.12.4 Resolution

PAC recommends that the Commission should improve its Risk Policy Documents to mitigate further misappropriation of funds.

## 2.13 Investment Fiji

### 2.13.1 Background

Investment Fiji was created in 1980 under the Economic Development Board Act No. 11 to promote, stimulate and facilitate economic development in Fiji.

Though a Statutory Organisation, Investment Fiji operates independently as the marketing arm of the Fiji Government to provide services and assistance to promote, facilitate and stimulate increased investments and exports.

Investment Fiji provides a range of services to promote investments and the development of industries and enterprises as well as to increase exports of goods and services.

Investment Fiji works for the benefit of the national economy by creating employment opportunities, raising economic activity and bringing in foreign exchange to the country, thereby increasing Fiji's economic growth and prosperity prospects. Through this core function of promoting and facilitating investment and exports, Investment Fiji helps raise Fiji's standard of living and contributes to the eradication of poverty.

Investment Fiji undertakes regulatory functions, promotional activities and advisory and information services to meet its objectives. Investment Fiji also acts as a liaison between Government, the private sector and regional and international agencies.

### 2.13.2 Audit Opinion

The audit of the financial statements of Investment Fiji for the years ending **31 December 2009**, **31 December 2010** and **31 December 2011** resulted in the issue of unqualified audit reports. However, in 2010, Management's attention was drawn to the transfer of the operations of the Kalabu Tax Free Zone on 22<sup>nd</sup> September 2011 to the Ministry of Finance following a Cabinet decision on 21<sup>st</sup> September 2010. The impact of the transfer would have a significant effect on the operational revenue of Investment Fiji.

### 2.13.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Commerce Commission resulted in the issue of unqualified reports, however several anomalies were identified which the Committee felt required further clarification. The Committee noted the responses on the following issues:

- *Withholding Tax not claimed back from FRCA:* This relates to the Kalabu Tax Free Zone which was transferred to the Ministry of Finance

in 2011. Since then, Investment Fiji has not been operating term deposits.

- *Exchange rates difference on outstanding debt:* the debt in question was provided as doubtful in 2009 and has subsequently been written off as unrecoverable debt.
- *Excessive annual leave:* the excessive staff leave balances were reduced in 2011 and a written policy was formulated in relation to annual leave.

#### 2.13.4 Resolution

The PAC is satisfied that the matters addressed are progressing with the Auditor-General's Office.

## 2.14 Navua Rural Local Authority

### 2.14.1 Background

The Navua Rural Local Authority is established under Section 10 of the Public Health Act Cap 111. The Local Authority is primarily responsible for the enforcement of the Public Health Act and Regulations for the protection of human health. In addition, it is also required to enforce to promote sustainable development that is conducive to attaining a healthy population. Most of its functions and services are consolidated on a national basis for efficiency and economy of scale and as a result, they only have advisory powers to provide a voice to the people of all races outside the provincial structure.

### 2.14.2 Audit Opinion

The audit of the financial statements of the Navua Rural Local Authority for the years ending **31 December 2007**, **31 December 2008** and **31 December 2009** resulted in the issue of qualified audit reports for the following reasons:

- a) Statements of revenue and expenditure of the Authority for 2007 to 2009 were prepared using the cash basis system of accounting and did not consider revenues not received and expenditures not paid at balance date. Furthermore, a balance sheet was not prepared. These are contrary to Fiji Accounting Standards (FAS) 16 and Section 7(4) of the Public Health (Sanitary Services) Regulations.
- b) The Authority did not provide sufficient appropriate accounting records to substantiate receipts totaling \$33,449.

### 2.14.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Navua Rural Local Authority for the years 2007 to 2009 resulted in the issue of qualified reports. The following issue was considered by the Committee:

*Presentation of Financial Statement:* the Committee noted that the Navua Rural and Local Authority did not use IFRS and preferred to prepare their financial statements using the cash basis system. The Committee also noted that officers had undergone training on the accrual accounting system which is currently being used to prepare financial statements.

#### 2.14.4 Resolution

The Committee will revisit the Navua Rural Local Authority later. It is acknowledged they require time to resolve the control issues raised by the OAG.



## 2.15 Training Productivity Authority of Fiji (TPAF)

### 2.15.1 Background

The Training and Productivity Authority of Fiji (formerly known as the Fiji National Training Council) is a statutory organisation established in 1973 under Cap. 93 of the FNTC Act. The Authority is the national organisation for technical vocational training in Fiji, and became the National Productivity Organisation in 1984 when Fiji joined the APO. Since its inception, the Authority's principle activity has been to develop the national framework and make provision for the registration of training courses, training providers, facilities or qualifications in the country, to address skill deficiencies in the workplace.

### 2.15.2 Audit Opinion

The audit of the financial statements of the Training Productivity Authority of Fiji for the years ending **31 December 2007** and **31 December 2008** resulted in the issue of unqualified reports. However, the audit for the year ending **29 November 2010** resulted in the issue of a qualified audit report as deficiencies were noted in the record pertaining to the Authority's property, plant and equipment. As a result, the audit was not able to verify the existence and valuation of the historical cost and accumulated depreciation for the opening balances for fixed assets beyond the recording of the amounts as shown in the Authority's books.

The attention of the Authority was also drawn to note 13 of the financial statements where the Authority recorded an annual leave provision amounting to \$490,298 but did not maintain appropriate records for annual leave day's balance.

The Committee noted that the audit of the financial statements for the Training Productivity Authority of Fiji resulted in the issue of unqualified reports for 2007 and 2008, however the audit of their accounts for 2010 resulted in a qualified report.

### 2.15.3 Audit Issues Raised by the Committee

Several anomalies were also identified by the Committee which required further clarification from the institution. The Committee considered the written response<sup>11</sup> provided for the issues that the Committee required further clarification on the following issues:

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<sup>11</sup> Copy of response attached as Appendix 9

➤ *Payroll :*

- A difference of \$11,594 existed between total wages as per the employee certificate annual summary lodged with Inland Revenue services and the total wages declared in the financial statements.
- Pay Global Software was introduced in 2010 merger and has been used by FNU since 2010. Reconciliation has been done since then.

The Committee noted that TPAF's financial operations is now operated under the Fiji National University processes and procedures framework.

## 2.16 Centre for Appropriate Technology and Development (CATD)

### 2.16.1 Background

The Centre for Appropriate Technology and Development is registered as a charitable trust organisation under the Charitable Trust Act (Cap.67) and is governed by its own by-laws.

The Centre is responsible for:

- a) Developing leadership and effective human resources in rural Fiji by way of research, training, consultancy and technical assistance;
- b) Providing long and short term technical and vocational training and other types of community based training for rural participants;
- c) Assisting the iTaukei and Rotuman resource owners in the sustainable use and development of their cultural resources; and
- d) Conducting applied research and undertaking consultancy around appropriate technology and manpower planning at the request of the government or other agencies.

### 2.16.2 Audit Opinion

The audit of the financial statements of the Centre for Appropriate Technology and Development for the year ending **31 December 2009** resulted in the issue of a qualified audit report as VAT Receivable of \$134,238 had been long outstanding and may not be fully recovered. The Committee was informed that the audit was not able to confirm if the amount is fairly stated as FIRCA had disputed the balance to be refunded to the Centre.

### 2.16.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Centre for Appropriate Technology and Development resulted in the issue of a qualified report, however several anomalies were identified which the Committee felt required further clarification. The Committee noted the response on the following audit issues raised:

- *Reason for the increase in contract work materials:* the Committee was informed that the increase in Contract Work Materials from \$75,939 in 2008 to \$114,396 in 2009 were due to the increase in the programs conducted as tabulated below.

	Programs
1. Biofuel project	\$3,070.47
2. Mokani Demonstration Farm	\$48,064.17
3. Rural Based Community training	\$399.71
4. OBM Training-2 stroke engine	\$15,092.22
5. Rural Fiji Women Training Program	\$41,130.15
6. Sewing Machine	\$2,205.98
7. Vehicle Servicing	\$346.91
8. Others	\$114,396.26

The Committee further noted that 3 recent programs totaling \$55,220.82 were conducted in 2009 are as follows:

Bio-fuel Project	\$3,070.00
Mokani Demonstration Farm	\$48,064.17
Vehicle Serving Programme	\$4,086.65
Total	\$55,220.82

- *Cause for the decrease in Salaries and Wages and Related Costs:* the Committee also noted that the decrease in salaries and wages of costs amounting to a total of \$11,659 may have caused by these reasons:
  - Vacant positions not filled after retirement of staffs
  - Expiry of staff's contract under the project that was discontinued namely Rural Fiji Women Training Program
  - Aged vacancy not considered by the Ministry of Finance for allocation of funds.
- *Reason for the decrease in Property, Plant and Equipment:* the Committee noted this was due to the reassessment of Assets within CATD. The assessment over the years was first agreed to in 2008 and later after reassessment in 2009 decreased the value on plant and equipment that have malfunctioned or depreciated in values over the years namely vehicles, workshop power tools etc.
- *Reason for decrease in Other Receivables:* the Committee noted that there was a substantial decrease in other receivables from \$135,690 in 2008 to \$22,215 in 2009, due to the large amount of scholarship funds owed for the Leadership and Entrepreneurship Training Programme (LETP) in 2008. This was later cleared in 2009 being the fees for the two groups amounting to \$127,899. It Comprised of:

Group 04/8	\$59,022.00 paid on 31/03/09	RR no. 022
Group 05/8	\$68,877.00 paid on 15/05/09	RR no. 38

The items under 'Other Receivables' are trade debtors such as Ministry of iTaukei Affairs (MTA) Scholarship funds and seminar reimbursements.

Peace Corps Fiji	\$662.50
National fire Authority	\$86.00
Workshop Practical	\$731.50
Retention money Serua Community Hall (Mr.Boseiwaqa)	\$3,236.00
Reclassification of accounts-audit adjustments	\$2,944.69
Repair of Rewa Provincial Council	\$130.32
Total	\$7,791.01

- This was an issue of concern noted by the Committee as CATD informed that the old practice is still in force and there have been no changes.
  - CATD also informed the Committee that to deal with this issue, management is currently working on the implementation of observations made by the Director earlier in the year.
  - The Committee was informed that all the strategic documentations have been done up properly including the following:
    - a) Documentations of the HRM processes and procedures
    - b) Advertisement of vacant positions that are crucial but have been vacant for long time
    - c) Getting qualified personnel through NEC and MOU between CATD and NEC has been finalized. The recruitment to commence in December 2016 initially under the volunteer scheme and later substantively filling vacant positions.
- *Segregation of Duties-Accounts Section:* the Committee noted that CATD frankly informed that this has not been done to date. According to CATD the same person doing their accounts is also doing their Administrative work. The Committee was further informed that upon appointment of the New Director has somewhat eased the workload of the resource personnel. However, CATD has emphasized the need to segregate and clearly demarcate work and proper alignment of tasks as it is very much necessary and they are currently working on it.

CATD informed the Committee this will be in by January 2017 due to the following reasons:

- a) CATD lacks the funds to create a position and recruit another person as full time accounting personnel
- b) There are personnel employed who have been at CATD for a prolonged period and there is a need for the recruitment of qualified people to do management tasks.
- c) The position of Director has been substantively vacant since 2012 when the former director passed away.
- d) The employees have not been given the chance to broaden their knowledge and up skilling in technical fields.
- e) Although CATD operated with the appointment of an Interim Director from 2012, this did not help improve its operation until the appointment of a full-time Director.

➤ *Status of the internal control procedures:* the Committee noted that with the recruitment of the new Director of CATD the followings have been pursued:

- a) Strengthening of its strategic focus
- b) Clearly demarcate tasks and responsibilities
- c) Able to review and write new policies and procedures
- d) Introduction of a filing system
- e) Improved reporting in all areas of their work
- f) Introduction of electronic mailing
- g) Introduce regular monthly meetings
- h) Advertising key vacant positions and recruit qualified personnel
- i) Improve human resource capacity building exercises

➤ *Status of dispute with FRCA regarding VAT refund:* the Committee noted that there was a dispute between CATD and FRCA regarding VAT refund. The amount outstanding has been reversed by the Auditor since it's been long outstanding, with the understanding the VAT unit will never pay up.

#### 2.16.4 Resolution

The Committee resolved that since CATD had long outstanding issues, the line Ministry should implement, monitor and evaluate the Terms of Reference (TOR) to suit the Centre's current day role.

The Committee encourages the Office of the Auditor General to undertake an independent Performance Audit, to help ensure CATD's operations are in line with their Terms of Reference (TOR).

## 2.17 National Food and Nutrition Centre (NFNC)

### 2.17.1 Background

The NFNC was created by Government in 1976 and operates as a quasi-government organisation under the Ministry of Health and funded through government subvention. The objectives of the NFNC are:

- To realise the mandate given by Cabinet to advise the government on the country's food situation and nutritional status of its population;
- To co-ordinate programs and activities carried out by government and non-government organisations on matters relating to food and nutrition; and
- To ensure that Fiji's Food and Nutrition Policy is realized.

On 7<sup>th</sup> April 1998, the then Cabinet directed that NFNC be integrated into the Ministry of Health rather than continue to be a stand-alone entity. Consequently, on 21<sup>st</sup> January 1999, there was an agreement signed between the Government of Fiji and the NFNC for the provision of advice to the Fiji Government on the country's food situation and the nutritional status of its population. Furthermore, the NFNC continues to coordinate and monitor all government ministries and non-government organisation programs and activities relating to nutrition.

### 2.17.2 Audit Opinion

The audit of the financial statements of the National Food and Nutrition Centre for the years ending **31 December 2006, 31 December 2007, 31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issue of unqualified audit reports.

### 2.17.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the National Food and Nutrition Centre resulted in the issue of unqualified reports, however it felt that there were several anomalies which required further clarification.

- *Reason for the increase in other income:* the Committee noted that this increase was due to the following:
- Sale of publications to schools and organisations- \$1,327.00
  - Increase in bank interest- \$384.00
  - Increase in demonstration garden vegetable sales- \$308.00
  - Contribution from Ministry of Health towards the Fiji Food & Nutrition Policy- \$3,378.00

- Increase in miscellaneous charges, being the funds collected for personnel use of the telephone and photocopy by staff and the public- \$1,751.00
- *Update on Improvement in Operational Activities:* the Committee noted that there are on-going issues of full integration under the Public Health (PH) Division of the Ministry of Health and Medical Services (MoHMS) and pending Review Reports regarding the independent status of the Centre. It was further noted by the NFNC that ascertaining the status of the Centre will have implications on staffing and finance. With the revised Fiji Plan of Action for Nutrition (FPAN) 2016-2020, the Committee was informed by NFNC that it would be in dire need for an increase in staffing and funding.
- *Ministry of Health Research allocation:* The Committee was informed that the amount for research allocation was not fully utilized in 2010 due to the following:
  - Survey data collection for the impact study commenced in 2010 and was later completed with the laboratory analysis in 2011.

#### 2.17.4 Resolution

No matters outstanding.



## 2.18 Food Processors (Fiji) Limited

### 2.18.1 Background

Food Processors (Fiji) Limited is a wholly owned government commercial company which has been in operation for the past 20 years. Its main line of business is food manufacturing. The company primarily produces tomato sauce, chili sauce, soy sauce, coconut oil, Worcestershire PMU sauce which is produced under license for Goodman Fielders.

The company continues to develop food products using local indigenous vegetables, fruits and root crops for local and export markets. The superior quality foods are manufactured under the brand name "Pacific Crown" which are sold locally and exported to Australia, New Zealand, Canada and the USA being the main export market.

### 2.18.2 Audit Opinion

The audit of the financial statements of the Food Processors (Fiji) Limited for the years ending **31 December 2007** resulted in the issuance of a qualified audit opinion based on the following reasons:

- Property, Plant and Equipment (PPE) in the financial statements have not been revalued in accordance with Fiji Accounting Standards (FAS). The last revaluation was conducted in 1998.
- Government loan amounting to \$960,000 has not been recorded in the annual financial statements as at 31 December 2007.

### 2.18.3 Audit Issues Raised by the Committee

The Committee noted with grave concern that the Audit Reports of Food Processors Limited have been in backlog for almost a decade. Even though the Committee acknowledges that Food Processors Limited did make a submission before the Committee, however it is still alarming that few government entities have not been submitting Audited Reports on a consistent basis.

The Committee noted that the audit of the financial statements for Food Processors (Fiji) Limited resulted in the issue of a qualified report.

- *Government loan not recorded* – Assets, Liabilities and Income of Batiri Property has been brought into the books of FPFL including full government loan of \$1.9m in the 2008 financial statements as recommended by OAG's report.

- *Staff Retention:* The Committee also noted the high staff turnover in the position of CEO over the years due to rightsizing, resignations and non-renewal of contracts.
- *Revaluation of Property Plant and Equipment:* the Committee noted that Food Processors Limited is currently adopting the historical cost method in valuing each property, plant and equipment. The company had performed a valuation of its PPE in 2008 and will seek professional advice prior to adopting the revaluation method.
- *Improving timelines of financial reports:* the Committee was informed by the OAG that the company needs to improve its timeline on its financial reporting. The Committee was further informed that since February 2016 a qualified Accountant was employed by the company to complete the company's financial backlog. The Committee was informed that since the new recruitment the 2008 to 2014 financials are currently being audited and are near completion for audit respectively.
- *Poor Cash Flow Management:* the Committee was informed that since 2015 after restructuring of the Company's Bank account now operates in credit balance. The Committee was further informed that cash flow of Food Processors Limited are now monitored on a regular basis and creditors also managed. As a result, no unnecessary bank penalty fees and charges are incurred on the company account.
- *Government Loan agreements:* the Committee was informed that a draft loan agreement has been prepared and is awaiting legal clearance before execution end of October 2016.
- *Waiver of interest on Government Loan:* the Committee noted that in a cabinet decision in November 2009, Government approved the waiver of all accrued existing interest on the Government loan which was transferred from NATCO to FPFL in 2004. Government also approved to freeze interest on this loan until underutilized properties of FPFL, namely the NATCO building and the Savusavu properties were disposed. As at 31 December 2007, interest accrued on Government loan transferred from NATCO to FPFL in 2004 amounted to \$201,475. A retrospective adjustment was not incorporated into the annual accounts of FPFL for 2007 to consider the subsequent event of the waiver of the interest on Government loan. The Committee was informed by the entity that the recommendation of OAG has been taken on board with retrospective adjustment done in 2008 financial statements.

#### 2.18.4 Resolution

The Committee recommends:

1. Food Processors Limited complete their financial reports as a matter of priority;
2. Capacity building and staff retention by improved;
3. The Office of the Auditor-General consider undertaking an independent performance audit of Food Processors Limited.

## 2.19 National Fire Authority (NFA)

### 2.19.1 Background

The NFA was established as a corporate body in 1994 under the National Service Act 1994 to provide fire services for the entire nation of Fiji. Prior to this, fire services in the country was provided by various municipal councils and the Board of Fire Commissioners of Suva.

A major change has seen the expansion of NFA's role beyond Fire Response and Rescue to providing a broader Emergency Management Service. Its mission is to serve and work with communities by providing effective and efficient emergency management services to protect and safeguard the nation and its people.

### 2.19.2 Audit Opinion

The audit of the financial statements of the National Fire Authority for the years ending **31 December 2007**, **31 December 2008**, **31 December 2009** and **31 December 2010** resulted in the issue of unqualified audit reports.

### 2.19.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the National Fire Authority resulted in the issue of unqualified reports, however the Committee sought an update on the issues raised and received the following response:

#### *Audit for the Year ended 31 December 2007:*

- *Overpayment of Acting Allowance:* The Committee noted that the Acting CEO at that time had approved the payment of the Acting Allowance for the Accountant of NFA even though the resource personnel but only acted for 12 days instead of the required 14 days. Both the Acting CEO and the Accountant had left NFA by 2010 and as such the overpayment could not be recovered.
- *Appointment of Human Resource Officer:* The Committee noted that the appointment of the Human Resource Officer was done so without adhering to the Minimum Qualification Requirements (MQR). The Committee also noted that the incumbent appointed neither had the experience nor the qualification as required for the post. Consequently, it also came to the attention of the Committee that the position was not re-advertised.
- *Excessive use of Telephone:* the Committee noted excessive use of private telephone calls by the officers of NFA. However, the Committee

was informed by NFA submitters that the Authority now continues to monitor all the telephone bills monthly and is investigates any calls which are private in nature and the respective staff identified is being surcharged with that amount.

*Audit for the Year ended 31 December 2009:*

- *Unauthorised Travel by Board members to Malaysia and China:* the Committee noted that a letter was written by the Former Chairman to the Minister for Local Government, Urban Development, Housing and environment on 16 March 2009 seeking approval to the official overseas travel in April 2009. On 31 March 2009 approval was granted for 2 board members to travel to Malaysia and China with the Chief Executive Officer. The Committee further noted that the 3 Board Members travelled to Malaysia whilst another 4 Board Members and the CEO visited China which was the direct breach of the approval given by the Minister. The Authority incurred an additional cost and loss of \$24,749.69 increasing the total cost of the trip to \$65,898.72 instead of \$31,965 being the initial cost approved by the minister. The Committee also noted that the funds was not used for the Authority's interest. The Committee was informed that the former Board Member and CEO of NFA were investigated by FICAC whereby FICAC confiscated files relevant to this investigation. The services of the former Chairman were terminated whilst the CEO resigned from the Authority and these cases are believed to be pending before the Court.
  - *Per Diem Loading:* the Committee noted that the Board of Directors were paid per diem on the rates provided by the Public Service Commission and an additional 10% top-up on their per diem. The Authority incurred additional expenses totaling US\$1,171.20. The Committee was informed that now NFA is strictly complying with the per diem policy that is outlined in the Authority's Financial Instructions, which refers to the Government rate issued by the PSC from time to time.
- *Purchase of Air Tickets:* the Committee noted that the Authority's Board official's air tickets totaling \$27,517.82 were purchased in Australia by the Chairperson. The cost of the air tickets totaled AU\$17,238 was reimbursed to the Chairperson amounting to FJ\$27,517.82 at later date. Further the Committee noted that the Authority did not obtain quotes from local travel agents before purchasing the air tickets. Also, the Committee noted that some Board Members did not fly direct to China and Malaysia and travelled through indirect routes which may have incurred extra cost. The Committee was informed that NFA had reviewed all its Financial Policies in 2015 and is strictly complying with the provisions of the finance policy.

*Response to Questions on Audit for the Year ended 31 December 2010:*

- *Fire Levy from Insurance Companies:* The Committee noted that the Authority did not verify in any way to ascertain whether the amount of \$6,788,492 received by the entity from insurance companies was correct. The Committee was informed that NFA has recruited an Audit and Compliance Officer tasked to verify that insurance levy is levied on any insurance policy or class of issuance policy written in Fiji and that such levies are correctly calculated and remitted to the Authority on a timely manner.
  - Further in May 2014, the Authority wrote to all the Insurance companies advising of the Authority's intention to audit their books in accordance with the NFA Amendment Decree 2009 and only Marsh Limited has responded.
  - Verification audit was done on Marsh Limited's books in February 2015 and there were no anomalies on the reconciliation of insurance premiums remitted to the Authority.
- *Water Levy Received from Water Authority of Fiji:* the Committee noted that NFA did not verify in anyway whether the amount of \$374,235 paid to the Authority by the Water Authority of Fiji was correct. The Committee was informed that the Audit & Compliance Officer has been tasked to verify the water levies are correctly calculated and remitted to the Authority on a timely manner.
  - Further the Authority has held discussions with Water Authority of Fiji whereby Water Authority agreed to provide NFA with their reconciliation with every remittance of water levies monthly.
  - The Committee was informed that it is very difficult to verify the monthly water levy billed and the amount of water levy paid for each month because of the three-month billing cycle in WAF. Water Authority is only paying NFA, the actual amount of water levy paid by customers each month. NFA in turn makes adjustment in its accounts to reflect the actual amount paid. Joint attempts have been made by WAF and NFA to reconcile the levy paid.
- *No Tender for Procurement of Protective Clothing:* The Committee noted that total cost of \$123,134 for fire tunics in 2010 was not tendered for. The Committee was informed that the Authority has since tendered all good and services more than \$10,000 and has finalised supply agreements with the respective suppliers.

*Response to Questions on Audit for the Year ended 31 December 2011:*

- *Absence of Contract Agreement for Tower Services:* The Committee was informed that the natural disaster in 2012 took down most of the Elcom's towers and RT communications in the North and West. Since then Elcom has only been able to provide RT coverage to only 9 fire stations out of the 18 fire stations and due to the partial provision of RT communication by Elcom and the expensive rates by other providers the Authority approved for NFA to purchase its own Repeater equipment and to negotiate co-sitting on FEA Repeater towers.

Management advertised for Tenders for the purchase and supply of Repeater equipment and submitted the proposal for analog repeaters but the NFA Board requested for Management to consider the option of migrating from analog to digital repeater stations. Another Tender was called and only one bidder offered their digital solution which was very expensive and Management had to seek further solutions and quotes from other suppliers.

The solution that is being considered now is for the Authority to maintain the current rental arrangement with Elcom which is within Budget provision while the plan to gradually migrate and phase out the current analog repeater system to digital repeater system over a four-year period awaits consideration and approval of the NFA Board.

There is also a Government Initiative to have only one Communication Network and dedicated infrastructure with the Emergency Service Providers having dedicated channels which can merge to a single channel in times of emergency. This is a very expansive exercise and had to do it alone.

- *Idle Scooters:* the Committee was informed that an internal investigation was conducted by our Audit and Compliance Officer in November 2013 and it was confirmed that the purchasing process was not followed and the personnel involved with these purchases are no longer employed by the Authority. The Scooters were immobile due to unavailability of spare parts. These were eventually tendered for disposal and have since been written off from NFA's fixed assets register.



#### 2.19.4 Resolution

The Committee recommends the following:

1. The Authority should work transparently and efficiently with FICAC to conclude all matters outstanding.
2. The Office of the Auditor-General consider undertaking an independent performance audit on the entity, to assist with improvement.



## 2.20 Fiji Institute of Technology

### 2.20.1 Background

The Derrick Technical Institute was established in 1963 was renamed Fiji Institute of Technology in 1978, under the control of the Ministry of Education. The Institute has played a role in the development of manpower for the nation and to some Pacific Island nations.

From 1<sup>st</sup> January 1996. FIT became fully autonomous. Under government's Decree No. 16 of 1992, the FIT Council was set up to control the resources and operations of the Institute. The objectives of the Institute included the provision of a broad spectrum of post-secondary programs particularly in technical and vocational education, in accordance with the educational and economic developmental policies of the government and the needs of the government, major industries and commerce, placing emphasis on pursuits of excellence and equity.

### 2.20.2 Audit Opinion

The audit of the financial statements of the Fiji Institute of Technology for the years ending **31 December 2006**, and **31 December 2007** resulted in unqualified audit reports but the audit for the year ending **31 December 2008**, resulted in the issue of a qualified audit report for the following reasons:

- A detailed property, plant and equipment register is not maintained by the Institute; therefore, the auditors were not satisfied with the completeness and existence of physical assets totaling \$37,479,896 and the valuation of the cost of depreciation expenses totaling \$1,193,807 and the net carrying amount.
- The depreciation charge for the year in respect of the assets donated by the government of Fiji is offset against the deferred revenue of \$285,993 released to the statement of income and expenditure. A detailed deferred income register is not maintained by the Institute; therefore, the completeness, existence and accuracy of the deferred revenue could not be ascertained.

### 2.20.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Fiji Institute of Technology resulted in the issue of unqualified reports for 2006 and 2007, however a qualified audit report was issued for 2008. The Institute was required to provide updates on a few issues and their response was as follows:

- *Assets transferred from Government:* the Committee noted that the exercise is now being completed and all current lease titles are in order and now with the entity.
- *Fixed Assets:* the Committee noted that in 2011, the University commissioned Beca Valuations Ltd to undertake a valuation for accounting purposes in accordance with IFRS and Fiji Accounting Standards and for insurance purposes. The adjusted values of these fixed assets have been taken as opening balances for all the merged institutions including FIT.

#### 2.20.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.

## 2.21 Western Division Drainage Board

### 2.21.1 Background

The Western Division Drainage Board was established under the Drainage Act, 1973 and is responsible for the maintenance and improvement of drainage of all land within the Western Division drainage area primarily those areas where there is an existence of agricultural activities for which it is appointed.

Furthermore, subject to any approval or consent which may be required under the Act, the Board may carry out such works and issue such orders concerning drainage works as it deems necessary for the improvement of drainage within the Division.

The Board under the Act levies rates required to cover the cost of improving, constructing and maintaining drainage works, the carrying out of any drainage measures and the operating costs of the Board. The drainage rates were deducted from farmer's cane proceeds until 2007. However, in 2008, the Government issued the Drainage Act Amendment Promulgation No. 4 to abolish the drainage levy to assist farmers and provided the Drainage Subsidy Grant for the funding of the operation and maintenance of drainage works by the Drainage Boards.

The Western Division Drainage Board is appointed by the Minister for Agriculture, Rural and Maritime Development and National Disaster Management under the Drainage Act Cap 143. The Board comprises of key stakeholders which includes landowners, Lands Department, ILTB, FSC, Sugar Cane Growers Council, Provincial Council, Advisory Council and farmer's representatives.

### 2.21.2 Audit Opinion

The audit of the financial statements of the Western Division Drainage Board for the year ending **31 December 2005** resulted in the issue of a qualified audit report because adequate provision was not made for debts of which recovery of arrears of drainage rates amounting to \$469,073 may be doubtful.

However, the audits for the years ending **31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009 and 31 December 2010** resulted in the issue of unqualified audit reports.

### 2.21.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Western Division Drainage Board resulted in the issue of a qualified report in 2005 and after improvements and abiding by the advice of the OAG, their audit reports from 2006 to 2010 resulted in unqualified audit reports. However, questions were also raised in respect of anomalies identified by the Committee and the response was as follows:

- *Anomalies in the purchases and payment process:* the Committee noted Financial Regulations were not being followed by the entity especially for procurements and tender processes. However, the Board stated as off currently internal control measures has been established as follows:
  - The Board agreed with the recommendation of the Auditor General that Government Financial Regulations will be followed for procurements exceeding \$20,000.00. Tenders are called and placed in a Tender Box at the close of the Tender Period. The Board Tender committee meets to deliberate and assess and make recommendation for the award. The endorsement of the Board is required for the award of the Tender.
  - All payment vouchers are authorized by the Board Secretary before payment is processed. Signatories to the payment are the Chairman, Secretary and the appointed Board member delegated this responsibility. All payment vouchers and relevant documents are stamped 'PAID' once payments are processed.
  - All documents are registered upon receipt and securely filed away in a cabinet at the Board office after processed for payment.
- *Decrease in drainage rates and drop in income:* the Committee noted that there was a decrease in drainage rates as opposed to creating a huge drop in income. The Committee was concerned by this audit issue because Drainage Board's income is derived from the collection of drainage rates levied on sugarcane growers whose farms falls within the respective drainage schemes. The Drainage Board however informed the Committee that the huge drop in income of the Board is mainly due to the following reasons:
  - the drop in sugar cane production within the Drainage Scheme areas. A major contributing factor was the expiry of land leases.
  - Cane production in Drainage Schemes for 2006 was 318,233.93 tonnes and in 2007 was 263,993.86 tonnes which is 17% drop in cane production.

- The Drainage Board levied drainage rates to farmers within the declared Drainage Scheme drainage areas. These rates were deducted at source at FSC from cane proceeds. The maximum drainage rate that could be charged was \$49.42/Hectare.
  - The collected rates were used for the operation and drainage maintenance works. The collected rates were insufficient to fully fund the operations of the Drainage Board. The expiry of leases and subdivision developments was factors that contributed to the reduction in cane production and collection of drainage rates.
  - A decision was taken by the Government in 2007 to waive the collection of drainage rates and Government to fully fund the Drainage Boards.
  - The Board stopped collecting drainage rates from 2008 following the Drainage Act (Amendment) Promulgation No. 4 of 2008. The Drainage Board receives funding under the Drainage Subsidy Grant Fund for the operation of the Board and maintenance of the Drainage Schemes.
- *Breach of Procurement Procedures:* The Committee noted that the Breach of Procurement Procedures highlighted in the 2007 audit were on missing payment vouchers, non-certification of payment vouchers and documents not stamped 'PAID'. Subsequently the Committee was informed that these issues have been rectified by the Board whereby the documents are now being securely kept in cabinets under lock and key at the Boards office and payment vouchers are approved by the Board Secretary by signing before any payment is processed.
- All payment vouchers and documents are now stamped 'PAID'
- *Valuation of Plant and Equipment:* The Committee noted that the Board seeks the services of the chartered accounting firm, BDO International and annual financial statements are prepared by BDO and not by the Board's in-house Accountant of the entity. No revaluation of plant and equipment was carried out and the Board informed the Committee that they are currently looking into addressing this issue. The Committee was also informed that the Board does not have a policy in relation to revaluation of fully depreciated assets but market fair value is considered during Board of Survey to ascertain fair value for any sale or auction. This will be addressed once a Capitalization Policy is developed by the Board.

- *AUSAID Grant Fund for 2009:* the Committee noted that in 2009 the Board received a grant of FJD 215,900. Whilst the Board came for submission they had no information on the grant when questioned therefore PAC strongly recommended that a performance audit be carried out to Western Division Drainage Board to seek information on the grant. The Board Chair clarified that the grant was an aid, a one-off payment for rehabilitation after the flood in 2009. It was used for rehabilitating the farming areas mostly in Sigatoka. PAC was somewhat disappointed with the Board as the submitters had no idea and information about this grant. Details of the grant were only provided when PAC made a performance audit visitation to the entity. This issue was of concern to the Committee as it was expected that resource personnel representing any entity before the Committee should have a fair idea and information about important matters such as overseas grants received.

#### 2.21.4 Resolution

The Committee recommends:

1. The Ministry should review and monitor the operations of the Drainage Boards very closely to ensure their adherence to their Terms of Reference (TOR);
2. PAC invites the Office of the Auditor-General to consider undertaking a performance audit of this entity, to assist with improvement;
3. PAC encourages completion of the Capitalization Policy in 2017;

## 2.22 Fiji National Sports Council

### 2.22.1 Background

The Fiji Sports Council was established under the Fiji Sports Council Act (Cap. 271A Rev. 1985). The functions of the Council include:

- Fostering and promoting development of amateur sports and recreation in Fiji;
- Fostering support and undertaking the provision of facilities for sports and recreation;
- Promoting the utilization of sporting and recreational facilities in Fiji;
- Investigating development in sports and recreation and disseminating knowledge and information about such developments; and
- Advising the Minister on any matters relating to sports and recreation.

The Council is responsible for maintaining major sporting grounds and properties and charges fees for its usage. It also receives grants from government to cover expenses concerning sports developments. The Council also receives funds from Tattersall and Pacific Instant Lottery in accordance with the Gambling Turnover Tax Decree 1991.

### 2.22.2 Audit Opinion

The audit of the financial statements of the Fiji National Sports Council for the years ending **31 December 2006, 31 December 2007, 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issue of qualified audit reports for the following reasons:

- Certain revenue and expense transactions of \$208,265 and \$330,607 respectively forming part of balances recorded in the income statement could not be verified as the Council did not have supporting documentation and information.
- Government grant of \$600,356 recorded in Note 2 of the financial statements could not be verified as no reconciliation of this balance was performed by the Council. This balance was transferred from the donor grant reserve to the income statement and relates to amortization of assets donated to the Council.
- Included in other creditors and accruals forming part of Note 10 of the financial statement are balances relating to accruals of \$66,778, corporate box deposit of \$20,000 and clearing account – others of \$82,906 which could not be verified as the Council did not have reconciliations, supporting documents and information.



The attention of the Council was also drawn to the matter where it had entered into a finance lease agreement (\$340,560) with Fiji Development Bank to finance the purchase of vehicles without obtaining the approval from the Ministry of Finance as required under Section 6(j) of the Fiji Sports Council Act.

It was noted that the reasons for qualification of the audits of the accounts for 31 December 2007 to 31 December 2010 were similar and the difference lay in the carrying amounts and the depreciation expenses for the year.

#### 2.22.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Fiji Sports Council resulted in the issuance of qualified audit opinions. The Committee felt that the response provided for the anomalies identified were satisfactory.

#### 2.22.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.



## 2.23 Fiji National Sports Commission

### 2.23.1 Background

The Fiji National Sports Commission was established on 22 January 2013 under the Fiji National Sports Commission Decree 2013 to guide and enhance the delivery of sports programs in Fiji through a coordinated approach at all levels of participation by government, statutory bodies and the community and to ensure the development of sports in Fiji and for related matters.

The Decree very clearly defines the functions and expectations of the Commission.

### 2.23.2 Audit Opinion

The audit of the financial statements of the Fiji Sports Commission for the year ending **31 December 2013** resulted in the issue of unqualified audit reports.

### 2.23.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Fiji National Sports Council and identified the anomalies with the Fiji Rugby Union's Acquittals as follows:

- Fiji Rugby Union Acquittals: The Fiji Rugby Union Acquittals for 2013 RWC has been fully acquitted as per the attached reconciliation. Refund of \$2557.31 was received from FRU and the cheque was deposited in the FNSC's Grant account on 28<sup>th</sup> Sept, 2015.

The Committee was informed that the Commission provided grant assistance to national sporting organisations as long as they complied with the requirements of each individual grant and were deemed to be an "eligible NSO". All NSO's are given the opportunity to apply for a grant.

### 2.23.2 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.

## 2.24 National Centre for Small and Micro Enterprises Development

### 2.24.1 Background

The National Centre for Small and Micro Enterprises Development was incorporated in Fiji under the Small and Micro Enterprise Development Act No. 1 of 2002. The objective of the NCSMED is to develop, promote and support the establishment of small and micro-enterprises especially for the benefit of economically or socially disadvantaged groups including women, youths and other persons. The vision of NCSMED is to be the driving corporate force behind the uplifting of SME's in Fiji and a role model for Pacific Island Nations, through a sustained and bold search for excellence and creativity. The mission of NCSMED is to foster the emergence and the development of a strong and sustained national socio—economic movement based on small and micro-enterprises.

### 2.24.2 Audit Opinion

The audit of the financial statements of the National Centre for Small and Micro Enterprises Development for the years ending **31 December 2007** and **31 December 2008** resulted in the issue of qualified audit reports.

The auditors commented that they were not satisfied with the accuracy and completeness of the cash and cash equivalents balance and also that they were not provided with sufficient records to enable them to verify the accuracy and completeness of the following:

- balance of deferred revenue
- the valuation and completeness of VAT receivable balance; and
- the existence and valuation of the balance of Additional Fixed Assets.

### 2.24.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the National Centre for Small and Micro Enterprises Development resulted in the issue of qualified reports. The Committee felt that the response provided for the anomalies identified were satisfactory.

### 2.24.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.

## 2.25 Tourism Fiji

### 2.25.1 Background

Tourism Fiji is a statutory organization under the umbrella of the Ministry of Tourism. Its activities are governed by Chapter 104 of the Laws of Fiji and it is dependent upon funds allocated each year by government from its annual budget. These funds are used by Tourism Fiji to carry out activities in promoting and marketing Fiji to the outside world with a view to maximizing the number of visitors into Fiji.

### 2.25.2 Audit Opinion

The audit of the financial statements of Tourism Fiji for the years ending **31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issue of unqualified audit reports.

### 2.25.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for **Tourism Fiji** resulted in the issue of unqualified reports, however several anomalies were identified which the Committee felt required further clarification. The Members considered the response provided and noted the following:

- *Increase in Marketing and Selling Expenditure* – The Committee was informed that government increased grants from \$14m to \$23m for Tourism in 2009 in accordance with the strategic plan of Tourism Fiji. The increased budget gave more opportunity to market destinations in Fiji hence the increase in marketing and selling expenses.
- *Increase in Employee Entitlements* – the increase in 2009 was due to the increase in the number of accrued annual leave for all the staff in 2009.

The Committee was also informed that Visitor Arrivals in 2015 surpassed 700,000. Despite the natural disasters (TC Winston and flooding) which hit the country in 2016, visitor arrivals increased by 4.4% as compared to visitor arrivals for the period January to October 2015.

### 2.25.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.

## 2.26 Fiji Servicemen's After Care Fund

### 2.26.1 Background

The Fiji Servicemen's Aftercare Fund was established to provide for the aid and care of:

- a) Persons who served at any time during the war (1939-1945); the Malayan Campaign (1951-1956) and the Operation Grapple on Christmas Island (1957-1959);
- b) Servicepersons having served in any active service operations; (active service operations means any peacekeeping, peace observer, or peace enforcement missions undertaken with the United Nations or any other Multinational Force or Republic of Fiji Military Forces sanctioned missions); and
- c) Wives, widows, children and other dependents of such persons referred to above.

A Committee appointed by the Minister for Economy manages the Fund which was established generally for the aid and care of ex-servicemen and their dependents. The broad scope of activities is covered under Section 13 of the Fiji Servicemen's After Care Fund Act.

### 2.26.2 Audit Opinion

The audit of the financial statements of the Fiji Servicemen's After Care Fund for the years ending **31 December 2007** and **31 December 2008** resulted in the issue of unqualified audit reports. However for the year ended **31 December 2009** the Fund was issued with a qualified audit report because its general ledger balance for cash as at 31 December 2009 was \$84,704 while the bank reconciliation undertaken had a debit balance of \$140,578. This resulted in a variance of \$225,282 between the closing balance of cash in the general ledger and the bank reconciliation.

### 2.26.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Fiji Servicemen's After Care Fund resulted in the issue of unqualified reports for 2007 and 2008 and a qualified report for 2009. The Committee noted several anomalies and requested the Fund to provide further clarification on the issues identified, which were as follows:

- *Extravagant Expenditure* – the Committee noted that this was a common occurrence for 2008 and 2009 even though the items and amounts were different.
  - In 2008, the extravagant expenditure was due to the hiring of a contractor to supply pot plants for the office without the provision of quotations or signing of a Memorandum of Understanding/Agreement. The Committee was informed that this service has been terminated after the Fund was relocated to their new office in Ro Lalabalavu House in July 2014.
  - In 2009, funds were used for the preparation of its Corporate Plan for 1990-2011. The OAG noted that proper procurement procedures were not followed by the Fund when purchasing goods and services used for the preparation of the Corporate Plan. The Fund has rectified the anomalies addressed and have now held workshops in-house with the assistance of the same consultant at a reduced cost
- *High Number of Unpresented Cheques* – the Committee was informed that the recipients had been advised by the Fund to arrange for personal bank accounts of their choice for ease of receiving their monthly allowance. The advice was honored but the change was gradual and the number of recipients being paid by cheque also decreased over the years. Some recipients who were most veterans of WWII in the Solomons, Malayan Campaign and Christmas Island have been given the liberty to continue receiving their allowances by cheque as they have gotten used to it over the years.

#### 2.26.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.

## 2.27 Sugar Industry Tribunal

### 2.27.1 Background

The Sugar Industry Tribunal was established under the Sugar Industry Act, 1984. The functions of the Sugar Industry Tribunal are stipulated under Section 26 of the Sugar Industry Act (Cap 206).

In 2009, there was a restructure of the Sugar Industry Institutions and during a Cabinet meeting on 17<sup>th</sup> February 2009 it was decided that the functions of the Sugar Commission of Fiji, where appropriate, be transferred to the Fiji Sugar Corporation (FSC), the Sugar Cane Growers Council (SCGC) and the Sugar Industry Tribunal. In order to facilitate Cabinet's decision, FSC and the SCGC agreed that the following additional responsibilities of the Commission be assumed by the Sugar Industry Tribunal office:

- (a) To advise and give guidance to the Ministry and to any other institutions or sections of the industry on any matter relating to the industry;
- (b) To coordinate the activities of all sections of the industry so as to foster the co-operation between them;
- (c) To liaise with and to make presentations to the Government and any Government department and any other bodies on any matter relating to the industry;
- (d) To discuss and advise upon any matter relating to the industry which have been referred to the Minister;
- (e) Hear and determine gang disputes as stipulated in the Master Award;
- (f) Enabling legislations to enhance growers and miller efficiency;
- (g) Review the Memorandum of Gang Agreement; and
- (h) Gang Administration.

In 2013, the Sugar Industry Tribunal was also given an additional responsibility to look after the Sugar Geographical Information System Cadastre & Web Base Interface to assist decision making in the Sugar Industry.

### 2.27.2 Audit Opinion

The audit of the financial statements of the Sugar Industry Tribunal for the years ending **31 December 2009** resulted in the issue of an unqualified report, however the audits for the year ending **31 December 2010** and **31 December 2011** resulted in the issue of qualified audit reports for the following reasons:

- i) 31 December 2010: The Sugar Industry Tribunal include in the receivables VAT receivable totaling \$52,664. There is an unreconciled difference amounting to \$32,831 between the general ledger and statement of VAT Account provided by the Fiji Revenue and Customs Authority.

- ii) 31 December 2011: It included in receivables VAT receivable totaling \$37,777. There is an unreconciled difference amounting to \$37,010 between the general ledger and statement of VAT Account provided by the Fiji Revenue and Customs Authority.

### 2.27.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Sugar Industry Tribunal resulted in the issue of an unqualified report for 2009 and qualified reports for 2010 and 2011. The Committee also identified several anomalies which it felt required further clarification from the Tribunal.

The response provided, indicated that the issues in question had been resolved. Copies of the signed contracts for the Tribunals' Accountant were provided to the Members for their information.

### 2.27.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.



## 2.28 Land Transport Authority (LTA)

### 2.28.1 Background

The Land Transport Authority is a statutory body established under the LTA Act 1998. The Authority is responsible for administering the provisions of the Act under the administration and policy rule of the Minister responsible for Transport. The specific functions of the Authority are outlined in Section 8 of the Land Transport Act 1998 and some of its important functions are:

- Improvement of passenger and goods transport by road, ensuring the standard of road transport passenger services are meeting the requirements of the public;
- Establishing standards for registration and licensing of vehicles and drivers;
- Developing and improving traffic management strategies in conjunction with highway authorities to meet the needs of road users and achieve the objective of road safety; and
- Developing and enforcing policies and strategies to achieve the overall objective of road infrastructure, protection and safety in consultation with the Commissioner of Police.

### 2.28.2 Audit Opinion

The audit of the financial statements of the Land Transport Authority for the year ending **31 December 2008** resulted in the issue of an unqualified report. However, the audits for the years ending **31 December 2009, 31 December 2010 and 31 December 2011** resulted in the issue of qualified audit reports for the following reasons:

- 31 December 2009:

Included in the financial statements are property, plant and equipment valued at \$8,223,518 excluding the balance of work in progress. The OAG was unable to verify a variance of \$1,256,807 between the fixed asset register (which states a carrying amount of \$6,966,711) and the general ledger as the Authority was not able to provide proper reconciliation. As a result, the OAG has not been able to confirm the completeness, existence and accuracy of property, plant and equipment as at 31 December 2009.



Attention was also drawn to the amount of \$97,171 disclosed as Other Comprehensive Income in the Statement of Changes of Equity. The amount was carried forward from the previous year for which no details were provided.

- 31 December 2010:

Included in the financial statements are property, plant and equipment valued at \$9,255,146. The amount of \$2,638,660 could not be substantiated as the Authority was not able to provide a proper reconciliation. Accordingly, the accuracy and completeness of Property, Plant and Equipment as at 31 December 2010 could not be ascertained. Without further qualification to the opinion expressed, attention was drawn to the following:

- Included in the financial statements was Comprehensive Gain valued at \$72,599. The amount of \$72,599 could not be substantiated as the Authority was not able to provide a proper reconciliation. Accordingly, the accuracy and completeness of the balance for Comprehensive Gain as at 31 December 2010 could not be ascertained.

- 31 December 2011:

The carrying amount of property, plant and equipment was \$9,660,200. The amount of \$1,256,807 was unable to be substantiated as the Authority was not able to provide for audit proper reconciliation. Accordingly, the accuracy, completeness and existence of property, plant and equipment as at 31 December 2011 was not able to be ascertained.

The Authority's depreciation charge was stated in the statement of comprehensive income at \$17,447 rather than the amount of \$672,448 for the year. Depreciation was supposed to be calculated over the useful life of property, plant and equipment using the straight line method. The Authority's records indicate that management only depreciated a few assets that were acquired during the financial year. Accordingly, the carrying amount of property, plant and equipment for the year is overstated by \$655,001 whereas the operating expenses and the loss were understated by the same amount.

Included in the financial statements was comprehensive income valued at \$134,552. The audit was unable to substantiate the amount of \$134,522 as the Authority was not able to provide proper reconciliation. Accordingly, the accuracy and completeness of the balance of other comprehensive income as at 31 December 2011 was not able to be ascertained.

### 2.28.3 Audit Issues Raised by the Committee

The Committee noted that the audit of the financial statements for the Land Transport Authority resulted in the issue of an unqualified report for 2008 but qualified reports for 2009 to 2011. The Members considered the responses to the following issues:

- **Fixed Asset Register:** the Committee was informed by the Authority that in order to resolve the variance between the Fixed Asset Register and the General Ledger, the Authority in 2013 had all its fixed asset categories revalued through the certified valuation process by Professional Valuation Limited.
- **Compensation Payments:** The Committee noted that the authority has incurred high legal fees and costs during the year. The amount recorded in the current year has increased significantly compared to previous years. This is attributed to the increase in compensation payments made or owed to external parties as decided by the Court. The high compensation costs and legal fees indicate non-adherence to stated policies and procedures, LTA Act and other legislation by the Authority. The Committee was informed that they were able to reduce the compensation payment by engaging four (4) of their lawyers to address legal matters that the entity normally encountered with and their success rates in winning court cases have increased and therefore compensation payments have decreased.
- **Reconciliation of LTA Fees:** the Committee noted that on 1 January, 2008, the authority's power under the LTA Act was amended by Promulgation 49 of 2007. The Promulgation required the authority to close all its bank accounts and redirect all its revenues collected under the LTA Act to the government consolidated account. Audit noted that the authority's records of revenues collected in 2008 did not reconcile with the Ministry of Finance records as at 31 December 2008. Details are shown in the table below.

Details	Ministry of Finance Records	LTA Records	Variance
LTA Fees	\$19,081,740.68	\$19,156,832.35	(\$75,091.67)

The above variance indicates that monthly reconciliation was not effectively carried out by the Authority and Ministry of Finance and thus, the correctness of the figures recorded by Ministry of Finance could not be justified.

The Committee was informed that in order to address this issue the entity as per Promulgation 49 of 2007 transfer all revenues collected to the Government Consolidated Funds and the banking is done daily in order to speed up the process of all the cheques received from other banks to be cleared within three (3) days with the Westpac Bank.

#### 2.28.4 Resolution

The Committee is satisfied that the matters addressed are progressing with the Auditor-General's Office.

## **2.29 Ministry of iTaukei Affairs**

### **2.29.1 Background**

The Committee noted from the Report of the Auditor General for December 2011 that the Tailevu Provincial Council was the only Council that had submitted their 2001 financial statements for audit in 2011. The Committee was informed that no other provincial council had submitted their accounts for audit in 2011 and that most of them had not submitted their financial statements over the years.

The Ministry of iTaukei Affairs informed the Committee that they had put in place certain measures to encourage provincial councils to submit their financial statements for audit. These measures included:

- setting a target date for the submission of the first audited accounts by 2018
- purchasing a new financial system
- setting up an internal taskforce to solely focus on the preparation of the annual accounts; and
- conduct meetings with OAG on how they can work together to fast track and audit backlog – scheduling of audit resources.

The OAG confirmed that there was a lack of documentation and poor recording system and when they went to audit, hardly any documentation was available at that time for audit purposes. Recently, from mid-2014 to 2015 and 2016, the OAG had seen a massive improvement in the financial statements of the provincial councils. To date, OAG has received about 37 financial statements from various provincial councils for audit.

