



ACCOUNTABILITY IN THE PUBLIC SECTOR
THROUGH QUALITY AUDIT SERVICES

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Audits of Statutory Authorities – December 2010





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REPUBLIC OF FIJI

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File: 102

1st December 2010

Commodore Josaia V. Bainimarama
Prime Minister and Minister for Finance
Office of the Prime Minister
Government Buildings
SUVA

Dear Sir

REPORT OF THE AUDITOR GENERAL

Audits of Statutory Authorities – December 2010

In accordance with section 7(7) of the State Services Decree 2009, I am pleased to transmit to you my report on the audits of accounts of the above mentioned entities that were completed during the 2nd half of 2010

A handwritten signature in blue ink, appearing to read 'T. Bolanavanua'.

Tevita Bolanavanua
Auditor - General



Statutory Authorities

1. Civil Aviation Authority of The Fiji Islands
2. Centre For Appropriate Technology & Development
3. Coconut Industry Development Authority
4. Consumer Council of Fiji
5. Commerce Commission
6. Fiji Audio Visual Commission
7. Fiji Islands Revenue & Customs Authority
8. Fiji National Council For Disabled Persons
9. Fiji Shipping Corporation Limited
10. Fiji Sports Council
11. Fiji Islands Trade And Investment Bureau
12. Land Transport Authority
13. National Substance Abuse Advisory Council
14. National Food And Nutrition Centre
15. Tourism Fiji
16. Western Division Drainage Board
17. Sugar Industry Tribunal

SECTION 1: CIVIL AVIATION AUTHORITY OF THE FIJI ISLANDS

The Civil Aviation Authority of the Fiji Islands (CAAFI) is an Aviation Regulatory Authority in the Fiji Islands and is responsible to discharge its functions on behalf of the Fiji Government under its responsibility to the Chicago Convention on International Civil Aviation Organization (ICAO).

It regulates the activities of:

- airport operators,
- air traffic control and air navigation service providers,
- airline operators,
- pilots and air traffic controllers, aircraft engineers, technicians, airports,
- airline contracting organisations and
- international air cargo operators.

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PART A – FINANCIAL INFORMATION

1.1 Audit Opinion - 2009

The audit of the financial statements of the Civil Aviation Authority of the Fiji Islands for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The qualification was that there is 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.

1.2 Abridged Statement of Comprehensive Income

Year ended 31 December	2009	2008
	\$	\$
Operating Revenue	6,900,379	8,227,395
Other Income	229,500	242,554
Total Income	7,129,879	8,469,949
Operating and Admin. Expenditure	(6,930,541)	(15,706,134)
	199,338	(7,236,185)
Interest income	213,432	80,225

Year ended 31 December	2009	2008
	\$	\$
Operating profit before tax	412,770	(7,155,960)
Income Tax Benefit	6,392,774	-
Net profit /(loss) after tax	6,805,544	(7,155,960)

The Net Profit of the Authority increased by \$13,961,504 or 195% in 2009 compared to 2008. This was attributed by decreases in operating expenses and realization of income tax benefits in 2009.

1.3 Abridged Statement of Financial Position

As at 31 December	2009	2008
	\$	\$
Current Assets	7,485,082	7,553,644
Non-Current Assets	57,344,439	51,417,210
Total Assets	64,829,521	58,970,854
Current Liabilities	1,597,483	1,541,200
Long term Liabilities	164,389	183,706
Total Liabilities	1,761,872	1,724,906
Net Assets	63,067,649	57,245,948

Net Assets of the Authority increased by \$5,821,701 or 10% in 2009 compared to 2008. The increase was attributed by increase in Non-Current Assets which was a result of recognizing Deferred Income Tax in year 2009.

PART B - CONTROL ISSUES

1.4 Departure Tax Revenue

Departure tax revenue is recognized based upon information provided by Airports Fiji Limited. However, there is 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.

Recommendation

The Authority should request for more reliable data, to ensure that revenue is correctly stated in the books of accounts.

Management Comments

This is a recurring issue. In the absence of any reliable statistics from AFL in the past, the Authority had approached Ministry of Finance, Bureau of Statistics and even the Auditor General of Fiji for assistance so that the amount received could be verified for correctness; however there has been no success. The Authority however, continues its endeavor to obtain a reconciliation to match as closely as possible to the revenue received.

1.5 Accounting Software

The Authority uses Image Accounting Software. It has limitations in performing roll over of accounts. Due to this reason the trial balance does not balance. The difference is recorded as part of retained earnings. These limitations could render the general ledger to be incorrect.

Recommendation

The Authority should invest in better accounting software.

Management Comments

The present software is capable of performing end of year roll over functions, however this function is restricted to the supplier of the software who was engaged by the Authority in previous years on a Service Level Agreement (SAL) for accounting software maintenance and other technical expertise not available in house. The SAL expired some years ago and not renewed in the expectation that a new software would be purchased on the divesture of the non core activities. Since that time an alternative manual means was introduced to manage the roll over function although we acknowledge the finding and agree that all transactions should be managed by the finance software used by the Authority.

Since the long awaited divesture has now taken place, the Authority has already drawn up specifications for a new accounting software suite which is expected to take care of the requirements based on a regulatory status accounting platform.

The ROI for new accounting software has been advertised and matters being progressed with a view to selection of a vendor who would be requested to tender.

1.6 Debtors Ageing

Audit noted that the receivable ageing summary does not match with the receivable amount in the Trial Balance. The receivable ageing shows a balance of \$913,543 whereas the Trial Balance shows a balance of \$906,431, hence a difference of \$7,112.

Furthermore the receivable ageing summary is distorted. This occurs when invoices are incorrectly posted into the system with invalid date. Hence, the system cannot determine under which ageing the invoice should be grouped, thus invoice appears only in the “amount due” column.

This was due to limitations in the current accounting software being used.

Recommendation

The Authority should consider investing in better accounting software.

Management Comments

The recommendation is noted which has been incorporated in the specifications of the new accounting software. The problem has however, not affected the collection of debts as the shortcoming is already picked up in account reconciliations when follow up actions are taken.

SECTION 2: CENTRE FOR APPROPRIATE TECHNOLOGY & DEVELOPMENT

The Centre for Appropriate Technology and Development (CATD) is registered as a Charitable Trust organization under the Charitable Trust Act (Cap 67) and is governed by its own By-Laws.

The Centre is responsible for:

- developing leaderships and effective human resources in rural Fiji by way of research, training, consultancy and technical assistance;
- provides long and short term technical and vocational training and other types of community based training for rural participants;
- assist the iTaukei and Rotumans resource owners in the sustainable use and development of their natural resources; and
- conduct applied research and undertake consultancy in the area of appropriate technology and manpower planning at the request of the government or other agencies.

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PART A – FINANCIAL STATEMENTS

2.1 Audit Opinion - 2009

The audit of the financial statements of the Centre for Appropriate Technology & Development for the year ended 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 audit was not able to confirm if the amount is fairly stated as the Fiji Islands Revenue and Customs Authority had disputed the balance to be refunded to the Centre.

2.2 Abridged Income Statement

As at 31 December	2009 \$	2008 \$
Government Grant	978,024	853,898
Leadership & Entrepreneurship training fees	115,442	169,848
Seminar Reimbursements	282,165	308,964
Other Income	59,317	107,040
Total Income	1,434,948	1,439,750

As at 31 December	2009 \$	2008 \$
Catering Food Supplies	136,299	123,626
Contract Work Materials	114,396	75,939
Leadership and Entrepreneurship	244,445	204,648
Salaries and Wages & Related Costs	397,602	409,261
Training Materials and Laundry	123,596	159,110
Depreciation	143,407	195,736
Other Expenditures	288,073	287,906
Total Expenditure	1,447,818	1,456,226
Net Deficit for the year	(12,870)	(16,476)

The net deficit recorded by Centre in 2009 resulted mainly from the decrease in revenue. The number of students enrolled in 2009 declined resulting in a decrease in Leadership & Entrepreneurship training fees. Revenue from the sale of farm produce decreased by 34% compared to the previous year.

2.3 Abridged Balance Sheet

As at 31 December	2009 \$	2008 \$
Assets		
Cash at bank and on hand	918,363	782,870
VAT Receivable	134,238	118,926
Deposits and Prepayments	4,045	4,045
Other Receivables	22,215	135,690
Property, Plant and Equipment	4,742,511	4,794,527
Total Assets	5,821,372	5,836,058
Liabilities		
Accounts Payable	3,184	5,000
Total Liabilities	3,184	5,000
Net Assets	5,818,188	5,831,058
Reserves and Equity		
Asset Revaluation Reserve	2,060,335	2,060,335
Accumulated Funds	3,757,853	3,770,723
	5,818,188	5,831,058

No significant change was noted in the Centre's Balance Sheet.

PART B – CONTROL ISSUES

2.4 Financial Statements and Accounting Records

A complete set of financial statements includes the following components:

- balance sheet;
- income statement;
- statement of changes in equity;
- cash flow statement; and
- accounting policies and explanatory notes.

The financial statements submitted for audit was incomplete. The Centre submitted financial statements directly generated from the QuickBooks Accounting System which was not in the format required under the *Fiji Accounting Standards 1 – Presentation of Financial Statements*.

In addition, the audit of the Centres accounts was delayed as not all records were provided when requested.

The non-availability of records unnecessarily delayed the finalisation of the Centre’s audited accounts.

Recommendations

- **The Centre should ensure that the financial statement is prepared and submitted for audit in the format that is required under the Fiji Accounting Standards.**
- **Accounting records should be maintained up to date and are provided for audit on time.**

Management Comments

The financial statement would be prepared in the format required under the Fiji Accounting Standards. The fixed asset schedule was prepared, but didn’t take into account the audit adjustment that was supposed to be passed regarding the valuation of the Centre’s assets.

2.5 Segregation of Duties – Accounts Section

The Accounting Head must ensure that all officers of the agency who are responsible for particular controls are aware of their responsibilities, including the need for managers to regularly rotate duties between staff, where practical, to minimize and detect the possibility of fraud.

Audit noted that the Accountant is responsible for all the works undertaken in Accounts Section. This included recording of financial information, reconciliation of accounts, general ledger uploading and preparation of reports. The Accountant is also responsible for administrative work.

Audit further noted that the reconciliations prepared are not checked and verified correct by an independent person.

Segregation of duties is an important mode of internal control. The absence of such control increases the risk of misappropriation of funds and incorrect balances reflected in the books of account.

Recommendations

- **The Centre should strongly consider employing an additional staff in the Accounts Section or delegating some responsibilities to other staffs to assist the Accountant.**
- **The internal control procedures in the Account Section, specifically supervisory checks should be strengthened.**

Management Comments

The Accounts Section will be strengthened with two additional staff and internal control procedures will be imposed.

2.6 VAT Receivable

The net amount receivable or payable in respect of VAT should be included as part of accounts receivable or payable. Assets should be recorded net of VAT if the tax is recoverable.¹

The Centre is anticipating receiving from the Fiji Islands Revenue and Customs Authority (FIRCA) VAT refund of \$134,238 and has been reflected in the financial statements as VAT Receivable. However, FIRCA is disputing the amount to be refunded to the Centre.

VAT Receivable has been long outstanding and has been a qualification issue in previous years Audit Reports.

Recommendation

It is recommended that the Centre liaise with FIRCA to resolve the dispute with regards to VAT refund and adjust its books of account to correctly reflect VAT that will be refunded to the Centre.

Management Comments

The Centre has been liaising with FIRCA every now and then. The latest comment from FIRCA today, Monday 12th October, 2010 was the wages & salaries should not be taken up as non – VAT item. That is where the difference is.

The previous FIRCA officers whom we dealt with in the previous years' said the only non – VAT item that we should take into account while calculating the VAT for each period was the salaries and wages.

¹ Fiji Accounting Standards 103 – Accounting for Value Added Tax
Report of Statutory Authorities – December 2010

SECTION 3: COCONUT INDUSTRY DEVELOPMENT AUTHORITY

The Coconut Industry Development Authority was established to administer the development of the coconut industry in the Fiji Islands on an integrated basis in order to achieve increased production of coconut lands in the traditional and plantation areas.

The principal activity of the Authority was to foster:

- Research and agricultural extension activities relating to the coconut industry, design to improve hybrid and other high yielding varieties and their use in planting and replanting;
- The application of inter-cropping and mixed farming systems in coconut lands;
- Innovative land- use and land tenure systems and farming techniques in coconut land.

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PART A - FINANCIAL INFORMATION

3.1 Audit Opinion

The audit of the financial statements of the Coconut Industry Development Authority and its subsidiary, Copra Millers of Fiji Limited for the year ended 31 December 2006 resulted in the issue of a qualified audit report. The qualifications were as follows:

- 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.
- The Authority had advanced \$70,000 to its subsidiary, Copra Millers of Fiji Limited. My review indicates that this amount is not recoverable from the subsidiary and the Authority has not provided provision for doubtful debts for the financial year 31 December 2006. Accordingly, the Authority's total assets are overstated by \$70,000.

The Authority's attention was also drawn to that the Board on 15 February 2006 approved, 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.

3.2 Statement of Financial Performance

Year Ended 31 December	2006 \$	2005 \$
Revenue		
Sales	4,871,434	5,146,659
Other Income	1,321,473	691,400
Total Revenue	6,192,907	5,838,059
Expenditure		
Cost of sales	4,530,299	5,249,218
Depreciation	223,929	176,084
Doubtful Debts	15,245	-
Personnel Expense	698,849	408,415
Operating Expense	715,164	487,265
Total Expenditure	6,183,486	6,320,982
Profit/(Loss) from operations	9,421	(482,923)
Finance cost	483	5,915
Profit/(Loss) before tax	8,938	(488,838)
Income tax expense	-	-
Profit/(Loss) after tax	8,938	(488,838)
(Loss)/Profit attributable to Minority Interest	(43,161)	28,321
Net Loss	(34,222)	(460,517)

Net Loss of the Authority decreased by \$426,295 or 93% in 2006 compared to 2005 as a result of increase in revenue collected by \$354,848 or 6.1%.

3.3 Statement of Financial Position

As at 31 December	2006 \$	2005 \$
Current Assets		
Cash	192,193	287,715
Term Deposits	185,794	125,781
Trade Receivable	132,969	215,282
Inventories	1,331,682	977,482
Other Assets	141,323	92,697
Total Current Assets	1,983,961	1,698,957
Non-Current Assets	2,027,370	1,993,845
Total Assets	4,011,331	3,692,802
Current Liabilities	1,122,279	538,321
Long term Liabilities	511,303	622,621
Total Liabilities	1,633,582	1,160,942
Net Assets	2,377,749	2,531,860
Accumulated Fund		
Accumulated Profit	2,291,242	2,488,514
Minority Interest	86,507	43,346
Total Accumulated Fund	2,377,749	2,531,860

Net assets declined by \$154,111 or 6.1% in 2006 compared to 2005 as the result of increase in current liabilities by \$583,958 or 109% in 2006 compared to 2005.

PART B - CONTROL ISSUES

3.4 Inter Company Balances to be properly reconciled

There were variances noted in the inter company balances between the Authority and Copra Millers of Fiji Limited. These variances also indicates that the inter company balances are not reconciled on a regular basis.

The variances, amounting to \$80,055, during the year were adjusted by effecting journal entries to ensure that there is alignment of balances between the Authority and Copra Millers of Fiji Limited.

This could result in misstatements in significant account balances in the financial statements if reconciliations are not done on a regular basis.

Recommendation

The inter company balances should be reconciled and confirmed at regular intervals during the year by referring to the management accounting records, preferably at quarterly interval.

Management comments

No Comments Provided

3.5 Provision for Doubtful Debts

The Authority has recorded an advance to its subsidiary, Copra Millers of Fiji Limited of \$70,000. My review indicates that this amount is not recoverable from the subsidiary and the Authority has not provided provision for doubtful debts for the financial year 31 December 2006. Accordingly, the Authority's total assets are overstated by \$70,000.

Recommendation

The Authority should provide provision for doubtful debts and consider writing off the advance as bad debt.

Management comments

No Comments Provided

3.6 Trade Creditors and Accruals to be Reconciled

Trade creditors and accruals, amounting to \$19,259 were not reconciled and accruals related to the 2005 financial year and were not reversed in 2006.

It was further noted that due to the high turnover of finance staff, the composition of this carried forward balance was unknown.

Inadequate reconciliation of trade creditors and accruals leads to the risk of non-detection of errors or anomalies in general ledger account balances.

Recommendation

Trade creditors and accruals should be properly reconciled on a regular basis to avoid any unknown balances and these reconciliations should be reviewed by a senior officer.

Management comments

No Comments Provided

3.7 Payroll Accruals to be Reconciled

Payroll accruals such as housing allowances, FNPF entitlements and PAYE were inadequately reconciled. The total variance amounting to \$25,602 was still in the process of being substantiated during the 2007 general ledger posting. In addition, audit was unable to trace the housing allowances deducted to the payroll reports as adequate reconciliations were not maintained in this regard.

Inadequate reconciliations of payroll accruals lead to a non-compliance with the laws and regulations surrounding employee entitlements. The Authority may be subject to penalties and general ledger account balances may be misstated.

Recommendation

Payroll accruals should be properly reconciled on a regular basis to avoid any unknown balances and these reconciliations should be reviewed by a senior officer.

Management comments

No Comments Provided

3.8 Conversion of Loan to Grant

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

Due to the conversion, the Authority has incurred a significant loss for the year ended 31 December 2006.

Recommendation

The Authority should obtain approval from Ministry of Finance and from the Cabinet to formalize this conversion.

Management comments

No Comments Provided

3.9 Untimely lodgement of VAT returns

It was noted that some of the VAT returns of the Authority were not lodged on a timely basis. These VAT returns were assessed in the 2007 financial year. This was noted for the following months:

Month	Amount (\$)
September 2006	2,475.68
November 2006	356.21
December 2006	3,732.39

In addition, there was lack of evidence of follow-ups noted in terms of outstanding VAT refunds. The December 2005 VAT refund was short-received by \$2,305.93 and the December 2006 VAT refund as outlined above was treated as a nil assessment by Inland Revenue Services.

The Authority may incur significant losses due to lack of follow-ups on outstanding VAT refunds. In addition, untimely lodgement of VAT returns is non-compliance to the VAT Decree Act and may attract significant penalties.

Recommendation

The Authority should ensure that all VAT returns are lodged on a timely basis and regular follow-ups should be done in respect of outstanding VAT refunds.

Management comments:

No Comments Provided

SECTION 4: CONSUMER COUNCIL OF FIJI

The principal purpose of the Council is to provide the protection and promotion of consumer interests, informing consumers of their rights and responsibilities and mobilising consumers to achieve fairness and safety in the marketplace.

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PART A – FINANCIAL POSITION

4.1 Audit Opinion - 2009

The audit of the financial statements of the Consumer Council of Fiji for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

4.2 Abridged Statement of Financial Performance

As at 31 December	2009	2008
	\$	\$
Government Grant	512,167	560,192
Other Income	83,620	30,767
Total Income	595,787	590,959
Expenditure		
Depreciation	21,178	20,178
Rent and rates	50,200	50,200
Salaries, wages and related payments	341,306	361,723
Telephone and postage charges	14,060	15,296
Travelling expenses	40,973	10,835
Sundry expenses	121,363	83,038
Total Expenditure	589,080	541,270
Net Surplus/(Deficit) for the year	6,707	49,689

The Council recorded a surplus of \$6,707 in 2009 compared to \$49,689 in 2008 as a result of the increase in expenditures by \$47,810 (8%).

4.3 Abridged Statement of Financial Position

As at 31 December	2009 \$	2008 \$
Current Assets		
Cash on hand and at bank	255,498	119,156
Other current assets	12,440	17,313
Total Current Assets	267,938	136,469
Non – Current Assets		
Property, plant and equipment	69,582	88,128
Deferred finance charges	-	7,644
Total Non – Current Assets	69,582	95,772
Total Assets	337,520	232,241
Current Liabilities		
Accounts payables and accruals	46,029	43,973
Grant – AUSAid project	213,967	106,634
Other current liabilities	110,635	108,050
Total Current Liabilities	370,631	258,657
Non-Current Liability		
Loan	-	7,088
Total Non – Current Liability	-	7,088
Total Liabilities	370,631	265,745
Net Assets	(33,111)	(33,504)
Accumulated Funds and Reserves	(33,111)	(33,504)

No significant change was noted in the Council’s financial position.

SECTION 5: COMMERCE COMMISSION

The objective of the Commerce Commission is to promote effective competition in the interests of consumers, facilitate an approximate balance between efficiency and environmental and social considerations, and to ensure non-discriminatory access to monopoly and near monopoly infrastructure or services. The Commission has the following functions in relation to regulated industries:

- the provision of advice to the Minister about proposed access agreements;
- the maintenance of a register of access agreements;
- the facilitation of negotiations about access to infrastructure facilities or service under access regimes;
- the arbitration of disputes about access to infrastructure facilities or services under access regimes;
- if, under a law relating to a regulated industry, the referring authority delegates to the Commission the power to impose, modify or revoke conditions in respect of licenses granted under that law-the imposition modification and revocation of those conditions in accordance with the relevant delegation.

The Commission has the following functions in relation to the Fair Trading Decree:

- to administer those provisions of the Decree in respect of which functions are conferred on it on or under the Decree;
- to facilitate the operation of the Decree

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PART A - FINANCIAL INFORMATION

5.1 Audit Opinion - 2009

The audit of the financial statements of the Commerce Commission for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

5.2 Statement of Financial Performance

Year ended 31 December	2009 \$	2008 \$
Income		
Government Grant	293,777	382,723
Amortization of Deferred Income	11,286	20,166
Professional Fees	48,889	-

Year ended 31 December	2009 \$	2008 \$
Miscellaneous income	3,896	-
Total Income	357,848	402,889
Expenditure		
Personnel Expense	170,788	219,587
Rent	34,667	32,000
Advertising	50,567	11,478
Misappropriation of Funds	16,608	-
Other Expense	117,242	128,689
Total Expenditure	389,872	391,754
Net (Deficit)/Surplus	(32,024)	11,135

The Commission recorded a net deficit of \$32,024 in 2009 compared to a net surplus of \$11,135 in 2008 as a result of decline in government grant by \$88,946 or 23%. While there were increases in revenue collected from professional fees and miscellaneous income, these could not cushion the effect of the decrease in government grant.

5.3 Statement of Financial Position

As at 31 December	2009 \$	2008 \$
Cash at bank and on hand	44,243	115,347
Deposits	4,199	4,199
Other receivables	6,784	-
Total Current Assets	55,226	119,546
Property, Plant & Equipment	51,492	54,371
Total Assets	106,718	173,917
Accounts Payable	5,007	10,335
Other Payables	-	7,634
Other current liabilities	15,995	23,015
Total Current Liabilities	21,002	40,984
Deferred Income	21,117	36,310
Total Liabilities	42,119	77,294
Net Assets	64,599	96,623
Accumulated Fund	64,599	96,623

Net assets of the Commission decreased by \$32,024 or 33% in 2009 compared to 2008 as a result of decrease in cash at banks by \$71,104 or 62% in 2009.

PART B - CONTROL ISSUES

5.4 Misappropriation of Funds

The Commission uses the Westpac Banking Corporation quick pay system to process the salary and wages for its employees. The Quick pay system allows the Commission to directly credit its employees' bank account with the amount of salary and wages for a particular pay period.

The Accountant should submit detailed payroll printout together with current pay advice to CEO.¹ CEO should properly check the detailed payroll against current salary advice and standard pay.² If in order the Accountant should print Quick pay lodgement form to be signed by himself and CEO.³ Accountant should release the lodgement form by fax and soft copy of summary pay by email to bank.⁴

Effective from the 31 October 2008, the Commission was operating without a Chief Executive Officer. As a consequence the Project Officer and the Accountant were the signatories to the Commission's Bank Account.

The audit noted that the Commission's Accountant fraudulently debited \$3,010 in 2008 and \$16,608 in 2009 from the Commission's bank account number 9801752271, to his personal bank account number 9801582249.

Our review of the Quick Pay Lodgement file revealed that forms used to initiate the fraudulent transactions were missing. However, the Commission was able to obtain copies of the Quick Pay Lodgement forms from Westpac Banking Corporation. The following information were extracted from the Commission's bank statement (account number 9801752271) and from the copies of the lodgement forms obtained from the Bank.

Table 5.1: Details from Commission's bank statement and lodgement form

Transaction Date As Per Bank Statement	Bank Statement Page	Amount As Per Bank Statement \$	Bank Charges \$	Details As Per the Lodgement Form obtained From the Bank	
				Amount Credited into A/C Number	
29/10/08	31	602.08	2.00	9801582249	
04/11/08	32	602.08	2.00	9801582249	
07/11/08	32	602.08	2.00	No Details Provided	
26/11/08	33	602.08	2.00	9801582249	
18/12/08	34	602.08	2.00	9801582249	
Total for 2008		3,010.4	10.00		
09/01/09	36	602.08	2.00	9801582249	
02/02/09	37	637.50	2.00	9801582249	
06/02/09	37	602.08	2.00	No Details Provided	
24/02/09	38	602.08	2.00	9801582249	
12/03/09	39	602.08	2.00	9801582249	
26/03/09	39	602.08	2.00	9801582249	

¹ Commerce Commission Financial Regulation Section 3.1 (g)

² Commerce Commission Financial Regulation Section 3.1 (h)

³ Commerce Commission Financial Regulation Section 3.1 (i)

⁴ Commerce Commission Financial Regulation Section 3.1 (j)

Transaction Date As Per Bank Statement	Bank Statement Page	Amount As Per Bank Statement \$	Bank Charges \$	Details As Per the Lodgement Form obtained From the Bank	
				Amount Credited into A/C Number	
28/05/09	41	708.33	2.00	No Details Provided	
18/06/09	42	708.33	2.00	No Details Provided	
03/07/09	44	708.33	2.00	No Details Provided	
09/07/09	44	602.08	2.00	9801582249	
23/07/09	45	708.33	2.00	No Details Provided	
07/08/09	46	708.33	2.00	9801582249	
20/08/09	46	708.33	2.00	9801582249	
28/08/09	46	602.08	2.00	9801582249	
15/09/09	47	708.33	2.00	9801582249	
02/10/09	48	708.33	2.00	No Details Provided	
13/10/09	48	708.33	2.00	9801582249	
06/11/09	50	708.33	2.00	9801582249	
04/12/09	52	708.33	2.00	9801582249	
10/12/09	52	708.33	2.00	9801582249	
18/12/09	52	708.33	2.00	9801582249	
24/12/09	53	710.33	0.00	No Details Provided	
30/12/09	53	625.00	2.00	9801582249	
Total 2009		16,608.24	46.00		

The accountant passed following fictitious entries into the Commission's general ledger to conceal the fraud.

Table 5.2: Details of fictitious entries

Date	Amount (\$)	Chq #	Details	Expenditure Debited
13/02/09	14.10	debit	Fictitious Entry 1	Bank Charges
26/02/09	602.08	374	Fictitious Entry 2	Salaries and Wages
15/03/09	639.50	debit	Fictitious Entry 3	Salaries and Wages
28/05/09	1,924.89	421	Fictitious Entry 4	Advertising
1/6/2009	710.00	410	Fictitious Entry 5	Training and Development
5/10/2009	67.85	530	Fictitious Entry 6	Travelling and Accommodation
6/10/2009	933.00	531	Fictitious Entry 7	Office Equipment
30/11/09	9,495.40	debit	Fictitious Entry 1	Advertising
17/12/09	1,095.61	611	Fictitious Entry 8	Office Equipment
24/12/09	1,125.81	623	Fictitious Entry 9	Printing Postage Stationery
Total	16,608.24			

The above finding indicates that the internal control procedures in place are very weak which resulted in misappropriation of funds by the Accountant.

Recommendations

- **The Commission should report the matter to police for further investigation.**
- **The Commission should recover \$19,618.64 from the accountant.**
- **The Commission should strengthen its internal control procedures to avoid such fraudulent activities recurring.**

Management Comments**5.5 Forging of Invoices**

Payment vouchers should be prepared for all payments. Payment vouchers should be made out in ink or in ball point pen or should be typewritten. Facsimile signatures or stamps should not used on original vouchers.⁵

All supporting documents should be included as a reference to the payment vouchers. All payments should be made on original unless certified by the CEO.⁶

The audit noted that the Accountant prepared the following three cheques and supported the payments with fictitious payment vouchers, invoices and other supporting documents to balance the Commission's cashbook. Audit review of the bank statement as at 30 September 2010 revealed that the cheques were not presented.

Table 5.3: Details of forged invoices

Date	Amount (\$)	Chq #	Details	Expenditure Debited
6/10/2009	933.00	531	Fictitious Invoice 1	Office Equipment
17/12/09	1,095.61	611	Fictitious Invoice 2	Office Equipment
24/12/09	1,125.81	623	Fictitious Invoice 3	Printing Postage Stationery

The possibility that the accountant may forge other company invoices, processing the payments and cashing the cheques cannot be ruled out.

Recommendations

- **The Commission should carry out its own internal investigations.**
- **The Commission should strengthen its internal control procedures to avoid such fraudulent activities recurring.**

Management Comments

No comments.

⁵ Commerce Commission Financial Regulation Section 2.4.1

⁶ Commerce Commission Financial Regulation Section 2.4.2

SECTION 6: FIJI AUDIO VISUAL COMMISSION

The Fiji Audio Visual Commission was established for the purpose of developing and promoting a local audio-visual industry.

A project of a multi-million dollar studio is underway at Yaqara. It is anticipated that the project will create more opportunities for local talents involved in the audio-visual industry, and generate employment.

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PART A – FINANCIAL INFORMATION

6.1 Audit Opinion - 2009

The audit of the financial statements of the Fiji Audio Visual Commission for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

6.2 Abridged Income Statement

As at 31 December	2009 \$	2008 \$
Revenue		
Government Grant	881,342	862,956
Other Income	78,908	71,675
Total Revenue	960,250	934,631
Expenses		
Employee remuneration and benefit	270,780	358,589
Administrative expenses	276,678	303,752
Promotional expense	385,566	239,712
Other expenses	26,061	35,576
Total Expenses	959,085	937,629
Net Surplus/(Deficit) for the year	1,165	(2,998)

A net surplus of \$1,165 was reported for the 2009 operation however a better result could have been achieved had the Commission exercised effective control over its expenditure. Promotion expense increased by 61% in 2009 compared to 2008.

6.3 Abridged Balance Sheet

As at 31 December	2009 \$	2008 \$
Current Assets		
Cash on hand and at bank	180,667	132,453
Accounts receivable	18,514	12,657
Other current assets	22,942	32,802
Total Current Assets	222,123	177,912
Non - Current Assets		
Property, plant and equipment	68,781	82,453
Total Non –Current Assets	68,781	82,453
Total Assets	290,904	260,365
Current Liabilities		
Accounts payable	13,700	31,432
Provisions	71,905	22,682
Total Current Liabilities	85,605	54,114
Non-Current Liabilities		
Government grant/deferred income	34,114	36,231
Total Non-Current Liabilities	34,114	36,231
Total Liabilities	119,719	90,345
Net Assets	171,185	170,020
Total Accumulated Fund	171,185	170,020

The Commission recorded an increase in its total assets by \$30,539 or 11.7% in 2009 compared to 2008 due to increases in cash at bank and accounts receivable.

PART B – CONTROL ISSUES

6.4 Compliance with VAT Decree

Where and to the extent that any registered person in the course or furtherance of making taxable supplies, has or is treated to have provided an employee benefit for income tax purposes, to any other person, the provision of that employee benefit shall be deemed to be a supply of goods and services made by that registered person in the course of a taxable activity carried on by that registered person¹.

Any activity which is carried on continuously or regularly by any person whether or not for pecuniary benefit and involves or is intended to involve in whole or in part the supply of goods and services to

¹ VAT Decree 1991 Section 3 part 10

another person for a consideration and includes any such activity carried on in the form of business, trade, manufacture, profession, vocation, association or club.²

The following discrepancies were noted from our review of VAT records:

- Fringe benefits given to employees for their employment with FAVC were not declared on the VAT Return.
- Ticket sales income from the Kula Film Award was not declared on the VAT Return, even though it meets the definition of a taxable activity. Ticket income meets this definition and VAT should be deducted from this.

Recommendation

The Commission should adhere to VAT Decree to avoid unnecessary penalties.

Commission's comments

No comments received from the commission

6.5 Compliance with Income Tax Act

We noted from the review of the payroll reports that the system was not appropriately deducting PAYE from the employees' salaries. Moreover, the PAYE rates in the system do not agree to the rates as required under the Income Tax Act.

Recommendation

The Commission should change the rates on the system to reflect the amended rates that have been issued by government and in order to avoid unnecessary penalties for non-compliance with the Income Tax Act.

Commission's comments

No comments received from the commission

6.6 Accountable Advance

As required in the Commission's Policy Manual, accountable advance is to be cleared within 2 days of staffs return, failing which the amount will be deducted from the staff's salary.

The following officers had outstanding accountable advance totalling \$1,977.57 as at 31 December 2009:

Date	Payee	Amount \$
12/09/2006	Payee 1	500.00
30/03/2007	Payee 2	239.23

² VAT Decree Section 4 (1) A

Date	Payee	Amount \$
6/10/2009	Payee 3	779.04
26/05/2009	Payee 4	9.30
4/06/2009	Payee 5	450.00
Total		1,977.57

The following issues were noted from the review of accountable advances as at 31 December 2009.

- The amount receivable from Payee 1 was not followed up and there is no evidence that the amount could be recovered.
- No recovery action taken by the Commission during 2009 such as direct deduction from salary, to recover the outstanding accountable advance from other staff members.
- As required under the Policy Manual accountable advance should be cleared within 2 days of staff returning from official duties, failing which the amount will be deducted from the staff's salary. The Policy was not adhered to by the Management or the Board. .

Moreover, audit noted that the "Statement of Travelling Expense" Form was not completed for the entire accountable advance issued to staff. This form acts as an authorisation for direct deduction of repayments from salary of employees.

Recommendations

The Commission must ensure that:

- **Outstanding accountable advance is recovered from the staffs concerned.**
- **Failure to retire outstanding accountable advance, the Commission should consider direct deductions from the Officers salaries.**
- **The Statement of Travelling Expense Form is completed for all accountable advances issued.**

Commission's comments

No comments received from the commission

6.7 Staff Debtors

Review of the staff debtors list as at 31/12/09 revealed that the following staffs are yet to reimburse the mobile phone costs to FAVC.

Date	Payee	Amount \$
31/12/2009	Payee 4	255.95
31/12/2009	Payee 3	440.64
Total		696.59

Audit noted the following:

- No deduction had been made to recover the mobile phone costs.
- There was no policy on the time limit to be given to staff to reimburse mobile phone costs to the Commission.

Recommendations

- **The Commission should consider direct deductions from the salaries to recover the mobile phone costs.**
- **The Commission should develop a policy on refund of phone cost, stating the time limit for reimbursement.**

Commission's comments

No comments received from the commission

6.8 Insurance Premiums

Audit noted from review of Insurance payments that the payment of medical and life insurance was made from its operating grant which was given by government for its operations. The Ministry of Finance prohibits payment of insurance premium from its operating grant. A total of \$23,133 was paid as life and medical insurance for staff and management during 2009. This is an ongoing practise from prior years.

Recommendations

- **The Commission should stop payment of medical and life insurance premiums from government grants.**
- **The Commission should adhere to the Ministry of Finance's directives on use of government grants received.**

Commission's comments

No comments received from the commission

SECTION 7: FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY

The Fiji Revenue and Customs Authority (FIRCA) was established as a statutory Authority under the FIRCA Act 1998 and encompasses the operations of the former Fiji Islands Inland Revenue and the Fiji Islands Customs Services. FIRCA commenced operations on January 01, 1999.

The FIRCA Act specifies the following functions of the Authority:

- To act as agent of the State and to provide services in administering and enforcing the laws specified in the First Schedule of the Act.
- Generally to exercise all functions and perform duties carried out by the Inland Revenue Department and the Fiji Islands Customs Service.
- To advise the state on matters relating to taxation and customs and excise and to liaise with appropriate Ministries and statutory bodies on such matters.
- To represent the State internationally in respect of matters relating to taxations or customs and excise and
- To perform such other functions as the Minister may assign the Authority.

Revenue Collection Division

The Taxation Division has two major units namely, the Revenue Collection Section and the Risk and Compliance Section. The Revenue Collection Section is the operational arm, which deals with, return lodgements, assessments and collection of revenue. Also, the Revenue Collection Section is responsible for processing Income Tax and VAT returns lodged by all taxpayers. Their function includes:

- Customer enquiry services;
- Lodgement of returns;
- Tax assessments on returns lodged;
- Issue tax assessment statements;
- Collect tax revenue; and
- Provide tax advice and education.

The Risk and Compliance Section is responsible for recovery and compliance issues. It also ensures that taxpayers, traders and other stakeholders comply with various legislations administered by FIRCA. The division also identifies, analyse and manages risk areas. The Division is structured with four broad sections namely Large International Compliance, Small/Medium Compliance, Strategic Intelligence & Risk Profile and Debt Management & Lodgement Enforcement and Investigation.

Customs Services Division

The Customs Division is responsible for:

- collection of Revenue for FIRCA in the customs area;
- acts as a principal agency for Border control; and
- Cargo clearance and a trade facilitator in allowing movement of goods, people and services from one foreign port to another.

The Division provides information on security measures to all its stakeholders; it provides business support to corporate bodies, the private sector and works in partnership with business entities to protect copyright, trade mark, counterfeiting, etc.

The Division also acts on behalf of other public agencies in carrying out their responsibilities and functions at the border, and administers all Customs Laws and Regulations.

It represents the organization and the Government internationally to bodies such as World Customs Organization (WCO), World Trade Organization (WTO), Oceania Customs Organization (OCO) and the Regional Intelligence Liaison Office (RILO) and provides advice to the Private and Public sector.

Its main functions are revenue collection, trade facilitation, warehousing, international trade, industry support providing information on tariff and trade, valuation, making recommendation under section 10 and 11 to the Minister for Finance, amending National Legislation to facilitate in implementing revised or new changes and resource allocation.

Units that fall under Border Management are: Wharf Area, Outstations, Customs Examination Branch, Customs Marine Unit and Primary Line.

Corporate Services Division

The Corporate Services Division offers support functions to the Customs and Taxation Divisions of the Authority.

The Corporate Services Division comprises of eight sections namely; Information Technology, Finance, Legal, Policy, economic analysis and research, Human Resources, Training & Development, Records Management and Internal Assurance.

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PART A – FINANCIAL INFORMATION

7.1 Audit Opinion - 2009

The audit of the financial statements of the Authority for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

7.2 Abridged Statement of Financial Performance

Year Ended 31 December	2009	2008
	\$	\$
Revenue		
State Revenue	1,212,234,289	1,244,531,852
Less: Payment to Government	(1,212,234,289)	(1,244,531,852)
Grants from Government	29,533,714	27,899,065
Fees and Charges	3,918,912	4,168,632
Other Income	1,958,382	1,066,317
Total Income	35,411,010	33,134,014
Employee Costs	21,834,781	21,839,802
Recurrent Expenditure	9,576,645	8,771,893
Total Expenditure	31,411,426	30,611,695
Net Surplus (Deficit) for the Year	3,999,584	2,522,319

Net surplus increased by \$1,477,265 from \$2,522,319 in 2008 to \$3,999,584 in 2009, due to increases in government grant by 5.9% and other income by 84% which comprises of interest on investments and tax agent's board fees.

7.3 Abridged Statement of Financial Position

As at 31 December	2009	2008
	\$	\$
Cash at bank	13,568,614	13,957,517
Investments	14,732,494	20,032,015
Other current assets	10,164,668	1,050,408
Property, plant & equipment	17,037,017	10,897,230
Total Assets	55,502,793	45,937,169
Current Liabilities	4,395,466	5,579,398
Grant received in advance	21,231,513	14,860,499

As at 31 December	2009	2008
	\$	\$
Deferred grant income	1,894,494	1,838,497
Total Liabilities	27,521,473	22,278,395
Net Assets	27,981,320	23,658,774
Opening balance	20,310,237	17,787,918
Net Surplus	3,999,584	2,522,319
	24,309,821	20,310,237
Add: Asset Revaluation Reserve	3,671,499	3,348,537
Total Accumulated Funds	27,981,320	23,658,774

The increase in net assets by \$4,322,547 or 18% in 2009 compared to 2008 was due to the increase in debtors. This was in relation to the fees and charges collected by the Authority and paid to the consolidated fund. The amount is still to be reimbursed by Ministry of Finance (MOF).

PART B - CONTROL ISSUES

7.4 Revaluation of Motor Vehicle

The fair value of land and buildings is usually its market value determined by appraisal normally undertaken by professionally qualified valuers.¹

When there is no evidence of market value because of the specialised nature of the plant and equipment and because these items are rarely sold, except as part of a continuing business, they are valued at their depreciated replacement costs.²

The Authority revalued its motor vehicles in 2009 at \$262,410 based on the Fleet Manager's knowledge and experience who may not have the expertise in valuation of Property, Plant and Equipment.

As a result, the the accuracy of the revaluation amount could not be ascertained contrary to requirement of the Fiji Accounting Standard 16.

Recommendation

The Authority should revalue the Motor Vehicle in accordance with the Fiji Accounting Standards 16.

Authority's Comments

The vehicles were revalued based on market knowledge. We establish this by monitoring car sales and also from feedback received from car dealers. Further the proposed asset framework will provide asset valuation guidelines

¹ Section 30 – Fiji Accounting Standard 16

² Section 31 – Fiji Accounting Standard 16

7.5 Variance between the Authority Revenue Collection Report and MOF General Ledger

The function of the Authority is to act as an agent of the State and to provide services in administering and enforcing the laws specified.³ Moreover, the Authority is to advise the State on matters relating to taxation and customs and excise and to liaise with appropriate Ministries and Statutory bodies in such matters.⁴

Variances were noted between the Authority's revenue collection report and that of Government's General Ledger with the MOF. Refer to the table below for details:

Account Number	Account Description	Balance as per MOF GL \$	Authority's Amount \$	Variance \$
1-04102-04251-210101	Income Tax	483,753,046.93	483,559,328.00	193,718.93
1-04102-04252-210101	Refund	(31,519,385.42)	(31,616,444.00)	97,058.58
1-04102-04251-220399	Excise Duty	75,238,158.85	74,869,225.00	368,933.85
1-04102-04251-220101	Customs Import Vat	298,457,148.48	297,691,627.00	765,521.48
1-04102-04251-220199	Value Added Tax	288,230,827.43	288,198,910.00	31,917.43
1-04102-04251-220299	Fiscal Duty	223,346,195.88	240,297,924.00	-16,951,728.12
1-04102-04251-220499	Export Dut	9,452,288.34	9,452,288.00	0.34
1-04102-04251-220501	Import Excise Duty	17,647,405.78	17,633,277.00	14,128.78
1-04102-04251-220601	Hotel Turnover Tax	24,960,513.11	24,955,241.00	5,272.11
1-04102-04251-220301	Miscellaneous Fees & Receipts	147,929.12	4,787,378.00	-4,639,448.88
1-04102-04251-239999	Agricultural Produce and Inspection Fees	1,172,382.58	Not Stated	---
1-04102-04251-220701	Water Resource Tax	295,887.89	295,888.00	-0.11
1-04102-04251-230101	Light Due Port and Harbour	---	Not Stated in the report	-
1-04102-04251-230403	License Coasting	1,162.10	Not Stated in the report	-
1-04102-04251-279999	Miscellaneous Revenue	62.73	Not Stated in the report	-
Totals		1,391,183,623.80	1,410,124,642.00	20,114,625.61

The Authority's Inter Departmental Clearance (IDC) account with MOF has been cleared and monthly IDC reconciliations were prepared however significant variances totalling over \$20 million still exists.

The Authority revealed that the variances are due to lodgements not credited or if cheques are declared dishonoured by the banks, however, this was not reconciled by the Authority with the MOF.

Failure to reconcile the revenue amounts could result in revenue amounts misstated in the financial statements.

Recommendation

The Authority should reconcile the monthly revenue reports from MOF with their revenue report and all variances noted are to be clearly identified and adjusted.

³ Section 22 (a) – FIRCA Act 1998

⁴ Section 22 (b) – FIRCA Act 1998

Authority's Comments

Agree and we will improve in this area. Basically much of the discrepancies arise from lodgments not credited and dishonored cheques. The largest variance of \$16million for Fiscal Duty is mainly due to customs rebates. Our report reflects the customs rebate separately which you have not shown above

7.6 Bonus payments

A major output group of the MOF and National Planning is revenue administration under which the Authority is the official tax collection agency of the state.⁵

The Authority receives its grant from government through a contract of service signed by the Permanent Secretary of MOF and the Authority. The Board delegates expenses control through the Chief Executive Officer, the General Managers to cost centre managers.⁶

The basis for the granting of bonus was backed through the labour market studies showing that bonus payment is one method of providing an incentive to employees to improve performance. Bonus payments can have considerable effect on the efficiency of any organisation and on the morale and productivity of the workforce.⁷

The Authority started paying bonuses to its staffs from 2004 however, it does not have a policy or guideline in place for bonus payment. Refer to the table below for details of bonus payments.

Year	Bonus	Revenue Forecast		Actual	Variance in Actual collection to Forecasts		Expenditure	Cost of Collection
		Government Budget	Revised by FIRCA		Government Budget	Revised by FIRCA		
	Paid	Government Budget	Revised by FIRCA	Collection	Government Budget	Revised by FIRCA		(Exp/Actual Collection)
	\$	\$	\$	\$	\$	\$	\$	%
2004	631,380	978,579,000	978,578,996	1,024,397,544	45,818,544	45,818,548	27,184,255	2.65
2005	231,208	1,062,253,600	1,046,253,604	1,064,576,287	2,322,687	18,322,683	27,967,229	2.63
2006	104,747	1,164,668,300	1,064,412,101	1,199,149,233	34,480,933	134,737,132	31,631,811	2.64
2007	794,729	1,310,346,800	1,210,542,371	1,234,452,416	(75,894,384)	23,910,045	29,554,877	2.39
2008	477,887	1,252,065,900	1,247,587,303	1,244,531,852	(7,534,048)	(3,055,451)	30,611,695	2.46
2009	---	1,331,208,700	1,188,107,025	1,212,234,289	(118,974,411)	24,127,264	31,393,968	2.59
Total	2,239,951	7,099,122,300	6,735,481,400	6,979,341,621	(119,780,679)	243,860,221	178,343,835	2.55

The Authority paid 2008 bonus in 2009 to contracted staff including the Chief Executive Officer, General Managers and National Managers. The audit noted that the same Key Performance Indicators (KPIs) were used irrespective of their profession or field of work. Bonus payment of \$57,373 was made in 2008 to the following management staffs:

Executive Management	Bonus Paid For Year 2008
	\$
Chief Executive Officer	14,838

⁵ Fiji Budget Estimates, 2010, Roles and Responsibilities, page 31

⁶ FIRCA Accounting and Finance Direction, Section 3.2.2, page 21 of 69

⁷ FIRCA Board Paper No. 05/2009, Paragraph 2.1.

Executive Management	Bonus Paid For Year 2008 \$
General Manager – Customs Services	5,436
General Manager – Information Technology	17,142
National Manager – Debt Management Unit	7,411
National Manager – Customs Risk and Compliance	5,547
National Manager – Information Technology	6,999
Total	57,373

In addition, despite tax collections decreasing when compared to the forecasted collections according to the National budget, bonuses were paid across the Authority whereby over-collections compared to the forecasted revenue seem to be justified through downward revision from the national budget.

Despite the actual collections for 2007 being \$75m below the national budget forecast, the year recorded the highest bonus payment of \$794,729. Similar bonus payment totalling \$477,887 was made for 2008, despite revenue collection shortfall of \$7m.

As such, on average, the Authority has under-collected \$20 million per year for the period 2004 to 2009, whilst the average increase of 7% in forecasted revenue as per the national budget was only sustained through a 4% growth in revenue by the Authority.

One of the KPIs for the performance measurement was the level of debt owed to the Authority. While the decrease in the arrears of revenue has been noted, this excluded the customs arrears of revenue.

Increasing tax collections through downward revision of forecasted revenue from the national budget, subjective calculation of costs of collection and the non-inclusion of customs arrears inflate the performance of the Authority and hence indicate unjustified bonus payouts for the past years.

Recommendations

- **The Authority should ensure that bonus payments should only awarded for extra-ordinary performances keeping in mind exceptionally high revenue collections;**
- **Calculation of the cost of collections should be objective and the assessment for the arrears of revenue to be inclusive of all the operations within the Authority such the customs arrears of revenue.**
- **KPIs for respective managers should commensurate to their profession and be practical to their line of operations.**

Authority's Comments

Comments are noted.

At the outset, it should be mentioned that the setting of the annual revenue forecast is the function of the Ministry of Finance, not FIRCA.

FIRCA is part of the process but the final figures are determined by the Ministry and approved by the Government. Any revision to the original forecast is done by the Ministry of Finance. The revision done is a reflection of the change to the economic indicators as determined by the Reserve Bank of Fiji. Simply put, the revision takes into account the current economic growth compared to the forecasted indicators done in November the previous year.

If there is a revision to the forecast, the revised figure is the new forecast. The revised figure will then be used as the baseline for calculating the revenue forecast for the following new-year.

For 2007, the revised forecast was \$1,210,542,371, hence FIRCA was above the forecast by \$23.9 million. Similarly, for 2008, we were below the revised forecast by \$3million and not \$7.5 million. Accordingly, the \$20 million under-collected is misleading as we need to consider the revised forecast figures.

The 2009 Bonus was paid to FIRCA staff after solid and remarkable revenue collections. The revenue collections exceeded forecast by \$24.1m. This performance was attained against several external and internal shocks to the Fiji economy. It must be noted that the impact of the Global Financial Crises and the inflationary pressures brought about by escalating international food and fuel prices was imminent in 2009 that has led to the notable downward revision of Fiji's GDP projections and consequential adjustment to the revenue forecast. The devaluation of Fiji dollar in 2009 also contributed. The devastating floods of January 2009 had temporarily crippled the economic activity in certain business districts. The revised revenue forecast discounted these internal and external economic shocks and was the true measure of FIRCA's performance in 2009. More importantly, it formed the basis for the 2010 Budget.

With regards to individual payments, these are made in accordance with individual Contractual Agreements, and performance targets are aligned to CEO's performance targets and those in the 2009-2011 Corporate Plan.

The framework for performance assessment was approved in principle by the Board in 2006, which includes the methodology (formula and process) for calculating amounts to be paid. Since, then the bonus payouts for Executives only have been using that framework. For non-contracted officers, it has been paid across the board based on the percentage variance of actual revenue collection over the forecasted (or revised approved forecast) revenue.

The strategic goals for the organisation are revenue collection and cost of collection. The Bonus payment is paid after an assessment of the Authority's performance in terms of Revenue Collection has been made. There are instances when there is a forecast initially given from the beginning and a revised one is done after certain factors have been considered due to Economic and Political reasons. There are situations where we may not have met our initial target, but met our revised targets. All payments and justifications are deliberated at the Board level (including the Human Resources Board Sub-Committee) first before any decision for payout is made.

In terms of KPIs for Executives, the Authority has taken a combined approach – whereby the CEO, General Managers and National Managers share the same Strategic and Divisional Goals. The idea behind this construct is that they are jointly responsible for the Strategic direction of the Organisation. Please note that there is a third element to the Bonus ratings and that is for the Individual components, which reflect their areas of responsibilities.

The Board has now decided that the current framework has to be reviewed, and the Authority is currently seeking external assistance for this.

I hope that the above is sufficient for your purposes. Please note that we have already sought assistance for the PMS project, but yet to receive a response. Given that the response will not enable us to implement something this year for performance assessment, it has been decided that we will continue with the current framework as the basis for evaluating 2010 performance.

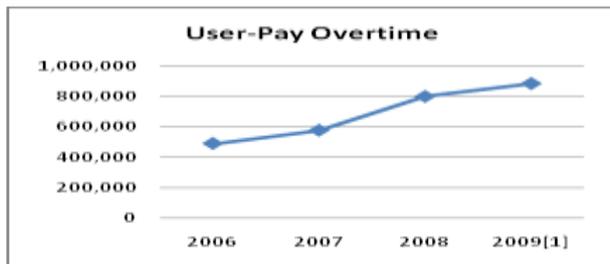
7.7 User pay overtime

If the attendance of an officer is required on Saturdays, Sundays, Public holidays, or at any time outside the working hours or for any special service within those hours, the person requiring such attendance shall make application to the Comptroller or other proper officer on the approved form "C1" and shall undertake to pay the prescribed fee on demand. The Comptroller or other proper

officer may, at his discretion, prior to allowing such attendance, demand a deposit of an amount sufficient to cover the charges that may be incurred and the traveling expenses, if any.⁸

The User Pay Overtime are those overtime payments made for customs clearance duties by custom officers after working hours. These are paid by the users of the service (customs agents/importers) to the Authority and later reimbursed to officers. The overtime requested are mostly for customs clearances for oils, container examination and boarding of ships/aircrafts as stipulated through legislation.

The user pay overtime payments have continued to increase from 2006 to 2009. Refer to the table and the graph below for details.



Year	User-pay Overtime \$	Total Overtime \$	% of Total Overtime
2006	489,177	988,829	49
2007	575,591	818,525	70
2008	797,324	856,136	93
2009 ⁹	881,854	1,069,767	82
Total	2,743,946	3,733,257	73

The table above shows that the user pay overtime per year averages to \$685,987. This amount is substantial and could be further pursued by the Authority as a potential revenue earning base, noting that the overtime payout has increased over the years or have almost doubled i.e. 82% in 2009 compared to 49% in 2006.

Non-retention of the revenues collected through these customs services is denying government of its potential revenue and may lead to collusion between the customs officers and the importer/agent in customs clearances.

Recommendation

The Authority should ensure that a cost-benefit analysis is conducted of having shift customs officers at areas critical to after working hours for customs clearances in order for government to retain the revenues earned.

Authority's Comments

Yes we agree. However please note that part of the increase in overtime from 2006 was due to the change in salary of customs officers which affected the overtime rate. Given staff shortages, it is difficult to put staff on shift work. However, customs management is continuing to look at options to address this.

Further moving to shift work basis will require detail cost benefit analysis to determine any marginal gain to the Authority.

7.8 Manifest not received at Ships Accounts

⁸ FIRCA Regulation, 1986 Section 7 (1)

⁹ Inclusive of the Meal and Transport User-pay overtime

The master or agent of every aircraft or ship, whether laden or in ballast, shall, subject to the provisions of the customs laws, within 24 hours after arrival from outside Fiji at any airport or port, or at another place especially allowed by the proper officer, make a report to the proper officer, in the prescribed form or by means of an electronic message in the prescribed manner, of such aircraft or ship, and of its cargo and stores and of any package for which there is no bill of lading or airway bill.¹⁰

The Compiling Officer (Senior Customs Officer) shall view on the screen all the Bills of Ladings of the manifest to ensure the accountability of all cargo. Any queries, the officer shall raise and finalise it with the shipping company/cargo agent. The officer shall fill in the inward cargo manifest folder quoting on the folder the Automatic Generated Manifest Number. In the folder the Officer shall file the ships inward papers, application to amend manifest, applications for pre-release and documents raised by manifest officer such as the CE135, CE137, CE219 etc. it shall then be dispatched to Ships Accounts Division.¹¹

After duty on the goods have been paid and released, manifests are checked against the entries at Ships Accounts Section and follow ups are made with Cargo Clearance Section of the Authority and Agents on any discrepancies.

There are significant numbers of manifests that are yet to be received by Ships Accounts Section as per the Manifest Register maintained at Ships Account Division.

Furthermore, a considerable number of manifests for 2009 are yet to be queried by Ships Account due to non submission of manifests on time by the Wharf Section. Refer to *Appendix I* for sample of outstanding manifests.

Failure to receive manifests on time increases the risks of manifests being misplaced or unaccounted for by FIRCA while non-queried manifest may increase the possibility of loss in revenue collection for the government.

Recommendation

The Ships Accounts Section should ensure that all manifests are received and checked against the entries and proactive steps should be taken to ensure that all manifests are received from Cargo and Air Freight Section.

Authority's Comments

7.9 Excessive Overtime Claims

If the attendance of an officer is required on Saturdays, Sundays, public holidays, or at any time outside the working hours specified in regulation 6 or for any special service within those hours, the person requiring such attendance shall make application to the Comptroller or other proper officer on the approved form.(C1)¹² Every application made by employees for C1 (beyond normal working hour's clearance) shall be made before 1200 hrs on any weekday and shall specify the extra period during which the attendance is required and the nature of work to be performed.¹³

¹⁰ Customs Act 1986, Part V, Section 18 (1)

¹¹ Cargo Clearance Procedure Manual, Section 5.12

¹² Section 7(1) of Customs Regulation 1986

¹³ Section 7(2) of Customs Regulation 1986

Whenever, for the purpose of carrying out any provision of the customs laws, an officer attends at any time outside working hours, the person who makes application under regulation 7 (1), or, if no application is made, the master or owner of an aircraft or ship, importer, exporter or other person concerned shall pay, in respect of each officer, a charge calculated at the following rates;

- (a) at any time on a Saturday (Inserted by Legal Notice 111 of 1988), Sunday or a public holiday, \$22.00 for each hour or portion of an hour;
- (b) outside working hours on any other day, \$16.50 for each hour or portion of an hour:¹⁴

Each C1 applied for and approved is awarded a number which is recorded in sequence with all necessary details in a register. Once the charges are settled by the applicants, a copy of the system generated receipt is presented to the responsible officer to write off each receipt number and the relevant data against each C1 entry.

The Authority employs two oils officers, at the senior customs officer posts with an annual base salary of \$27,347 for Suva and Lautoka port respectively.

As at 31 December 2009, a sum of \$78,729 has been paid through C1's as overtime claims for these two oils officers. These claims were remunerated to the officers through monthly pay runs after the C1's for the overtime had been settled by the importer.

User pay rate is used in the computation of the payouts where \$18 per hour is paid for overtime under rate 1, applicable from 5 pm to 8pm and \$25 per hour for rate 2, applicable from 8pm. The payroll officer confirmed that all payments have prior approval of the CEO. Refer to table below for details:

Suva Port				Lautoka Port			
Overtime Period	Overtime Hours	Pay Number	Amount Paid \$	Overtime Hours	Amount Paid \$	Pay Number	Grand Total \$
January	189 hrs	494	4,060	83	1,571	491	5,631
February	150 hrs	500	3,141	116	2,186	494	5,327
March	254 hrs	509	5,412	94	1,818	506	7,230
April	225 hrs	515	4,715	111	2,187	509	6,902
May	197 hrs	521	4,337	119	2,359	515	6,696
June	230hrs	527	4,945	109	2,151	518	7,096
July	208 hrs	530	4,276	116	2,256	524	6,532
August	182 hrs	539	3,885	140	2,877	536	6,762
September	177 hrs	542	3,655	101	2,049	539	5,704
October	219 hrs	548	4,824	128	2,486	545	7,310
November	188 hrs	557	3,993	122	2,364	551	6,357
December	231 hrs	563	4,998	105	2,184	557	7,182
Total			52,241		26,488		78,729

Currently, all revenue earned through C1 is deposited into the government Consolidated Fund Account (CFA) and reimbursed to the Authority through fees and charges. Subsequently, this is fully remitted by the Authority to the officers undertaking overtime.

¹⁴ Section 8 of Customs Regulation 1986

This is a potential revenue base for the Authority and must be pursued accordingly. Non-retention of the revenues collected through these customs services is denying government of its potential revenue and may lead to collusion between the customs officers and the importer/agent in customs clearances.

Recommendations

- **The Authority should thoroughly scrutinize the hours claimed for the overtime by the officers prior to claims being settled;**
- **A cost benefit analysis should be undertaken to assess the benefit of implementing shift work for the Oils Officer post;**
- **A portion of the revenue earned through the C1's and deposited into Consolidated Fund Account should be retained by the government.**

Authority's Comment's

7.10 Clearance of Diplomatic Motor Vehicle under Duty Concession

A person to whom such freedom from duty or reduction of duty has been granted or remission or refund has been made who, at any time within 5 years from the date of importation or the date of the delivery from a warehouse of such goods, disposes of or uses such goods for any purpose other than that for which freedom from duty or reduction of duty was granted or in respect of which such refund or remission was made, shall pay the duty on such goods and shall, not less than 14 days before the date of such disposal, or of the date of the goods being put to such other use, make a report to the Comptroller in such a manner as the Comptroller may require to enable duty to be levied.¹⁵

Vehicle duty concession is given to diplomats for use of vehicles for 5 years and any disposal within 5 years is duty charged. Prior to the sale of the vehicles, the Authority is formally informed on the planned disposal date and value for duty is calculated based on the following formula:

$$\text{Value for duty} = \frac{(5 \text{ years} - \text{used period})}{60 \text{ months}} * \text{import value of the vehicle}$$

However, the Officer responsible for the duty computation at long room fails to obtain in writing any changes to the planned disposal date of the vehicles.

Since, only one officer is responsible for the computation of the value for duty, and due to the disposal date significantly affecting the duty payable, lacks transparency and accountability in the vehicle usage period which could result in increased risk of revenue leakage due to underpayment of duty.

Recommendations

The Authority should;

- **strengthen controls in ensuring that all correspondences related to the disposal of vehicles under duty concession is properly documented;**
- **ensure that an independent check of the value for duty computation should be done by team leader of the long room.**

¹⁵ Customs Tariff Act 12 of 1986, Part IV, 17(2)

Authority's Comment's

7.11 Abuse of Duty Free Concession for Motor Vehicle

A person to whom such freedom from duty or reduction of duty has been granted or remission or refund has been made who, at any time within 5 years from the date of importation or the date of the delivery from a warehouse of such goods, disposes of or uses such goods for any purpose other than that for which freedom from duty or reduction of duty was granted or in respect of which such refund or remission was made, shall pay the duty on such goods and shall, not less than 14 days before the date of such disposal, or of the date of the goods being put to such other use, make a report to the Comptroller in such a manner as the Comptroller may require to enable duty to be levied.¹⁶

Based on a complaint received, Customs Investigation Branch (CIB) conducted an investigation on a vehicle purchased duty free under concession code 232 of the Customs Tariff Act. The investigation revealed the following:

- On 09/02/05, MOF approval was granted to the General Secretary of a prominent religious group to purchase a motor vehicle at concessionary duty rates of free fiscal but 12.5% vat payable. The vehicle was to be registered under the religious organisation's priest name and used for the religious organisation.
- The vehicle was bought on entry C21387 of 04/05/05 and contrary to MOF instructions, was registered under the General Secretary's name and personally used by him. The LTA registration form was clearly tampered with whereby the religious organisation's name and stamp was crossed off. Consequently, the General Secretary was successful in defrauding LTA during registration.
- Subsequent to the investigation, the vehicle was detained and \$15,044 was levied as short paid duty which was collected on 06/11/09.

Concessions are subject to abuse due to lack of follow-ups by the Authority after concessionary approvals have been granted. Currently, there is no mechanism in place to ensure that conditions of the concession approvals are not breached until the Authority relinquishes control after lapse of 5 years from importation.

Recommendations

The Authority should:

- **request LTA to submit a copy of the registration details to be filed for record keeping for a period of 5 years from importation.**
- **ensure that penalties are levied against defrauders in breach of the concessionary approval.**

Authority's Comment's

¹⁶ Customs Tariff Act 12 of 1986, Part IV, 17(2)

7.12 Overtime Claims for Boarding Officers - Examination

If the attendance of an officer is required on Saturdays, Sundays, public holidays, or at any time outside the working hours specified in regulation 6 or for any special service within those hours, the person requiring such attendance shall make application to the Comptroller or other proper officer on the approved form (C.1)¹⁷ Every application made by employees for C1 (beyond normal working hour's clearance) shall be made before 1200 hrs on any weekday and shall specify the extra period during which the attendance is required and the nature of work to be performed.¹⁸

Whenever, for the purpose of carrying out any provision of the customs laws, an officer attends at any time outside working hours, the person who makes application under regulation 7 (1), or, if no application is made, the master or owner of an aircraft or ship, importer, exporter or other person concerned shall pay, in respect of each officer, a charge calculated at the following rates:

- (a) at any time on a * Saturday (Inserted by Legal Notice 111 of 1988), Sunday or a public holiday, 22.00 for each hour or portion of an hour;
- (b) outside working hours on any other day, \$16.50 for each hour or portion of an hour:¹⁹

A total of \$81,835 was paid for overtime claims through C1's to four boarding officers employed by the Authority. Refer to the table.

Month	EDP 53331		EDP 60477		EDP 40353		EDP 58494		Grand Total \$!
	Overtime Hours	Amount Paid \$							
Jan	87	1,534	198	3,424			106	1,739	6,679
Feb	88	1,515	133	2,294			99	1,568	5,377
Mar	123	2,157	150	2,732			125	2,118	7,007
April	75	1,330	200	3,526	66	1,000	83	1,393	7,249
May	98	1,680	233	4,105	81	1,180	85	1,442	8,407
Jun	109	1,821	225	4,032	99	1,508	85	1,422	8,784
July	94	1,505	210	3,682	98	1,483	108	1,860	8,530
Aug	79	1,315	252	4,422	118	1,810	110	1,924	9,471
Sept	75	1,300	218	3,784	107	1,651	95	1,685	8,420
Oct	140	2,464	78	1,422	105	1,604	76	1,280	6,770
Nov	---	---	61	1,096	137	2,041	115	1,987	5,124
Dec	---	---	---	---	---	---	---	---	---
Total		16,621		34,519		12,277		18,418	81,835

Currently, all revenue earned through C1 is deposited into the government Consolidated Fund Account (CFA) and reimbursed to the Authority through fees and charges. Subsequently, this is fully remitted by the Authority to the officers undertaking overtime.

¹⁷ Section 7(1) of Customs Regulation 1986

¹⁸ Section 7(2) of Customs Regulation 1986

¹⁹ Section 8 of Customs Regulation 1986

This is another potential revenue base for the Authority and it should be followed up accordingly. Non-retention of the revenues collected through these customs services is denying government of its potential revenue and may lead to collusion between the customs officers and the importer/agent in customs clearances.

Recommendations

- **The Authority should thoroughly scrutinize the hours claimed for the overtime by the officers prior to claims being settled;**
- **A cost benefit analysis should be undertaken to assess the benefit of implementing shift work for the Oils Officer post;**
- **A portion of the revenue earned through the C1's and deposited into Consolidated Fund Account should be retained by the government.**

Authority's Comment's

7.13 Outstanding Short Payments Advices (SPA's) – Post Audit

The full settlement of the Short Payment Advice (SPA) amounts should be made within fourteen days of the advice.²⁰

As at 31 December 2009, the total outstanding SPA's amounted to \$821,927.48. Refer to *Appendix 2* for details.

Furthermore, it was noted that of \$658,119.50 SPA's outstanding in 2007, \$607,714.76 is still outstanding as at 31/12/09. Refer to *Appendix 3* for details. This issue has been highlighted in the previous Auditor General's report; however, no appropriate action has been taken by the Authority to rectify this issue.

Long-outstanding SPAs increases the risk where the Authority may have to write off the unrecoverable amounts as bad debts reducing the revenue of government.

Recommendations

- **The Authority should ensure the timely collection of Short Payment Advices.**
- **Appropriate actions should be taken to recover the outstanding SPA's.**

Authority's Comments

7.14 Auction Sales - Warehouse

If the owner does not lawfully remove any goods which have been deposited in a bonded warehouse, the Comptroller may after giving one month's notice of his intention, proceed to sell the goods in the

²⁰ Fiji Islands Customs Services Short Payments Advice Form

prescribed manner or otherwise dispose of the goods, and the proceeds of any sale of such goods shall be dealt with in accordance with the provisions of Section 63²¹ - where un-entered goods deposited in a customs warehouse under the provisions of section 27(2) are lawfully removed within 21 days after the deposit, they may be sold by public auction after 7 days public notice of sale has been given by the proper officer.²²

The audit noted that monthly auctions are not held in an organized and orderly manner.

Although the Authority advertises for auction in the Fiji Times and Government Gazette, public response is poor. The Auction Sales Report produced by Customs division indicates that the Authority is not able to recover the estimated revenue from these auctions as less than 50% of the auctioned items were sold.

As such the inventories, particularly vehicles which remain in the bond deteriorate, reducing their monetary value resulting in loss of potential revenue to the Authority.

Recommendations

- **The Authority should advertise on a Saturday newspaper and hold the Auction the next Saturday so that a larger group of people including the working people can come and attend.**
- **Auction sales should be given greater priority in order to maximize the revenue for the Authority.**

Authority's Comments

7.15 Recruitment of Temporary Relieving Clerical Officer (TRCO)

In 2009, the Authority recruited 17 staff on the Temporary Relieving Clerical Officer post to be located at FIRCA regional offices as follows:

Regional Office	Section	Number Recruited
Suva	Records Management Unit	11
	Human Resources	1
	Finance	1
	Information Technology Services	1
	Debt Management	1
Labasa	Taxation Revenue Collection	2
Total Recruited		17

Scrutiny of the recruitment procedure for the above appointments revealed lack of transparency as the Authority failed to advertise the vacant posts to recruit suitably qualified personnel. The recruitment was done by selection of the appointees from the ‘expression of interest’ applications received.

Failure to follow proper recruitment procedures increases the risk of nepotism within the Authority.

²¹ Customs Act 1986 – Section 52

²² Customs Act 1986 – Section 63 (1)

Recommendation

The Authority should ensure that all vacant posts are advertised and recruitment should be subject to proper interview procedures.

Authority's Comments

7.16 Housing Entitlements

Employees of the Authority will continue to be eligible for housing and be allocated houses in a fair and equitable manner. Officers recruited within their station are not eligible for housing unless transferred to another station other than Suva.²³ Staffs eligible to receive housing include those staffs originally appointed in Suva and transferred to outer stations.²⁴

An officer, EDP 58180, was dismissed from the Authority with effect from 12/11/08 for breach of FIRCA conduct and discipline regulations. Prior to dismissal, the officer was occupying FIRCA quarters; however the letting agreement was terminated on 25/11/08 subsequent to dismissal.

Furthermore, on 09/01/09 the Employment Relations Tribunal ordered FIRCA to allow the officer to reside in FIRCA quarters until the motion hearing on 04/02/09. As such, on 17/12/09, FIRCA withdrew the termination of the letting agreement and proceeded with the payment of \$500 monthly rental for the quarters.

As at audit date²⁵, it was noted that the officer is still occupying FIRCA quarters even though the hearing date for the motion has lapsed by almost a year. As per explanation obtained from the Ethical Standards Unit (ESU), the motion hearing failed to eventuate due to the upheaval in the judicial system whereby the judges presiding over the pending cases were changed.

Failure by the Authority to follow-up on the status of this case has resulted in unproductive disbursements for the officer.

Recommendation

The Authority should liaise with the concerned authorities on the status of the cases and ensure that it is finalised without much delay.

Authority's Comments

²³ Collective Agreement Clause 51.0

²⁴ Human Resources Management Directions Chapter 4 Section D

²⁵ Audit date 15/01/10

7.17 Revocation of Departure Prohibition Order (DPO)

Notwithstanding any other provision of this Act, if the Commissioner has reason to believe that a taxpayer might leave the Fiji Islands without paying tax [owed by him or a company in which he has a controlling interest, under this Act or any other written law;] then, whether or not the due date for payment of the tax has passed, the Commissioner may issue a departure prohibition order, in writing stating the name and address of the taxpayer; and amount of unpaid assessed tax.²⁶

The Commissioner may revoke a DPO if the taxpayer pays the amount of unpaid assessed tax; or provides or arranges for security be given to the satisfaction of the Commissioner for payment of the amount of unpaid assessed tax.²⁷

In addition, the Commissioner shall give written notice of his allowance or disallowance of the objection to the person objecting and shall state in such notice the time, not being less than [35] days.²⁸

The outstanding tax liability (TIN: 14-11955-0-8) as a result of Income Tax and Pay as You Earn (PAYE) audit conducted for the period 1990 to 2002 on 30/06/03 totalled \$439,754. The tax liability comprised of omitted income and penalties. The following anomalies were noted in the collection of tax owed to until the final abscondment of the taxpayer from the country:

- Late referral of audit report for debt collection by audit compliance, that is, after 7 months from the date of the audit report;
- Red Flag on the taxpayers whereabouts taken lightly as the taxpayer could not be contacted on the following occasions;
 - 16/04/04 – taxpayer could not be contacted through landline telephone or mobile;
 - 09/06/05 – taxpayer could not be contacted.

Despite the above, the DPO was revoked making it more difficult to contact the taxpayer.

- Objection by agent on behalf of taxpayers referred to Amendment, Correspondence and Control Unit (ACCU) after 4 months of objection;
- Checks called almost after a year (24/06/05) of initial assessment (30/06/03) for the following, which should have been verified before the raising of the assessment:
 - Whether the returns were audited or arbitrary assessments made;
 - Reasons provided in the above audit file;
 - Whether case needs to be referred to ACCU;
 - Consultation with PAYE section for the P4-1 slips.
- Despite objection given to ACCU on 13/07/04, the status on the objection (dividend tax credit) was not followed-up till 03/10/05, that is, taking 15 months into the collection period from the date of the objection;

²⁶ Fiji Income Tax Act, 2010, Section 77(A)

²⁷ Fiji Income Tax Act, 2010, Section 77 (5)

²⁸ Fiji Income Tax Act, 2010

- DPO was revoked on the payment of only \$3,000 compared to a debt of \$170,031 as at 23/05/07, which was only 1.76% of the debt owed. The revocation of the DPO is a further breach of the Time –To – Pay Arrangement (TTPA) where the DPO was to be withdrawn only upon payment of \$119,964 against a debt of \$168,524, which is 71% of the debt. Within 3 days upon the revocation of the DPO, the taxpayer left for Australia and the basis on which the DPO was revoked is still not clear.

The above are indications of a casual tax system where assessments are indefinite, objection period extending to more than a year and unjustified revocation of DPO resulting in lengthy and unsuccessful debt collection procedures.

The above case could result in irrecoverable debt and could run the risk of it being written off.

Recommendations

The Authority should ensure that:

- **assessments raised are as correct as possible;**
- **objections to assessments are dealt within the 35 day period;**
- **debt collection time frame is reduced;**
- **DPO revoked to be justified and upon significant payment of debt;**
- **taxpayer’s residential status in other countries to be checked before the revocation of DPO.**

Authority’s Comments

7.18 Long Outstanding Collections

The taxes and all interest, penalties and costs assessed shall be recoverable as a debt due to [the State] from the person on whom it is assessed or imposed. Notwithstanding anything contained in the [State] Proceedings Act, any tax, interest, costs or penalty that may be assessed, recovered or imposed under this Act may be sued for and recovered as a debt due to [the State] in any court of competent jurisdiction by the Commissioner suing in his official name.²⁹

The audit noted that a number of debts have been outstanding for over a year and remains uncollected. Refer to **Appendix 4** for details:

Furthermore, debt of \$2.5m has not been subject to any penalties that has been on-hold at the instruction of the Chief Executive Officer (CEO).

Prolonged outstanding debts increase the risk of these debts not being recoverable which could result in loses of potential revenue to government. Also, the non-collection of debt in a timely manner results in unwarranted pressure on the government’s day-to-day cash flow.

Recommendations

The Authority to ensure that:

²⁹ Income Tax Act 2007, Section 76(1)(2)

- debt is collected within a reasonable time and the recovery period shortened; and
- appropriate actions are taken against the defaulters and regular follow ups are made.

Authority's Comments

7.19 Revenue Collected and Debt Outstanding

One of the objectives of the Authority is to collect revenue as forecasted in the budget through the carrying-out of effective Debt Recovery and Prosecution.³⁰

As at 31/12/09, the Authority's arrears of revenue amounted to \$84.5m which is 50% of the total government arrears of revenue amounting to \$167.4m. The table below shows the analysis between the total revenue collection, arrears of revenue and the government arrears of revenue for the past 5 years:

Year	Total Revenue \$	% Change in Revenue	Arrears of Revenue \$	% Change in Arrears of Revenue	% of Arrears per Total Revenue	Total Government Arrears of Revenue \$	Arrears Percentage To Total Govt. Arrears of Revenue
2005	1,064,576,288	---	122,335,614	---	11	182,917,661	67
2006	1,199,149,233	13	170,440,587	39	14	237,176,161	72
2007	1,234,452,416	3	105,407,504	(38)	9	172,377,495	61
2008	1,244,531,852	1	86,348,514	(18)	7	157,733,855	55
2009	1,212,234,289	(3)	84,509,590	(2)	7	167,379,390 ³¹	50

The table above shows that revenue collection decreased by 3% whilst arrears of revenue decreased by 2% compared to 2008. However, on average over the last 5 years, the arrears of revenue totalled 10% of the total revenue collected by the Authority.

In addition, the Authority outstanding debts on average make up 61% of the total government arrears of revenue.

The small percentage change in the recovery of revenue indicates weak revenue collection procedures which could result in non-collection of debt which could become statute barred, thus increasing the burden on government to write off these debts.

Recommendation

The Authority should ensure that there is prompt collection of outstanding arrears of revenue and its debt collection mechanisms are reviewed for effective debt collection.

Authority's Comments

³⁰ Corporate Plan 2008-2010, Section 7.0, Page 15.

³¹ Unaudited Outstanding Government Revenue as at 23/03/2010

7.20 Cases likely for Write-off

The taxes and all interest, penalties and costs assessed shall be recoverable as a debt due to [the State] from the person on whom it is assessed or imposed. Notwithstanding anything contained in the [State] Proceedings Act, any tax, interest, costs or penalty that may be assessed, recovered or imposed under this Act may be sued for and recovered as a debt due to [the State] in any court of competent jurisdiction by the Commissioner suing in his official name.³²

A total of \$2.8 million of debt is at risk to be written off as a result of the following:

7.20.1 Whereabouts of taxpayers are unknown due to change in Address

A total of \$217,383 of debt owed by the taxpayers is likely to be written off since the taxpayers could not be located due to changes in their addresses.

TIN	Tax Owed \$	Penalties \$	Total \$	Due Date/Date referred to Legal ³³	Year Lapsed ³⁴ from Due Date (Approximately)	Remarks
11-17448-0-4	17,674	2,297	19,970	27/06/06	4 years	Taxpayer changed address and therefore untraceable. Legal file closed.
11-19801-0-3	19,153	4,634	23,787	---	---	Taxpayer changed address.
18-12349-0-6	27,643	21,890	49,533	23/04/07	2 years 11 months	Taxpayer has changed address.
01-09810-0-5	31,425	33,638	65,063	30/07/07	2 years 7 months	Taxpayer changed locations.
13-12598-0-9	31,880	27,150	59,030	---	---	Legal Section cannot locate taxpayer.
Total	127,775	89,609	217,383			

Long outstanding debt is one of the major factors contributing to the write-off of debts as bad.

Therefore, government is deprived of revenue due to it and questions could be raised on the Authority's ability in locating taxpayers and collecting outstanding debts.

Recommendation

Taxpayers who are pursued for debt owed are to be kept on surveillance to avoid incidences as such.

Authority's Comments

³² Income Tax Act 2007, Section 76(1)(2)

³³ The Date is only the date the case was referred to Legal. This does not include the number of years that the DMU might have been pursuing the debt.

³⁴ As at Audit Date 26/02/2010

7.20.2 Non-availability of Taxpayer files with Legal Section

Debt amounting to \$1.3m is outstanding as a result of the files not being available with Legal Section of the Authority.

TIN	Tax Owed (\$)	Penalties (\$)	Total (\$)	Due Date/Date referred to Legal ³⁵	Year Lapsed ³⁶ from Due Date (Approx)	Remarks
16-17787-0-9	125,587	44,957	170,544	14/12/06	4 years	Taxpayer file is to be located.
19-30450-0-8	243,388	384,043	634,922	27/12/06	3 years	Not with Legal Lautoka.
50-08019-0-1	7,871	3,093	10,963	28/06/06	4 years	Not with Legal Lautoka.
50-09726-0-5	5,159	94,727	99,886	25/07/07	2 years 7 months	Not with Legal section Lautoka.
08-05730-0-7	207,720	120,198	327,918	26/03/07	2 years 11 months	Not with Legal section Lautoka.
50-03489-0-5	74,023	---	74,023	07/09/07	2 years 5 months	No Legal File
Total	663,748	647,018	1,318,256			

The above shows the laxity of the Authority in handling taxpayer files. With the age of these debts over 1 year, the risk is high that they may be written off and government losing out on this potential revenue.

Recommendations

- The Authority should ensure that taxpayer files are kept safely with proper handing over to be done for any movement of files.
- Effort should be made to locate the files and instigate recovery procedures accordingly.

Authority's Comments**7.20.3 Death of Taxpayers**

Due to death of taxpayers, debt amounting to \$146,857 has not been recovered. Refer to the table below.

TIN	Tax Owed \$	Penalties \$	Total \$	Due Date/Date referred to Legal ³⁷	Year Lapsed ³⁸ from Due Date (Approx)	Remarks
18-31539-0-6	18,028	4,507	22,535	14/06/06	4 years	Taxpayer died. Charge on Property registered on 27/11/07.
16-17809-0-0	37,456	11,660	49,116	27/09/05	5 years	Taxpayer has deceased. Case for mention in December, 2009. Sold two trucks, but debt not recovered fully. Case for write-off.
50-05286-0-2	60,200	15,006	75,206	03/09/08	1 year 6 months	Case withdrawn from High Court as Director of

³⁵ The Date is only the date the case was referred to Legal. This does not include the number of years that the DMU might have been pursuing the debt.

³⁶ As at Audit Date 26/02/2010

³⁷ The Date is only the date the case was referred to Legal. This does not include the number of years that the DMU might have been pursuing the debt.

³⁸ As at Audit Date 26/02/2010

TIN	Tax Owed \$	Penalties \$	Total \$	Due Date/Date referred to Legal ³⁷	Year Lapsed ³⁸ from Due Date (Approx)	Remarks
						Company has passed away and the wife is ill. Son has made arrangements to make payments with DMU.
Total	115,684	31,173	146,857			

Long outstanding debts increase the likelihood of write off resulting in loss of potential revenue for the government.

Recommendation

The Authority should ensure that recovery cycle of debt is reduced and cases are dealt accordingly within a justified timeframe.

Authority's Comments

7.20.4 Non-existence of businesses owing debt

A total of \$1.1million owed in taxes is likely to become bad debt as a result of the closure of businesses. Refer to the following table for details:

TIN	Tax Owed \$	Penalties \$	Total \$	Due Date/Date referred to Legal ³⁹	Year Lapsed ⁴⁰ from Due Date (Approx)	Remarks
50-13394-0-1	14,426	10,041	24,467	17/09/07	2 years 5 months	Company no longer exists and therefore file is closed.
50-13568-0-6	673,091	299,759	972,851	23/09/06	3 years 5 months	Discontinued. Case to be written off.
50-10133-0-3	35,763	67,259	103,022	21/11/06	3 years 3 months	Company Liquidated with Official receiver.
Total	723,280	377,059	1,100,340			

Delay in pursuing the debts owed has increased the risk of these debts being written off.

Recommendation

The Authority should ensure that debt is collected in a timely manner within a reasonable timeframe to avoid such cases as discussed above.

Authority's Comments

³⁹ The Date is only the date the case was referred to Legal. This does not include the number of years that the DMU might have been pursuing the debt.

⁴⁰ As at Audit Date 26/02/2010

7.20.5 Abscondment of the taxpayer

Debt totalling \$16,518 could be subject to write-off as a result of the abscondment of the taxpayer. The debt was pursued by the Legal Division for a period of over two years but has not been collected.

Had the Authority been vigilant in its collection and had profiled the taxpayer including monitoring of his/her movement, the above could have been avoided.

Recommendation

The Authority should closely monitor taxpayers at the borders in respect to the age and the amount owed in taxes.

Authority's Comments

7.21 Write-off of Debt

The taxes and all interest, penalties and costs assessed shall be recoverable as a debt due to [the State] from the person on whom it is assessed or imposed. Notwithstanding anything contained in the [State] Proceedings Act, any tax, interest, costs or penalty that may be assessed, recovered or imposed under this Act may be sued for and recovered as a debt due to [the State] in any court of competent jurisdiction by the Commissioner suing in his official name.⁴¹

VAT of \$17,400 (TIN No. 80-07141-0-1) outstanding from August 1995 to September 1997 remains uncollected to date and has been recommended for write-off since the co-operative society is under liquidation and has not been in operation since 2005.

The following anomalies were noted:

- Un-dated memos stating the transfer to case file without documents for recovery action undertaken.
- Issue of garnishee in 1999 not followed up. After a lapse of 4 years, fresh garnishees are issued in 2003.
- Numerous issue of futile garnishee to the Suva City Council:
 - 19/10/99
 - 16/01/03
 - 19/10/04
- Last communication with the taxpayer was on July 2005. After a lapse of almost 2 years (29/05/05 to 11/06/07), the file is passed for further review.
- Assessment of tax was marked to be withdrawn as assessment was indicated to be an arbitrary assessment on 06/09/07. This was despite the non-lodgement of the August 1995 – July 1999 return.
- After a lapse of 8 months, the General Manager Taxation's assistance was sought on the case which eventually was referred to the Manager, Debt Management Unit for recovery.
- In spite of the liquidation and closure of the business in 2005, the Authority kept on pursuing debt collection until 19/05/08, when the endorsement of write-off was made.

⁴¹ Income Tax Act 2007, Section 76(1)(2)

It has taken 9 years to finalise this debt which raises questions on the effectiveness and the seriousness with which the Authority's garnishees are taken by the taxpayers and pursued by the Authority.

Prolonged debt collections are a wastage of time and resources of the Authority and will eventually lead to write-offs depriving government of its revenue.

Recommendations

The Authority should ensure that:

- **Returns are lodged in a timely manner;**
- **Arbitrary assessments raised on non-lodgement of returns are pursued and necessary refunds made once the actual lodgements are made;**
- **Transfer of case files are transparent with adequate documentation;**
- **Issuance of garnishees are promptly followed up for the recovery of debt;**
- **Debt recovery period is minimized and;**
- **Taxpayers owing debt are profiled so that time and resources are not wasted on taxpayers that have ceased operation or are about to cease as it has implication on the recovery of the debt.**

Authority's Comments

7.22 Continuing Debt Recovery Cycle

The taxes and all interest, penalties and costs assessed shall be recoverable as a debt due to [the State] from the person on whom it is assessed or imposed. Notwithstanding anything contained in the [State] Proceedings Act, any tax, interest, costs or penalty that may be assessed, recovered or imposed under this Act may be sued for and recovered as a debt due to [the State] in any court of competent jurisdiction by the Commissioner suing in his official name.⁴²

Income tax for the periods 1989 – 1996 owed by taxpayer (01-01881-0-7) amounting to \$84,716 is yet to be recovered and has entered into its 8th year of recovery, which is being pursued from 2002 to date.⁴³ The following anomalies have been noted in the recovery of the debt owed:

- Income tax owing for the period 1989 – 1996 being pursued in 2002, that is, after a lapse of 13 years;
- Non-activation of charge placed on property on 29/07/02;
- Repetition of searches conducted:
 - Vehicle Search
 - 12/12/06
 - 12/09/07
 - Title Search
 - 29/09/02
 - 10/03/06

⁴² Income Tax Act 2007, Section 76(1)(2)

⁴³ Audit Date 22/02/10

- 02/10/06
- 14/07/06
- 12/12/06
- No follow-up on the taxpayer's promise during the amnesty period on the payment of the debt after the sale of its share of business;
- No follow-up on the legality of the taxpayer's spouse claiming the rent from property as spouse income rather than the income of the taxpayer for payment of taxes.

Furthermore, the table below highlights yearly events that were undertaken in the recovery of the debt:

Year	Last Date of Action	Action Taken
2002	27/09/02	Title search and charge placed on Native Lease. Bank Search with negative response on balance.
2003	23/05/03	Continuous follow-up of payments from March. \$300/month agreed on payment.
2004	23/08/04	Follow-up with Westpac on non-remittance of deductions as requested. Letter of tax owed sent to T/P of \$83,216.
2005	06/06/05	Increase in instalment payment requested, however; this was disagreed to by T/P.
2006	20/12/06	Title search, LTA and visit made to T/P. T/P is 66 years old and is suffering from stroke. Legal instructed to exercise section 76(8) on T/P's half share of property.
2007	16/10/07	Garnishee issued and revoked. Another vehicle search and T/P advised on the Tax Amnesty Period.
2008	06/05/08	LTA list of vehicles; garnishee issued to the business, immigration search, memo to the business on the garnishee served, and garnishee issued to T/P's tenant of \$75,916.
2009	06/11/09	Garnishee to a Gary Seaman of \$67,916, the only event of year 2009.

The above shows that the debt recovery cycle seem to be continuing as not much has been recovered or action taken for improvement in the recovery process.

Continuous repetition of debt recovery procedures and the non-exploration of the legality of claims which is deterring recovery, raise questions and suspicion on the possibility of deliberate delay in recovery of the taxes owed. Also, the age and sickly state of the taxpayer increases the possibility of the debt to be unrecoverable and hence susceptible to write-off.

Recommendations

The Authority should ensure that:

- **The debt recovery period is minimised;**
- **Lodgement and assessment of returns are timely and non-lodgements promptly followed-up and taxes collected accordingly;**
- **Debt recovery mechanisms are effective and taxes owed collected accordingly;**
- **Non-repetition of tasks such as bank, title, vehicle or immigration searches;**
- **The legality of the claim by the spouse of the taxpayer's rental income is explored for prompt collection of the debt;**
- **Investigation is undertaken on the sale of the taxpayer's share of the business and the possibility of the recovery of the debt from its proceeds.**

Authority's Comments

7.23 Non-recoverability of Debt through Surety

The Plaintiff -TIN No. 50-12695-0-0 entered into a surety in respect of the purporting unpaid tax owed to the defendant, Commissioner of Inland Revenue. The surety undertook not to leave the jurisdiction of the Court until the Departure Prohibition Order (DPO) is re-issued to the plaintiff upon his return to Fiji and that the surety shall provide to the defendant within 2 days from the date of the order a signed schedule setting out the assets he/she holds from which the purported unpaid tax could be paid. The surety shall become liable for the entirety of the said purported tax jointly and severally with the plaintiff.⁴⁴

Debts in the form of taxes owed by the taxpayer totalled \$509,393 for the period 2001 – 2003. Due to the non-payment of the debt, a DPO was issued in respect of the taxpayer. However, the DPO was revoked for one month through the court order on the surety of the debt.

To-date, the taxpayer has not returned and the Authority has not pursued the assets of the surety's company as per Court Order, paragraph III, but rather, have opted to write-off the debt. On the other hand, company search dated 22/07/09 revealed that the absconded taxpayer is a Director in the surety's company.

In addition, the following anomalies were noted in the recovery of the debt in the above case:

- Tax Assessment of \$1.1million was raised on 07/05/07 however this was amended upon objection and reduced by \$500,000.
- Debt recovery was challenged in the Court of Review (COR); however, this never eventuated as KPMG were appointed as receivers and managers who did not intend to pursue the case in the COR.
- Non-severance of garnishee in an appropriate manner with so many withdrawals and re-issue:
 - 12/07/07 was garnishee served
 - 27/07/07, garnishee revoked since the amended assessment debt owed is less than the garnishee issued;
 - 31/07/07, new garnishee issued to the supermarkets;
 - 09/08/07, revocation of garnishee issued on 31/07/07;
 - 10/09/07, garnishee to supermarkets;
 - 13/09/07, another garnishee to the supermarkets for the PAYE taxes;
 - 28/09/07, another garnishee for Vat and PAYE arrears;
 - 05/12/08, Garnishee to supermarkets;
 - 11/12/08, Garnishee to CNB;
- Garnishee issued to the supermarkets was not forthcoming and follow-ups revealed that garnishee was not known by the companies served with the garnishee.
- Nothing stated on the follow-up of the sale of the business by the receivers and managers and the possibility of the debt recovery after 01/05/09.

The above shows the laxity by the Authority for timely collection of taxes due and depicts a passive attitude in recovering debts through the sale of the surety's assets.

⁴⁴ Fiji High Court Order, Civil Action No. 103(B) of 04/09/2008, paragraph i, ii, iii and v.

The circumstances surrounding the surety, the absconded taxpayer's business and the Authority's inactiveness in the collection of debt through the sale of the assets raises suspicion of collusion between the surety and the officers at the Authority to allow the taxpayer to abscond. Failure to recover debt from the taxpayer's assets raises concern on the effectiveness of the debt collection procedures which could lead to write-offs and thus loss to the government.

Recommendations

The Authority should ensure that:

- **Debt through surety is collected upon abscondment of taxpayer;**
- **Tax assessments raised are correct and reliable with no major variations;**
- **Legal precedents are applied for the revocation of matters before the Court of Review with appointment of receivers and managers or that payment of debt are made in full;**
- **Garnishees are issued in an appropriate manner rather than the continuous issuance and revocations;**
- **The sale of the business by the receivers and managers to be followed up for any possibility of the recovery of debt.**

Authority's Comments

7.24 Time-to-Pay Arrangement (TTPA)

At the request of the taxpayer, the Commissioner may accept from such taxpayer payment of any such amount by instalments, each instalment to be paid on or before the date specified by the Commissioner.⁴⁵

Time-to-Pay Arrangement (TTPA) is an arrangement by Authority's Debt Management Unit (DMU) for payment of taxes in instalments. The audit noted that the Authority does not maintain any record or register for the TTPA's entered.

This, according to the officer-in-charge, would be a voluminous task. The absence of a register of the TTPA could result in undetected dishonour of the TTPA's.

Recommendation

The Authority should ensure that a TTPA register is maintained and updated regularly.

Authority's Comments

⁴⁵ Income Tax Act, Section 76(4)

7.25 Failure to issue Departure Prohibition Order

Notwithstanding any other provision of this Act, if the Commissioner has the reason to believe that a taxpayer might leave the Fiji Islands without paying tax assessed [owed by him or a company in which he has controlling interest under this Act or any other written Law] then, whether or not the due date for payment of the tax has passed, the Commissioner may issue a departure prohibition order, in writing stating the:-

- (a) name and address of the taxpayer; and
- (b) amount of unpaid assessed tax.⁴⁶

A taxpayer with reference TIN #: O8-05981-01 owed the Authority \$23,646 as tax arrears and penalty payable on 14/06/06. A “Time to Pay” (TTP) arrangement was approved by the Authority for \$1,690 monthly instalments commencing July 2006.

The Authority did not issue a DPO and the taxpayer failed to honour his TTP arrangement with the authority. After a bank search which showed nil bank balance, an immigration search was conducted which revealed that the taxpayer had migrated to New Zealand on 12/01/07. In early 2008, the Debt Management Unit placed a charge on property with reference CT 14324 whereby the taxpayer has a one-third controlling interest. To date, the tax arrears stand at \$21,614.

The debt could have been recovered had the Authority been more vigilant in its recovery actions and exercised the right to issue a DPO. Such weak recovery procedures increase the risk of taxpayers with substantial debt absconding and as such increasing the risk of loss of government revenue.

Recommendation

The Authority should ensure that effective recovery procedures are employed when defaulting taxpayers fail to honour the arrangements made.

Authority’s Comments

7.26 Non Payment of PAYE

Every employer when making payments of emoluments to an employee in excess of the free emoluments (taxable emoluments), shall deduct therefrom such amount of tax as shall be prescribed in the tax tables.⁴⁷

In addition, every employer shall pay to the Commissioner or as the Commissioner directs the total amount of tax deducted by him in compliance or intended compliance with the provisions of these regulations on or the fifteenth day of the month next succeeding the month in which the employer paid the emoluments and, on payment of such total amount, the Commissioner shall cause to be sent to such employer a receipt.⁴⁸

⁴⁶ Section 77 of Income Tax Act

⁴⁷ Income Tax Employment Regulations – Section 6

⁴⁸ Income Tax Employment Regulations – Section 12

Audit of the Debt Management Unit files noted that a taxpayer Tin No. 50-1264-0-0 owes \$1,803,352.14 to the Authority for PAYE not paid. The following are the events that took place in this case:

- On 2 December 2008, the company made an arrangement with the Authority to pay \$10,000 per month.
- On 16 February 2009, Fiji Times reported that the above company is facing drastic financial difficulties. The company ceased operation in early April 2009 without clearing its tax liabilities.
- On 16 May 2009, Fiji Development Bank called for tenders to sell properties 104164,128145 & 134914, while the Authority placed a charge over these properties on 21 May 2009.
- On 18 May 2009, LTA held the transfer of all the motor vehicles owned by the taxpayer as requested by the Authority.
- On 26 November 2009, FDB called tenders for sale of aircrafts owned by the taxpayer.

Audit noted that the petition to wind up the above company has been filed with the High Court, and the Magistrate is yet to make decisions in this regard. However, most of the properties of the taxpayer had been sold, and no constructive action has been taken by the Authority to recover the taxes owed to them.

Despite the case being filed with the High Court, the case manager has yet to forward the above case file to the Authority's Legal Section for appropriate actions to be taken.

Recommendations

- **The case manager should forward the taxpayers file to the Legal Section of the Authority.**
- **Legal Section should conduct a proper research on the above case and take actions to recover the taxes owed by the taxpayer.**

Authority's Comments

7.27 Anomalies for the Assessment of Company Return

The Company Section deals with the processing of income tax returns of income lodged by companies, corporate bodies, insurance companies, trusts and co-operative societies. Processing involves examination of accounts submitted with the return such as statement of income and expenditure, balance sheet and depreciation and cash flow statements schedules.⁴⁹

The following administrative anomalies were noted for the companies section:

- Presentation of financial statements not in standard format;
- Non-compulsory of financial statements to be for the two comparative years;
- Non-maintenance of register of cases referred to Risk and Compliance unit for audit;
- Absence of criteria/guideline to red flag company returns for audit and the assessment of returns;
- Signature of authorised company officers on the financials not traceable as only the signature is there without the name of the authorised officers in printed form.

⁴⁹ Standard Operating Procedure-Companies, Section 1 and 2

While the expertise and experience of officers are noted, the assessment could be strengthened through compliance to improve on the above anomalies. These anomalies compromise the transparent and accountable assessment of returns.

Recommendation

The Authority should ensure that the assessments of the returns to the above anomalies are rectified for transparent and accountable assessments.

Authority's Comments

7.28 Amendments to Form S

Fiji Integrated Taxation System (FITS) “Assessor Statistics Report” for amendments done to Form S for the period 01/01/2010 to 09/02/2010 showed that significant numbers of returns have been amended by staff of Processing Unit instead of the Amendments Correspondence & Control Unit (ACCU).

A total of 238 returns were amended for the above mentioned period, out of which 51 returns or 21.4% were done by assessors other than ACCU officers. Refer to the table below for details:

Assessor	Position	Returns Amended
Assessor 1	Tax Officer	1
Assessor 2	Tax Officer	3
Assessor 3	Tax Officer	11
Assessor 4	TRCO	15
Assessor 5	Tax Officer	4
Assessor 6	Assistant Tax officer	17
Total		51

As depicted by the above table, authorisation is not limited to senior officers and even Temporary Relieving Clerical Officers (TRCO) and Assistant Tax Officers are also amending the returns. This indicates weak controls within the Processing Unit and raises the possibility of unauthorised changes being made due to which, erroneous refunds can be disbursed.

Recommendations

The Authority should ensure that:

- **All amendments to tax returns are done through the Amendment Correspondence & Control Unit (ACCU);**
- **Approval is sought from authorised officers prior to any amendments done;**
- **All amended returns are checked prior to disbursement of refunds;**
- **Temporary Relieving Clerical Officers and other subordinate personnel are given different access levels from senior staff to improve control measures.**

Authority's Comments**7.29 Assessment Anomaly**

Assessors must have a basic knowledge of tax laws, regulations and other relevant legislation in order to determine the correct amount of tax payable.⁵⁰ When a batch is processed, a report is generated which shows the following:

- **amount of tax payable**
- **amount refundable**
- **amounts held due to missing return; coded by level 3**
- **amounts requiring approval for Provisional tax payers ;coded by level 4**

The Assessor/Checker is also required to scan the report for possible errors. The cases where amounts refundable or payable appear to be excessive should be checked immediately. Such cases are removed from the batch for amendment, if need be.⁵¹

A taxpayer with reference TIN number: 07-04307-01 lodged his business tax return for tax year 1998 in 2009. Variance of \$31,226 was noted between the total income as per the notice of assessment generated on 13/11/09 and the income declared in the tax return. Refer to the table below for details:

Particulars	Income \$
Income from employment	30,159
Net Profit from business	1,067
Add: 20% bank charges and interest	957
: 20% depreciation payable	400
Total Income as per tax return	32,583
Income as per notice of assessment	63,809
Variance	31,226

The difference was due to income from employment and the business net profit counted twice in the notice of assessment. In addition, the assessor failed to sign the tax return after assessments.

Such error on the part of the assessors results in inflated tax payables and puts undue pressure on taxpayers who are not well versed with tax legislations and consequently fail to object to the notice of assessments raised by the Authority.

Recommendation

The Authority should ensure that assessed returns are checked by the independent checkers prior to issue of notice of assessments.

⁵⁰ Standard Operating Procedure Manual –section 3

⁵¹ Standard Operating Procedure Manual –section 8 & 9

Authority's Comments**7.30 Vat Input Schedules**

Every registered person who supplies in Fiji goods and services shall keep in Fiji sufficient records in the English language to enable ready ascertainment by the Commissioner or any officer authorised by him, of that person's liability to tax and shall retain in Fiji all such records for a period of at least 7 years.⁵²

The audit noted a number of instances where vat returns were assessed without the vat input schedules. Refer to the table below for examples:

TIN	Period	Vat Input Claimed \$
50-07102-0-1	March 08	11,658.86
50-15339-0-2	April 08	3,904.09
50-10309-0-4	April 08	101.65
50-06566-0-0	April 08	25,584.98
50-07102-0-1	Feb 08	19,059
50-11992-0-1	Dec 07	3,057.50
50-01112-0-6	April 08	19,880.72
10-01316-0-2	Nov 07	4,601.54

Furthermore, a taxpayer's-TIN 50-13474-0-2, Vat Returns for the year 2006 was amended without an appropriate Vat Input schedules. A general ledger printout for creditors was attached with the vat returns, which only showed the total creditors for the month but not the individual creditors.

There is a risk that some creditors for the previous months, on which Vat has already being claimed, are appearing in the creditors listing. As a result vat on the same invoice are claimed more than once. The table below shows the vat input claimed by the taxpayer for amended vat returns for the year 2006.

Period	Vat Input Claimed \$
Jan 06	44,057.14
Feb 06	35,137.98
Mar 06	40,258.17
April 06	29,209.46
May 06	24,099.17
Aug 06	29,000.34
Nov 06	48,768.20
Dec 06	35,872.83

As a result, there is a risk that taxpayers are refunded more than they are entitled.

⁵² Income Tax Act . Cap 201, Part VIIA – Registration of Tax Agent, Section 54G(d)

Recommendation

The Assessment Unit and VAR review team should sight an appropriate VAT Input schedule before assessing the VAR Returns.

Authority's Comments

7.31 Chief Assessor of Risk and Compliance in Training Division

The Authority may appoint on such terms and conditions as it thinks fit such employees, agents, or consultants as may be necessary or expedient for carrying out its functions and duties.⁵³

The audit noted that the post holder for the position of Chief Assessor (Team Leader) of the Large and International in Risk and Compliance Division is currently on duties in the Training Division.

As such the team within the large and international unit is headed by the Acting Principal Auditor.

Large and international audits are complex and technical in nature and therefore require the experience and expertise of chief assessors to conduct the audit.

Assigning confirmed post holders to other posts can be seen as wastage and misallocation of resources.

Recommendation

The Authority should ensure that officers are assigned to duties to which they are appointed.

Authority's Comments

7.32 Case selection for Source Deduction Audit.

A case may be identified through routine assessing, review of past history, tip off from taxpayers, internal referrals and compliance case list. In considering a case for referral, all reasonable steps should be taken to resolve the case at IRS first. Some discussion should have taken place within the Section before the issue is referred to Compliance.⁵⁴ All referrals must be documented in the standard format and recorded in a register. The register is a system-based module, or an application such as an Excel spreadsheet, which records relevant information.⁵⁵

Source deduction audit scope encompasses PAYE and provisional tax audit. Apart from the general instructions on case selection outlined in the Standard Operating Procedure Manual, discussion with the officers in charge of the audit teams revealed that cases are also put on compliance case list through yearly PAYE inspections of resident employers carried out by the Source Deduction auditors.

⁵³ FIRCA Act 1998, Section 26

⁵⁴ Part 3 of the Standard Operating Procedure for Risk & Compliance Section dated 31/08/05

⁵⁵ Part 18 of the Standard Operating Procedure for Risk & Compliance Section dated 31/08/05

It was noted that PAYE inspections have not been carried out for the past 5 years. Team Leaders' explained that IRS had plans for a "Door-to-Door" project which covers the yearly PAYE inspection and the audit cases would be red flagged through this project.

The project is still shelved and in the absence of yearly inspections, audit teams are selecting cases through referrals based on suspicious remittances by employers and random selection by team leaders from FITS. The current practice has increased risk of businesses requiring audit being missed out from the audit case list and also increases the risk of loss of government revenue.

In addition, the Standard Operating Procedures (SOP)⁵⁶ for Compliance Section highlights the need for a referrals register to be maintained with a record of the following details:

- Date;
- Taxpayer's name;
- Taxpayer's TIN or other reference number;
- Whether the case relates to Income tax or VAT;
- Name of officer making the referral;
- Brief description of the case [relevant information only such as Taxable period/Year and reason for referral];

Contrary to the SOP instructions, no register is maintained to follow-up on the status of the cases marked for audit.

Recommendations

The Authority should ensure that;

- **All avenues for case selection are pursued to minimise the risk of fraudulent cases being undetected and not marked for audit.**
- **A referrals register is maintained by the audit teams in compliance with the SOP guidelines.**

Authority's Comments

7.33 Assistant Auditors on Supervisory Positions

Source Deduction section is divided into two audit teams with one team leader per team and the audit revolves around PAYE and Provisional Tax audits.

Our review of personnel for source deduction team noted that two team leaders are holding the substantive assistant auditor posts. Confirmation was received from Human Resources Section that the two officers had been acting on auditor positions in 2009. The officers' period of acting appointments is tabulated below:

Name Initial	Acting Appointment
TN	22/12/08 to 20/11/09

⁵⁶ Part 19 of the Standard Operating Procedure for Risk & Compliance Section dated 31/08/05

Name	Acting Appointment
AS	13/03/09 to 12/12/09

The team leader position is a supervisory post within the team and the job entails risk assessments, case selections for audits and finalisation of audit cases. Furthermore, other sections within FIRCA such as Debt Management Unit place reliance on the audited tax values. Due to the responsibilities associated with the position, it is vital that post holders are suitably qualified and competent to accomplish the work programs.

Inexperienced audit staff would not have the ability to detect and prevent fraudulent refunds and compromise audit risk management.

Recommendations

The Authority should ensure that:

- **suitable qualified and experienced staff are holding supervisory positions so that risk management is not compromised.**
- **the team leaders positions are filled to boost the morale of the officers and to ensure 100 per cent commitment from staff.**

Authority's Comments

7.34 Returns on Hold

Cases identified for investigation or verification are dealt with in accordance with the procedures contained in the Practice Statement on Referrals. To update the Fiji Integrated Taxation System (FITS), the return status is changed to “On Hold” and the reason inserted. The return is then transferred to an On Hold batch until the query is resolved.⁵⁷

“Returns on Hold Report” extracted from FITS on 23/02/10 showed a significant number of VAT returns, Business returns (Form B) and income tax returns for individual taxpayers (P25) that are “on hold” status in the system for over a month. Some of these returns have been not been cleared from the system since 1992. Refer to *Appendix 5* for samples.

The Authority has failed to act on and resolve queries outstanding beyond 7 years. The longer the returns remain on hold, the greater the chances of defaulting taxpayers absconding which increases the risk of short paid taxes becoming irrecoverable, especially due to limited powers for follow-up action after 7 years from the taxable year.

Recommendations

- **The Authority should verify the reasons for all returns “on hold” and take appropriate actions to resolve all outstanding queries for these returns.**
- **FITS should be updated for all cleared returns that may still be showing “On Hold” status.**

⁵⁷ Assessment section - Standard Operating Procedure Manual- Point 12

Authority's Comments

7.35 Overpayment of Hotel Turnover Tax (HTT)

Under the provisions of the Act, hotel owners are required to charge a hotel guest Hotel Turnover Tax (HTT) at the rate of 3% on the VAT exclusive price of accommodation, refreshment and other hotel charges. The person liable for the tax is the hotel guest however; it is recoverable from the accountable person of the hotel.⁵⁸

Returns will be lodged on a monthly basis, together with payments.⁵⁹ A return status will show 'unreconciled' if a remittance is short paid/overpaid or there are errors in the return or where the data entry is incorrect.⁶⁰ Any discrepancies arising will appear on overnight reports. When this occurs, the standard notice of discrepancy for underpayment and/or overpayment of HTT will be generated and sent to the accountable person.⁶¹ The reconciliation officer is required to compare the returns with the reports and correct any errors as soon as possible.⁶²

Notice of HTT discrepancy extracted from FITS on 23/02/10 revealed variances between HTT collected per HTT returns and the actual amounts received from the accountable person of the hotels. Consequently, HTT has been overpaid by \$1,320,869. Refer to **Appendix 6** for details.

Non-conformance with the section procedure manual is an indication of the failure of the reconciling officer to carry out his/her duty with due diligence which results in increased work backlog.

Recommendations

The Authority should ensure that:

- **All HTT variances are accurately reconciled and errors noted are corrected ;**
- **Any subsequent overpayment should be offset against any outstanding HTT payment for the following month.**

Authority's Comments

7.36 Reconciliation of Annual Summaries

The duties of PAYE officers include the reconciliation of annual summaries.⁶³ Annual returns are required to be lodged by 28 February each year.⁶⁴

⁵⁸ HTT Standard Operating Procedures –No:2

⁵⁹ HTT Standard Operating Procedures –No:11

⁶⁰ HTT Standard Operating Procedures –No:15

⁶¹ HTT Standard Operating Procedures –No:16

⁶² HTT Standard Operating Procedures –No:17

⁶³ PAYE –SOP Manual Section 6

⁶⁴ PAYE –SOP Manual Section 11

Every book of account and every document including vouchers, invoices and receipts which are essential to explain any entry in such book of account relating to such trade, business or profession shall be preserved for a period of not less than 7 years after the end of the income year to which such books of account or documents relate.⁶⁵

FITS report generated as at 31/12/09 shows unreconciled summaries for various tax types outstanding from 2002. These unreconciled summaries are a result of tax as per annual returns submitted not reconciling to the actual tax revenue received. Refer to the table below:

Tax Type	Tax Year	Unreconciled cases
Pay As You Earn	2009	1
	2008	131
	2007	14
	2006	18
	2005	8
	2004	5
	2003	2
	2002	1
Contract /Provisional Tax	2008	6
Resident Interest Withholding tax	2008	1
	2007	1
Total Unreconciled		188

Officer in charge of PAYE section explained that the summaries remain unreconciled due to lack of cooperation from taxpayers in submitting the necessary supporting documents needed to reconcile the differences.

In addition, although the annual returns are supposed to be lodged by 28th February each year, taxpayers hardly adhere to this deadline. The Authority does not levy any late lodgement penalty on these returns which encourages such practice due to which, the PAYE section staffs are involved in data entry of the returns and reconciliation of the summaries all the year round.

Unreconciled summaries indicate the work backlogs in the PAYE section. The longer the summaries remain unreconciled, the greater the chances of short paid taxes becoming irrecoverable due to the Authority having limited powers for follow-up action after 7 years from the taxable year.

Recommendations

The Authority should ensure that:

- **All backlogs due to unreconciled annual summaries are cleared.**
- **Penalties should be levied for habitual defaulters whose tax remittance does not agree with the tax summaries.**
- **Late lodgment penalty should be enforced against taxpayers for failure to lodge annual returns within stipulated deadlines.**

⁶⁵ ITA Section 109(3)

Authority's Comments**7.37 Unpaid Audit Cases**

Where notice has been served on any person of any tax due under this Act and payment of the tax set out therein including any interest, costs or penalty has not been made by the date specified in that notice, then the amount due by such person may be sued for and recovered as a debt in a court of competent jurisdiction by the Commissioner in his official name with full costs of suit from such person.⁶⁶

In any suit under the above section, the production of a certificate signed by the Commissioner giving the name and address of the defendant and the amount of tax due by him shall be sufficient evidence that such amount of tax is due by such person and sufficient authority for the Court to give judgment for such amount.⁶⁷

A tax audit of Income Tax, VAT, HTT, provisional tax and PAYE is usually carried out by FIRCA to ensure that the correct amount of taxes are paid by the taxpayers. The taxpayers are selected for audit based on their turnovers. After the audit, notices of assessments and statements, showing the refunds or tax payable are sent to the taxpayer. If it is a payable case then notice of assessment will also state the due date for payment, if the payment is not received by the due date, the Debt Management Unit is required to instigate recovery action.⁶⁸

Our review of the audited cases noted that \$38,042,689.52 of tax payable raised by the audit section from 2004 to 31/12/2009 is still outstanding from the various taxpayers. The following table shows unpaid audit cases in district wise:

District	Unpaid Audit Cases 01/01/2004 – 31/12/2009 \$
Labasa	1,608,957.66
Lautoka	4,978,508.80
Suva	31,455,223.06
Total	38,042,689.52

The Debt Management Unit has failed to take appropriate actions to recover the taxes due from these taxpayers.

Recommendation

The Debt Management Unit should take recovery action to retrieve tax dues, if required legal action should be taken to recover the tax payables.

Authority's Comments

⁶⁶ Income Tax Act Cap 201 – Section 77(1)

⁶⁷ Income Tax Act Cap 201 – Section 77(2)

⁶⁸ www.firca.org.fj

7.38 Short Payment of Hotel Turnover Tax (HTT)

The accountable person shall on or before the last day of each month, pay the Commissioner any hotel turnover tax that has been payable since the previous month and provide together with such payment a return setting out the total amount of the turnover for that month.⁶⁹

An accountable person who fails to provide a return or provide a return which is false or incorrect in any material particular commits an offence and is liable on conviction to a fine not exceeding \$5,000.⁷⁰

Our review of Hotel Turnover tax noted that a number of tax payers have underpaid its hotel turnover tax. The taxpayers have paid less in HTT than that reflected in the returns lodged by them. A detailed list of taxpayers who underpaid HTT is shown in *Appendix 7*.

Underpayment of HTT could be a result of incorrect information shown in the returns lodged by the taxpayers. As a result there is a variance in the HTT paid and that reflected in the returns.

Recommendation

The Commissioner should take appropriate action to recover HTT due and if required, legal action should be taken to recover these outstanding amounts.

Authority's Comments

7.39 Tax Agents Outstanding Returns

The Board may cancel the registration of any tax agent upon being satisfied that the tax agent has failed to maintain his personal affairs into a satisfactory state.⁷¹

Audit review of Tax Agents Outstanding Returns and Arrears Report noted that a number of tax agents have not lodged their own tax returns and vat returns. A detailed list of tax agents who are yet to lodge their tax returns and vat returns up till 31 December 2009 are shown in *Appendix 8*.

Tax agents failed to adhere to the duties prescribed under section 54G (d) of the Income Tax Act as a result there is a risk that their registrations may get cancelled.

Recommendation

The Board should take actions against the tax agents who did not lodge all of their tax returns and vat returns in accordance with the Income Tax Act.

Authority's Comments

⁶⁹ Hotel Turnover Tax Act, revised 29th January 2010, Section 4(1)

⁷⁰ Hotel Turnover Tax Act, revised 29th January 2010, Section 5

⁷¹ Income Tax Act . Cap 201, Part VIIA – Registration of Tax Agent, Section 54G(d)

7.40 Lottery Permit

An accountable person shall within twenty eight days after the last day of each month pay to the Commissioner the amount of tax due and payable in respect of the prescribed gambling services provided by him during that month and make and send to the Commissioner a return, in such form as is approved by the Commissioner, setting forth such particulars of the transactions in relation to the prescribed gambling service provided by him during that month as the Commissioner requires.⁷²

Any accountable person who fails to pay amount of tax due and payable in accordance with the above section shall be liable to pay to the Commissioner, in addition to the tax due and payable, a penalty of 25 percent of the unpaid tax, unless the Commissioner otherwise directs.⁷³

A number of lottery permit holders have not cleared their tax due on the gambling services provided by them. Refer to **Appendix 9** for details.

The lottery permit holders has failed to comply with the Gambling Turnover Tax Decree as a result the permit holders may be required to pay additional 25% on all overdue permits.

Recommendation

The Commissioner should charge a penalty of 25% on all overdue permits and if still the arrears are not cleared, the permits should be cancelled and legal action taken to retrieve all the tax dues.

Authority's Comments

⁷² Gambling Turnover Tax Decree 1991, revised 1st Janaury 2000, section 5(1)

⁷³ Gambling Turnover Tax Decree 1991, revised 1st Janaury 2000, section 5(3)

Appendix 1: Manifests Not Received from Wharf

Rotation #	Rotation #	Rotation #	Rotation #
31	348	729	1260
32	349	730	1261
34	353	731	1262
36	354	732	1263
40	355	733	1264
55	367	734	1265
63	368	735	1266
64	379	736	1272
67	380	941	1273
68	381	942	1274
69	401	943	1275
70	402	944	1276
82	403	955	1277
98	404	956	1278
99	422	957	1299
122	423	958	1300
126	445	959	1301
138	446	960	1302
139	447	962	1303
140	448	963	1305
141	449	964	1306
144	450	965	1307
150	463	966	1308
151	464	967	1309
159	728	968	1310
160	729	1243	1311
243	732	1244	1312
245	733	1245	1313
246	745	1246	1314
305	746	1247	1315
328	747	1248	1316
329	750	1249	1317
339	751	1250	1318
340	752	1251	1319

Appendix 2: Outstanding SPA for 2009

Summary as per Owner	Amount \$
OSPA 1	2,556.50
OSPA 2	505.08
OSPA 3	14.30
OSPA 4	18,172.41
OSPA 5	5,012.53
OSPA 6	90.47
OSPA 7	895.66
OSPA 8	1,459.42
OSPA 9	722,647.95
OSPA 10	6,942.93
OSPA 11	35.59
OSPA 12	505.37
OSPA 13	2,749.26
OSPA 14	288
OSPA 15	150.86
OSPA 16	365.55
OSPA 17	311.62
OSPA 18	122
OSPA 19	64.85
OSPA 20	2,334.98
OSPA 21	75.45
OSPA 22	228.17
OSPA 23	231.67
OSPA 24	533.25
OSPA 25	112
OSPA 26	7,416.35
OSPA 27	313.54
OSPA 28	15.23
OSPA 29	14.05
OSPA 30	240.75
OSPA 31	3,149.14
OSPA 32	103.26
OSPA 33	20,176
OSPA 34	1,582.48
OSPA 35	430.89
OSPA 36	210.38
OSPA 37	132.47
OSPA 38	2,840.73
OSPA 39	814.68
OSPA 40	766.79
OSPA 41	166.60
OSPA 42	4,182.68
OSPA 43	2,904.49

Summary as per Owner	Amount \$
OSPA 44	303.31
OSPA 45	241.46
OSPA 46	918.06
OSPA 47	813.92
OSPA 48	173.96
OSPA 49	605.35
OSPA 50	2,085.99
OSPA 51	108.60
OSPA 52	2855.50
OSPA 53	1,089.35
OSPA 54	655.81
OSPA 55	209.79
Grand Total	\$821,927.48

Appendix 3: Outstanding SPA for 2008

Summary as per Owner	Amount \$
OSPA 1	17,475.31
OSPA 2	566.31
OSPA 3	361.21
OSPA 4	44.24
OSPA 5	5,822.13
OSPA 6	22.10
OSPA 7	338.82
OSPA 8	11.67
OSPA 9	40,011.85
OSPA 10	534.35
OSPA 11	5441.10
OSPA 12	3,269.45
OSPA 13	3,411.47
OSPA 14	176,547.78
OSPA 15	5,256.68
OSPA 16	2,310.06
OSPA 17	47.32
OSPA 18	1,442.18
OSPA 19	65.09
OSPA 20	4,630.26
OSPA 21	1,369.16
OSPA 22	1,041.02
OSPA 23	217.13
OSPA 24	118.28
OSPA 25	44.17
OSPA 26	162.67
OSPA 27	277,845.88
OSPA 28	51.75
OSPA 29	7,163.70
OSPA 30	2,868.99
OSPA 31	5,438.33
OSPA 32	175.55
OSPA 33	257.85
OSPA 34	989.90
OSPA 35	2,031.45
OSPA 36	85.27
OSPA 37	3,632.11
OSPA 38	1,778.08
OSPA 39	22.33
OSPA 40	2,156.03
OSPA 41	17,316.80
OSPA 42	5,175.40

Summary as per Owner	Amount \$
OSPA 43	1,019.45
OSPA 44	39.28
OSPA 45	1,699.59
OSPA 46	12,158.95
OSPA 47	35.56
OSPA 48	213.25
OSPA 49	75.03
OSPA 50	1,205.07
OSPA 51	40.50
OSPA 52	24.38
OSPA 53	2,236.17
OSPA 54	8,935.78
Grand Total	625,234.24

Appendix 4: Long Outstanding Collections

TIN	Tax Owed (\$)	Penalties (\$)	Total (\$)	Due Date/Date referred to Legal Section	Year Lapsed ⁷⁴ from Due Date (Approx)	Remarks
Fraud and Evasion Cases						
01-02628-0-7	343,691	187,244	530,936	29/03/04	6 years	Writ filed and served on 06/09/2007.
03-17033-0-5	313,623	678,091	991,713	15/08/05	5 years	DPO reinstated 15/07/08.
11-28638-0-3	12,069	15,086	27,154	22/09/05	5 years	Travel History to be arranged on Taxpayer.
19-27851-0-7	9,873	32,472	42,345	12/09/05	5 years	Garnishee issued to bankers and case referred to Legal.
03-15077-0-9	39,642	36,240	75,881	06/01/05	5 years	Case referred to Legal for recovery on 07/09/07 and charges placed on properties on 21/04/05.
02-02517-0-1	4,027	4,189	8,216	21/04/04	6 years	Taxpayer in prison and was due for discharge on 03/10/07.
18-25628-0-6	48,349	15,135	63,484	03/02/09	1 year	
18-16990-1-7	48,494	20,165	68,659	11/02/09	1 year	
Special Project Team Case						
02-04190-0-8	623,351	88,317	711,668	Not Stated	---	Last date case discussed on 06/11/08.
08-02367-0-6	623,597	13,975	637,573	18/01/08	2 years	
27-07437-0-6	3,838	960	4,798	28/12/06	4 years	Title search being arranged on 05/03/07
20-02311-0-1	31,074	7,954	39,028	10/04/07	3 years	Demand Issued on 18/04/07 and case to be discussed with Special Project Team (SPT).
On-hold Cases						
Suva						
11-19515-0-7	15,131	6,521	21,653	28/08/08	2 years	Instruction of Muni Ratna on 28/08/8.
50-05091-0-2	249,758	71,692	321,450	22/12/05	5 years	Case before Court of Review. Taxpayer placed stay order in High Court to cease recovery.
02-04190-0-8	623,351	88,317	711,668	20/12/07	2 years	Court of Review – Vimal Krishna.
08-02367-0-6	623,597	13,975	637,573	20/12/07	2 years	Court of Review – Vimal Krishna.
50-00013-0-5	2,546,050	-	2,546,050	14/09/07	2 years	CEO
08-02522-0-3	30,339	7,585	37,924	15/04/07	2 years	GMT advised to hold case for review.
Lautoka						
50-12403-0-1	176,975	411,159	588,134	27/04/09	1 year	GMT reduced TTPA to \$5,000/month.
Legal Referrals						
16-17787-0-9	123,902	44,957	170,544	30/01/08	1 year	DMU Labasa has requested that Legal close the file.
50-09899-0-4	41,872	131,757	173,628	20/02/08	2 years	Case for call at Suva High Court in Nov, 2009.
50-12274-0-5	190,334	60,915	251,249	10/10/06	4 years	
11-12652-0-8	80,008	21,732	101,741	22/05/08	2 years	Taxpayer resides in Taveuni and therefore will take time to serve the bailiff. Currently, bailiff on LSL.
50-10785-0-2	22,012	81,119	103,131	28/08/06	3 years	Taxpayer with TTPA arrangement.
50-13874-0-4	---	11,121	11,121	02/09/08	2 years	Case will be recalled on 30 October for mention to set pre-trial steps.

⁷⁴ As at Audit Date 26/02/2010

TIN	Tax Owed (\$)	Penalties (\$)	Total (\$)	Due Date/Date referred to Legal Section	Year Lapsed ⁷⁴ from Due Date (Approx)	Remarks
19-18257-0-5	10,236	12,014	22,250	16/04/09	Less than 1 year.	Summary Judgement under Order 14 yet to be filed since there has been no action by the defendant.
50-10485-0-3	27,765	2,870	30,635	-----	----- --	Title copy under review as CIR is the first holder of charge of property.
19-26366-0-7	4,686	2,570	7,256	20/07/09	Less than a year.	First call not attended by both parties. Case adjourned for first call on December, 2009.
30-05216-0-9	20,675	10,912	31,588	23/04/09	11 months	Case in Labasa High Court. Case awaiting first call when judgment will be entered for Plaintiff.
22-02956-0-0	16,576	2,534	19,110	14/07/09	7 months	Case in Labasa High Court. Judgment by default and search for defence drafted and ready for filing.
50-12615-0-4	194,246	228,389	422,635	07/08/07	2 years 6 months	CIR to call for recovery through distress and is placed first amongst the unsecured creditors.
11-27565-0-3	31,445	28,268	59,712	30/07/07	2 years 7 months	TTPA with DMU. Writ in court and awaiting for first call.
03-08455-0-3	52,924	34,687	87,611	07/05/08	1 year 9 months	Default judgment and search for defence filed and served. To institute bankruptcy proceedings hereafter.
11-27020-0-9	79,739	38,243	117,982	04/07/07	2 years 7 months	Case withdrawn as no recovery action was pursued by DMU.
01-09706-0-9	78,853	106,451	185,304	06/07/07	2 years 7 months	This is a scam case. Notice of discontinued filed and served by Legal division. Referred to Police.
50-14442-0-4	654,451	238,170	892,621	06/06/08	1 year 8 months	Case to be recalled on 30/10/09 for pre-trial steps.
30-05290-0-9	22,598	33,961	56,560	24/10/06	3 years 4 months	Case before the Lautoka Court.
02-14969-0-9	24,123	16,323	40,446	30/06/08	1 year 8 months	Bankruptcy notice served as T/P has began a new business.
12-05769-0-4	62,720	97,080	159,800	1995	14 years	Judgement yet to be received from Justice Jitoko. Case has been pending with the judge for two years.
19-20997-0-5	78,837	2,781	81,618	17/07/09	Less than a year.	Case filed in Lautoka High Court. T/P evading services.
18-25433-0-6	49,699	53,325	102,024	---	---	CIR is defendant in the case at Lautoka High Court. Action against garnishee filed. Audit was not finalized.
50-08887-0-6	67,399	5,581	72,980	19/10/07	2 years 4 months	Default judgement. Could not be enforced as no assets. Company search is to be conducted and confirmation on DPO sought.
03-13860-0-9	108,934	---	108,934	26/11/04	5 years 3 months	Default judgment served and advised for DPO.
50-11586-0-0	14,397	5,341	19,738	04/03/08	1 year 11 months	Default Judgment, TTPA.
50-14925-0-6	44,313	73,707	118,020	07/09/07	2 years 5 months	High Court ruling that case is held in Court of Review.
03-15077-0-9	39,642	36,240	75,881	07/09/07	2 years 5 months	Court of Review

TIN	Tax Owed (\$)	Penalties (\$)	Total (\$)	Due Date/Date referred to Legal Section	Year Lapsed ⁷⁴ from Due Date (Approx)	Remarks
50-11115-0-8	41,302	---	41,302	13/09/07	2 years 5 months	Judgement by default.
50-0831-0-0	838,506	---	1,194,931	22/10/06	3 years 4 months	
50-11357-0-4	1,148,806	---	1,817,909	19/08/05	4 years 6 months	
03-06999-0-2	19,493	---	19,493	02/03/07	2 years 11 months	
01-09416-0-1	93,545	---	120,440	25/07/07	2 years 7 months	
13-06535-0-5	29,498	---	29,498	16/08/07	2 years 7 month	Secton 76(8) – petition has been filed.
50-08599-0-4	59,941	---	59,941	14/08/07	2 years 6 months	
50-11170-0-9	16,339	---	16,339	08/01/00	10 years	Department of Lands failed to honor garnishee. Case with Legal for instigation of Section 71(n), (o) and (p).
50-12309-0-6	194,567	20,410	214,977	---	---	Section 76(8)
20-03536-0-5	136,660	67,406	204,066	07/07/05	4 years 7 months	
06-01155-0-0	179,039	2,795	181,834	01/05/07	2 years 10 months	Section 76(8)
02-12518-0-7	182,388	47,797	230,185	27/06/07	2 years 8 months	
01-08193-0-0	16,317	1,511	17,823	---	---	
19-38448-0-9	61,552	16,855	78,407	21/11/07		Judgment in default. Bank account frozen by Police.
50-06334-0-5	39,081	9,947	49,028	---	---	reinstate DPO for travel history.
08-03719-0-0	243,963	311,313	555,276	20/06/07	2 years 8 months	
18-06717-0-0	9,599	1,339	10,938	17/10/06	3 years 4 months	
50-08781-0-5	630,867	289,101	919,967	25/02/08	2 years	Cannot issue DPO – passport expired, not renewed. No record of property and bank account. Referred to Legal for Section 77 ITA.
25-01801-0-9	16,864	9,663	26,528	13/11/06	3 years 3 months	Judgement in default.
50-12695-0-2	293,961	105,131	399,092	07/01/08	2 years	COR Matter
50-09147-0-2	51,944	39,087	91,031	04/03/08	2 years	
11-21634-0-4	11,172	1,140	12,312	29/08/08	1 year 6 months	Judgment by default.
20-01375-0-8	19,369	438	19,807	---	---	
50-13301-0-3	92,264	121,787	214,051	25/04/08	1 year 10 months	
01-04078-0-6	259,858	164,436	424,295	02/06/08	1 year 8 months	T/P will settle payment later by 08/10/09.
19-05505-0-7	46,201	5,080	51,281	20/06/08	1 year 8 months	Section 76(8). T/P finalizing loan.

TIN	Tax Owed (\$)	Penalties (\$)	Total (\$)	Due Date/Date referred to Legal Section	Year Lapsed ⁷⁴ from Due Date (Approx)	Remarks
50-13988-0-0	35,744	34,593	70,338	07/08/08	1 year 6 months	Judgement by default.
02-12784-0-8	45,984	1,792	47,776	07/08/08	1 year 6 months	Judgement by default.
01-02394-0-3	5,861	373	6,234	07/08/08	1 year 6 months	Statement of defence yet to be filed.
13-04211-0-0	51,323	1,804	53,126	16/12/08	1 year 2 months	To distress through checks on assets.
16-17432-0-0	28,728	7,191	35,919	21/08/08	1 year 6 months	
21-01037-0-2	18,257	7,037	25,294	21/08/08	1 year 6 months	TTPA with DMU of \$2,000 per month. Amendment on hold awaiting evidence from T/P.
50-12572-0-8	84,649	67,191	151,839	---	---	Under TTPA.
50-11311-0-2	56,194	57,942	114,136	---	---	Filed writ of summons.
50-14870-0-3	30,146	1,155	31,300	---	---	
50-08760-0-0	10,598	8,201	18,799	---	---	
50-10201-0-7	11,819	9,075	20,894	---	---	
50-12303-0-8	306,527	74,348	380,875	---	---	
Total	13,928,141	5,618,486	19,547,307			

Appendix 5: Returns on Hold Over 1 Month

TIN Number	Year	Type	Hold Date
04-01621-09	1999	B	11/07/2000
20-12429-0-2	1999	B	26/07/2001
19-05582-0-6	2000	B	15/08/2001
30-05759-0-7	2000	B	11/08/2001
11-02876-0-8	1999	B	19/09/2001
19-10643-0-6	1992	B	28/09/2001
19-10643-0-6	1993	B	28/09/2001
14-00518-0-7	1997	B	12/07/2000
14-02543-1-8	1996	B	12/07/2000
20-01898-0-4	1996	B	12/07/2000
04-08620-0-2	1998	B	13/07/2000
07-05800-0-6	1997	B	13/07/2000
08-01222-0-3	1994	B	13/07/2000
08-01222-0-3	1993	B	13/07/2000
13-09676-1-9	1994	B	13/07/2000
13-10013-0-9	1998	B	13/07/2000
19-13047-0-3	1997	B	13/07/2000
18-04705-0-1	1998	B	18/07/2000
19-33117-0-9	1998	B	20/04/2000
19-07213-0-5	1995	B	27/07/2000
19-07213-0-5	1994	B	27/07/2000
22-01073-0-5	1997	B	18/08/2000
22-01073-0-5	1998	B	16/08/2000
03-06305-1-4	1998	P 25	21/01/2000
10-02901-0-5	1999	P 25	03/03/2000
18-20167-0-7	1999	P 25	31/03/2000
18-16480-0-0	1999	P 25	09/05/2000
11-23878-0-8	1999	P 25	31/07/2000
13-18084-0-7	1999	P 25	05/09/2000
19-33709-0-2	1999	P 25	14/09/2000
11-24854-0-5	2000	P 25	31/01/2001
18-24959-0-0	1995	P 25	05/02/2001
20-14054-0-0	1999	P 25	05/02/2001
14-14765-0-6	2000	P 25	07/02/2001
16-17196-0-9	2000	P 25	20/02/2001
13-16245-0-0	1997	P 25	05/03/2001
16-20155-0-8	1998	P 25	06/03/2001
22-08359-1-8	1996	P 25	19/04/2000
20-03494-02	1999	P 25	03/05/2000
11-13191-1-6	1999	P 25	25/07/2000
20-15989-0-6	1999	P 25	18/08/2000
14-21247-0-5	1999	P 25	20/09/2000
14-21751-0-3	1999	P 25	12/10/2000

TIN Number	Year	Type	Hold Date
03-02729-0-5	1999	P 25	29/12/2000
50-06763-0-4	2007	V	30/10/2007
50-16006-0-2	2007	V	30/10/2007
50-13746-0-4	2006	V	13/12/2007
19-32325-0-9	2007	V	20/12/2007
50-09293-0-8	2005	V	19/01/2008
50-09293-0-9	2005	V	19/01/2008
50-09848-0-6	2004	V	18/12/2005
50-11488-0-3	2009	V	05/01/2010
50-14109-0-2	2009	V	07/01/2010
50-06950-0-3	2009	V	11/01/2010
50-14597-0-7	2009	V	14/01/2010

Appendix 6: Overpaid Hotel Turnover Tax

Total per TIN Number	Overpayment \$
HTT/TIN# 300508507/OPS	(408.74)
HTT/TIN# 501097105/OPS	(7,218.72)
HTT/TIN# 020169000/OPS	(897.40)
HTT/TIN# 031283500/OPS	(6,465.85)
HTT/TIN# 0416622805 /OPS	(76.15)
HTT/TIN# 0571404/OPS	(4,797.00)
HTT/TIN# 121536802/OPS	(634.22)
HTT/TIN# 130023407/OPS	(3,595.61)
HTT/TIN# 132012409/OPS	(91.50)
HTT/TIN# 132155807 /OPS	(652.09)
HTT/TIN# 170090708/OPS	(1,766.20)
HTT/TIN# 181444805/OPS	0.30
HTT/TIN# 193214217/OPS	(28.00)
HTT/TIN# 193851902/OPS	(3,159.98)
HTT/TIN# 194176507/OPS	(107.30)
HTT/TIN# 201339505/OPS	(26.64)
HTT/TIN# 230921603/OPS	(46.80)
HTT/TIN# 230961904/OPS	(1.50)
HTT/TIN# 300482700/OPS	(48.60)
HTT/TIN# 300688109/OPS	(991.36)
HTT/TIN# 300913406 /OPS	(593.03)
HTT/TIN# 300913808/OPS	(6,420.08)
HTT/TIN# 50 1569000/OPS	(47.54)
HTT/TIN# 500069909/OPS	(108,758.78)
HTT/TIN# 500243105/ OPS	(12,503.46)
HTT/TIN# 500248605/OPS	0.31
HTT/TIN# 500251900/OPS	(0.50)
HTT/TIN# 500382509/OPS	(1,318.18)
HTT/TIN# 500451603/OPS	(5,257.86)
HTT/TIN# 500532805/OPS	(14,063.48)
HTT/TIN# 500545605/OPS	(1,209.00)
HTT/TIN# 500559200/OPS	(87.20)
HTT/TIN# 500691700/OPS	(14,933.02)
HTT/TIN# 500717600/OPS	(57,332.94)
HTT/TIN# 500733901/OPS	(32,129.84)
HTT/TIN# 500809909/OPS	(355.54)
HTT/TIN# 500825509/OPS	2,103.08
HTT/TIN# 500929308/OPS	(783.36)
HTT/TIN# 501031709/OPS	(41,767.40)
HTT/TIN# 501045706/OPS	6,601.80
HTT/TIN# 501097105/OPS	(1,745.69)
HTT/TIN# 501120902/OPS	(3,643.52)
HTT/TIN# 501134600/OPS	(16,590.89)

Total per TIN Number	Overpayment \$
HTT/TIN# 50113704/ OPS	(31,262.49)
HTT/TIN# 501190109/OPS	(183,933.92)
HTT/TIN# 501234302/OPS	(37.40)
HTT/TIN# 5012524601/OPS	(303,034.40)
HTT/TIN# 501259901/OPS	(6,632.89)
HTT/TIN# 501320509/OPS	(245.02)
HTT/TIN# 501347505/OPS	705.00
HTT/TIN# 501357807/OPS	(2,196.26)
HTT/TIN# 501390101/OPS	(20,428.13)
HTT/TIN# 501393908/OPS	1,016.42
HTT/TIN# 501414700/OPS	30.00
HTT/TIN# 501427108/OPS	(17,989.93)
HTT/TIN# 501453206 /OPS	(354.32)
HTT/TIN# 501467306/OPS	(9.40)
HTT/TIN# 501475905/OPS	(18,622.32)
HTT/TIN# 501478300/OPS	(186.56)
HTT/TIN# 501483102/OPS	(4,260.05)
HTT/TIN# 501486404/OPS	(21,769.19)
HTT/TIN# 501490308/OPS	0.01
HTT/TIN# 501497006/ OPS	(12,618.72)
HTT/TIN# 501514309/OPS	(300.00)
HTT/TIN# 501527006 /OPS	0.20
HTT/TIN# 501532901/OPS	(5,618.98)
HTT/TIN# 501549901/OPS	30.00
HTT/TIN# 501552907/OPS	(143,135.93)
HTT/TIN# 501555900/OPS	(35,625.12)
HTT/TIN# 501565501/OPS	(104,469.56)
HTT/TIN# 501569000 /OPS	(943.57)
HTT/TIN# 501604204/OPS	(83.18)
HTT/TIN# 501607207 /OPS	(0.01)
HTT/TIN# 501624107/OPS	(17,137.79)
HTT/TIN# 501640109/OPS	(224.42)
HTT/TIN# 501661405/OPS	(53.08)
HTT/TIN# 501722302/OPS	(37,860.58)
HTT/TIN# 501727709/OPS	(278.14)
HTT/TIN#300900709/OPS	(105.44)
HTT/TIN#500251405/OPS	(9,334.32)
HTT/TIN#501096001/OPS	(586.60)
HTT/TIN#501281500/OPS	(508.90)
HTT/TIN#501297107/OPS	(72.00)
HTT/TIN#501418209/OPS	(581.38)
HTT/TIN#600007706/OPS	(300.76)
Total Overpayment	(\$1,320,868.61)

Appendix 7: Short payment of HTT

TIN Number	Variance in HTT \$
HTT/TIN#11-01393-0-2 BR-27	13,093.64
HTT/TIN#13-22524-0-3-BR-85	52.43
HTT/TIN#50-1527006 BR-98	44,341.72
HTT/TIN#50-14296-0-5 BR-99	281.49
HTT/TIN#50-15828-0-3 BR 98	128.27
HTT/TIN#04-16228-0-5 BR-99	1.91
HTT/TIN#50--11878-0-4 BR -76	2,688.56
HTT/TIN#50-15810-0-8 BR -99	4.07
HTT/TIN#50-15817-0-9 BR 99	1,918.41
HTT/TIN#23-07800-0-0 BR-99	110.73
HTT/TIN#50-16201-0-3 BR -99	664.96
HTT/TIN#50-13030-0-4 BR -26	62,526.10
HTT/TIN#50-14970-0-6 BR-99	141.94
HTT/TIN#18-17041-0-8 BR-99	540.35
HTT/TIN#30-08769-0-7 BR 26	450.41
HTT/TIN#16-25548-0-5 BR-82	72.32
HTT/TIN#50-10457-0-6 BR -99	9,270.93
HTT/TIN#50-14103-0-4 BR-99	3,846.89
HTT/TIN#50-01690-0-0 BR - 99	42.65
HTT/TIN#30-04827-0-0 BR-81	70
HTT/TIN#19-35368-0-5 BR 99	633.15
HTT/TIN#50-07122-0-3 BR 32	2,139.88
HTT/TIN#50-16831-0-4 BR -99	7,072.35
HTT/TIN#50-07930-0-2	4,734.20
HTT/TIN#50-05712-0-8 BR-99	55,500.02
HTT/TIN#50-14220-0-0 BR-99	20,152.03
HTT/TIN#50-12849-0-5	299.99
HTT/TIN#50-13562-0-8	96,310.68
HTT/TIN#502514-0-5 BR99	6,447.93
HTT/TIN#50-15617-0-3 BR91	278.24
HTT/TIN#70-01469-0-7 BR 91	23.36
HTT/TIN#50-17539-00 BR99	198.95
HTT/TIN#50-16044-0-0 BR 26	168.89
HTT/TIN#50-16188-0-9 BR 99	138.82
HTT/TIN#50-05011-0-4 BR98	1,779.49
HTT/TIN#30-01934-0-6 BR-99	4
HTT/TIN#50-14551-0-5 BR-99	3
Total	336,132.76

Appendix 8: Tax Agents with Outstanding Returns and Arrears Report

Tax Agent Number	Income Tax Returns yet to be lodged	Vat Returns yet to be lodged
1	2003 to 2004	2000 – Jul
		2003-2004 – Jan to Dec
		2005 – Jan - Mar
	2003 to 2008	2002 – Aug
2		2003 – 2009 - Jan to Dec
6	2001 - 2008	
25	2007-2008	
26	2003-2004	
34	1996	1992 – Jul – Aug
	2003-2008	1997 – May – Dec
		1998 - 2002 – January to December
		2003 – Jan - Sept
40	2007-2008	
47	2003-2008	2004 – April – December
		2005 – 2009 – January to December
48		1992 - December
		1993 – March to November
		1994 to 2002 – March to December
		2003 - January to September
53	2006 - 2008	2000 – October to December
		2001 – 2002 - January to December
		2003 - April to December
		2004 - January to June
		October to December
		2005 - April to December
57	2004-2008	2003 – July to December
		2007 – 2009 - January to December
62	2007-2008	2003 – Feb, April, May July, August, October- Dec
		2004 – January to August
		2009 - October to December
64	2006-2008	1992 – July - December
		1993-2002 - January to December
		2003-2004 - April to December
		2005 – April to June, October to December
		2006 - April to December
		2007 – January to March, July to September & October to December
69	2002-2008	
77	2004	

Tax Agent Number	Income Tax Returns yet to be lodged	Vat Returns yet to be lodged
81	2004	
90	2007-2008	1996-July 2009 - December
92	2004	
95		2007 – July – December 2008 – 2009 - January to December
107	2001-2008	
115	2007-2008	2001 – November
121	2005 – 2008	
131	2004	
145		2006 – September to December 2007-2009- January to December
156	2008	
157		2007 – April to December 2008 – 2009 - January to December
174	2004	
180		2007 – October to December 2008 – 2009 - January to December
204	1984 to 1988 2007-2008	1994 – December 1995– 2009 - January to December
233		2008 – July to September
240	2005-2008	2006– 2009 - January to December
249	2003-2004	
253	2004	
267	2003-2004	
277	2003-2008	
285	1999-2004	
290	2007-2008	2005 – April to December 2006 – February to December 2007 - 2009 - January to December
315	1999-2008	
325	19,992,008	
362		2009 - January to September
368	2003-2008	
373	2002-2008	2002 – November to December 2003 – 2005 - January to December 2006 - February to December 2007 – 2009 - January to December
400	2005-2008	1999 – July to December 2000 – 2004 - January to December 2005 – January to September
406	2008	2009 – March to December
410	2007-2008	
427	1997-2004	
445	2003-2004	

Tax Agent Number	Income Tax Returns yet to be lodged	Vat Returns yet to be lodged
447		1992 – July to August
		1996 - August to November
		1997-2002 – February to December
		2003-2005,2007 & 2008 – April to December
		2006 – January to September
		2009 – January to December
479	2007-2008	
495	2003-2004	
522		1997-2002 – January, September, October to December
		1998 – 2002 - January to December
		2003 – February to September
550	2007 & 2008	2007- September to December
		2008-2009 – January to December
571	2007-2008	
580	1999-2008	1995 – November
		1996 - April to December
		1997-2002 – January to December
		2003 – January to September
585	2008	
586	2007-2008	
587	2003-2004	
600	1996-2008	1992 – July - August
		1999 - April to December
		2000-2009 – January to December
612	2006-2008	
614	2000-2004	
624		2007 - December
		2008-2009 – January to December
625		1992 – July - December
		1993 - September to December
		1995 - March to December
		1995-2002 – January to December
		2003 – January to September
632	2004	
637	1998	
645	2005-2008	
656	1999-2007	
658	2002-2008	
659	2008	
661	2000-2008	
665	2008	
667	2008	1992 – July - November
670	2000	

Tax Agent Number	Income Tax Returns yet to be lodged	Vat Returns yet to be lodged
	2004-2008	
672	2004	
673	2004	
677		1998 – July - December 1999 - January to September
678	1996-2008	
679	2007-2008	2007 – April - December 2008 - January to December
682	1999-2008	
683	1999-2008	
686	2008	
689	1998-2004	
690	2007-2008	2005 – April - December 2006 - February to December 2007 – November
699	2000-2008	
701		2005 – August - December 2006 -2009 January to December
704	1999-2008	
706		2008 – July – December 2009 January to December
707	2008	
708	2003-2004	
709	1999-2008	
710	2000-2008	
711	2008	
716	2003-2004	
718	2004	
729	1998-2008	
730	2004	
732	2003-2004	
733	2000-2008	
734	2006-2008	
735	2004	
736	2007-2008	2007 – October – December 2008-2009 January to December
737	1998-2004	
739	1999-2008	
742	2003-2004	
744	2007-2008	2008 – April– December 2009 January to December
751	2005-2008	
753	2007-2008	2007 – October – December 2008-2009 January to December

Tax Agent Number	Income Tax Returns yet to be lodged	Vat Returns yet to be lodged
754	2004	
755	2004	
756	1999-2008	
757		2009 – October – December
758		2009 – October – December
759		2009 – October – December
760		2009 – October – December
762	2004	
764	2008	
766	2008	
770	1999-2008	
773	1999-2008	
775	1995-2008	
778		2003 –September – December 2004- January to December 2005- January to June
779	1999-2008	
782	2003-2004	
783	2008	1997 –June – December 1998- 2009 January to December
784	2001-2008	
785		1999 – November 2000-2009 - January to December
786		1996 –May – October 1998- 2002 - January to December 2003 - January to September
787	2002-2008	
788	2003-2008	2004 - April to December 2005-2009 - January to December
790	2004	
795	2004	
797	1998-2008	
800	2008	1997 - June – December 1998- 2009 January to December
801	2005-2008	
802	2005-2008	
803	2005-2008	
804	2005-2008	
805	2005-2008	
806	2005-2008	
810	2007-2008	
811	2006-2008	2006- 2009 January to December
814	2007-2008	
815	1994-2004	

Tax Agent Number	Income Tax Returns yet to be lodged	Vat Returns yet to be lodged
816	1999-2008	
819	1999-2008	
820	2002-2004	
821	2002-2008	
822	2002-2008	
823		2007-2008- July – December
		2009 January to December
824	1999-2008	
825	2000-2008	
827	1997	
829	1999-2008	
836	2007-2008	
840	2007-2008	
846	2008	
849	1999	
851	2008	
852	2008	
855		2009- July – Sep
860	2008	2009- July – Dec

Appendix 9: Invalid Lottery Permits

Permit Number	Due Date
779	29/01/2009
790	16/01/2009
794	29/01/2009
838	13/01/2009
839	29/01/2009
843	18/01/2009
845	26/01/2009
770	28/09/2008
785	20/09/2008
788	30/09/2008
791	29/09/2008
798	27/09/2008
800	07/09/2008
801	07/09/2008
804	21/09/2008
806	04/09/2008
809	13/09/2008
811	07/09/2008
812	02/09/2008
813	03/09/2008
814	03/09/2008
815	03/09/2008
816	03/09/2008
817	03/09/2008
818	03/09/2008
819	03/09/2008
820	03/09/2008
821	03/09/2008
822	03/09/2008
823	03/09/2008
824	03/09/2008
825	03/09/2008
826	03/09/2008
827	18/09/2008
828	18/09/2008
831	21/09/2008
832	21/09/2008
756	29/10/2008
797	10/10/2008
830	21/10/2008
835	11/10/2008
789	16/11/2008
802	30/11/2008

Permit Number	Due Date
803	01/11/2008
833	01/11/2008
837	09/11/2008
760	28/05/2008
771	14/05/2008
772	02/05/2008
761	28/03/2008
755	01/06/2008
765	15/06/2008
768	01/06/2008
781	08/06/2008
782	08/06/2008
783	07/06/2008
773	30/07/2008
784	29/07/2008
786	20/07/2008
749	29/02/2008
796	29/12/2008
762	28/08/2008
778	17/08/2008
787	17/08/2008
793	17/08/2008
795	29/08/2008
808	29/08/2008
829	24/08/2008
766	29/04/2008
736	19/01/2008
758	11/01/2008
764	25/01/2008
723	06/09/2007
727	07/09/2007
729	22/09/2007
731	08/09/2007
732	09/09/2007
734	29/09/2007
737	23/09/2007
738	22/09/2007
739	22/09/2007
742	15/09/2007
743	23/09/2007
744	23/09/2007
746	23/09/2007
709	29/10/2007
720	27/10/2007
733	17/11/2007
735	02/11/2007
745	29/11/2007

Permit Number	Due Date
740	26/08/2007
715	15/04/2007
747	03/11/2007
753	25/11/2007
757	17/11/2007
759	18/11/2007
712	27/05/2007
710	24/03/2007
687	28/06/2007
695	23/06/2007
713	02/06/2007
714	17/06/2007
716	24/06/2007
719	24/06/2007
721	16/06/2007
722	24/06/2007
718	14/07/2007
725	26/07/2007
774	14/07/2007
775	14/07/2007
776	14/07/2007
777	14/07/2007
724	3/12/2007
750	17/12/2007
752	22/12/2007
754	23/12/2007
763	29/12/2007
717	29/08/2007
728	16/08/2007

SECTION 8: FIJI NATIONAL COUNCIL FOR DISABLED PERSONS

The Fiji National Council for Disabled Persons (FNCDP) was established under Act No. 21 of 1994. The functions of the Council are as follows;

- To be a coordinating body for all organizations dealing with the care and rehabilitation of the disabled;
- To formulate a National Policy that would ensure that services are provided to all disabled persons in Fiji
- To seek financial assistance from the Government and aid donors for itself and registered organisation providing service to disabled persons
- To draw up a National Plan of action for rehabilitation services and implement such plan.
- To organise national seminars and workshops relating to the problems and needs of disabled persons and assist in the training of personnel involved in the care, training, education and rehabilitation of disabled persons.
- To create public awareness of the problems and the aspirations of disabled persons through educational media
- To regularly inform the appropriate Minister(s) of the government of the problems and need of disabled persons and seek solutions to such needs
- To establish a National Rehabilitation Fund, the purpose of which will be to attract national and international contributions in terms of funds, expertise, material and equipment to be used in implementing.
- Periodically review the National Policy and National Plan of action for the purpose of determining their continued relevance to local, regional and international realities.

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PART A – FINANCIAL INFORMATION

8.1 Audit Opinion – 2009

The audit of the financial statements of the Fiji National Council for Disabled Persons for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

8.2 Abridged Statement of Financial Performance

Year Ended 31 December	2009 \$	2008 \$
Revenue		
Government Grant	190,000	170,000
Disability Data Survey – British Embassy/DWSW	0	67,141
Special Project – DWSW (Nausori Special School)	30,000	0
UNIFEM	34,414	0
Special Project – Ministry of Health (Data)	5,000	0

Year Ended 31 December	2009 \$	2008 \$
Other Income	5,904	14,081
Total Revenue	265,318	251,222
Recurrent Expenditure		
Salaries, Wages and Related Expenses	102,675	99,106
Disability Data Statistic Survey	125,882	15,490
Travel and Subsistence	7,455	1,198
Telephone/Fax	7,606	6,318
Maintenance & Repairs	7,998	7,297
International Disabled Persons Day	6,977	3,660
Fiji Vocational Technical Training for Disable People	1,539	20,000
Other Expenses	25,298	50,711
Total Expenditure	285,430	203,780
Net Result for the year from Ordinary Activities	(20,112)	47,442

The Council recorded a deficit of \$20,112 in 2009 compared to a surplus of \$47,442 in 2008. This was due to increase in Disability Data Statistic Survey expenditure by \$110,392 in 2009.

8.3 Abridged Statement of Financial Position

As at 31 December	2009 \$	2008 \$
Assets		
Cash at Bank	106,451	127,454
Telephone Deposit	600	600
Share in Unit Trust of Fiji	8,214	7,323
Total Assets	115,265	135,377
Net Assets	115,265	135,377
Liabilities		
Total Accumulated Funds	115,265	135,377

Net assets decreased by \$20,112 or 15% in 2009 compared to 2008 as a result of decrease in cash at bank balance at the financial year end. This was the effect of increased payment for Disability Data Statistic Survey undertaken in 2009.

SECTION 9: FIJI SHIPPING CORPORATION LIMITED

The Fiji Shipping Corporation Limited is a wholly owned company of government set up in 2004 under the Companies Act to administer the Shipping Franchise Scheme. It is controlled by a Board of Directors appointed by the Minister for Transport.

The company conducts its business within the legal framework of the Companies Act, VAT Decree, Income Tax Act, and International Financial Reporting Standards.

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PART A – FINANCIAL INFORMATION

9.1 Audit Opinion - 2009

The audit of the financial statements of the Fiji Shipping Corporation Limited for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

9.2 Abridged Statement of Financial Performance

As at 31 December	2009	2008
	\$	\$
Revenue		
Grant Income	1,262,685	1,644,692
Other Income	385	6,916
Total Revenue	1,263,070	1,651,608
Expenditure		
Direct Costs	994,858	1,422,750
Other Expenses	267,827	221,942
Total Expenditure	1,262,685	1,644,692
Operating profit before income tax	385	6,916
Income tax (expense)/ credit	(1,236)	(2,180)
Net Loss/Profit for the year after Income Tax	(851)	4,736

Government grant declined by 23% in 2009. The corporation as a result also reduced its expenditure by 23%. Direct costs of \$994,585 consist mostly of franchise fees paid to shipping companies.

9.3 Abridged Statement of Financial Position

As at 31 December	2009 \$	2008 \$
Current Assets		
Cash at Bank	231,490	156,450
Prepayments and other assets	34,132	33,202
Total Current Assets	265,622	189,652
Non - Current Assets		
Property, plant and equipment	30,619	42,471
Other non current assets	974	526
Total Non Current Assets	31,593	42,997
Total Assets	297,215	232,649
Current Liabilities		
Trade and other payables	80,529	115,711
Provisions	8,262	4,951
Deferred Income	198,982	101,694
Total Current Liabilities	287,773	222,356
Non-Current Liabilities	-	-
Total Liabilities	287,773	222,356
Net Assets	9,442	10,293
Shareholders' Equity	9,442	10,293

No significant change was noted in the Corporation's financial position.

SECTION 10: FIJI SPORTS COUNCIL

The Fiji Sports Council was established under the Fiji Sports Council Act (Cap 271A REV. 1985). The functions of the Council are to:

- Foster and to promote development of amateur sports and recreation in Fiji;
- Foster support and undertake the provision of facilities for sport and recreation;
- Promote the utilisation of sporting and recreational facilities in Fiji;
- Investigate developments in sports and recreation and disseminate knowledge and information about such developments; and
- Advise 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

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PART A – FINANCIAL INFORMATION

10.1 Audit Opinion - 2006

The audit of the financial statements of the Council for the year ended 31 December 2006, resulted in the issue of a qualified audit report. The issues qualified were as follow:

- 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 amortisation 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 Ministry of Finance as required under Section 6 (j) of the Fiji Sports Council Act.

10.2 Abridged Statement of Financial Performance

Year ended 31 December	2006 \$	2005 \$
Revenue		
Hire of Facilities	2,011,475	1,567,797
Other Operating Revenue	2,377,893	2,041,766
Total Revenue	4,389,368	3,609,563
Expenditure		
Cost of Sales	1,764,871	1,703,716
Administrative Costs	2,489,622	2,150,990
Finance Costs	236,532	210,079
Total Expenditure	4,491,025	4,064,785
Result for the year from Ordinary Activities	(101,657)	(455,222)

Net deficit declined by \$353,565 (78%) in 2006 compared to 2005 as a result of increase in total revenue by \$779,953 (22%).

10.3 Abridged Statement of Financial Position

As at 31 December 2006	2006 \$	2005 \$
Assets		
Cash at Bank & Deposit	377,613	42,910
Other Current Assets	467,465	605,426
Property, Plant & Equipment	59,127,128	59,735,296
Total Assets	59,972,206	60,383,632
Liabilities		
Trade & Other Payables	2,474,625	2,123,339
Other Current Liabilities	302,097	269,950
Borrowings	2,001,272	2,094,118
Total Liabilities	4,777,994	4,487,407
Net Assets	55,194,212	55,896,225

As at 31 December 2006	2006 \$	2005 \$
Donor Grant Reserve	54,235,262	54,835,618
Capital Reserve	8,912	8,912
Accumulated Funds	950,038	1,051,695
Total Funds and Reserves	55,194,212	55,896,225

Net assets declined by \$702,013 in 2006 compared to 2005 was a result of decrease in property, plant and equipment.

PART B – CONTROL ISSUES

10.4 Weak Financial and Internal Controls

Each agency must have in place a cost effective system of internal controls which:-

- safeguards money and property against loss;
- avoids or detects accounting errors; and
- avoids unfavourable audit reports.^[1]

A number of financial and internal control related issues were noted which indicates that the accounting system, processes and procedures at the Council are weak and requires improvement. Some of the issues noted include:

- There is lack of proper general ledger reconciliation process or procedures. As a result, a number of general ledger reconciliations were not available for audit. This contributed to significant delays in carrying out the audit and verifying balances recorded in the general ledger;
- Independent review of reconciliations and supporting documents such as banking summaries were not performed;
- There are number of long outstanding debts and balances which have not been effectively followed up and cleared or recovered;
- There were a large number of audit adjustments which suggests that the reconciliation process is not effectively performed.

Without proper reconciliation and review function, there would be limited reliable accounting information from which management can gauge future plans. Additionally, poor accounting systems, processes and procedures could lead to errors, irregularities or even fraud.

In the absence of the above controls, internal financial reports may be significantly misstated.

Recommendation

Management should ensure that effective reconciliation and review function is implemented. Appropriate follow up of long outstanding balances should be performed to ensure that these are cleared.

^[1] Section 70(1) of Finance Instructions 2005

Council's Comments

General Ledger reconciliation is done monthly and appropriate follow ups for debtors is done randomly.

10.5 Strength of Finance Team

The audit noted that the current Finance Manager and the Senior Accountant are mainly responsible for the finance function of the Council. Through our dealings with the two staff, we note that they lack necessary skills and experience.

It was noted that reconciliations, information and the financial statements provided for audit was not of reasonable quality. This contributed to delays during the audit.

As a result of this, a number of concerns raised in this management letter were not resolved for the audit.

Lack of skills and experience of the finance team could lead to poor quality of financial records and reports.

Recommendation

The Council should ensure that staffs with the required skills and experience are appointed. This will ensure that the finance function of the Council is effectively managed.

Council's Comments

A qualified General Manager Finance was in charge at the time but the auditors never used him to answer queries. They were more comfortable with the Senior Accounts Officer and other accounts officers because the skills of both parties were about the same. The auditors themselves were not that skilled.

10.6 Lack of Supporting Documentation for Revenue and Expense Items

Supporting documents play a pivotal role in the verification process and also acts as evidence for the existence of transactions between the Council and third parties.

It was noted that there were a number of revenue and expense items of \$208,265 and \$330,607 respectively that could not be verified as the Council did not have supporting documentation.

Thus these items could not be substantiated for accuracy, completeness and existence. It was revealed that most of the supporting documentation for transactions during the year were misplaced during the seizure of the Council's records by the Fiji Independent Commission against Corruption ("FICAC") officers.

As such, where supporting documents have been misplaced or lost, the evidence of the existence and occurrence of the transactions becomes questionable.

Recommendation

All supporting documents should be maintained in a proper manner and a document tracking system be implemented in order to ensure that the documents are safeguarded.

Council's Comments

Can the auditors give us a breakdown of the total figures and the description of the income and expenditure?

10.7 Verification of Fixed Assets Register

It was noted that the Council has over \$59m in property, plant and equipment which makes up the largest component of the Council's assets.

However, no verification of the fixed assets register has been performed to ensure that assets of the Council exist and that the register is complete and accurate.

Furthermore, there were a number of errors in the fixed assets register which had to be rectified. This included:

- Depreciation had been incorrectly calculated;
- The register was not correctly formularized resulting in total on summary page to be incorrect.

In addition, it was noted that the assets register is prepared by the Finance Manager; however, this is not reviewed by an independent person.

Without a verification exercise, the existence of assets and the completeness and accuracy of the fixed assets register may not be confirmed.

Lack of independent review of the assets register increases the risk of errors and anomalies not being detected.

Recommendations

- **The Council should undertake a full verification of its fixed assets. This will enable the Council to determine if its assets exist and whether the assets register is complete and accurate.**
- **The Council should ensure that the register is reviewed for accuracy.**

Council's Comments

Noted

10.8 Reconciliation of donated Assets not provided

The financial statements should disclose for each class of property, plant and equipment a reconciliation of the carrying amount at the beginning and the end of the period showing:

- i) additions;

- ii) disposals
- iii) acquisitions through business combinations
- iv) increases or decreases during the period resulting from revaluations and from impairment losses recognised or reversed directly in equity, impairment of assets (if any);
- v) impairment losses recognised in the income statement during the period.¹

There was a transfer of \$600k to amortization income which relates to the amortization of assets donated to the Council. Audit could not perform work on the balance as a reconciliation of the donated assets amortization was not provided by the council. Thus audit could not ascertain whether the transfer was accurate and complete.

Failure to prepare and review reconciliations of such material balances may result in inaccurate data processed in the general ledger and reflected in the financial statements.

Recommendation

The Council should ensure that proper reconciliations are prepared and reviewed by higher delegated authority in order to reduce risks of variances not being identified and corrected. As audit could not verify the transfer, no opinion would be provided on the accuracy and completeness on the balance.

Council's Comments

Noted

10.9 Follow up on Long Outstanding Debtors

Proper ageing analysis of debts is useful as it indicates how old each debt is and which debts need to be followed up.

We noted that the naming rights of the Dome was rescinded on 12 February 2007 due to non-payment of agreed fee which was a direct breach of clause 2 of the naming rights agreement. It was noted that the Council has not followed up for payment of the \$100,000 fee.

It was also noted that there are significant number of long outstanding debtors who have not repaid their debts. The Council does not perform effective and consistent follows up to ensure timely recovery of its debts.

In addition, the Council does not carry-out proper ageing analysis of the debts. It is considered that this is particularly useful as it indicates how old each debt is and which debts need to be followed up.

Inadequate follow-up procedures on the outstanding debtors could result in debts becoming unrecoverable.

¹ Section 60(e) of Fiji Accounting Standards

Recommendation

The Council should ensure that the all debtors in the 90 days and beyond category are constantly followed-up for payment. Debtors ageing reports should be discussed at Council meetings and old debts should be effectively followed up.

Council's Comments

FMF was invoiced for a new term, but the delay in their payment allowed the council to cancel their contracts. Other long outstanding debtors were in dispute. It was beyond our control as these debtors were allowed by the previous Management without proper agreement or contracts. Board has agreed to write off and we were just waiting for the auditors for confirmation.

10.10 No Debtor recoverability assessment conducted

The Accounting Head shall prepare a quarterly report on the level of outstanding and overdue debts. The report must outline:

- the amount outstanding but not yet due;
- the total for each overdue age category;
- name of each debtor within each age category;
- the recovery actions taken for each overdue debt.²

It was noted that there was no debtors provisioning conducted for the 2006 financial year thus there was no movement in the provision for doubtful debts account from 2005. This is not the “best practice” as there may be debtors which are non-performing and thus provisions would have to be raised against them.

Lack of provisioning assessment would result in the Council not adequately providing for non-performing debts and profits and assets would be overstated thus not reflecting the true financial position of the Council.

Assessment of debt recoverability may also assist the Council in identifying bad debtors and ensure that credit facilities provided to these debtors are ceased.

Recommendation

The Council should ensure that debtors provisioning is conducted on a monthly basis through interactive consultation between the finance manager and the receivables clerk in order to ensure that non-performing debts are identified and provided for.

Council's Comments

Noted.

10.11 FEA and Telecom Refundable Deposits to be clarified

The audit noted that the Councils records of the refundable deposits did not agree with the confirmations sent by FEA and Telecom. Refer below for details.

	Balance as per General Ledger \$	Balance as per confirmation \$	Variance \$
FEA	167,540	40,703	126,836
Telecom	107,705	4,705	102,467
Total			229,303

The Councils finance team could not reconcile the variance as there were no records maintained of the deposits with FEA and Telecom.

Due to improper maintenance of the records may result in the Council writing-off refundable deposits as there is no evidence of the payment of the deposits. This would also result in a material misstatement of the financial statements.

Recommendation

The Council should ensure that there are proper procedures in place of record keeping and evidences of payments and deposits are adequately maintained.

Council's Comments

These balances have been carried forward from 2005 audit. Council cannot write off the variance because we do not have proper supporting documents to so. A reconciliation is to be done from 1997 to date.

10.12 FNPF Loan to be reconciled

The Council obtained a loan from FNPF of \$3.2m to upgrade Lawaqa park in Sigatoka. It defaulted on the loan repayment and the government took over the responsibility of the payments. In addition, the Council has not reconciled the FNPF loan account since 2005 thus the loan balance does not agree with the FNPF loan confirmation as at 31 December 2006 by \$172,000 which is the annual principle and interest payment.

Lack of proper reconciliation of the FNPF loan balance could lead to misstatements in the financial statement. Moreover, the Council would not have record of the loan balance in the event that the government requires reimbursement of the amount paid.

Recommendation

The Council should prepare monthly reconciliations to keep track of the loan payment and also to ensure that the financial statements are not materially misstated.

Council's Comments

Reconciliation has been done that balances with government figure. GL adjustment has to be done by transferring FNPF loan account to government loan account.

10.13 Lack of documentation for Corporate Box Deposit

The South Pacific Games Organizing Committee (SPGOC) paid \$20,000 to the Council for the upgrade of corporate boxes for the 2003 South Pacific Games. Through discussion with the then Finance Manager, it was noted that the funds were not used for the upgrade and audit could not vouch the receipt of the funds to the bank statement as these could not be located.

Lack of adequate documentation can result in material misstatement of the financial statements and also implicate the Council of misappropriation of assets. This could result in a lawsuit against the Council and also cause a reputational risk.

Recommendation

The Council should ensure that adequate documentation procedures are put in place and staffs are informed on the importance of proper maintenance of financial and operational records.

Council's Comments

This balance is an adjustment of 2005 audit.

10.14 No reconciliation prepared for Clearing Account – Others and Accruals

The audit could not perform the verification process of Clearing account – Others and Accruals which had a balance of \$83,000 and \$66,000 as no reconciliations and supporting documents were provided by the Council. The Council provided a general ledger extract of the account however, the balances could not be substantiated or adequately explained due to the lack of supporting documents.

Where the reconciliation and review process is not followed, this may result in variances and anomalies going undetected which may result in a material misstatement of the financial statements.

Recommendation

The Council should follow the reconciliation process strictly and ensure that all variances are identified and cleared in a timely manner.

Council's Comments

Reconciliation was prepared and given to the auditor. They were supposed to come and vouch for the reconciliation which they never did.

10.15 Loan Agreement

Cabinet agreed in its Cabinet Decision on 30th August 2005 that a loan agreement between the Council and government be drawn up to facilitate repayment by the Council of the total sum paid by government to FNPF.³

³ Cabinet Decision [CP(05)320]

Audit noted that loan agreement between the Council and the government was not drawn relating to the loan repayment made by the government to Fiji National Provident Fund on behalf of the Council amounting to \$1,599,430. This is not in accordance with Cabinet decision made on 30 August 2005

Recommendation

The Council should enter into a loan agreement with the government.

Council's Comments

Noted.

10.16 Non-compliance with Fiji Sports Council Act on leasing finance approval

With the approval of the Minister responsible for finance, the Council can borrow or raise money and to give security therefore in such manner as the Councils thinks fit.⁴

Audit noted that the Council entered into Finance lease agreement with the Fiji Development Bank and obtained finance to purchase vehicles for the Council. The Council has not obtained approval from the Ministry of Finance prior to obtaining finance lease as required under the Fiji Sports Council Act. The Council breached section 6(j) of the Fiji Sports Council Act.

Recommendations

- **The Management of the Fiji Sports Council should comply with section 6(j) of the Fiji Sports Council Act.**
- **Management should urgently follow up to seek approval from the Ministry of Finance for finance leases it has entered into with FDB.**

Council's Comments

Noted.

⁴ Fiji Sports Council Act. s 6(j)

SECTION 11: FIJI ISLANDS TRADE AND INVESTMENT BUREAU

The Fiji Islands Trade and Investment Bureau was established in 1980 under the Economic Development Board Act to promote and facilitate investment and export. Section 5(2) of that Act stipulates that the Bureau shall have power to:

- promote investment in, and development of industries, ventures or enterprises that enhance employment opportunities, increase exports, reduce imports or are otherwise beneficial to the economy of Fiji;
- assist other persons or bodies in the establishment or expansion of any such activities;
- undertake product and market development and research either alone or jointly with any other person;
- act as an agent for the government on such matter as may be delegated to it;
- advise on policies that would further the economic development of Fiji;
- advise the Minister on appropriate administrative machinery to facilitate economic development;
- make grants for purposes related to the discharge of its functions under the Act; and
- generally to do all such things as may be incidental to or consequential upon the exercise of its power of functions under the Act.

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PART A - FINANCIAL INFORMATION

11.1 Audit Opinion - 2009

The audit of the financial statements of the Fiji Islands Trade and Investment Bureau for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

11.2 Abridged Consolidated Income Statement

As at 31 December	2009	2008
	\$	\$
Government Grant	1,499,587	967,637
Rent - Factories	1,869,625	1,865,518
Trade Promotion	341,838	244,018
Other Income	367,899	296,415
Total Income	4,078,949	3,373,588
Personnel expenses	1,372,090	1,237,511
Depreciation	601,235	470,804
Operating expenses	581,785	711,908
Administrative expenses	360,271	266,988
Trade Promotion Expenses	308,040	246,948

As at 31 December	2009 \$	2008 \$
Interest	247,925	35,503
Total Expenditure	3,471,346	2,969,662
Net Surplus for the year	607,603	403,926

Net Surplus increased by \$203,677 or 50% in 2009 compared to 2008 as a result of increases in government grant by 55% in 2009 compared to 2008.

11.3 Abridged Consolidated Statement of Financial Position

As at 31 December	2009 \$	2008 \$
Current Assets		
Cash on hand and at bank	865,976	1,347,531
Receivables	942,916	358,942
Term Deposits	677,892	0
Total Current Assets	2,486,784	1,706,473
Non - Current Assets		
Property, plant and equipment	25,688,813	18,277,032
Work In Progress – Factory Buildings	27,000	49,921
Total Non Current Assets	25,715,813	18,326,953
Total Assets	28,202,597	20,033,426
Current Liabilities		
Trade creditors and accruals	312,462	211,024
Other creditors	104,508	113,680
Income received in advance	50,678	429,646
Other current liabilities	87,059	72,561
Total Current Liabilities	554,707	826,911
Non-Current Liabilities		
ANZ bank loan	8,799,563	951,299
Provision for Employee Entitlement	154,126	168,617
Total Non-Current Liabilities	8,953,689	1,119,916
Total Liabilities	9,508,396	1,946,827
Net Assets	18,694,201	18,086,599
Total Equity	18,694,201	18,086,599

The Bureau recorded an increase in total assets by \$8,169,171 or 41% in 2009 compared to 2008 due to the increases in Property, Plant and Equipment by 41%. Extension work carried out at Kalabu Tax Free Zone factory 7 and 8 increased the value of the Bureau's fixed assets.

SECTION 12: LAND TRANSPORT AUTHORITY

LTA is a statutory body established under the Land Transport 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 Authority's specific functions are outlined in section 8 of the Land Transport Act 1998. The important functions of the Authority as outlined in section 8 of the Act 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 Commissioner of Police.

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PART A – FINANCIAL INFORMATION

12.1 Audit Opinion - 2009

The audit of the financial statements of the Land Transport Authority for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The qualification is as follow:

Included in the financial statements are property, plant and equipment valued at \$8,223,518 excluding the balance of work in progress. We have been 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, we have been unable to confirm the completeness, existence and accuracy of property, plant and equipment as at 31 December 2009.

Attention is 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 previous year for which no details were provided.

12.2 Abridged Income Statement

As at 31 December	2009 \$	2008 \$
Revenue		
Government Grant	10,666,667	8,958,176
Total Revenue	10,666,667	8,958,176
Expenditure		
Administrative expenses	7,268,737	6,299,485
Operating expenses	3,701,366	3,452,048
Other expenses	487,743	394,042
Total Expenditure	11,457,846	10,145,575
(Loss) from Operation	(791,179)	(1,187,399)
Income Tax Expense	-	-
Result for the year from Ordinary Activities	(791,179)	(1,187,399)

The Authority recorded a deficit of \$791,179 in 2009 compared to the deficit of \$1,187,399 in 2008. The decline in net deficit of \$396,220 in 2009 was due to increase in grant received from the Government.

12.3 Abridged Balance Sheet

As at 31 December	2009 \$	2008 \$
Current Assets		
Cash and cash equivalents	2,636,641	3,522,361
Other current assets	660,210	619,490
Total Current Assets	3,296,851	4,141,851
Non - Current Assets		
Property, plant and equipment	10,090,441	9,527,848
Total Non Current Assets	10,090,441	9,527,848
Total Assets	13,387,292	13,669,699
Current Liabilities		
Creditors and other accruals	1,412,770	775,781
Provisions	367,223	398,269
Total Current Liabilities	1,779,993	1,174,050
Total Liabilities	1,779,993	1,174,050
Net Assets	11,607,299	12,495,649
Capital and Reserves	11,607,299	12,495,649

Current liabilities increased by \$605,943 (52%) as a result in increases in creditors and other accruals by 82%. This resulted in the decline in net assets of the Authority by \$888,350 or 7%.

PART B – CONTROL ISSUES

12.4 Unidentified item in VAT receivable

An unidentified amount of \$97,171 was included as a debit balance to the VAT receivable account. There was no appropriate supporting evidence provided to enable us to verify the existence, accuracy or completeness of this balance.

Discussions with management revealed that this amount was carried forward from prior years.

The receivable balance in the financial statements may be misstated.

Recommendation

The Authority should prepare a proper reconciliation of this amount and process the appropriate adjustments to the general ledger to correct this balance.

Management comments

Management accepts that no proper VAT Reconciliation was done during the year after the Reconciliation Officer was suspended. There was no proper handing over done that led to the incorrectness in the General Ledger balance. Management concurs with the recommendation and will make sure that the unidentified amount is reconciled.

12.5 Review process of journal entries and finance reconciliations to be strengthened

There was no evidence to indicate that certain journal entries had been reviewed by a senior officer and there was also a lack of supporting documentation in respect of certain journals. For instance, audit noted that journal referenced 23805 for the amount of \$96,000 had no evidence of review and there was no supporting documents attached to this journal.

The following issues were also noted, which may also indicate the lack of review of journals or finance reconciliations:

- An overstatement of \$36,000 in the provision for annual leave as accrual for November 2009 was taken up twice.
- An overstatement in the PAYE balance by \$66,000 which relates to PAYE tax payment for the month of September which had been credited twice.
- A significant variance of \$421,000 between the general ledger and the Authority's VAT returns. As per the VAT return for the month of December 2009, the Authority had VAT payable of \$81,235 however the general ledger stated a VAT receivable of \$340,229.

These variances were resolved and adjusted in the Authority's general ledger during the course of the audit.

In addition, a number of general ledger reconciliations which did not have evidence of review were noted. These included the following:

General ledger account	Account number	Balance as at 31/12/2009 \$
Sundry creditors	2005	1,164,877
ANZ Bank Account Current	1035	1,636,027
PAYE	2331	87,206
Creditors	2000	71,070
FNPF	2390	54,072

The lack of evidence of review of journal entries increases the risk of unauthorised and incorrect journal entries being passed which could result in significant misstatements in the general ledger.

The absence of proper review of general ledger reconciliations indicates a lack of accountability for the reconciliations and errors may not be detected in an effective manner. This may lead to a risk that the general ledger balances may not be accurately and completely reflected.

Recommendations

- **Management should ensure that journal entries and reconciliations are reviewed on a timely basis to ensure errors and mispostings are identified and resolved in a timely manner.**
- **General ledger should be reviewed and signed off by a senior officer in the finance department to ensure the completeness and accuracy of the Authority's general ledger.**

Management comments

Management recognizes the lack of reviews done on all the journal entries and reconciliations. Therefore, management concurs with the recommendations and will make necessary improvements of the same.

12.6 Fixed asset register to be properly updated and maintained

We noted a significant variance of \$1,256,807 in the carrying amount of the Authority's property, plant and equipment (excluding Work in progress) between the fixed asset register and the general ledger. As at balance date, the fixed asset register had a carrying amount of \$8,223,518 while the carrying amount in the general ledger amounted to \$6,966,711. This variance has been carried forward from past years.

Further, it was difficult to trace physical assets to the fixed asset register for the following reasons:

- The fixed asset register does not include the asset tag numbers even though these are assigned to assets.
- The description of the asset is very vague. For example, a Brother 2820 fax machine was stated in the fixed asset register as just "2820".
- The description of the asset type on the fixed asset register may agree to the physical asset however the serial numbers differed.

- There was no proper handover conducted when the previous officer (Deven Narayan) was suspended.

The lack of proper update and maintenance of the fixed asset register results in the risk of inaccuracy in the recording of the Authority's assets. This also raises the risk that assets may be missing or incorrectly recorded in the fixed asset register which gives rise to a misstatement in the property, plant and equipment balance as at balance date.

In addition, there is a risk that the depreciation charge on assets may not be accurately recorded in the general ledger as the fixed asset register is not properly maintained.

Recommendations

- **The Authority should consider setting up a special team to carry out a physical count of fixed assets and ensuring that the relevant details are accurately updated on the fixed asset register. The asset tags, asset description, serial numbers should be captured accurately on the fixed asset register.**
- **Fixed asset register should be reconciled to the general ledger to resolve the variance of \$1,256,807. The fixed asset register should also be reviewed by a senior officer to ensure that any errors or mispostings are identified and rectified in a timely manner.**

Management comments

Management agrees with the recommendation and has taken steps in setting up a special team to carry out the physical count of its entire fixed asset and also to reconcile the current fixed asset listing.

12.7 Inventory management function to be strengthened

Audit noted a number of issues in respect of the inventory management function which indicates that the process and procedures over inventory management is weak.

Review of the Authority's inventories revealed the following discrepancies:

- There was no inventory count performed as at 31 December 2009 to check the existence and condition of inventories;
- There was no inventory listing maintained as at 31 December 2009;
- Review of inventory schedules is not performed on a regular basis;
- The manual registers are being used to record inventory but these were not properly updated for inventory movements during the year; and
- The procedures over security and safeguarding of inventory items at the store room were not effective leading to risk of pilferages and inventory losses.

In light of the above issues, audit was not able to assess the accuracy, completeness and existence of the inventory balance. In addition, there is a risk of theft or misappropriation over the Authority's inventories.

Recommendations

Management should ensure that the following stringent controls are established over the Authority's inventories:

- **The inventory register should be updated for movement of all inventory items to ensure that the records of inventory are up to date and reflects the correct inventory balance at any point in time;**
- **The inventory listing should be prepared on a monthly basis based on the inventory balance in the inventory register and submitted to a senior officer in finance for review;**
- **A count of all inventory items should be undertaken on a monthly basis. An officer independent of the storeroom should perform the inventory count. The inventory count records should be reconciled to the inventory listing; and**
- **Any variances between the inventory count and the inventory listing should be properly investigated, resolved and reported to management.**

Management comments

Management concurs with the recommendation and ensures that proper stock take is undertaken every quarter with proper reconciliation done and reviewed.

12.8 Proper documentation to be maintained

We noted a lack of supporting documentation in relation to sundry creditors and accruals in the amount \$56,270. This consisted of audit and accounting fees which dated back to 2007 and for which the supporting invoices could not be located for our verification.

It appeared that no payment had been made in relation to these accruals as there was no correspondence with the service providers regarding the payment.

The lack of supporting documentation results in our inability to verify the existence and accuracy of accruals which could lead to a misstatement of liabilities in the financial statements.

Recommendation

Management should consider performing a review of all sundry creditors and accruals to ensure that each accrual is properly substantiated by appropriate supporting documentation. For those accruals without supporting documentation, management should consider obtaining the necessary documentations.

Management comments

Management is aware that no proper documentation was maintained to support most of the reconciliation that were done and those that we were unable to reconcile. Hence, management concurs with the recommendation and will make necessary steps to obtain proper documentations.

12.9 Internal audit function to be strengthened

The internal audit function of the Land Transports Authority (“the Authority”) is not robust and effectively performed. The internal audit department did not carry out internal audits of certain areas in accordance with the internal audit plan for the year. These included the following:

- Operational audits for the Northern region were not carried out.
- The internal audit of the Western region was not carried out during the period July to December 2009.

This was largely due to movements of internal audit staff leading to the lack of adequate resources in the department to carry out these audits.

In addition, it was also noted that internal audit reports were being submitted to the Chief Executive Officer. However, it is a good corporate governance practice for the internal audit reports to be submitted to the Chairman of the Finance Audit Tender Sub-Committee.

Internal audit is an important function to ensure that the internal control environment and policies and procedures are properly designed and complied with by staff of the Authority.

The non performance of certain areas in accordance with the internal audit plan could result in fraudulent activities and anomalies going undetected. Furthermore, the reporting line for internal audit reports may result in certain matters involving senior management not being reported to the Board.

Recommendations

- **Management should consider strengthening the internal audit function of the Authority.**
- **The Authority should devise a robust “risk based” internal audit plan that is more focused on areas where the level of risk is significant.**
- **The internal audit department should include staffs that have the required level of expertise and experience in internal audit.**
- **The internal audit plan should be effectively monitored to ensure that internal audit areas are completed in a timely manner. Furthermore, the internal audit function should report directly to the Finance Audit Tender Sub-Committee particularly for any critical matters identified during the internal audit process.**

Management comments

Management made its decision with the concurrence of the Board to move some internal Audit staff to the Accounts section as there was a high shortage of staff as three of its staff were suspended on allegation of fraud. However, management has concurred with the recommendation to strengthen the Internal Audit function of the Authority and has also taken steps to recruit the best people to be part of its Internal Audit Team.

SECTION 13: NATIONAL SUBSTANCE ABUSE ADVISORY COUNCIL

The National Substance Abuse Advisory Council is a statutory body that was enacted in Parliament on 12 May, 1998 and launched on March 1, 1999. This is in recognition of the growing incidence of drug and substance abuse in the country and the detrimental effects it has on health, our society and the economy.

The Council is responsible to the Government for developing a comprehensive substance abuse prevention education and research effort in Fiji under a grant to the Ministry of Education from the Ministry of Finance.

The primary objectives of the Council are to:

- Promote a healthy lifestyle and safer drinking practices, and the development and promotion of actions and advice which will reduce alcohol-related and substance abuse problems for the nation;
- Implement strategic plans which will promote health awareness attitudes, collate and disseminate information and statistics on the prevalence of use and abuse of substances, produce publications and researched reports and advise government on policies to reduce problems related to the abuse of alcohol and other substances.

The activities being conducted at present are funded by the World Health Organisation, as government funding is limited to remuneration

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PART A – FINANCIAL INFORMATION

13.1 Audit Opinion - 2009

The audit of the financial statements of the National Substance Abuse Advisory Council for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

13.2 Abridged Income Statement

Year Ended 31 December	2009 \$	2008 \$
Revenue		
Government Grant	300,000	200,000
PRIDE Project Fund	---	50,000
MOE Extra Funding	---	8,588
FESP Funds	21,028	---
NACA Funds	---	5,560

Year Ended 31 December	2009 \$	2008 \$
Others	---	350
Total Revenue	321,028	264,498
Recurrent Expenditure		
Payroll Expenditure	194,690	148,026
Other Operating Expenses	95,227	124,506
Capital Expenditure	4,769	14,987
Total Expenditure	294,686	287,519
Result for the year from Ordinary Activities	26,342	(23,021)

The Council recorded an operating surplus of \$26,342 in 2009 compared to deficit of \$23,201 in 2008. This was the result of increase in government grant by \$100,000 or 50% compared to 2008.

13.3 Abridged Balance Sheet

As at 31 December	2009 \$	2008 \$
Current Assets		
Cash at Bank	75,075	48,733
Total Assets	75,075	48,733
Accumulated Funds		
Opening Balance	48,733	71,754
Net Surplus/(Deficit)	26,342	(23,021)
Total Accumulated Funds	75,075	48,733

The financial position improved as a result of increase in revenue generated by the Council.

SECTION 14: NATIONAL FOOD AND NUTRITION CENTRE

The National Food and Nutrition Centre (NFNC) was created by Government in 1976 and operates as a quasi-government organisation under the Ministry of Health. It is funded through government subvention.

The objective of the National Food and Nutrition Centre 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-governmental organisations on matters relating to food and nutrition; and
- To ensure that Fiji's food and nutrition policy is realised and to improve the nutrition policy is realised and to improve the nutritional status of the population.

On 7th April 1998 Cabinet directed that the National Food and Nutrition Centre be integrated into the Ministry of Health rather than continue to be a stand alone entity.

Consequently, on 21st January 1999, there was an agreement signed between the Government of Fiji and the National Food and Nutrition Centre 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 will coordinate and monitor all government ministries and non government organisations programs and activities relating to nutrition.

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PART A – FINANCIAL INFORMATION

14.1 Audit Opinion – 2009

The audit of the financial statements of the National Food and Nutrition Centre for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

14.2 Abridged Statement of Financial Performance

Year Ended 31 December	2009 \$	2008 \$
Revenue		
Government Grant	341,016	268,850
WHO	11,342	0
UNICEF	0	38,100
Ministry of Health – Vitamin A Survey	0	38,100
Ministry of Health – WFD	4,427	5,000

Year Ended 31 December	2009 \$	2008 \$
Ministry of Health – School Canteen	0	2,200
Ministry of Health – NFNC Demo Garden	0	2,900
Food and Agriculture Organisation	1,392	1,358
Rotary International (Japan)	0	1,575
Other Income	11,557	4,722
Total Revenue	369,734	362,805
Recurrent Expenditure		
Salaries, Wages and Related Expenses	236,123	204,073
Capital Expenditure	10,942	9,130
Vitamin "A" Survey	1,641	78,165
National Nutrition Survey	2,921	4,635
World Food Day	6,167	5,664
NFNC Demo Garden	3,918	1,924
Other Expenses	40,918	23,282
Total Expenditure	302,630	326,873
Result for the year from Ordinary Activities	67,104	35,932

The Centre recorded a surplus of \$67,104 in 2009 compared to \$35,932 in 2008. This was due to increases in government grant and other income in 2009.

14.3 Abridged Statement of Financial Position

As at 31 December	2009 \$	2008 \$
Current Assets		
Cash at Bank	243,689	168,961
FEA Deposit	50	50
Telephone Deposit	297	297
VAT Receivable	-	7,624
Total Assets	244,036	176,932
Current Liabilities		
VAT Payable	---	---
Total Liabilities	---	---
Net Assets	244,036	176,932
Total Accumulated Funds	244,036	176,932

Net assets increased by \$67,104 or 38% in 2009 compared to 2008 as a result of increase in cash at bank.

SECTION 15: TOURISM FIJI

Tourism Fiji is established under the Fiji Tourism Commission and Visitors Bureau Act, 1985. Its objective is to encourage and develop the Fiji Tourism industry and the tourist traffic to, within and beyond Fiji, taking into consideration at all times the cultures and customs of the people of Fiji.

In conjunction with representatives from the various sectors of the local tourism industry, the Bureau undertakes promotion activities overseas promoting Fiji as a holiday destination. Apart from its head office in Nadi, Tourism Fiji has offices in Australia, New Zealand, Continental Europe, UK, Germany, South Korea and Japan.

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PART A – FINANCIAL INFORMATION

15.1 Audit Opinion - 2009

The audit of the financial statements of the Tourism Fiji for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

15.2 Abridged Statement of Financial Performance

As at 31 December	2009 (\$)	2008 (\$)
Government Grant	23,111,111	12,434,324
Co-operative Promotion & Advertisement	1,366,926	954,492
Other Income	379,806	691,618
Total Revenue	24,857,843	14,080,434
Selling & Marketing Expenditure	20,433,884	9,354,214
Employee Salaries and Benefits	2,121,949	1,907,993
Operation & Administration Expenditure	1,412,136	914,751
Total Expenditure	23,967,969	12,176,958
Net Surplus(Deficit) for the Year	889,874	1,903,476

The decline in net surplus recorded in 2009 resulted from the increase in selling and marketing expenditures, specifically advertising and promotions, by 118% or \$11,079,670 compared to 2008. The

substantial Government Grant allocated to Tourism Fiji in 2009 enabled the increase promotions, advertising and branding of Fiji as a tourist destination.

15.3 Abridged Statement of Financial Position

As at 31 December	2009 (\$)	2008 (\$)
Current Assets		
Cash at bank and on hand	6,998,484	4,134,680
Prepaid expenses	137,995	170,056
Tax refundable	201,741	60,458
Other receivables and advances	264,113	215,036
Total Current Assets	7,602,333	4,580,230
Non-Current Assets		
Property, Plant and equipment	480,387	353,985
Investments	20,000	20,000
Refundable deposits	9,754	8,357
Total Non-Current Assets	510,141	382,342
Total Assets	8,112,474	4,962,572
Current Liabilities		
Employee entitlements	154,878	69,999
Accrued expenses	1,717,636	16,678
Income received in advance	24,020	57,805
Payables	614,780	106,804
Total Current Liabilities	2,511,314	251,286
Net Assets	5,601,160	4,711,286
Net Accumulated Funds	5,601,160	4,711,286

The increase in net assets by \$889,874 or 19% was mainly due to the general increase in assets, specifically cash at bank, property, plant and equipment and tax receivables.

PART B – CONTROL ISSUES

15.4 Annual Leave

Audit noted that some employees have accumulated significant outstanding days leave as at 31 December 2009. For instance, some employees had up to 50 days outstanding. Accrual of annual leave is calculated at current salary rate.

Tourism Fiji is exposing itself to incurring outstanding annual leave expenses at higher rates.

Recommendation

An agreed timetable should be drawn up which ensures individual personnel are able to utilise their annual leave during suitable timeframe.

Management Comments

Comments Noted.

Management has implemented policies to restrict the accumulation to a maximum of 10 per person and this will be accrued for and payments will be catered for from the allocated funds.

SECTION 16: WESTERN DIVISION DRAINAGE BOARD

The Western Drainage Board was established under the Drainage Act, 1973. The Board is responsible for the maintenance and improvement of drainage of all land within the Western Division drainage area.

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 has powers to make, assess and levy rates required to cover the costs of improving, constructing and maintaining drainage works, the carrying out of any drainage measures and the operating costs of the Board

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PART A – FINANCIAL INFORMATION

16.1 Audit Opinion - 2006

The audit of the financial statements of the Western Division Drainage Board for the year ended 31 December 2006 resulted in the issue of an unqualified audit report.

16.2 Abridged Income Statement

Year Ended 31 December	2006 (\$)	2005 (\$)
Income		
Drainage rates	254,156	226,459
Other income	8,556	9,007
Total Income	262,712	235,466
Expenditure		
Drainage maintenance	91,928	117,295
Wages and salaries	66,886	61,895
Depreciation	14,656	11,022
Doubtful debts	84,976	298,705
Other expenditure	60,402	49,565
Total Expenditure	318,848	538,482

Year Ended 31 December	2006 (\$)	2005 (\$)
Net Deficit for the year	(56,136)	(303,016)

The Board recorded a deficit of \$56,136 in 2006 compared to the deficit of \$303,016 recorded in 2005. The improved operation resulted from the Board's effective control over its expenditure which declined from \$538,482 in 2005 to \$318,848 in 2006.

16.3 Abridged Balance Sheet

As at 31 December	2006 \$	2005 \$
Current Assets	335,793	392,471
Non-current Assets	149,854	162,690
Total Assets	485,647	555,161
Current Liabilities	62,993	76,371
Non-Current Liabilities	5,618	5,618
Total Liabilities	68,611	81,989
Net Assets	417,036	473,172
Total Accumulated Funds	417,036	473,172

Net assets decreased by \$56,136 or 12% primarily because of the decline in cash and cash equivalent as at 31 December 2006.

PART B – CONTROL ISSUES

16.4 Anomalies in the Purchases and Payments Process

Goods, services and works required by agencies will be procured by issuing purchase orders for any local procurement¹.

All payments vouchers are to be certified by a certifying officer before being processed for payments².

Agencies must have procedures in place to ensure that invoices or statements are not paid twice and that fraudulent claims are not paid³.

¹ Finance Instructions 2005 s. 17 (1) (a)

² Finance Instructions 2005 s. 19 (2)

³ Finance Instructions 2005 s. 19 (5)

Our review of payment vouchers and related records revealed the lack of internal control in the purchases and payments process. Some payments were not supported with appropriate documents as they were not attached to the payment vouchers nor produced for audit when requested. Refer to Table 16.1 for examples:

Table 16.1: Payment vouchers without supporting documents

Date	Cheque No.	Amount - \$ (VIP)	Particulars
30.03.06	9311	1,356.00	Purchase hardwood timber
14.06.06	9421	50.00	Gift purchase staff resigned
06.06.06	9450	500.00	Refund of rates - expiry leases
04.08.06	9481	255.00	July Accounts
06.09.06	9511	255.00	Monthly VAT Return preparation and financial statement matters
10.11.06	9569	1000.00	Compilation and debtors collection assistance
16.11.06	9572	150.00	Purchase of computer ink cartridge

There were instances where payment vouchers were not signed and/or authorised by the Secretary of the Board. Refer to Table 16.2 for details:

Table 16.2: Payment vouchers not properly authorized

Date	Cheque No.	Amount (VIP)	Particulars
27.01.06	9262	292.66	Wages for period: 20/01/06 – 26/01/06
25.01.06	9265	876.60	Fuel for Dec 05 for Vehicles
13.04.06	9339	508.28	Wages for period: 07/04/06 – 13/04/06
09.06.06	9419	255.00	Payment for working on board accounts
23.06.06	9441	227.82	Refund of rates paid in 2005
14.07.06	9461	255.00	Monthly preparation of VAT & financial matters
18.08.06	9504	2,553.00	Financial statements preparation for 2005
01.08.06	9507	739.97	Wages for period: 25/08/06 – 01/09/06
22.12.06	9622	11,219.50	Desilting at Canobi, Naqoro
29.12.06	9624	260.00	Checking, replace hard disk and loading data

Furthermore, some payment vouchers were not stamped 'PAID' after payments were made to the suppliers. Refer to Table 16.3 for examples:

Table 16.3: Documents not stamped "PAID"

Date	Cheque No.	Amount (VIP)	Particulars
14.02.06	9277	47.94	Purchase gallons for spraying
13.02.06	9279	15.30	Allowance
02.03.06	9289	750.00	Injunction application <u>Juxta & Fantasy Co</u>
03.03.06	9299	15.30	Allowance
08.03.06	9301	1,084.61	Salaries for period: 26.02.06 - 11.03.06
30.06.06	9428	928.56	Fuel & Items

There is a high risk of mismanagement of funds, fraudulent and double payments if the Board does not comply with standing financial regulations that govern procurements and payments of goods and services.

Recommendations

- **The Board should develop its own policies and procedures or follow standing government policies pertaining to procurement of goods and services.**
- **Payments should be properly authorized before processing and all relevant documents and payment vouchers should be stamped “PAID”.**

Management Comments

The Board will ensure that all policies and financial procedures adopted by the Government will be followed strictly in future.

16.5 Missing Payment Vouchers

Goods, services and works required by agencies will be procured by issuing purchase orders for any local procurement⁴. All payments vouchers are to be certified by a certifying officer before being processed for payments⁵. Agencies must have procedures in place to ensure that invoices or statements are not paid twice and that fraudulent claims are not paid⁶.

Some payment vouchers were missing from the batch of payment voucher files provided for audit. Therefore, the authenticity and correctness of the payments could not be ascertained. Refer to Table 16.4 for examples:

Table 16.4: Missing Payment Vouchers

Date	Cheque No.	Amount (VIP) \$
26.05.06	9394	730.01
30.06.06	9427	112.66
25.07.06	9465	330.00
07.12.06	9593	428.60
13.12.06	9601	5,376.00
13.12.06	9602	692.76
30.12.06	9612	186.98
30.12.06	9613	782.16
30.12.06	9614	24.00
30.12.06	9615	140.00
21.12.06	9619	486.12
28.12.06	9623	335.92

The risk of fraud and mismanagement of funds increases when payments of goods and services to various suppliers lacked appropriate supporting documents.

⁴ Finance Instructions 2005 s. 17 (1) (a)

⁵ Finance Instructions 2005 s. 19 (2)

⁶ Finance Instructions 2005 s. 19 (5)

Recommendation

The Management should ensure that all the payment vouchers and supporting documents are properly filed and are made available for audit purposes.

Management Comments

The Board will ensure that all documents are available for audit purposes in future.

16.6 Bank Reconciliation

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.⁷

Bank reconciliations were not carried out in 2006. The cash deposit books for the period 01/01/06 to 20/09/06 have been misplaced. However, audit was able to directly trace the receipts to the bank statements.

It was further noted that the Clerical Officer has very little knowledge in maintaining proper bank records and cash book.

Failure to prepare monthly bank reconciliations increases the risk of errors and fraud from being detected.

Recommendations

- **The Management should ensure that monthly bank reconciliations are prepared.**
- **The Management should ensure that source documents and information are kept in a secured place for future reference and for audit purposes.**
- **The Board should consider engaging a qualified Accounts Officer that is capable of preparing reconciliations and maintaining the books of account.**

Management Comments

The Board has undertaken all the audit recommendations seriously and ensures that all documents are now secured and is available at anytime. A new clerical officer has been recruited and appointed who has a lot of accounting knowledge and experience.

⁷ Finance Instructions 2005 s. 39 (5)

SECTION 17: SUGAR INDUSTRY TRIBUNAL

The Sugar Industry Tribunal is established under Part III of the Sugar Industry Act (1994). Other Parts of the Act with particular relevance to the Tribunals are part VI Master Awards, Part IX – Collective Agreements, Part X – Restrictions on Industrial Action, Part XI – Dispute Procedure and Part XI – Awards.

The functions of the Sugar Industry Tribunal are stipulated under section 26 of the Sugar Industry Act (Cap 206).

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PART A – FINANCIAL INFORMATION

17.1 Audit Opinion - 2009

The audit of the financial statements of the Sugar Industry Tribunal for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

17.2 Abridged Income Statement

Year Ended 31 December	2009	2008
	\$	\$
Grant from Government	313,244	305,856
Other Income	14,358	22,312
Total Revenue	327,602	328,168
Salaries and Wages	106,566	148,161
Other operating expense	222,834	194,955
Total Expenditure	329,400	343,116
Result For the Year From Ordinary Activities	(1,798)	(14,948)

The main source of revenue for the Sugar Industry Tribunal (SIT) is government grant, which it receives annually for operational costs. The SIT recorded a deficit of \$1,798 compared to a deficit of \$14,948 recorded for 2008.

17.3 Abridged Balance Sheet

As at 31 December	2009	2008
	\$	\$
Current Assets	57,464	54,244
Non – Current Assets	42,589	56,516
Total Assets	100,053	110,760
Current Liabilities	41,584	50,493
Non – Current Liabilities	1,084	1,084
Total Liabilities	42,668	51,577
Net Assets	57,385	59,183
Net Accumulated Fund	57,385	59,183

No significant change was noted in the SIT financial position in 2009 compared to 2008.

