ACCOUNTABILITY IN THE PUBLIC SECTOR
THROUGH QUALITY AUDIT SERVICES

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Audits of Statutory Authorities – December 2011

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6th January, 2012

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 2011

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 as at 31 December, 2011.

The report should be presented to Cabinet within 30 days of receipt as required under section 7 (8) of the State Services Decree 2009.

Tevita Bolanavanua
Acting Auditor - General

AUDITOR--GENERAL
FIJI

FOREWORD

This report covers the result of audits of 14 statutory authorities which were completed during the 2nd half of 2011. In June 2011 I had also reported the result of audits of 12 statutory authorities which were completed during the 1st half of 2011. Therefore overall a total of 26 statutory authorities were audited in 2011 compared to 31 in 2010.

Audits of some statutory authorities are still in progress and will be reported next year and some did not submit their accounts for audit during 2011. The following table summarises the status of audits of all statutory authorities:

	Statutory Authority	Audit Completed	Audit Opinion	Remarks
1	Agriculture Marketing Authority	2008	Qualified	Audit of 2009 account is in progress.
2	Fiji Arts Council	2003	Qualified	2004 account yet to be submitted for audit.
3	Fiji Institute of Technology	2007	Unqualified	Audit of 2008 accounts has been completed and accounts sent to FIT for signing. .
4	Fiji Inland Revenue & Custom Authority	2010	Unqualified	Awaiting submission of 2011 account for audit.
5	Fiji National Council for Disabled Persons	2010	Unqualified	Awaiting submission of 2011 account for audit.
6	Fiji Museum	2004	Unqualified	Fiji Museum is appointing its own auditor to audit 2005 accounts.
7	Fiji Servicemen Aftercare Fund	2008	Unqualified	Awaiting submission of 2009 account for audit.
8	Fiji Sports Council	2010	Qualified	Awaiting submission of 2011 account for audit.
9	Tourism Fiji	2009	Unqualified	Audit of 2010 account is in progress.
10	Korovou Rural Local Authority	2007	Qualified	Audit of 2008-2010 accounts have been completed and file is with Audit Manager for review.
11	National Fire Authority	2008	Unqualified	Audit of 2009 account has been completed and account sent to NFA for signing.
12	National Food & Nutrition	2010	Unqualified	Awaiting submission of 2011 account for audit.
13	National Substance Abuse Advisory Council	2010	Unqualified	Awaiting submission of 2011 account for audit.
14	Navua Rural Local Authority	2009	Qualified	2010 account yet to be submitted for audit.
15	Price Incomes Board	2009	Unqualified	Merged with Commerce Commission in 2010
16	Training and Productivity Authority of Fiji	2009	Qualified	2010 account was submitted for audit in December 2010. The audit covers the period 1/1 – 30/11/2010 as it was taken over by FNU from 1/12/10.
17	Coconut Industry Development Authority of Fiji	2007	Qualified	2008 account is yet to be submitted for audit.
18	National Road Safety Council	2009	Unqualified	NRSC has merged with LTA from 2010.
19	Consumer Council of Fiji	2010	Unqualified	Awaiting submission of 2011 account for audit.
20	Investment Fiji (Formerly Fiji Islands Trade & Investment Board)	2010	Unqualified	Awaiting submission of 2010 account for audit.
21	Sugar Industry Tribunal	2010	Unqualified	Awaiting submission of 2011 account for audit.

	Statutory Authority	Audit Completed	Audit Opinion	Remarks
22	Fiji Audio Visual Commission	2009	Unqualified	Audit of 2010 is in progress.
23	Commerce Commission	2010	Unqualified	Awaiting submission of 2011 account for audit.
24	Ra Rural Local Authority	2007	Qualified	Audit of 2008 account is in progress.
25	Western Division drainage Board	2008	Unqualified	2009 account is yet to be submitted for audit.
26	Fiji Co-operative Union	2003	Qualified	2004 account yet to be re-submitted for audit.
27	Land Transport Authority	2009	Qualified	Audit of 2010 account is still in progress.
28	National Centre for Micro Finance	2009	Qualified	2010 account is yet to be submitted for audit.
39	Fiji Shipping Corporation	2009	Unqualified	2010 account yet to be submitted for audit.
30	Rotuma Development	1995	Qualified	1996 audit is in progress.
31	Fijian Affairs Board	1996	Qualified	Audit of 1997-2000 is in progress.
32	National Trust of Fiji	2005	Unqualified	2006 audit yet to be finalized.
33	Centre for Appropriate Technology	2009	Qualified	2010 account is yet to be submitted for audit.
34	Civil Aviation Authority of Fiji	2010	Qualified	Awaiting submission of 2011 account for audit.
35	Fiji Independence Commission Against Corruption	2009	Qualified	Audit of 2010 account is in progress.
36	Independent Legal Commission	2010	Unqualified	Awaiting submission of 2011 account for audit.
37	Fiji Medical & Dental Secretariat	2010	Unqualified	Awaiting receipt of 2011 account for audit.

Out of the 14 statutory authorities audited during the 2nd half of 2011, 8 reported surpluses whilst the other 6 incurred losses in their operations. 9 statutory authorities were issued unqualified audit reports while 5 were qualified. An unqualified opinion is issued when the financial statements give a true and fair view (or are presented fairly in all material respects) in accordance with the identified financial reporting framework. A qualified audit opinion is issued when the overall financial statements are fairly stated but that either the financial data indicated a failure to follow applicable accounting standards or there was a significant uncertainty concerning certain financial data.

The report of each statutory authority has 2 sections. Part A covers the financial information and Part B includes control issues identified during our audit. Financial information summarizes the financial statements of each statutory authority and control issues represent our audit findings, recommendations and the management comments.

Only statutory authorities that submitted their accounts for audit in 2011 were audited. Others which have not shown much improvement may have been affected by the lack of capacity in their respective Accounts Sections.

Statatory Authorities

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1. Civil Aviation Authority of Fiji
2. Consumer Council of Fiji
3. Fiji National Council for Disabled Persons
4. Fiji Revenue & Customs Authority
5. Fiji Medical & Dental Secretariat
6. Fiji Sports Council
7. Independent Legal Services Commission
8. Navua Rural Local Authority
9. National Food & Nutrition Centre
10. National Roads Safety Council
11. National Substance Abuse AdvisoryCouncil
12. Sugar Industry Tribunal
13. Training & Productivity Authority of Fiji
14. Investment Fiji

SECTION 1: CIVIL AVIATION AUTHORITY OF FIJI

The Civil Aviation Authority of Fiji (CAAF) is an aviation regulatory authority 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).

The Authority regulates the activities of:

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

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PART A – FINANCIAL INFORMATION

1.1 Audit Opinion

The audit of the financial statements of the Civil Aviation Authority of Fiji for the year ended 31 December 2010 resulted in the issue of a qualified audit report as the correctness of departure tax revenue totalling $5,635,747 was not independently verified. The Authority relied solely on information provided by Airports Fiji Limited and subsequently, it could not be ascertained whether departure tax revenue was fairly stated in the financial statements.

1.2 Abridged Income Statement

Year Ended 31 December	2010 $	2009 $
Revenue	6,834,570	6,900,379
Other income	880,169	229,500
Total Revenue	**7,714,739**	**7,129,879**
Administrative expenses	19,999,882	2,910,910
Operating expenses	1,507,610	1,444,990
Personal expenses	2,577,987	2,574,641

Year Ended 31 December	2010 $	2009 $
Total Expenditure	**24,085,479**	**6,930,541**
	(16,370,740)	**199,338**
Net financing income	383,322	213,432
Operating (loss)/profit before tax	**(15,987,418)**	**412,770**
Income tax (expense)/benefit	(6,067,546)	6,392,774
Net (Loss)/Profit after tax	**(22,054,964)**	**6,805,544**

The substantial net loss after tax of $22,054,964 was due to the $18.6 million revaluation loss arising from the transfer of land and buildings to Airports Fiji Limited. The income tax expense of $6.06 million also contributed to the net loss incurred in 2010.

1.3 Abridged Balance Sheet

As at 31 December	2010 $	2009 $
Current Assets		
Cash on hand and at bank	911,252	864,825
Investments	6,550,000	4,350,000
Other current assets	1,847,164	2,270,257
	9,308,416	**7,485,082**
Non - Current Assets		
Investments	5,613,383	6,216,474
Property, plant and equipment	4,523,037	44,619,704
Other non-current assets	428,582	6,508,261
	10,565,002	**57,344,439**
Total Assets	**19,873,418**	**64,829,521**
Current Liabilities		
Creditors and other payables	1,143,913	1,597,483
Total Current Liability	**1,143,913**	**1,597,483**
Non-current Liabilities	107,198	164,389
Total Liabilities	**1,251,111**	**1,761,872**
Net Assets	**18,622,307**	**63,067,649**
Shareholders' equity	**18,622,307**	**63,067,649**

Net assets declined by $44,445,342 or 70.5% in 2010 compared to 2009. The reduction in property, plant and equipment by $40 million was due to the transfer of land and buildings to AFL in June 2010.

PART B – CONTROL ISSUES

1.4 Departure Tax

Subject to the Airport Departure Tax Act, any passenger embarking on an aircraft at any airport within Fiji for a destination outside Fiji shall pay departure tax.[1]

Departure tax revenue is recognised based upon information provided by Airports Fiji Limited. However, audit noted that there is no independent verification on the correctness of the departure tax revenue totalling $5,635,747 as the Authority relied solely on information provided by Airports Fiji Limited.

Inability to carry out independent verification may result in under/over recognition of departure tax revenue.

Recommendation

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

Management Comments

The recommendation is noted.

This is a recurring issue. In the absence of any reliable statistics from AFL in the past, the Authority had approached the Ministry of Finance, Bureau of Statistics, Airports Fiji Ltd and even copied some correspondence to 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, continued its endeavor to obtain a reconciliation to match as closely as possible to the revenue received.

The Authority no longer receives a share of the departure tax from government from 1st January 2011.

1.5 Other Fees and Charges

The revised Civil Aviation (Fees & Charges) Regulations 2007 entitles CAAF to charge/recover costs of any work or inspections carried out for the purpose of the Act at $56.25 for each hour.[2] The time spent on a work or inspection shall be determined by the Authority.

From our review of Other Fees and Charges records, we noted that the inspection hours billed could not be verified due to unavailability of the approved timesheets. According to the Officer concerned, invoices for the inspection charges were mainly raised through responses provided either by email or through verbal communications with the Inspecting Officer.

As a result, audit was unable to verify the actual hours charged for a particular job.

[1] Airport Departure Tax Act
[2] Civil Aviation(fees & Charges) Regulations 2007

Recommendation

It is recommended that the Authority maintain proper records of actual hours charged for a particular job. Invoice should be based on approved timesheets rather than relying on verbal communications or emails.

Management Comments

The recommendation is noted.

The observations mostly relate to the earlier provisions when time sheets were introduced for the Inspectorate Officers. Subsequently, improvements have been made through awareness and staff training so that all time (both chargeable & non-chargeable) are captured in the timesheet and charges raised from these records.

As part of the continual improvement, timesheet and billing processes have been included in the tender for the new accounting software which will assist in tracking all chargeable and non-chargeable time and provide other management reports for better monitoring and control.

SECTION 2: CONSUMER COUNCIL OF FIJI

Programme Statement

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 INFORMATION

2.1 Audit Opinion

The audit of the financial statements of the Consumer Council of Fiji for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

2.2 Abridged Statement of Financial Performance

As at 31 December	2010 ($)	2009 ($)
Income		
Government Grant	517,578	512,167
Other Income	41,166	83,620
Total Income	**558,744**	**595,787**
Expenditure		
Depreciation	29,632	21,178
Rent and rates	49,800	50,200
Salaries, wages and related payments	342,934	341,306
Telephone and postage charges	12,130	14,060
Travelling expenses	19,353	40,973
Sundry expenses	136,856	121,363
Total Expenditure	**590,705**	**589,080**
Net (Deficit)/Surplus for the year	**(31,961)**	**6,707**

The Council recorded a deficit of $31,961 in 2010 compared to a surplus of $6,707 in 2009. This was due to the reduction in total income by 6%.

2.3 Abridged Statement of Financial Position

As at 31 December	2010 ($)	2009 ($)
Current Assets		
Cash on hand and at bank	198,103	255,498
Other current assets	9,073	12,440
Total Current Assets	**207,176**	**267,938**
Non – Current Assets		
Property, plant and equipment	54,008	69,582
Deferred finance charges	-	-
Total Non – Current Assets	**54,008**	**69,582**
Total Assets	**261,184**	**337,520**
Current Liabilities		
Accounts payables and accruals	43,590	46,029
Grants Payable	180,266	213,967
Other current liabilities	236,989	110,635
Total Current Liabilities	**460,845**	**370,631**
Total Liabilities	**460,845**	**370,631**
Net Assets	**(199,661)**	**(33,111)**
Accumulated Funds and Reserves	**(199,661)**	**(33,111)**

The Council need to improve on its financial position as its total liabilities exceeded total assets as at 31 December 2010, indicating that the Council may not be able to pay all its debts with the assets it holds. The significant increase in the Council's liabilities was due to increase in VAT Payables by $136,356 or 377% in 2010 compared to 2009.

PART B – CONTROL ISSUES

2.4 Unreconciled Variance in Grants Payable

Each month the trust account shall be balanced and reconciled. The reconciliation shall be signed by the Director Corporate Services (DCS). Unreconciled items should be investigated and resolved promptly.[1]

The Council receives grants from various international organisations for the different special projects identified by the donors mainly for the drafting of the Consumer Legislations. Refer to Table 2.1 below for details of grants received.

[1] Finance & Asset Management Policy Manual – Consumer Council Section 44(3)

Table 2.1: Grants Received from International Organizations

Donor	Objective	Actual grant Received ($)
European Union	Strengthening Consumer Rights in Fiji through Advocacy and Enforcement of Consumer Protection Laws	305,833.72
Aus-AID – Rolling fund	To implement work program for the year. To better its resources to improve consumer protection in Fiji through advocacy, campaigns etc.	30,000.00
Aus-AID – Revolving fund	Campaign on restaurant, essentials brochures and food testing	90,800.00
A2K	Project on Access to knowledge	4,969.07
CI – Street food	Research constituting vendor and consumer surveys in relation to the street food sector	1,138.98
Consumer Advocacy project	To analyze Consumer Protection Laws into non technical form which can be easily understood by an ordinary consumer	64,360.00
Anne Fransen Fund (AFF)	Money lending – nationwide research on money lending practices prevalent in Fiji.	21,857.48
Consumer's Korea	Research on Sunscreen	1,964.25
Consumer's Korea	Research on Cosmetics	1,479.88
Consumer's Korea	Research on Cosmetics	2,011.94
Consumer International –CI road	Evidence based research	874.98

Grants received are deposited into the Council's Trust account and used for the specific projects.

The audit noted variances between the general ledger balances and the Council's reconciliations of individual grant provider's account. Refer to Table 2.2 below for details.

Table 2.2: Variances in Grants Payables

Donors	GL Balance ($)	Council's Reconciliation ($)	Variance ($)
EU Grant	131,395.71	146,634.69	(15,238.98)
AusAid	38,400.54	7.35	38,393.19
AusAid Revolving Fund	272.20	3,375.35	(3,103.15)
CI - A2K Project	2,996.16	301.67	2,694.49
Aust-Justice & Law (SCT)	(3,276.30)	-	(3,276.30)
CI Street Food Project	756.42	729.74	26.68
Consumer Advocacy Project	10,791.16	3,640.00	7,151.16
AFF Money Lending Project	(1,069.68)	-	(1,069.68)
Consumers Korea - 2010	0	1,164.25	(1,164.25)
Consumers Korea - 2009	0	1,479.88	(1,479.88)
Consumers Korea - 2008	0	1,152.06	(1,152.06)
Cosmetic	0	859.88	(859.88)
CI - roap	0	874.98	(874.98)
Reimbursable Deposit	0	2,758.18	(2,758.18)
Total	**180,266.21**	**162,978.03**	**17,288.18**

As a result of these variances the audit was not able to determine the accuracy of the grants payables account balances.

Recommendation

The Council should reconcile the grants payables accounts.

Council's Comments

After checking the Council's past records, we found that even after the audits done in 2008 and 2009 the grants payable amount (individual donor accounts) were not correct. Therefore, we had to check manually to get the correct details. The correct details for all the individual accounts were provided during the audit.

In 2008 Auditor General's Office had highlighted that MYOB did not reconcile with the General ledger balance, wrong entry etc. Same thing happened with the donor accounts as it was not corrected at that point in time and wrong account balances from past were carried forward. This is the reason for the variance in the amounts.

The lack of experience and training in MYOB for the accounts staff in previous years did cause problems with our accounts as you raised it in 2008 audit, which was only confined to Council's account with government grant excluding donor funding. However, this year your office picked up the variance for donor accounts.

To remedy the above, we had an expert from Australia in December 2010. The expert assisted the Council in reorganizing accounts in MYOB to make it more relevant. He also provided staff training which was urgently needed to upgrade staff skills and knowledge in MYOB.

We believe our 2011 account will be reflected in a much better format. We also intend to upgrade our MYOB package since its old and when we do data file transfer etc there are some problems with it. It must be noted that the money is not missing but the variance is due to improper feeding of information in the MYOB.

The Council after this audit will correct all the different donor accounts in MYOB as per the details provided to reflect the correct balances.

SECTION 3: 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; and
- 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

3.1 Audit Opinion – 2010

The audit of the financial statements of the Fiji National Council for Disabled Persons for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

3.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 $	2009 $
Revenue		
Government Grant	200,000	190,000
European Union	225,435	-
Special Project – DWSW (Nausori Special School)	-	30,000
UNIFEM	-	34,414
Special Project – Ministry of Health (Data)	-	5,000

Year Ended 31 December	2010 $	2009 $
Other Income	11,613	5,904
Total Revenue	**437,048**	**265,318**
Recurrent Expenditure		
Salaries, Wages and Related Expenses	106,522	102,675
European Union Project	89,901	0
Disability Data Statistic Survey	11,753	125,882
Travel and Subsistence	8,299	7,455
Telephone/Fax	8,483	7,606
Board & Committee Expenses	6,895	4,411
Maintenance & Repairs	27,389	7,998
International Disabled Persons Day	7,675	6,977
Fiji Vocational Technical Training for Disable People	2,112	1,539
Workshop/Training Programmes	26,604	0
Caregiver Allowance	4,160	4,160
Office Equipment	17,350	0
Other Expenses	18,361	16,727
Total Expenditure	**335,504**	**285,430**
Surplus/(Deficit) for the year	**101,544**	**(20,112)**

The Council recorded a surplus of $101,544 in 2010 compared to a deficit of $20,112 in 2009. This was due to the funding of $225,435 received from the European Union in 2010.

3.3 Abridged Statement of Financial Position

As at 31 December	2010 $	2009 $
Assets		
Cash at Bank	206,575	106,451
Telephone Deposit	600	600
Share in Unit Trust of Fiji	9,635	8,214
Total Assets	**216,810**	**115,265**
Total Accumulated Funds	**216,810**	**115,265**

Net assets increased by $101,545 or 88% in 2010 compared to 2009 as a result of an increase in cash at bank balance as at 31 December 2010. This was due to $135,534 grant from the European Union not utilised as at 31 December 2010.

SECTION 4: FIJI REVENUE & CUSTOMS AUTHORITY

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

The FRCA 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 maters 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 FRCA. 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 FRCA 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

4.1 Audit Opinion - 2010

The audit of the financial statements of the Authority for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

4.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 $	2009 $
Revenue		
State Revenue	1,303,456,633	1,212,234,289
Less: Payment to Government	(1,303,456,633)	(1,212,234,289)
Grants from Government	25,230,841	29,533,714
Fees and Charges	4,329,608	3,918,912
Other Income	1,176,081	1,958,382
Total Income	**30,736,530**	**35,411,008**
Employee Costs	21,638,580	21,834,781
Recurrent Expenditure	10,168,999	9,576,645
Total Expenditure	**31,807,579**	**31,411,426**
Net Surplus (Deficit) for the Year	**(1,071,049)**	**3,999,582**

The Authority recorded a deficit of $1,071,049 in 2010 compared to a surplus of $3,999,582 in 2009. This was due to the reduction in government grant by 14.5% and decline in other income by 10.5% which comprised interest on investments and tax agents' fees.

4.3 Abridged Statement of Financial Position

As at 31 December	2010 $	2009 $
Cash at bank	23,749,955	13,568,614
Investments	7,062,799	14,732,494
Other current assets	6,509,569	10,164,668
Property, plant & equipment	14,315,911	17,037,017
Total Assets	**51,638,234**	**55,502,793**
Current Liabilities	5,045,617	4,395,466
Grant received in advance	16,737,213	21,231,513
Deferred grant income	1,918,794	1,894,494
Total Liabilities	**23,701,624**	**27,521,473**
Net Assets	**27,936,610**	**27,981,320**
Opening balance	23,576,340	20,310,237
Net (Deficit)/Surplus	(1,071,049)	3,999,584
	22,505,291	**24,309,821**
Add: Asset Revaluation Reserve	5,431,319	3,671,499
Total Equity	**27,936,610**	**27,981,320**

Total assets declined by 7% as a result of decreases in investments by 52%, other current assets by 36% and property, plant and equipment by 16%. Total liabilities also declined by 14% hence no significant change was noted in net assets.

PART B - CONTROL ISSUES

4.4 Inland Revenue Services – Debt Management Unit (DMU)

4.4.1 Failure to Instigate Recovery Actions

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.[1]

Sample of cases assigned per DMU officer shows debts amounting to $313,515 have not had any recovery action pursued for a considerable number of years, with some having last follow-up action 5 years ago.

[1] Income Tax Act 2007, Section 76(1)(2)

Such weak revenue collection procedures could result in debts becoming uncollectible as a result of cases being statue barred and/or taxpayers absconding.

Recommendation

The Authority should ensure that recovery actions are taken on cases assigned to the Debt Management Unit.

Authority's Comments

Agree.

Majority of the cases have been updated with the next course of recovery actions. Strict monitoring has been implemented by Managers, Team Leaders for Case Managers with at least monthly update on all allocated cases. Automated reminders for follow-up dates and follow up action in the FITS Module are currently being explored. Further the Authority is exploring other strategic options to enhance Debt Management Units debt recovery capability.

4.4.2 Long Outstanding Collections for Legal Referrals

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.[2]

The collection of debts referred to legal amounting $1,626,104 has surpassed the period of over a year and remains uncollected as at 31/10/10.

In addition, a former employee of FRCA was audited in 2006 for the period 2003 to 2005 which resulted in outstanding tax arrears and penalty of $721,600. After numerous recovery actions by DMU proved futile, the case was referred to the Legal section on 30/01/08. However, DMU follow-up on 23/04/08 revealed that no legal action has been pursued and that Legal Section had yet to create a file for the taxpayer.

Long outstanding debts run the risk of the debt being uncollectible and could mean loss of revenue for 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 its recovery mechanism are strengthened and ensure that favoritism is not being practiced.**
- **Disciplinary action should be instituted for any laxity in carrying out any recovery of outstanding tax from former employees.**

[2] Income Tax Act 2007, Section 76(1)(2)

Authority's Comments

Agree. Staff involved in revenue collection must be able to conduct their duties without bias. They must be encouraged to report cases where a conflict of interest arises and be assisted to manage it.

Non-existence of Tax Tribunal has also affected collection timelines. Unresolved issues lead to wastage of limited DMS resources and futile attempts to recover arrears that are questionable. Now with the Tax Tribunal – technical issues are being resolved and recoveries following.

With regards to the specific case of former FRCA employee, the initial fraud assessment was reduced from $721K to $141K on 4 Nov 2008. The Record of Actions is updated with the recovery actions undertaken. Necessary recovery actions were being taken but the taxpayer was basically in a bankruptcy situation with FDB.

4.4.3 Cash Collection Targets – DMU Labasa

One of the objectives of the Authority is to collect revenue as forecasted in the budget through an effective Debt Recovery and Prosecution.[3]

The Debt Management Unit (DMU) has monthly cash collection targets of $120,000 for the case managers and $150,000 for the team leaders in the unit. DMU Labasa has 3 case managers and a team leader, hence, the monthly targeted cash collection should amount to $510,000.

Comparison of actual collections against the budgeted collections as at October 2010 showed significant variances. The Unit managed to recover $728,072 from the target collection for the year of $5.1 million or 86% below the targeted collection. Refer to table below.

Month	Targeted collection ($)	Actual Collection ($)	Variance ($)	% of under-collection
January	510,000	67,011	442,989	87%
February	510,000	74,447	435,553	85%
March	510,000	99,064	410,936	81%
April	510,000	32,429	477,571	94%
May	510,000	75,757	434,243	85%
June	510,000	99,345	410,655	81%
July	510,000	121,670	388,330	76%
August	510,000	71,109	438,891	86%
Sept	510,000	34,062	475,938	93%
Oct	510,000	53,180	456,820	90%
Total	**5,100,000**	**728,074**	**4,371,926**	**86%**

Considering the trend in revenue collection for the district, the target set for DMU appears to be unrealistic. It was confirmed that targets are same over the years on annual basis and not subject to review based on actual cash collection for a year.

Unachievable cash collection budgets negatively affect the individual work plans and impacts performance assessment of DMU staff.

[3] Corporate Plan 2008-2010, Section 7.0, Page 15.

Recommendation

The Authority should ensure that yearly cash collection targets are reviewed and based on actual revenue performances.

Authority's Comments

Comments noted. The target is set by Government through the National Revenue forecast finalization announced by the Minister of Finance in his normal annual budget presentation.

FRCA takes the forecast figure for debt recovery and apportion it equally to all debt managers in Fiji. Debt Management has to take on the Government instruction. As a way forward we are reviewing the target allocation for fairness.

4.5 IRS – Risk and Compliance Unit

4.5.1 Lautoka Customs Long Room

4.5.1.1 Hanging Entries

A fee of $11.00 per entry is levied if the entries are not cleared or collected within 10 working days after lodgement.[4]

The audit noted that the duties on a number of entries have been outstanding for almost a year despite goods being already released. The total value of hanging entries for Lautoka Port as at 2009 totalled $269,437 with majority of the outstanding entries being owed by customs agent A (Name withheld).

The details of these hanging entries are shown below.

Date	Assessment #	Agent	Company/Owner	Amount ($)
15/09/09	A 14276	Agent A, Lautoka	Company A	45,466.90
17/09/09	A 14504	Agent A, Lautoka	Company B	27,343.66
02/10/09	A 15347	Agent A, Lautoka	Company C	40,276.27
02/10/09	A 15358	Agent A, Lautoka	Company D	22,794.35
03/12/09	A 19131	Agent B, Lautoka	Company E	7.00
03/12/09	A 19057	Agent A, Lautoka	Company C	50,724.66
21/12/09	A 19965	Agent A, Lautoka	Company F	32,020.71
21/12/09	A 19967	Agent A, Lautoka	Company G	23,554.00
24/12/09	A 20232	Agent A, Lautoka	Company B	27,249.68
Total				**269,437.23**

In addition, a total of 136 entries have been hanging in the system for the months of September to November 2010 with total taxes due amounting to $4,365,218.94.

Failure to follow up on the timely collection of such hanging entries will increase the risk of non-collection of duties and the risk of irrecoverable debt.

[4] Customs Regulation Section 47(4)

Recommendation

The Authority should ensure that:

- **section 47(4) of Customs Regulation is strictly enforced and complied with in order to recover the outstanding levy and entries outstanding.**
- **appropriate actions are to be taken against agents to recover the outstanding hanging entries.**
- **hanging entries returns are submitted to the Ministry of Finance to be reflected in the Governments Arrears of Revenue account.**

Authority's Comments

A fee of $12.00 is collected for all SADs not paid for within 10 working days after lodgement.Furthermore agents are informed to withdraw the SADs and goods are advertised for auction sale if remains uncleared within the stipulated time frame. Team Leader long room is in charge of doing this. We need to re-look at increasing the late payment fee.

There are still 4 outstanding hanging entries for 2010 but these are HS 4 SAD for $21.00.

Company D paid $22,794.35 on receipt number R 592 of 17.01.2011.

Company E paid $7.00 on receipt number R 1009 of 27.01.2011.

Outstanding hanging entries for Agent A on goods pre-released has been referred to CIB, ESU, Executive management and Legal section. Recovery actions include issuing of DPO against directors (Customs Agent and Importers) and Filing of Debt Recovery action in a court of competent jurisdiction is still in progress.

4.5.1.2 Lautoka Cashier - Dishonoured Cheques

The Controller may require and take security for compliance and generally for the protection of the revenue of the Customs, and, pending the giving of the required security in relation to any goods subject to the control of the Customs, may refuse to deliver the goods or to pass any entry relating thereto. Where any security is required to be given, such security shall be given by bond or guarantee or cash deposit or all or any of these methods and, in each case, the security shall be subject to the approval of the Controller.[5]

The audit noted that no bonds, cash deposits or daily bank guarantees are paid to the Authority by the various agents as a form of security for the transactions carried out on behalf of owners of the goods subject to control of the Authority.

As such, numerous dishonored cheques amounting to $148,708 have been verified as outstanding from 2008 to 2009. Details are shown below with names withheld.

Cheque No. & Bank	Cheque date	Agent	Amount ($)
451125-BOB	26/03/08	Agent C	31,750.36
460098-BOB	07/05/08	Agent C	17,501.36
460101-BOB	07/05/08	Agent C	19,134.59
452183-BOB	13/06/08	Agent D	9,913.96

[5] Customs Act 1986, Part VII, Section 35 (1-2)

Cheque No. & Bank	Cheque date	Agent	Amount ($)
012950-ANZ	09/10/09	Agent E	11,723.79
012949-ANZ	09/10/09	Agent E	15,616.95
012951-ANZ	09/10/09	Agent E	32,373.36
012953-ANZ	09/10/09	Agent E	10,630.93
012956-ANZ	09/10/09	Agent E	63.00
Total			**148,708.30**

The above indicated the lack of commitment shown by the Authority in not prioritizing the requirement of the collection of bonds, guarantees and deposits to cover for daily transactions undertaken by the agents. Despite the outstanding duties owed by the above agents, the audit noted that access to the AYSUCDA system is still given to Agent C and Agent F.

There is a risk that the Authority will not be able to recover the duties owed by these agents.

Recommendations

- **The Authority should ensure that entries passed and delivery of goods are made only to agents who have paid a form of security as stated in Customs Act 1986 Part VII (35) (1-2).**
- **Appropriate actions are to be taken against agents to recover the outstanding duties payable to Customs.**
- **Access to the ASYCUDA system to be suspended for the two agents highlighted until their outstanding duties have been cleared.**

Authority's Comments

Cashiers have been updated with all bank guarantees and amounts held by Customs as bond security for payment of duties Customs. Cashiers had been instructed not to accept cheques in excess of bond guarantee and no cheques to be accepted if there is no guarantee with Customs.

The case of dishonoured cheques by Agent C, Agent D and Agent E has been referred to CIB, ESU, Executive management and Legal section. Recovery action include issuing of DPO against directors (Customs Agent and Importers) and Filing of Debt Recovery action in a court of competent jurisdiction which is still in progress.

The ASYCUDA access has been removed and Customs agency licence for Agents C&D has been revoked as per CEO's letter dated 12.01.11.

Manager Revenue and team leader are to look at having a SOP done as soon as possible for the Customs cashiers in line with the financial regulation.

4.6 Valuation

The Customs value of imported goods shall be the transaction value, that is the price actually paid or payable for the goods when sold for export to Fiji[6].

As per Customs Act, there are various valuation methods for customs value, such as, the Transaction value of identical goods, Transaction value of similar goods, deductive value, computed value, and Residual value.

[6] Customs Tariff Act – revised 29 January 2010: Schedule 1, Part 2, Section 2(1)

The valuation section does not have a Standard Operating Procedure (SOP) Manual on the utilisation of the various valuation methods. Although the Customs Act describes on the utilisation of the different valuation method, the practical circumstances within which these different procedures are applied is dependent on the interpretation of the individual customs officer. Also, the interpretation of the Customs Act is not simple and can only be enhanced through experience.

While the experience of the customs staff at the valuation section is acknowledged, the designing of the SOP with the inclusion of the risk factors identified upon valuing would add value to the authority, by increasing efficiency and effectiveness. Moreover, this would save time in training and advising officers who are new to the section.

Recommendation

The Authority should design a standard Operating Procedure manual for the valuation section to ensure that the SOP is up-dated with newly identified risk factors.

Authority's Comments

OAG comments are noted and acknowledged. The whole valuation regime is currently under review through the reforms project and will include the development of the Valuation Section SOP. It will also include the development of the Risk Profiles in relation to the Compliance Risk Management Framework.

4.7 Warehouse

4.7.1 Lack of Inspection of Bonded Warehouse

The main objective of the Warehouse Unit is to monitor and control the movement of all goods in the Bonded Warehouses. Under the current legislation, Importers can bond general cargo in the Bonded Warehouses for one year except motor vehicles, which can be warehoused for a period of 4 months.[7]

It was noted that there was no inspection of the bonded warehouse for the year 2010.

This was due to the lack of resources such as the provision of motor vehicle and as there was only one officer in the section.

Without this monitoring of the bonded warehouses, there is risk that bond keepers will breach condition for the operation of their bond.

Recommendation

The Authority should ensure that the section is well equipped with adequate staffs and transportations are readily available as inspection of bonded warehouses.

Authority's Comments

There is still only one officer looking after 12 bonded warehouses between Lautoka and Ba area. The officer in charge has been instructed to plan and conduct 4 inspections (one inspection per quarter) of all bonded warehouses and report findings to Manager Revenue.

[7] FRCA Annual Report 2009

4.8 Nadi Customs

4.8.1 Aircraft Accounts

The duties on a number of entries are outstanding despite goods being already released. The value of hanging entries for Nadi Airport totalled $253,778 which included entries from 2002. Details are shown below.

Year	Amount ($)
2002	32,139.22
2003	1,276.54
2006	320.28
2007	746.25
2008	179,205.25
2009	40,090.24
Total	**253,777.78**

Hanging entries in 2009 totalled $40,090.24. These entries have had their duties paid but are still hanging in the system. According to the OIC, incorrect entry details were entered into the ASYCUDA system by the Cashier that led to the hanging entries.

The long outstanding entries were due to the laxity of appropriate officers in taking initiative to recover duties from 2002 to 2008 and also to update the system for 2009 entries of which duties have been paid.

Recommendation

The Authority should update the system to reflect that who have yet to pay the duties and action to be taken to clear these outstanding duties under the recovery mechanism established by the Authority

Authority's Comments

Hanging Entries for Nadi Port

2002

In 2002 the Asycuda system was down for sometimes and the agent were advice to pay their entries through the CDFR. After that, the system crashes and all the data for the transaction for that day were lost as a result most of these entries are still hanging in the system. Majority of these queries were sorted out back then but in the system all the payments done under the CDFR and the lost Data will be hanging. Further additional notice refer PUBLIC NOTICE NO. 2/2002 AND 16/1999.

2003

C 4027 of 30/01/2003 entry assessed and paid however the tariff classification was incorrect. Officer concern amended the entry with the right tariff classification but instead of paying the difference in Duty through the assessment copy, he issued an SPA #07116 thus leaving the entry hanging in the system

explanation by the cashier for wrongly collecting duty on other payments cash entry form instead of cash payment entry form – Reference Entry No. C54861 of 13.12.09. Refer following correspondence:

- *Explanation from cashier to National Manager Finance*

- *Emails correspondence from Manager Revenue to NMRC*
- *Copy of Receipt No. R22903 of 13.12.09*
- *Inspection and entry details*

2007

C 13777 of 09/04/2007 assessed and paid but an amendment was done to the entries to change the currency use thus the difference in Duty of $746.25 is still hanging.

2008

C8992 of 05/03/2008 this is an importation of an Aeroplane by Air Fiji. The aircraft was pre- released pending payment of duty. Since then the company went into receivership. The case file is with our Legal section.

2009

Acknowledge the comments raised. The ASYCUDA team will be immediately directed to rectify the hanging transaction.

4.9 IRS Lautoka

4.9.1 Abscondment of Taxpayer

If the Commissioner has reason to believe that a taxpayer might leave the Fiji without paying tax, the Commissioner may issue a departure prohibition order in writing and amount of unpaid assessed tax.[8]

A taxpayer owes $1.3 million in VAT and Income taxes to the Authority as follows:

Description	Tax Amount ($)	Tax Penalty ($)	Total ($)
Income Tax	634,548	338,944	973,492
Vat	184,907	137,145	322,052
Total	**819,455**	**476,089**	**1,295,544**

Despite the taxes being over a million dollars and an express intention through agreement dated 04/08/08, whereby the taxpayer sold its business to another taxpayer with the purchasing taxpayer committing to make the payment of the taxes owed by the selling business, a Departure Prohibition Order was not instigated against the Directors of the selling company. This resulted in the directors absconding on the 07/08/08.

The audit noted that no action was taken by the Authority to collect the arrears from the sale and purchase agreement of the business sold to another taxpayer for $130,000 and which is payable over the period from 2008 to 2015.

Moreover, the taxpayer managed to dispose the following company vehicles after absconding before the Authority enquired on the vehicle listing from the Land Transport Authority (LTA) on the 19/11/08.

[8] Fiji Income Tax Act, 2010, Section 77(A)

Taxpayer Vehicle Registration	Date Transferred/ Disposed
FC564	03/12/08
EQ564	07/08/08
FC537	Vehicle Freezed
DR090	Vehicle Freezed
EY620	Vehicle Freezed
EY948	13/11/08
EX648	03/12/08
FB390	07/08/08
EW667	03/12/08
FJ160	07/08/08

While the three vehicles were freezed, there is no record on the whereabouts of these vehicles or whether sale has been instigated by the Authority towards the recovery of the taxes due.

Furthermore, the Authority is putting aside the debt for write-off due to the abscondment of the directors out of the country without pursuing the debt with the purchasers of the company who made a commitment on 16/02/2009 to clear the debt of the taxpayer.

Further to this, only 0.08% of debt has been paid after the commitment made by the purchaser of the business.

The above shows that the Authority failed to recover its debt despite the options available through the purchase-sale of the business and the vehicle disposal/transfers. Also the possibility of the taxpayer leaving the country was not assessed despite the "red flag" being pulled.

Non-activeness and non vigilance of the Authority has resulted in a substantial debt remaining uncollected.

Recommendation

The Authority should ensure that review its processes of recovery of tax liabilities and action taken against officers responsible for this case file for not being vigorous in its approach to ensure that this tax liabilities are collected.

Authority's Comments

We fully acknowledge and we have bitterly learnt from this mistake hence, property and vehicle charges are now simultaneously placed on material tax assessments.

Further it is to be noted that the vehicle charge was placed on the companies vehicles. Unfortunately for some odd reasons the vehicles were transferred to the new owner without FRCA's knowledge. Our legal consultant shall be consulted whether such transfers can be reversed.

SECTION 5: FIJI MEDICAL AND DENTAL SECRETARIAT

Fiji Medical and Dental Secretariat is established pursuant to section 25 of the Medical and Dental Practitioners Decree 2010 as a body corporate with perpetual succession and a common seal.

The core functions of the Fiji Medical and Dental Council are as follows:

- To provide administrative and secretarial services to, and as directed by, each Council, and any committee established by either Council.
- To establish, maintain and publish the medical and dental registers required by this Decree.
- To receive and process applications for registration on any of the registers and refer every application duly made to the relevant Council for decision.
- To receive and process applications from registered persons for practice licenses.
- To receive and process notifications about medical and dental practice matters from members of the public, registered persons and health service providers.
- To receive and to process forthwith complaints about registered persons and refer them to relevant Professional Conduct Committee or Council as appropriate.
- To refer disciplinary decisions of either Council to the Tribunal as appropriate.
- To perform other functions assigned to the Secretariat by either Council from time to time in order to promote the objects of this Decree.

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PART A – FINANCIAL INFORMATION

5.1 Audit Opinion – 2010

The audit of the financial statements of the Fiji Medical and Dental Secretariat for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

5.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 $	2009 $
Revenue		
Government Grant	47,672	-
Total Revenue	**47,672**	**-**
Recurrent Expenditure		
Salaries/Wages & Related Costs	19,704	

Year Ended 31 December	2010 $	2009 $
Repairs & Maintenance	20,974	-
Other Operating Expenses	5,432	
Sundry Expenses	1,298	-
Total Expenditure	**47,408**	**-**
Surplus for the year	**264**	**-**

The Secretariat commenced operations in March 2010 and recorded a surplus of $264 in its first year of operation.

5.3 Abridged Statement of Financial Position

As at 31 December	2010 $	2009 $
Current Assets		
Cash at Bank	6,532	-
Security Deposit	300	-
Total Current Assets	**6,832**	
Non Current Assets		
Property, Plant & Equipment	44,968	-
Total Non Assets	**44,968**	**-**
Total Assets	**51,800**	
Currents Liabilities		
Trade and Other Payables	6,568	-
Non Currents Liabilities		
Deferred Revenue	44,968	-
Total Liabilities	**51,536**	**-**
Net Assets	**264**	**-**
Total Accumulated Funds	**264**	**-**

PART B AUDIT FINDING

5.4 Inefficient Record Keeping

Fiji Medical and Dental Secretariat shall be responsible for any expenditures incurred during its normal course of business, this will be inclusive of its own water bills, electricity bills and telecommunication charges[1].

[1] Agreement for financial assistance to Fiji Medical and Dental Council section 3 Subsection(4)

The Secretariat made total disbursements of $47,408 during the 9 months ending 31 December 2010. However, audit noted the following anomalies in the payment process:

- The Secretariat did not use payment vouchers to record payments made. The only records availed to audit were the cheque butts. Source documents such as invoices, etc were not attached.
- Quotations were kept in a separate file and it was difficult to match the quotations received to the corresponding purchases.

With the absence of proper documentation and audit trail, it becomes very difficult to ascertain whether payments were valid and bona fide.

Recommendation

The Secretariat should prepare payment vouchers for all payments made. All supporting documents such as invoices, quotations etc should be attached to payment vouchers and properly filed.

Management Comments

No comments provided by the Secretariat.

SECTION 6: 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.

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PART A – FINANCIAL INFORMATION

6.1 Audit Opinion

The audit of the financial statements for the year ended 31 December 2010 resulted in the issue of qualified audit report. The following issues were qualified:

- The carrying amount of property, plant and equipment as at 31 December 2010 was $54,112,664 and the depreciation expenses for the year was $1,275,226. The carrying amount and the depreciation expenses were extracted from the property, plant and equipment ("PPER") as at 31 December 2010. The PPER was not properly maintained and therefore the existence or completeness of physical assets recorded in the PPER, the valuation of the cost, accumulated depreciation and net carrying amounts could not be substantiated.

- The financial statements of the Fiji Sports Council for the year ended 31 December 2010 have been prepared under the Fiji Accounting Standards ("FAS"). The Council is a Government statutory body and the financial statements are required to be prepared in accordance with the International Financial Reporting Standards ("IFRS").

6.2 Abridged Income Statement

Year ended 31 December	2010 ($)	2009 ($)
Revenue		
Operating Revenue	3,480,650	2,892,601
Other Operating Revenue	1,422,591	1,220,187
TOTAL REVENUE	**4,903,241**	**4,112,788**
Expenditure		
Administrative Expenses	105,336	140,128
Depreciation	1,275,226	1,257,486
Personnel Expenses	1,376,714	1,470,887
Operation Expenses	1,642,964	1,408,909
Finance Expenses	59,947	93,756
TOTAL EXPENDITURE	**4,460,187**	**4,371,166**
RESULT FOR THE YEAR FROM ORDINARY ACTIVITIES	**443,054**	**(258,378)**

The Council recorded a net surplus of $443,054 in 2010 compared to a net deficit of $258,378 in 2009. This was attributed to increase in revenue collection by $790,453 or 19%.

6.3 Abridged Balance Sheet

As at 31 December 2010	2010 ($)	2009 ($)
Assets		
Cash at Bank	539,351	707,123
Other Current Assets	884,657	375,162
Property, Plant & Equipment	54,112,664	55,324,582
TOTAL ASSETS	**55,536,672**	**56,406,867**
Liabilities		
Other Current Liabilities	328,727	422,977
Borrowings	4,172,253	4,223,253
TOTAL LIABILITIES	**4,500,980**	**4,646,230**
NET ASSETS	**51,035,692**	**51,760,637**
Accumulated Funds		
Donor Grant Reserve	49,004,535	50,172,534
Accumulated Fund	2,031,157	1,588,103
TOTAL FUNDS & RESERVE	**51,035,692**	**51,760,637**

Net assets of the Council declined by 1% or $724,945 in 2010 compared to 2009. Property, plant and equipment declined due to depreciation.

PART B – CONTROL ISSUES

6.4 Maintenance of the Property, Plant and Equipment (PPE)

The Fiji Sports Council ("the Council") has over $54 million in the carrying value of property, plant and equipment, which makes up the largest component of the Council's assets.

The review of the PPE revealed that it does not have sufficient information on the assets purchased such as:

- Description of the assets (such as serial numbers, number of units purchased, date of purchase). There were numerous assets which do not have proper descriptions and some assets do not have any descriptions at all. Only the amount and date of purchased are recorded in the fixed assets register.
- The location of the asset (such as which department).
- In instances when assets are purchased in bulk, sufficient descriptions of the individual assets purchased are not recorded.
- Assets are not properly classified under the correct cost centres or locations.
- Additional costs to relating to the purchase or installation of the assets should be included as part of the asset and not as individual line items. For example, cartage and freights expenses were included as separate line in the PPE.

The lack of sufficient, accurate and specific descriptions over the property, plant and equipment in the PPE may result in difficulties in identifying the assets during physical verification exercise. There is also the risk that assets may have been damaged or missing for various reasons without being detected.

Recommendations

- **An asset verification exercise to be carried out where the PPE is updated for all relevant details relating to the specific items of assets.**
- **The PPE should include sufficient details such as proper description of each asset, location of asset, reference number and number of assets acquired in cases of bulk purchases.**
- **The PPE register should be updated and maintained on a regular basis with proper reviews and sign off by a senior officer.**

Management comment

With the appointment in 2010 of one finance staff member solely responsible for the PPE Register, the Fixed Asset Register has been updated and is checked monthly by the Senior Accountant.
The Officer in charge of the register is now charged to:

1. *Identify all fixed assets as per register and their location*
2. *Identify all assets to be written off, and provide evidence to the Board so as said assets can be minuted as written off and disposed.*
3. *Ensure register and journals are kept current for verification by Senior Accounts Officer*
4. *Ensure the correct depreciation is applied to each item.*
5. *The Fixed asset register is reviewed quarterly by the Chief Executive Officer*

6.5 Clarification of the FEA refundable deposits

The Council records of the refundable deposits did not agree with the confirmations sent by FEA. Refer to Table 6.1 for the variance in refundable deposits.

TABLE 6.1: VARIANCE IN REFUNDABLE DEPOSITS

Refundable	Balance as per General Ledger ($)	Balance as per confirmation ($)	Variance ($)
FEA	268,508	216,616	51,892

The Council's finance team could not reconcile the variance as there were no records maintained.

Due to lack of proper records over deposits, this 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 adequately maintained.

Management comments

The issue of refundable deposits held was addressed in 2010 and as such a full search of all records held and available was made, this has resulted in FEA's further confirmation of their requirement to now refund $167,000 to the Fiji Sports Council and this is to be received before end October 2011.

Currently the Sports Council is trying to obtain verification of other deposits held by Suva City Council and Telecom which principally related to deposits made in 2003 for South Pacific Games work and which are now assets of the Fiji Sports Council. We continue to vigorously pursue these and have in the process set up full ledgers to account for these as and when confirmation is received.

6.6 Loss from operations of facility

The National Aquatic Centre incurred an operating loss of $65,434 for the financial year ended 31 December 2010 compared to an operating loss of $81,068 in 2009. The high electricity and pool chemical expenses contributed to the losses. In 2010 the electricity expense increased by $17,966 and pool chemical expenses increased by $10,723.

Without proper returns from operations, the National Aquatic Centre will not be able to fund its current operations or future capital investments. During 2010, the centre utilised funds generated from other facilities to fund its operations. If this trend continues prospective new capital investments and developments for other facilities will be forgone.

Recommendation

The Council should ensure management implement new innovative ideas to attract customers to use the facility to improve revenue. Management should also look into cost effective methods to control the operating costs which may include use of cheaper pool chemicals, control electricity usage and solar powered generators for the water pumps.

Management comments

In 2010 the Sports Council resolved to fully commercialize all operations to ensure sustainability.
The Aquatic Centre has been seriously affected by the rise in electricity costs and due to the size of the water pumps, alternative power supply capable of supplying the output required, is unavailable at this time.

The appointment in 2011 of a full time marketing and promotions officer has ensured that new ideas are being employed to attract more customers.

The signing of a Contract on Naming Rights for the facility has ensured additional income to the Aquatic Centre of $50,000 per annum for 3 years.

The Sports Council is constantly looking for alternative suppliers and as such in 2011 approached Asian suppliers for a direct source especially of Pool Chemicals.

6.7 Working Capital Deficiency

The Council has a negative working capital position, where its current liabilities significantly exceeded its current assets. The working capital for the last four years is outlined in Table 6.2:

TABLE 6.2: WORKING CAPITAL

Year	Deficiency in working capital ($)
2007	1,500,990
2008	1,588,682
2009	2,376,467
2010	2,098,493

Furthermore, one of the main contributing factors for this deficiency is the amount payable to Government with regard to the repayment of the FNPF loan paid by Government on the Council's behalf to FNPF.

The balance owed to Government has been classified under current liabilities as there is no repayment agreement in place with regards to the monies owed. The balance payable to Government was $2,907,639 for the year ended 31 December 2010.

The deficiency in the working capital may indicate that the Council does not have adequate funds to pay its short term debts as and when it falls due. However, this depends on the term of repayment of the amount owing to Government.

Recommendation

The Council should develop a strategy to minimize the deficiency in the working capital position. Appropriate options should be considered for the treatment of the amount payable to Government largely attributing to the negative working capital position.

Consultation should be made with the Ministry of Finance when the terms and conditions of the repayment of the loan agreement between the Council and the Government.

Management comment

The working capital deficiency principally relates to the outstanding FNPF loan and once we have settled that issue with Ministry of Finance and the Terms and Conditions agreed to, this will address the issue.

The Sports Council through the Ministry of Sports currently has a paper before Cabinet to address the funding and capitalization of the Sports Council into the future.

6.8 Adoption of INTERNATIONAL FINANCIAL REPORTING STANDARDS

Audit noted that the financial statements for the Council are being prepared under the Fiji Accounting Standards. Moreover, it was noted that the Council is a government affiliated entity with assets exceeding $55m.

Therefore the Council should consider preparing its statutory accounts in compliance with International Financial Reporting Standards (IFRS).

There is a risk that the accounting framework which is being used to prepare the statutory financial statements for the entity is incorrect and hence the financial statements do not reflect some key information such as:

- Risk management policies
- Key management personnel information including benefits paid to them
- Other Disclosure requirements as per the International Financial Reporting Standards

Recommendation

The Council should adopt the IFRS framework being a government affiliated entity with assets exceeding $55 million to comply with the policies and disclosures of the standards.

Management comment

In meetings held with the Auditor General, earlier in 2011 it was agreed that the Fiji Sports Council would prepare and present all accounts from 2011 in compliance with IFRS.

We have requested KPMG to assist us in this matter and request approval from the Auditor General to our appointment of KPMG to consult with us on this matter to ensure we are ready and compliant.

SECTION 7: INDEPENDENT LEGAL SERVICES COMMISSION

Programme Statement

Fiji Independent Legal Services Commission (ILSC) is established and set up under the Legal Practitioner's Decree 2009 and based in large part on the New South Wales legislation. Some of its functions include hearing applications to commence disciplinary proceedings and making interlocutory, interim and final orders against a legal practitioner, law firm or any employee or agent of a legal practitioner or law firm.

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PART A – FINANCIAL INFORMATION

7.1 Audit Opinion 2010

The audit of the financial statements of the Independent Legal Services Commission for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

7.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 ($)	2009 ($)
Revenues		
Distribution from contribution fund	565,428	107,720
Distribution from stabilization fund	0	595,000
Interest	40,686	0
Amortization of Deferred Income	33,363	0
Fines	10,750	0
Miscellaneous Income	1,131	0
Total Revenue	**651,358**	**702,720**
Expenditures		
Professional Fees	148,754	0
Employee Benefits Expense	55,241	0
Travelling	42,037	0
Depreciation	41,973	0
Administration and Operating Expenses	31,945	0
Accommodation	26,255	0

Year Ended 31 December	2010 ($)	2009 ($)
Electricity	10,181	0
Total Expenditure	**356,386**	**0**
Net Surplus for the Year	**294,972**	**702,720**

The Commission's operation in 2010 realized a net surplus of $294,972 compared to a net profit of $702,720 in 2009. The Commission was legally established in 2009, but expenditures were eventually incurred in 2010 thus the decline in net surplus for the year ending 31 December 2010.

7.3 Abridged Statement of Financial Position – Balance Sheet

As at 31 December	2010 ($)	2009 ($)
Current Assets		
Cash on hand and in bank	121,986	702,720
Interest Receivable	40,686	0
Financial Assets	750,000	0
Total Current Assets	**912,672**	**702,720**
Non Current Assets		
Plant and Equipment	239,450	183,230
Total Non Current Assets	**239,450**	**183,230**
Total Assets	**1,152,122**	**885,950**
Current Liabilities		
Creditors and Accruals	4,563	0
Total Current Liabilities	**4,563**	**0**
Non Current Liabilities		
Deferred Capital Grant	149,867	183,230
Total Non Current Liabilities	**149,867**	**183,230**
Total Liabilities	**154,430**	**183,230**
Net Assets	**997,692**	**702,720**
Total Shareholders' Equity	**997,692**	**702,720**

The Commission's net assets increased by $294,972 or 30% in 2010 compared to 2009. This was due to the increases in Financial Assets by $750,000 and Plant and Equipment by $56,220.

PART B – CONTROL ISSUES

7.4 ILSC Policy and Financial Guidelines

The Minister may give general policy, administrative and financial guidelines to the Commission and the Commission must act in accordance with any guidelines given by the Minister.[1]

Since the Commission's establishment in 2009, there has been no financial policies and guidelines developed.

[1] Section 86 (4) Legal Practitioners Decree 2009

Due to the absence of financial policies and guidelines, the following anomalies were noted:

- Payment vouchers and supporting documents were not stamped "PAID" after payment had been made;
- Local Purchase Orders not raised for purchase of goods and services; and
- There are instances where the payment vouchers were not authorized when payments were made.

Absence of policies and guidelines, there is a high risk of financial mismanagement.

Recommendation

The Commission should follow up with the Minister as per the Legal Practitioners Decree for the documentation of the accounting procedures and policies.

Commission's Comments

Sections 86(4) of the Legal Practitioners Decree provides that "the Minister ***may*** *give general policy, administrative and financial guidelines to the Commission, and the Commission must act in accordance with any guidelines given by the Minster".*

The section only provides that the Minister may give such policy guidelines not that he must. No such policy or financial guidelines have been given to date.

The accounting procedures adopted are those set out in the Proforma Finance Manual 2005 such as are applicable to the operation of the ILSC.

SECTION 8: NAVUA RURAL LOCAL AUTHORITY

The Navua Rural Local Authority and all other local authorities were established under section 10 of the Public Health Act (1985).

The Authority is responsible for the provision of sanitary services such as garbage collection, the operation of market, community centre and public health projects. The Authority charges garbage fees, market fees and other charges to meet the cost of these services.

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PART A – FINANCIAL INFORMATION

8.1 Audit Opinion

The audit of the financial statements of the Navua Rural Local Authority for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The qualifications were as follows:

- The Statement of Receipts and Expenditure has been prepared using the cash basis of accounting and did not take into account revenues not received and expenditures not paid at balance date. Furthermore, the financial statements did not include a balance sheet, therefore, was not prepared in accordance with Section 7(4) of the Public Health (Sanitary Services) Regulations.

- The Authority did not provide sufficient appropriate accounting records to substantiate receipts totalling $33,449.

8.2 Income Statement

Year Ended 31 December	2009 ($)	2008 ($)
Grants from Government	26,667	26,667

Year Ended 31 December	2009 ($)	2008 ($)
Market Fees	6,264	13,945
Garbage Fees	12,005	10,368
Public Toilet Fees	11,024	9,449
Other Income	7,582	12,916
Total Receipts	**63,542**	**73,345**
Salaries, Wages and Related Payments	28,716	25,812
Garbage Contractor	20,701	23,538
Market Maintenance	8,479	11,966
Other Payments	9,124	18,411
Total Payments	**67,020**	**79,727**
Net Deficit for the year	**(3,478)**	**(6,382)**

The reduction in expenditures resulted in a declined net deficit in 2009 compared to the previous year. Total receipts collected in 2009 decreased by 15%.

PART B – CONTROL ISSUES

8.3 Presentation of Financial Statements

A complete set of financial statements includes the following components:[1]

a) Balance sheet;
b) Income Statement;
c) Statement showing either:
    I. All changes in equity
    II. Changes in equity other than those arising from capital transactions with owners and distribution to owners
d) Cash flow statements; and
e) Accounting policies and explanatory notes.

Section 7(4) of the Public Health Act states that the Authority shall deliver to the Auditor General a statement of account showing all monies received and expended together with a balance sheet.

The Authority adopted cash basis of accounting for financial reporting. With cash basis of accounting, the Authority has not disclosed in the financial statements property, plant and equipment, debtors, creditors, prepayments and other accruals. The balance sheet was not prepared and presented for audit. In addition, the Statement of Receipts and Expenditure did not take into account revenue not received, expenditure not paid and prepayments at balance date.

The financial statements for the year ended 31 December 2009 did not reflect the true financial position of the Authority; hence it is a limited statement of financial information.

[1] Fiji Accounting Standard 1 – Presentation of Financial Statements, paragraph 7

Recommendations

- **It is recommended that the Authority adopt accrual basis of accounting in order to fairly reflect the financial operations during the financial period.**
- **The Authority should comply with the requirements of the Fiji Accounting Standards and the Public Health Act while preparing annual financial statements.**
- **The Authority should encourage the training of Finance Officers in the application of the Fiji Accounting Standards.**

Management Comments

8.4 Accounting Manual

Each agency must have in place a cost effective system of internal controls which[2] –
(a) safeguards money and property against loss;
(b) avoids or detects accounting errors; and
(c) avoids unfavourable audit reports.

Prudence requires that entities should maintain an accounting manual, whether in the private or public sector to enhance its accounting functions, internal control and eliminate risk of mismanagement. An accounting manual provides a useful means of attaining standard and uniform procedures. It also is of assistance in initiating staff to correctly and effectively perform accounting functions within the entity.

Audit noted that the Authority did not have an accounting manual to govern accounting and administration functions and to provide guidance to staffs to ensure tasks are carried out efficiently and effectively.

Failure to establish a Finance Manual detailing financial policies and procedures increases the risk of incorrect accounting, incorrect financial reporting and mismanagement of funds.

Recommendations

- **The Central Board of Health (CBH) should take the initiative to prepare an accounting manual incorporating all the relevant accounting policies and guidelines relevant to be used by all the rural local authorities.**
- **In the absence of a Financial Manual, the Authority should comply with the Finance Instructions of Government.**

Management Comments

8.5 Bank Reconciliation

Bank reconciliation is the procedure of matching and comparing figures from accounting records against those existing on a bank statement and finding any discrepancy in bank statement or

[2] 2010 Finance Instructions - Section 59

accounting books. It is good practice to carry out such reconciliations at reasonably frequent intervals such as monthly.
Bank Audit Certificates obtained during the audit identified the following bank accounts for the Authority as at 31 December 2009:

Account Number	Account Name	Amount ($) As per Bank Audit Certificate ($)
5413582	ANZ - Navua Rural Local Authority	419.08
5107427	ANZ – Navua Rural Local Authority	489.33
6966965	Colonial (BSP) – Navua Rural Local Authority	1,598.32

Audit noted that monthly bank reconciliations for the year 2009 were not carried out by the Authority. Due to non-availability of a proper cash book, bank reconciliations could not be re-performed during the audit. A variance of $3,683 between the bank balance and the trial balance could not be rectified.

The bank statements for the ANZ accounts were not made available for audit. The nature and purpose of ANZ Bank Account No. - 5107427 could not be substantiated since this did not exist since January 2009.

There is a high risk for misappropriation of funds in the absence of proper internal controls over cash management.

Cash at bank and on hand may be incorrectly stated in the financial statements.

Recommendation

Monthly bank reconciliations should be prepared and properly checked and certified by a senior officer. Any variances arising should be immediately investigated and accounts reconciled. This matter should be taken as a high priority as cash management is a high risk area.

Management Comments

8.6 Poor File Management and Record Keeping

The books of account shall be open to inspection by the Auditor General, and by the Secretary of the Board or any person authorised by it.[3] A well managed, carefully arranged, files make it easy to obtain data for business decisions in an organization. It also provides the users with timely, accurate and relevant information.

Before 1 April in each year the local authority shall deliver to the Auditor General, a statement of account, to be known as the Sanitary Services Account, showing all monies received and expended in respect of its nightsoil or garbage removal services for the year ended on the immediately preceding 31 December, together with a balance sheet thereof as at that date.[4]

[3] S250 (3) Subsidiary Legislation Cap 111 Public Health Act
[4] S250 (4) Subsidiary Legislation Cap 111 Public Health Act

For the purpose of any audit, an auditor may by notice in writing require any person holding or accountable for any books, records, accounts, vouchers, deeds, contracts or other documents which he may require for the purpose of such audit or examination to appear before him at the time and place specified in the notice and to produce any such document as aforesaid for his inspection.[5]

Audit noted that the Authority did not have proper file management system for maintenance and safe keeping of its accounting records. Audit could not substantiate the receipt and banking of $33,449.15 of revenues collected during 2009 because receipt books and related supporting documents were not available for audit. The Authority stated that the documents were lost or damaged during the flood in January 2010. Refer to the Table below for details:

Income	Amount ($) As per Acquittals to CBH[6]
Market Fees	6,264.30
Garbage Fees	12,005.50
Public Toilet Fees	11,023.60
Taxi Maintenance Fees	2,677.00
Carrier Maintenance Fees	1,170.00
Building Fees	308.75
Total	**33,449.15**

A review of the Health Inspector's Journals used to record daily income showed that in some instances, receipt numbers and amounts recorded have been overwritten and were illegible. For examples, refer to the Health Inspector's Journals for the months of February and March 2009. Consequently, this has affected the sequential order of receipts being recorded, thus audit could not verify the correctness of the amounts reflected in the financial statements.

The accuracy and completeness of revenue reflected in the financial statements could not be reliably measured.

The risk of misappropriation of revenue is high.

Recommendations

- **Receipts and supporting documents for all types of revenue collected by the Authority should be properly and securely maintained to ensure ease of audit trail.**
- **The Authority should ensure that records are not tampered with or overwritten. If figures are incorrectly entered, any correction made should be endorsed by the responsible officers.**
- **The Authority should develop and maintain a proper record keeping system to ensure that accounting records are securely stored and can be easily relocated in times of natural disasters such as flood.**

Management Comments

5 Local Government Act Section 52 (1)
6 Central Board of Health

8.7 Arrears of Fees

Garbage and market fees are some of the main sources of income for the Authority and collection should be on timely basis to ensure that funds are available to finance the Authority's operational and capital expenditures.

Audit noted that arrears of garbage fees as at 31 December 2009 totalled $47,794, an increase of 82% when compared to the previous year. Refer to the Table below for arrears of garbage fees for the past 5 years:

Years	Arrears ($)
2005	39,769
2006	42,878
2007	35,478
2008	26,315
2009	47,794

The accumulated arrears remained substantial which contributed to the cash flow problem affecting developments planned by the Authority.

Recommendation

The Authority should impose stringent debt recovery policies and seek advice from the Central Board of Health on instituting legal actions.

Management Comments

8.8 Payment Controls Deficiencies

In the absence of an Accounting Manual to provide guidance, audit noted various anomalies with regards to purchases and payments of goods and services.

Our review of expenditure records revealed the following anomalies:

- Contract documents in respect of services acquired by the Authority were not produced for audit; therefore the validity and appropriateness of payments made to the contractors could not be determined. In addition, there was no indication that 15% provisional tax was deducted as exemption certificates were not produced for audit. Refer to the Table below for details:

Contractor	Service Contracted	Amount ($) As per Ledger
Contractor A	Repairs to the market	8,478.99
Contractor B	Garbage contract	14,829.76
Total		**23,308.75**

- A variance of $21,123 was noted between the amount reflected in the financial report submitted to the Central Board of Health (CBH) and total payments as per the payment vouchers maintained with the Authority during the audit. For details, refer to the Table below:

Amount as per	Amount ($)
Financial report to CBH	67,020
Total of payment vouchers available at the Authority's Office	45,897
Variance	**21,123**

- Purchase Orders were not attached to the payment vouchers.

- Absence of evidence to substantiate payments of superannuation deductions to the FNPF. For example, refer to the Table below.

Staff Name	FNPF Amount Deducted ($)	For the period ending
Staff A	8.40	25/11/09
Staff B	24.56	25/11/09
Staff C	15.60	25/11/09
Staff D	15.60	25/11/09

- A payment made to Supplier A[7] for $29.90 was charged to more than one account as follows: the garbage contractor account, government grant account, and the Public Convenience account.

The risk of misappropriation of funds is high due to poor record keeping.

Recommendations

- **The Authority should ensure that all the necessary supporting documents are attached to the respective payment vouchers to avoid double payments.**
- **The Authority should maintain proper and up to date records of all accounting information and ensure safe custody of records.**
- **Controls should be put in place to safeguard Authority's funds and assets.**

Management Comments

8.9 Personnel Files Details

Adequate records of leave earned and taken and other relevant data should be kept up to date in the personnel files with effect from the date the employee commences work.

Audit noted that the personnel files for the Clerk and Typist were not maintained at all. Moreover, leave schedules were not maintained for the respective employees' to record and provide evidence of leave due at balance date.

Absence of such records in the individual employee file may lead to employees taking leave in excess of their entitlements.

[7] Cheque No. 507 – 05/02/09

Recommendation

Personnel files including leave records for all staff should be properly maintained and kept up to date.

Management Comments

8.10 Late lodgement of VAT Returns

Every registered person below the turnover threshold of fifty thousand dollars must submit their final VAT returns for the year 2009, by the 30th of June 2010.[8]

A review of the Statement of Tax Account for Value Added Tax issued on 11 February 2011 revealed that the Authority has not lodged VAT Returns to the Fiji Revenue and Customs Authority (FRCA) since January 2006.

The Authority can be penalised if the current practise of late lodgement is not resolved immediately.

Recommendation

The Authority should liaise with FRCA on the current status of its VAT account and submit VAT returns as required.

Management Comments

[8] Value Added Tax (Budget Amendment) Decree 2010

SECTION 9: 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

9.1 Audit Opinion – 2010

The audit of the financial statements of the National Food and Nutrition Centre for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

9.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 ($)	2009 ($)
Revenue		
Government Grant	226,182	341,016
Government Grant – (FPAN)	200,000	-
WHO – (FPAN)	16,712	-
WHO - Projects	39,311	11,342

Year Ended 31 December	2010 ($)	2009 ($)
Ministry of Health - Research	156,444	-
Ministry of Health – WFD	4,356	4,427
Bank Interest	4,102	2,251
IBANZ	15,408	-
Food and Agriculture Organisation	1,341	1,392
Other Income	1,149	9,306
Total Revenue	**665,005**	**369,734**
Recurrent Expenditure		
Salaries, Wages and Related Expenses	227,520	236,123
Impact Study – Iron Fortified Flour	128,880	-
Fiji Plan for Action	26,596	-
Capital Expenditure	12,074	10,942
Vitamin “A” Survey	-	1,641
National Nutrition Survey	-	2,921
World Food Day	8,402	6,167
NFNC Demo Garden	-	3,918
Publications	9,717	6,717
Health Promoting Schools	7,000	-
Office Expenses	8,639	9,109
Other Expenses	30,232	25,092
Total Expenditure	**459,060**	**302,630**
Surplus for the year	**205,945**	**67,104**

The Centre recorded a surplus of $205,945 in 2010 compared to $67,104 in 2009. The increase in surplus was mainly due to allocation of additional government grant for Fiji Plan of Action for Nutrition (FPAN) of $200,000 and Research of $156,444 in 2010.

9.3 Abridged Statement of Financial Position

As at 31 December	2010 ($)	2009 ($)
Assets		
Cash at Bank	467,251	243,689
FEA Deposit	50	50
Telephone Deposit	297	297
Total Assets	**467,598**	**244,036**
Liabilities		
VAT Payable	17,617	-
Total Liabilities	**17,617**	**-**
Net Assets	**449,981**	**244,036**
Total Accumulated Funds	**449,981**	**244,036**

Net assets increased by $205,945 or 84% in 2010 compared to 2009 as a result of increase in cash at bank. The increase in cash at bank balance was mainly due to the receipt of the $200,000 from FPAN in 2010 which was not fully utilised during the year.

SECTION 10: NATIONAL ROADS SAFETY COUNCIL

The National Roads Safety Council is established under Section 2 (1) of the National Roads Safety Council Act 1994. The functions of the Council are:

- set goals and objectives of road safety work;
- coordinate the work of all organizations, which are involved in the promotion of road safety;
- procure sufficient personnel and finance for road safety work control and monitor their use;
  develop and recommend road safety research and measure, which will lead to the improvement of road safety work in Fiji;
- control and coordinate the planning and implementation of road safety work in Fiji taking into consideration the interests of society, user groups and trade and industry, individuals as well as environmental aspects;
- monitor and update any national program for the improvement of road safety in Fiji and supervise its implementation;
- monitor and evaluate the effectiveness of the programs and strategies of the organizations, which are involved in the promotion of road safety;
- establish and maintain financial control and auditing of funds to ensure that the maximum benefits are derived in road safety activities; and
- consider and/or implement any other aspects as may be referred to it from time to time.

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PART A – FINANCIAL INFORMATION

10.1 Audit Opinion

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

10.2 Income Statement

As at 31 December	2009 ($)	2008 ($)
Income		
CTP Levy	211,500	248,501
ADT Program	274,330	159,300
Government Grant	27,556	27,556
Operating Income	73,927	79,804
Total Income	**587,313**	**515,161**
Expenditure		
Operating Expenditure	238,700	299,009
Personnel Expenses	309,800	337,870

As at 31 December	2009 ($)	2008 ($)
Total Expenditure	**548,500**	**636,879**
Result for the year from ordinary activities	**38,813**	**(121,718)**

The Council recorded a surplus of $38,813 in 2009 compared to a deficit of $121,718 in 2008. This was a result of an increase in revenue by $72,152 or 14% compared to 2008.

10.3 Balance Sheet

As at 31 December	2009 ($)	2008 ($)
Current Assets		
Cash on hand and at bank	199,641	117,231
Other receivables	27,792	38,573
Total Current Assets	**227,433**	**155,804**
Non – Current Asset		
Property, plant and equipment	94,743	128,121
Total Assets	**322,176**	**283,925**
Current Liabilities		
Accounts payable	18,991	30,930
Provisions	15,422	19,348
VAT liabilities	27,380	3,333
Total Current liabilities	**61,793**	**53,611**
Non-Current Liabilities		
Deferred income	15,399	24,143
Total Non Current Liabilities	**15,399**	**24,143**
Total Liabilities	**77,192**	**77,754**
Net Assets	**244,984**	**206,171**
Accumulated Funds	**244,984**	**206,171**

The Council recorded an increase in net assets by $38,813 or 19% in 2009 compared to 2008. This is attributed to the increase in cash on hand and at bank.

PART B – CONTROL ISSUE

10.4 Wages and Salaries not reconciled with PAYE Annual Summary

The PAYE Annual Summary needs to be lodged to Fiji Revenue and Customs Authority (FRCA) on 31st day of March every year. The wages and salaries reflected in the PAYE Summary should be declared as true and correct in every detail.

The audit noted that wages and salaries reflected in the financial statements did not reconcile with the wages and salaries declared in the PAYE Annual Summary. The table below summarizes the difference:

Table: 10.1 Wages and Salaries Reconciliation

Particulars	Amount ($)
Wages and Salaries as per financial statement	280,433.11
Wages as Salaries as per P4-1 Summary	288,986.41
Variance	**$8,553.30**

The PAYE Annual Summary is overstated by $8,553.30.

Recommendation

The Council should reconcile its wages and salary with the PAYE Annual Summary before it is lodged with FRCA.

Council's Comment

No comment received from the national Road Safety Council.

SECTION 11: 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

11.1 Audit Opinion - 2010

The audit of the financial statements of the National Substance Abuse Advisory Council for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

11.2 Abridged Income Statement

Year Ended 31 December	2010 ($)	2009 ($)
Revenue		
Government Grant	250,000	300,000
UNFPA	5,606	-
MOH	5,000	-

Year Ended 31 December	2010 ($)	2009 ($)
FESP Funds	-	21,028
NACA Funds	12,150	-
Donations	5,246	-
Total Revenue	**278,002**	**321,028**
Recurrent Expenditure		
Payroll Expenditure	207,192	194,690
Other Operating Expenses	102,844	95,227
Capital Expenditure	14,132	4,769
Total Expenditure	**324,168**	**294,686**
(Deficit)/Surplus for the year	**(46,166)**	**26,342**

The Council recorded an operating deficit of $46,166 in 2010 compared to a surplus of $26,342 in 2009. This was due to the decline in government grant by $50,000 or 17%. Total expenditure also increased by 10% in 2010 compared to 2009.

11.3 Abridged Balance Sheet

As at 31 December	2010 ($)	2009 ($)
Current Assets		
Cash at Bank	28,909	75,075
Total Assets	**28,909**	**75,075**
Total Accumulated Funds	**28,909**	**75,075**

A significant decline in Cash at Bank was noted in 2010 by $46,166 or 61% compared to 2009 due to the reduction in Government assistance to the Council.

PART B – CONTROL ISSUES

11.4 No Council Meeting Held in 2010

The first meeting of the Council shall be held on a day to be fixed by the Chairperson. Subsequent meetings of the Council shall be held at such times and places as the Council or the Chairperson may decide[1].

The audit noted after the review of the minutes register and other correspondences, that the Council did not convene any meeting during the financial year 2010.

In absence of Council meetings the members may not be aware of the Council's activities and how the government grant was utilised.

[1] National Substance Abuse Advisory Council Act 1998 s13

Recommendation

The Council should convene regular meeting of the Council members.

Council's Comments

No comments provided.

SECTION 12: 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 objective of the Sugar Industry Tribunal (SIT) is to resolve disputes. In carrying out its statutory functions, SIT is empowered under section 69 of the Sugar Industry Act, subject to Minister's directive to make and prepare any master award. The Tribunal is also required to hear and determine any question as to whether all or any of the expenses incurred by corporations in providing and maintaining facilities for the storage of sugar should be paid out of, and be a charge on the proceeds of sale of sugar, molasses and other by-products of sugar.

The specific 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

12.1 Audit Opinion - 2010

The audit of the financial statements of the Sugar Industry Tribunal (SIT) for the year ended 31 December 2010 resulted in the issue of a qualified audit report.

SIT included in the receivables VAT receivable totalling $52,664. There is an un-reconciled difference amounting to $32,831 between the general ledger and statement of VAT Account provided by Fiji Revenue and Customs Authority.

12.2 Abridged Income Statement

Year ended 31 December	2010 $	2009 $
Revenue		
Grant from government	441,248	313,244
Other income	19,006	14,358
Total Revenue	**460,254**	**327,602**
Expenditure		

Year ended 31 December	2010 $	2009 $
Salaries and wages	122,044	106,566
Industrial Commissioner's expense	49,234	51,509
Other operating expense	188,278	171,325
Total Expenditure	**359,556**	**329,400**
Result For the Year From Ordinary Activities	**100,698**	**(1,798)**

The main source of revenue for SIT is government grant, which the tribunal receives annually to meet operational costs.

SIT recorded a surplus of $100,698 in 2010; an increase of $102,496 compared to a deficit of $1,798 in 2009. The increase was due to an increase in government grant received in 2010 by $128,004 or 41%. Government increased SIT's grant in 2010 as Sugar Commission of Fiji had closed in July 2009, hence, all work previously done by Sugar Commission of Fiji are now looked after by SIT.

12.3 Abridged Balance Sheet

As at 31 December	2010 $	2009 $
Assets		
Cash at bank and on hand	103,521	9,223
Receivables	55,278	48,241
Non – current assets	31,638	42,589
Total Assets	**190,437**	**100,053**
Liabilities		
Current liabilities	55,922	41,584
Non – current liabilities	791	1,084
Total Liabilities	**56,713**	**42,668**
Net Assets	**133,724**	**57,385**
Accumulated Funds		
Accumulated Surplus & Capital	118,716	42,377
Asset Revaluation Reserve	15,008	15,008
Total Accumulated Funds	**133,724**	**57,385**

The Tribunal recorded an increase in net assets by $76,339 or 133% in 2010. The increase was mainly attributed to the increase in grant received from the government which contributed to a significant increase in cash at bank balance by $94,298.

PART B – CONTROL ISSUES

12.4 Contract of Services

Contract Agreements are legal documents, which detail the terms and conditions of engagement between two parties. Thus, it is imperative that prior to any undertaking, contracts or agreements should be drawn and signed by the parties concerned.

The Tribunal appointed Mr. X as Tribunal Accountant for certification of cane payments. Mr. X's appointment was for a term of three years with effect from 18 March 2010.

Audit noted that the Tribunal did not have a contract or agreement of service drawn up with Mr. X for his services. The Tribunal paid a total of $6,569 for his services during 2010. Refer to Table 12.1 for details.

Table 12.1: Payments made to Tribunal's Accountant

Date	Cheque No.	Particulars	Amount (VIP) ($)
20/05/10	4698	Paid to Mr X – Tribunal Accountant for calculation of 4th cane payment	2,475
25/10/10	4933	Paid to Mr X – Tribunal Accountant for certification of final cane payment for 2009	2,168
15/11/10	4984	Paid to Mr X – Tribunal Accountant for certification of growers general levy	1,926
Total			**6,569**

In absence of a contract or agreement the Tribunal Accountant may not properly carry out duties required of him by the Tribunal. In addition there is no predetermined and agreed fee to be paid to the Tribunal Accountant which may result in disputes relating to payment of fees.

Recommendations

The Tribunal should:

- **ensure that a contractual agreement is signed immediately with the Tribunal Accountant.**
- **ensure that written contractual agreement are in place prior to engagement for any professional services acquired.**

Tribunal's Comments

The comments are noted and Tribunal shall prepare a written contractual agreement with the Tribunal Accountant.

12.5 Provisional Tax not withheld

In any case where a person commenced, during the year immediately preceding the income year, to derive income from any source, the amount of provisional tax payable by that person shall be an amount as estimated by the Commissioner and notified to that person.[1]

The provisions of this section shall not apply to any person whose income is derived wholly or mainly from primary industry, or to any other class of person, in respect of whom the Commissioner may, in his discretion, consider an alternative type of provisional tax scheme more appropriate.[2]

The Tribunal appointed Mr. X for a term of three years as Tribunal Accountant for certification of cane payments to growers.

[1] Fiji Income Tax Act – Section 84 (b)
[2] Fiji Income Tax Act – Section 83 (2)

Audit noted that a total of $6,569 was paid to Mr. X as accounting fees during 2010. Provisional tax amounting to $985.35 which is 15% of the total sum paid to Mr. X was not with held by the Tribunal. Certificate of Exemption was not provided by Mr. X to the Tribunal for non withholding of such amount.

The above anomaly resulted in a breach of the Fiji Income Tax Act by the Tribunal.

Recommendation

In absence of the Certificate of Exemption, the Tribunal should deduct 15% provisional tax as required by Fiji Income Tax Act for any contractual payment.

Tribunal's Comments

Tribunal has noted the comments and will include it in the Tribunal Accountant Contract.

12.6 Variance in VAT Receivables

Subject to the provision of the Vat Decree 1991, the tax shall be charged in accordance with the provisions of this Decree at the rate of twelve and a half percent on the supply (but not including an exempt supply) in Fiji of goods and services, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.[3]

In respect of each taxable period every registered person shall calculate the amount of tax payable by that registered person. In calculating the amount of tax payable in respect of each taxable period, there shall be deducted from the amount of output tax of a registered person attributable to the taxable period where all the supplies made or to be made by the registered person are or will be taxable supplies, the total amount of input tax.[4]

Audit noted that there is an un-reconciled difference amounting to $32,831 between general ledger and Statement of VAT Account provided by Fiji Revenue and Customs Authority. Accordingly, audit was not able to verify the valuation and completeness of VAT receivable balance as per general ledger. Refer to Table 12.2 for details.

Table 12.2: Variance in VAT Receivable

VAT Receivables	Amount ($)
Receivables as per general ledger	52,663.70
Receivables as per SVA	19,833.10
Variance	**32,830.60**

The variance noted may result in incorrect financial reporting.

[3] Value Added Tax Decree 1991 4th edition revised to 30/04/04 – Section 15 (1)
[4] Value Added Tax Decree 1991, revised 30/04/2004 – Section 39

Recommendation

The Tribunal should ensure that a Statement of VAT account is obtained from FRCA and reconciled with the books of the Tribunal on a timely basis. Any variance arising from the reconciliation should be investigated and appropriate adjustments made to the VAT account.

Tribunal's Comments

Tribunal has noted the comments and the difference is since the prior year adjustments were not made. Tribunal will make the adjustment and will maintain one vat account currently we have five vat account which has made the difference.

Calculation is as follows:-

Vat Received from Income	*$174,312.33*
Less Vat Paid	*$156,538.77*
Balance	*$ 17,773.56*
Less Vat Collected from Purchases	*$47,935.27*
Less Vat Refunds not received	*$ 3,758.11*
Total	*$33,919.82*
Vat already received prior years	
From 2006 to 2009	*$15,429.56(already in past years accounts but not balanced with vat a/c)*
Balance	***$18,490.26***

We shall keep one vat account and pass the adjustments to the vat accounts.

SECTION 13: TRAINING AND PRODUCTIVITY AUTHORITY OF FIJI

The Training and Productivity Authority of Fiji, [formerly known as the Fiji National Training Council] is a statutory organisation established under Cap 93 of the FNTC Act.

The Authority is the national organisation for technical vocational training in Fiji, and the National Productivity Organisation for the Fiji Islands and acts and performs functions to promote the concept of productivity as a viable economic strategy.

The Authority's principle activity is to develop the national framework and make provision for the registration of training courses or training providers or facilities or qualifications of such category it shall direct.

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PART A – FINANCIAL INFORMATION

13.1 Audit Opinion

The audit of the financial statements of the Training Productivity Authority of Fiji (TPAF) for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The following issues were qualified:

- The Authority recorded non-award course fees on cash basis. Accounts receivables for non award course fees are recorded based on what was receipted in the new accounting period until the time of the preparation of the accounts. Due to the nature of reporting by the Authority, there was a possibility that not all non award course fees income and receivables were recorded.

- Due to deficiencies related to record keeping of the Authority's Fixed Assets, audit was not able to verify the existence and valuation of the historical cost and accumulated depreciation for the opening balances for fixed assets beyond the recording of the amounts as shown in the Authority's books.

13.2 Abridged Income Statement

Year ended 31 December	2009 ($)	2008 ($)
Revenue		
Levy income from employers	13,504,649	13,314,395
Course fee income	8,963,081	9,710,997
Interest income	211,748	128,191
Dividend income	183,763	99,307
Other operating income	590,761	702,847
Total Revenue	**23,454,002**	**23,955,737**
Expenditure		
Personnel expenses	7,288,893	6,356,573
Depreciation and amortisation	1,326,946	1,008,115
Refund of grants to employers	4,721,551	3,619,230
Franchise course fees	1,697,190	1,255,053
Course related expenses	2,969,528	2,956,694
Doubtful debts	910,627	1,060,956
Operating expenses	3,157,321	3,629,823
Total expenditure	**22,072,056**	**19,886,444**
Net surplus for the year	**1,381,946**	**4,069,293**

The Authority recorded a net surplus of $1,381,946 in 2009 compared to a surplus of $4,069,293 recorded in 2008. The decline in net surplus was due to the following:

- decrease in course fee income as a result of decline in number of courses offered by Productivity Quality Training Board (PQTB) and Aviation Transport Travel & Diving (ATTD) Departments;
- increase in personnel expenses by $932,320 or 15% due to change in staffs salary scale and merit payments; and
- increase in refund of grants to employers by $1,102,321 or 30% due to increase in method B claims.

13.3 Abridged Balance Sheet

As at 31 December	2009 ($)	2008 ($)
Assets		
Cash at bank and on hand	1,652,976	5,291,770
Trade & other receivables	14,410,600	12,261,794
Financial assets	10,717,582	7,462,956
Other current assets	139,410	130,304
Property, plant & equipment	10,209,907	9,576,661

As at 31 December	2009 ($)	2008 ($)
Total assets	**37,130,475**	**34,723,485**
Liabilities		
Grants payable	6,509,328	5,842,938
Sundry creditors & accruals	3,397,630	3,027,183
Other current liabilities	532,539	398,026
Total liabilities	**10,439,497**	**9,268,147**
Net assets	**26,690,978**	**25,455,338**
Authority's fund		
Fair value reserve	912,613	1,058,919
Accumulated Surplus	25,778,365	24,396,419
Total authority's funds	**26,690,978**	**25,455,338**

Net assets increased by $1,235,640 or 5% in 2009 compared to 2008. The increase was due to the increase in financial assets and trade receivable amounting to $3,254,626 and $2,148,806 respectively.

PART B – CONTROL ISSUES

13.4 Non Award Courses

Full accrual accounting is the basis upon which profits are to be reported.[1] Course fee income is brought to account on an accrual basis and is recognized in the period when invoice is raised.[2]

TPAF uses ISMS to record course fees for all courses. For financial reporting purposes TPAF uses Sun system accounting software. The course fee revenues in Sun system should be updated from ISMS.

The audit noted that the Sun system used by the Authority to record non award course fees revenue does not take into account non award course fees which have not been received up until the preparation of the financial statement. This was due to bulk recording of all course fees in the ISMS rather than recording the non award courses according to the department running those courses. The Accounts Section was not able to obtain detail listing from ISMS for short courses conducted and hence relied on the cash receipts for reporting purposes.

As a result, the non award course fees for the year 2009 which remained unpaid till the date of the preparation of accounts were not included as revenue in the financial statements. The Authority relied on 2010 receipts relating to 2009 outstanding non award course fees as a basis to book accrued non award course fees.

This was also evidenced by the differences in student debtors in Sun system and ISMS account balances as at 31 December 2009. According to the Authority's Accountant, the differences were mostly due to non award courses which are only recorded as revenue when cash is received. Refer to Table 13.1 for examples.

[1] TPAF Finance Policy Manual – Section 18.3.8
[2] TPAF Finance Policy Manual – Section 1.2.25

Table 13.1: Difference between ISMS and Sun system

Debtors	Account Code	Sun System Balance ($)	ISMS Balance ($)	Difference ($)
Debtor 1	2006017105	3,883.44	6,021.00	(2,137.56)
Debtor 2	20045606	5,125.00	5,825.00	(700.00)
Debtor 3	20040094	50,280.24	184,632.83	(134,352.59)
Debtor 4	2006024226	15,800.00	41,425.64	(25,625.64)
Debtor 5	2005012495	42,287.23	86,827.23	(44,540.00)
Debtor 6	20059780	16,200.00	19,260.00	(3,060.00)
Total		**133,575.91**	**343,991.70**	**(210,415.79)**

The non award course fee due but not paid were not included in the financial statements for the year ending 31/12/09. As a result, the revenue and debtors account balances were understated.

Recommendations

- **The Authority should account for all the non award course fees on invoice basis.**
- **Reconciliations should be carried out to rectify differences in ISMS account and Sun System balances.**

Management Comments

The authority has currently purchased new software (PPMS) which will record revenue when actual invoice is generated. The ISMS system was only used for invoice generating and receipting. The actual invoice is only captured in sun system after departments have completed enrolments and verified the enrolment data.

For major variances in sponsor accounts, this is due to all invoices that are generated in ISMS for sponsor account is also debited to individual student account, thus individual student accounts are updated in Sun system.

Reconciliation is in process. The Authority is taking attempts to rectify the issue in 2011.

13.5 Levy Income – Arbitrary Assessment

When an employer fails to submit his return of wages and salaries paid (TPAF form 1), by 31st March and 30th September, the Accounts Officer Levy (AOL) will make an arbitrary assessment based on the immediate past period levy payments and adjust upwards by a factor of 5% by March and September after updating all the employer payment records.[3]

The AOL/AAOL shall compile a report on all outstanding levies totalling $2,000 & above and submit details to the TPAF solicitors for recovery action after expiry of 7 working days from the date of the initial reminder if payment is still not received by the Authority.[4]

The audit noted that there were employers whose levies were outstanding for a longer period of time. There is a possibility that these employers are no longer in business and yet the Authority continued to carry out arbitrary assessment on these employers.

[3] TPAF Finance Policy Manual – Section 8.4
[4] TPAF Finance Policy Manual – Section 8.8

For example, an employer, Air Fiji Limited closed down its operation in May 2009 and yet the Authority booked levy income based on arbitrary assessment. Refer to Table 13.2 for examples of employers with long outstanding levy.

Table 13.2: Employers with long outstanding levy

Name of Employer	Arbitrary Assessment ($)	Date last levy received	Comments
Employer 1	65,421.26	27/02/09	Ceased operation in May 2009
Employer 2	27,246.20	22/03/06	Details not submitted to Solicitors
Employer 3	9,257.02	31/05/05	Details not submitted to Solicitors
Employer 4	7,264.22	None noted since 2005	Details with Solicitors
Employer 5	7,546.64	None noted since 2005	Details not submitted to Solicitors
Employer 6	3,749.00	None noted since 2005	Details not submitted to Solicitors
Employer 7	6,101.48	17/07/06	Details not submitted to Solicitors
Employer 8	4,919.41	23/12/05	Details with Solicitors
Employer 9	3,756.50	31/05/05	Details with Solicitors
Employer 10	2,689.03	None noted since 2005	
Employer 11	3,348.80	None noted since 2005	
Employer 12	3,152.92	None noted since 2005	
Employer 13	5,451.67	11/07/07	
Employer 14	1,495.13	None noted since 2005	
Total	**151,399.28**		

It was further noted that details of outstanding levy were not submitted to the TPAF solicitors for recovery action.

Arbitrary assessment on the employers who are no longer in business and reporting levy income from those employers could result in the overstatement of levy income and levy receivable account balances.

Recommendations

- **The Authority should verify existence of employers who have long outstanding levy and make appropriate adjustments where necessary to adjust levy income and levy receivables booked in the financial statements. This will ensure that levy income and levy receivable account balances are correctly stated in the financial statements.**
- **The Authority should submit details of outstanding levy to its solicitors for recovery action after expiry of 7 working days from the date of the initial reminder.**

Management Comments

Adjustments have occurred due to over and under stated amounts of levy income as it is based on estimates, however, a review is in progress on the status of debts that continued to be outstanding and are believed to be inactive.

File searches are being carried out on Employers who have long outstanding levies and with no further contacts. The result of majority of Employer files searched was unsuccessful due to the non-availability of information at the Registrar's office, however comments were noted and listing was submitted to the Board for approval of write offs. With the employment of the Litigation Officer in June, 2010, the flow, communication and proper control on employers whose levies have been outstanding for a period of time have been taken care off.

The Authority is taking attempts to improve on this in 2011.

13.6 Employer Verification

Levy Collection Officers are to verify employer records on a regular basis. All method A employer records are to be verified every two years whilst at 10% of method B are to be verified every year.[5]

The Authority had approximately 51 registered employers under Method A and 6,385 registered employers under Method B as at 31 December 2009. The audit noted that for the past 3 years, the Authority was not able to verify the number of the employers' records required under its Financial Manual. Refer to Table 13.3 for number of employers verified from 2007 – 2009.

Table 13.3: Employers verified in last three years

Employer Registration Method	Verification Required	Percentage Verified		
		2009	2008	2007
A	100% in every 2 yrs	0%	2%	34%
B	10% every year	4%	2%	3%

In 2009, the Authority did not verify any records for Method A employers and only verified about 287 or 4% of method B employers.

The Authority will not be able to know how many of its registered employers have ceased their operations if it does not carry out adequate verification of employers records as required. This could lead to overstatement of levy income and levy receivable account balance through continued levy assessment for employers who are no longer in operation.

Recommendation

The Authority must ensure that verification of employers is carried out in accordance with what is stipulated in its Finance Policy Manual.

Management Comments

82% of the Method A Employers were verified in 2010 to cover up for the shortfall in 2009. The remaining percentage is mostly due to the non confirmation of a date from the Employer to carry out an audit.

For the Method B Employers, there are a lot of instances where Employers cancel or postpone the audits that have been scheduled upon confirmation. In some cases the directors are either out of the country or the accountants are still preparing company accounts therefore resulted in a lot of delays thus not meeting the target.

The department may have to address its manpower issue as currently there is one auditor responsible for auditing all employers Fiji wide; and this is being highlighted to the management.

The Authority is taking attempts to address this issue in 2011.

[5] TPAF Finance Policy Manual – Section 8.16

13.7 Sick Leave Compensation

Sick leave compensation of contract staffs was determined by Provisions of the Collective Agreement since 1999, but was ceased by the Board in 2004.[6]

A total of 183 employees qualified for the sick leave compensation as they had not used 50% or less of their sick leave entitlement amounting to $260,667.[7]

The following anomalies were noted.

- Contract staffs were compensated for their unused sick leave balance. Refer to table 13.4 for contract officers and sick leave compensation paid.

Table 13.4: Contract staffs compensated for unused sick leave balance

Name of Staff	Sick Leave Paid ($)
Staff A	1,301.00
Staff B	792.00
Staff C	1,018.00
Staff D	641.00
Staff E	1,970.86
Staff F	428.68
Total	**6,151.54**

Payment of sick leave compensation to contract staffs not entitled for such compensation shows management's disregard to the Human Resources Policy Manual and Board's decision to cease such compensation.

- A total of 183 employees were identified for sick leave compensation totalling $260,667. However, the actual sick leave compensated for the year ended 31 December 2009 was $245,562.46 as per payroll records. Audit could not substantiate the difference of $15,104.54 between the amount paid and the amount approved by the board as no reconciliation was prepared by the Authority.

Non reconciliation of sick leave compensation approved by the board with actual sick leave compensated to staffs during the year may lead to incorrect payment and reporting of sick leave payments.

<u>Recommendations</u>

- **The Authority should recover sick leave compensation paid to contract staff not entitled for sick leave compensation.**
- **The Authority should carry out reconciliation between the approved amount of sick leave compensation and actual amount paid. The difference should be investigated and resolved.**

[6] Human Resources Policy Manual – page 90
[7] Board Paper No B68/09

Management Comments

Audit comments noted. Authority is in the process of verifying the payouts to the contracted staff. Upon ascertaining, from the individual contracts, if the staff was entitled for the sick leave compensation, arrangements would be made to recover the amounts highlighted as a non-entitlement in 2011.

Authority is taking all attempts to do a full reconciliation on this in 2011 payouts due.

13.8 Employee Entitlements

The amounts expected to be paid to employees for their pro rata entitlements to long service leave, annual leave and other benefits should be accrued at current wage rates.

The audit noted that employee annual leave schedules were not updated for the year ended 31 December 2009. Provision for annual leave liability amounting to $532,539 was reported in the financial statements for the year ending 31/12/09. The audit was not able to verify the correctness of this amount as employee annual leave schedules were not updated and details of the calculation were not provided to audit.

Non updating of employee annual leave schedule could result in use of incorrect annual leave days in calculating the provision for annual leave liability for the year.

Recommendations

- **The Authority must ensure that annual leave schedule is updated immediately after the leave has been approved.**
- **Calculations for annual leave provisions should be supported with actual leave days earned not utilized at balance date.**

Management Comments

The new payroll and human resource system, PayGlobal, is being implemented. All staff related data is being loaded onto this new system. Once completed the system should be able to provide an up to date leave balances for each employee at any point of time.

The same system data should be able to produce a report that can effectively compute/can be used to compute the provisions for annual leave value.

The Authority takes all attempts to implement a better control on the issue in 2011.

13.9 Quotations

All orders, except for basic items involving insignificant amounts or less than $200 require supplier's quotations from not less than two providers.[8]

The audit noted from a sample review of payments that goods and services procured on several occasions by the Authority costing more than $200 were without quotations. Refer to Table 13.5 for details.

[8] TPAF Finance Policy Manual – Section 12.5

Table 13.5: Purchases with no quotations obtained

Date	Supplier	Invoice Number	Cheque No.	Amount ($)
02/11/09	Supplier A	1009396/109002	158269	41,051.60
24/06/09	Supplier B	Pro-former invoice	156267	1,995.00
21/08/09	Supplier C	0748/0788/0751/0787	157088	2,240.00
02/09/09	Supplier D	0685/0684	157285	5,440.00
12/02/09	Supplier A	217	154125	4,128.00
13/07/09	Supplier F	670-672-673-680-682	156734	7,224.29
06/03/09	Supplier F	589-590-591-592	154496	4,180.00
17/03/09	Supplier G	25	154625	3,116.13
01/04/09	Supplier H	2088	154856	6,566.00
31/07/09	Supplier G	622	156794	2,673.00
31/01/10	Supplier I	Various attached	159631	15,845.49
10/06/09	Supplier J	318	156030	5,165.10
16/03/09	Supplier K	109087	154609	5,060.20
25/09/09	Supplier L	1518	157679	27,742.00
10/07/09	Supplier L	1488	156470	19,823.10
30/07/09	Supplier M	67987	156736	11,357.60
28/01/10	Supplier N	17002	159595	10,656.50

In absence of competitive quotations from at least two suppliers, the Authority may not be purchasing goods and services from the most economical source.

Recommendation

The Authority must ensure that at least two quotations are obtained for purchase of goods and services costing more than $200.

Management Comments

Auditor's comments noted. Departments have been advised to adhere to the purchase policy of obtaining two or more quotations for goods and services costing more than $200 before issuing purchase orders; complying to TPAF Finance policy manual.

The Authority takes all attempts for a strict compliance to the procedures.

13.10 Stale Cheques – Clearing account

Bank reconciliations only recognize cheques that are not more than six months old as part of the un-presented cheque listing. Cheques that appear as outstanding on the bank reconciliation for more than six months should be cancelled and credited to the original account and debiting the bank account.[9]

Stale cheques totalling $364,884 were not credited to individual creditors account on a timely basis. The Authority has the practice of transferring stale cheques to a clearing account which are cleared when replacement cheques are issued. In 2009, only $11,291 of stale cheques were cleared from the clearing account. The balance of the stale cheques in clearing account has remained unadjusted for sometime. Refer to Table 13.6 for details.

[9] TPAF Finance and Policy Manual 2006 – Section 6.14

Table 13.6: Stale cheques in clearing account not cleared at balance date

Transaction Date	Description	Transaction Reference	Base Amount ($)
01/01/2009	Balance B/F		(340,595.85)
01/05/2009	Irene Isabel Prasad	chq#153536	(870.48)
01/05/2009	William Antonio	chq#153541	(748.84)
01/05/2009	Shereen Buksh	chq#153543	(292.15)
01/05/2009	Lalit Chand	chq#153546	(211.30)
01/05/2009	Setaita Marama	chq#153547	(279.19)
01/06/2009	Fane Taveta	chq#153551	(200.00)
01/09/2009	DIPN0266 – William Antonio	chq#153607	(1,147.26)
01/09/2009	DIPN0301 – Joveci Gavoka Mataitoga	chq#153608	(866.36)
01/09/2009	DIPN0379 – Ashwin Pal	chq#153609	(1,260.09)
01/09/2009	DIPN0385 – Tashmir Singh	chq#153610	(757.19)
01/09/2009	DIPN0407 – Rosarine Fiu	chq#153611	(1,391.88)
01/09/2009	DIPN0838 – Lalit Chand	chq#153613	(809.25)
01/13/2009	Saira Bibi Kasim	chq#153669	(38.40)
01/30/2009	DIPN1019 – Vasemaca Vakavulaca	chq#153950	(600.00)
02/17/2009	Nitendra Prasad	chq#154186	(50.00)
02/18/2009	T41015B – Sonaisali Island Resort	chq#154195	(21,415.00)
02/23/2009	T10300D – Fiji National Provident Fund	chq#154310	(2,077.50)
03/12/2009	r/entry chq due to stale chq#150148 – Holiday Inn	jnl#077/09	4,741.61
06/05/2009	Gift for the APO consultant	Reimbursement	186.85
06/09/2009	Business Incubation Centre-stale chq#156004	rec adj'09'761/09	(70.00)
06/17/2009	Replacement for stale chq#144084 – 144448 & 145603	jnl#239/09	956.50
06/17/2009	Argo Garments ltd-stale chq#156135	rec adj'09'761/09	(2,494.75)
08/30/2009	Double entry of replacement cheque	bank rec adj	1,845.15
12/03/2009	Chq# 153608 already posted in stale chq a/c	rec adj'09'761/09	866.36
12/31/2009	Being cancel of chq#153551 – Fane Taveta	j692/09	200.00
12/31/2009	Argo Garments-stale chq reversal	jnl#790/09	2,494.75
Total			**(364,884.27)**

As a result the individual creditor balances were understated.

Recommendation

The Authority should write back the stale cheques to the original accounts and issue replacement cheques where possible.

Management Comments

Auditor's comments noted. Currently the Authority is in the process of writing back stale cheques. Replacement cheques will be issued respectively as per payees' requests. Attempts are also being made to contact the payees to confirm if they did receive the cheque.

The Authority is taking its attempts to improve on this issue in 2011.

13.11 Unidentified Deposits

A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.[10]

Un-identified deposits totalling $49,588 were stated under liabilities in the balance sheet. According to the Accounts officer, these receipts could not be traced to its correct account allocation.

The Authority was not able to determine whether these un-identified deposits were cash received for the course fees or payment made by debtors.

Inability to correctly determine the nature of receipts and correctly posting the same could result in incorrect financial reporting by the Authority.

Recommendation

The Authority should implement a system to identify all direct deposits and correctly disclose these in the financial statements.

Management Comments

These unidentified deposits are those which do not have any details attached. These transactions are credited in Authority's bank account without any narration. The Authority takes all measures to identify these deposits. However, those amounts that still cannot be identified are transferred to unidentified account in the ledger.

The new PPMS system allows for all payments to be made directly on invoice that has, at the bottom, a readily available bank deposit slip that contains customer details with required narrations pre-printed. This, if followed strictly, will minimize the problems.

The Authority is taking measures to improve on the issue.

13.12 Anomalies in Fixed Assets Register

Property, Plant & Equipment, other than Freehold Land should be depreciated over their estimated useful life using the straight line method at the following rates:[11]

Leasehold Buildings	2.5 %
Motor Vehicles	20 %
Furniture, Fittings and Office Equipment	15 % - 25 %
Plant and Machinery	15 %
Tools and Accessories	10 % - 20 %

Review of Fixed Assets Register revealed the following anomalies.

- Fixed assets totalling $347,959 were capitalized in 2009 but were not depreciated. This was due to incorrect postings which resulted in non allocation of depreciation rates by the system.

[10] Fiji Accounting Standards, Framework for the Preparation of Financial Statements, s 91 Recognition of Liabilities
[11] TPAF Finance Policy Manual – Section 1.2.6

Even though the anomaly was adjusted during the audit, it provides incorrect monthly financial reporting to management and hence can affect management decision making.

- Some fixed assets were depreciated using incorrect depreciation rates. Refer to Table 13.7 for details.

Table 13.7: Incorrect depreciation rates used

Assets code	Description	Amount ($)	Applied Depreciation Rates %	Specified Rates %
1952	FA - Equipment –Tools	1,430.00	2.5	20
1910	FA – Buildings	4,215.19	2	2.5
1951	FA - Equipment- Plant	6,100.00	20	15
1950	FA – Equipment	2,675.40	2	20
1910	FA – Buildings	1,527.10	2	2.5
1910	FA – Buildings	8,500.00	2	2.5
1910	FA – Buildings	2,690.00	20	2.5
1951	FA - Equipment- Plant	18,750.00	20	15
1951	FA - Equipment- Plant	11,418.00	20	15
1931	FA - Computer Software	1,995.00	40	20
1951	FA - Equipment- Plant	8,579.30	10	15
1951	FA - Equipment- Plant	8,579.30	10	15
1952	FA - Equipment –Tools	1,777.01	40	20
1952	FA - Equipment –Tools	1,438.54	40	20
1952	FA - Equipment –Tools	1,841.63	40	20
1952	FA - Equipment –Tools	1,490.85	40	20

Failure to use correct depreciation rates leads to incorrect accounting of depreciation expense resulting in incorrect financial reporting of respective asset and depreciation values.

- Scrutiny of the fixed asset register revealed that long outstanding work in progress (WIP) was not transferred to individual asset class and depreciated accordingly. Even though $1,966,928 worth of assets in WIP was transferred during the audit, $179,439.97 worth of assets dated back to 2005 are still shown in WIP. Refer to *Appendix 13.1* for details.

The Authority failed to charge correct depreciation rates on assets which may distort the carrying amount of assets.

<u>Recommendations</u>

- **The Authority should adhere to instructions in the Finance Policy manual and charge specified depreciation rates to respective assets.**
- **The Authority should immediately transfer work in progress to respective asset account upon completion of the work to ensure depreciation is correctly taken up.**

<u>Management Comments</u>

Authority is taking measures to identify and rectify the depreciation rates allocated to different asset type in the fixed assets register. This is planned to be done together with the reconciliation process of fixed assets register and the fixed assets ledger accounts.

The Authority, through its Manager property's office, is in the process of identifying the completed projects that are still appearing in the work in progress (WIP) account. This report will be passed on to the Project Officer – Fixed Assets to work out and pass journal entries for posting into correct Fixed Assets Accounts.

The Authority is taking all its attempts to improve on this issue.

13.13 General Ledger Postings and Financial Statements Errors

Errors may arise from mistakes and oversights or misinterpretation of information. Material prior-period errors are adjusted retrospectively (that is, by restating comparative figures) unless this is impracticable.[12] Full accrual accounting is the basis upon which profits are to be reported.[13]

The audit noted number of anomalies and errors in the general ledger and financial statements which required audit adjustment to reflect fair presentation of the Authority's accounts. Refer to table 13.8 for errors in the financial statements which were adjusted during the audit.

Table 13.8: Errors in financial statements adjusted through audit adjustments

Error	Financial statement component	Amount ($)	Comments
Double posting of invoices	Expenses	108,862.97	Invoices were posted twice in the financial statements.
Accruals not booked	Liability	18,471.56	Accounts payable existed at balance date but accounts were not taken up.
Prior period adjustments	Liability, Receivables and Expenses	518,227.08	un-identified deposits were identified and restated to prior period, reversal of student debtors from 2009 accounts were adjusted and payment of 2008 accounts were expensed in 2009.

Errors in general ledger postings would result in incorrect financial reporting of Authority's accounts. Furthermore, TPAF board will not be provided with accurate financial information for decision making if errors continue to be made in preparation of the financial statements.

Recommendations

- **Accounting officers should be provided proper training to carry out accounting functions properly.**
- **Supervisory checks should be carried out before a transaction/journal is approved.**
- **All prior year adjustments should be rightfully adjusted in the comparative accounts.**
- **The Authority should ensure that proper procedures are in place to avoid misstatement of accruals. This can be done by reviewing unpaid invoices and purchase orders at balance date and taking up necessary accruals if not taken up initially.**

Management comments

Audit comments noted.

[12] International Accounting Standards 8
[13] TPAF Finance Policy Manual – Section 18.3.8

Arrangements are being made by the Authority to identify training needs of accounting officers using the Authority's training needs analysis (TNA) forms. This will allow the staff to be trained as required for the accounting functions they carry out respectively. Supervisors will also progressively assess the staff performance, using the Authority's performance management system (PMS), and highlight and train/get the staff trained as need arises in 2011 for the organization's effectiveness.

The Authority is placing strict control on its accounting processes whereby the source documents, including journals, are to be checked by the supervisors prior to posting the transaction in the system in 2011.

For prior year adjustments to be done in 2011 Authority is taking note of the audit recommendations.

The Authority is in the process of reconciling its ledger accrual accounts. All attempts are being made by the Authority to improve on these issues in 2011.

Appendix 13.1: WIP not capitalized

Accounting Period	Description	Journal No.	Base Amount ($)
2005/005	PO020826	46172	13,886.75
2005/012	Invoice#3466-4th progress claim	56384	7,000.00
2005/012	Extend wall height to ceiling	59066	1,700.00
2006/007	TPAF PayGlobal System & Software as per attached	63075	15,893.21
2006/007	Architectural administration fees-inv 001	62755	2,812.50
2006/007	Master plan study-TPAF Invoice# 04 job no:0515	62944	34,312.50
2006/007	Master plan study -TPAF3/rev Job No:0515	62944	45,000.00
2006/008	Vat 12% -walk way for TPAF Nabua (PO-028103,CHQ:139218)	64770	988.75
2006/011	Payroll system upgrade-Payglobal	66870	5,158.34
2006/011	Payroll system upgrade-Payglobal	66896	17,397.91
2007/001	Architectural costs-account # 1a	68144	1,721.25
2007/002	For professional services in regards to the TPAF	68709	5,850.00
2007/002	For professional services	68707	1,153.50
2007/003	Providing budget estimates for TPAF Master Plan	69559	4,600.00
2007/011	Payglobal maintenance_INV#MIF2007029	77325	3,531.83
2007/011	Data template review report 4481 (PO-032480,CHQ:146624)	77323	225.00
2007/011	Employee data migration report 4454	77323	112.50
2007/011	Payroll uat assistance	77323	281.25
2007/011	Reviewing data templates	77323	225.00
2007/011	Uat assistance report 4183	77323	225.00
2007/011	LPO#024317_INV#733/855/511/441/1051/1048-TPAF pay global software	77324	1,800.00
2008/012	2ft troffer lights-(po:039682)	90353	270.00
2008/012	2ft single light fitting complete	90353	479.88
2008/012	Downlights	90353	141.76
2009/004	Vini wl 330X80mm Border Y35071 (PO-041106)	93958	1,215.00
2009/004	Guocera wl 200X330 H-246 B1C	93958	1,303.50
2009/004	Vini FL 313X313mm 34131 (2nd grade)	93958	116.00
2009/006	Stainless steel covering for pipe work (PO:041664)	95915	1,638.54
2009/007	ETCI (LPO-042716, CHQ:156601)	96701	2,990.00
2009/007	ETEE	96701	910.00
2009/007	ETMP	96701	2,990.00
2009/007	PHYS- BDPH	96701	3,510.00
Total			**179,439.97**

SECTION 14: INVESTMENT FIJI

Investment Fiji is established to promote and facilitate investment and export of Fiji. Its objectives are to:

- promote investment in and development of industries, ventures and enterprise that enhance employment opportunities, increases 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 matters 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 the purposes related to the discharge of its functions under the Act; and
- generally to do all those things as may be incidental to or consequential upon the exercise of its powers or functions under this Act.

Table of Content

PART A – FINANCIAL INFORMATION

14.1 Audit Opinion - 2010

The audit of the financial statements of the Investment Fiji for the year ended 31 December 2010 resulted in the issue of an unqualified audit report. Management attention however was drawn to that the operation of Kalabo Tax Free Zone on 22/9/11 was transferred to the Ministry of Finance following a Cabinet decision on 21 September 2010. The impact of the transfer will have a significant effect on the operational revenue of Investment Fiji.

14.2 Abridged Consolidated Income Statement

Year ended 31 December	2010 ($)	2009 ($)
Income		
Government grant	939,455	1,613,960
Rent – factories	1,597,189	1,869,625
Trade promotion	210,978	227,465

Year ended 31 December	2010 ($)	2009 ($)
Other income	446,054	367,899
Total income	**3,193,676**	**4,078,949**
Expenses		
Personnel expenses	1,093,634	1,372,090
Depreciation	743,533	601,235
Operating expenses	621,638	581,785
Administrative expenses	277,444	360,271
Trade promotion expenses	200,947	308,040
Interest	587,922	247,925
Refund of surplus fund	32,782	-
Total expenditure	**3,557,900**	**3,471,346**
Net deficit/surplus for the year before prior year adjustments	**(364,224)**	**607,603**
Prior year adjustment	**(279,969)**	**-**
Net deficit/surplus for the year after prior year adjustments	**(644,193)**	**607,603**

Investment Fiji recorded a net deficit of $644,193, compared to a net surplus of $607,603 in 2009. This is attributed to the following:

- decrease in government grant by $674,505 or 42%;
- decrease in income from rental factories by $272,436 or 15%, due to unoccupied rental factories (factory 1 & 2);
- increase in interest expenses by $339,997 or 137% due to varying interest rate for the ANZ bank loans taken by KTFZ to finance the extension of factory 3 and 8 and conversion of factory 7; and
- prior year adjustment of $279,969. This was due to FRCA charging VAT of $231,014 on salaries and wages component for 2008 & 2009 in 2010 and VAT on Exporter of the Year Award sponsorship fund from 2007 amounting to $45,111.

14.3 Abridged Consolidated Statement of Balance Sheet

As at 31 December	2010 ($)	2009 ($)
Current Assets		
Cash on hand and at bank	1,394,121	865,976
Receivables	185,014	942,916
Term deposits	-	677,892
Total Current Assets	**1,579,135**	**2,486,784**
Non - Current Assets		
Property, plant and equipment	25,446,266	25,688,813
Work in progress – factory buildings	-	27,000
Total Non Current Assets	**25,446,266**	**25,715,813**
Total Assets	**27,025,401**	**28,202,597**
Current Liabilities		
Trade creditors and accruals	122,548	312,462
Other creditors	84,298	104,508
Income received in advance	44,556	50,678
Other current liabilities	67,384	87,059

As at 31 December	2010 ($)	2009 ($)
Total Current Liabilities	**318,786**	**554,707**
Non-Current Liabilities		
ANZ bank loan	8,524,110	8,799,563
Provision for employee entitlement	132,497	154,126
Total Non-Current Liabilities	**8,656,607**	**8,953,689**
Total Liabilities	**8,975,393**	**9,508,396**
Net Assets	**18,050,008**	**18,694,201**
Total Equity	**18,050,008**	**18,694,201**

Investment Fiji recorded a decrease in net assets by $644,193 (3%) in 2010 compared to 2009. This was due to a decline in receivables by $757,902 or 80%.

PART B – CONTROL ISSUES

14.4 Witholding Tax Not Claimed Back From FRCA

It is important that Certificate of Exemption is renewed on a timely basis to ensure that withholding tax relating to investment income from term deposits are not deducted by the banks.

Investment Fiji earned interest from term deposit held with Bank of South Pacific (BSP) amounting to $16,203.20 in 2010.

The audit noted that the bank deducted from the gross interest income, withholding tax amounting to $3,482.74. Certificate of Exemption for non-deduction of withholding tax was not renewed on a timely basis. Refer to Tables 14.1 and 14.2 for details.

Table 14.1: Withholding Tax Deducted

Investee	Account No.	Amount ($)
Bank of South Pacific	7413976	262.48
Bank of South Pacific	7550184	2,931.40
Bank of South Pacific	7518561	288.86
Total		**3,482.74**

Table 14.2: Expiry Date of Certificate of Exemption

Account No.	Date of withholding tax deducted	Expiry date of Certificate of Exemption
7413976	24.08.10	30.06.10
7550184	01.11.10	27.10.10
7518561	24.08.10	No exemption certificate sighted during the audit

Non renewal of expiry dates of the Certificate of Exemption will result in loss of potential cash flow relating to investment income.

Recommendations

- **Investment Fiji should liaise with FRCA to recover the withholding tax deducted if the exemption certificate has been renewed.**
- **Investment Fiji must ensure that Certificate of Exemption is renewed on a timely basis to ensure that withholding tax is not deducted by banks for interest income earned on term deposits.**

Management Comments

The funds from Kalabu Tax Free Zone (KTFZ) Bank account was reinvested in Term Deposits in 2010. Since KTFZ has been transferred to Ministry of Finance, the Ministry has been informed to liaise with FRCA to recover the withholding tax deducted.

Investment Fiji would ensure that Certificate of Exemption is renewed on a timely basis to ensure that withholding tax is not deducted for any investment in term deposits in future.

14.5 Exchange Rate Difference Not Taken Up For Long Outstanding Debtors

At each balance sheet date, foreign currency monetary items should be reported using the closing rates.[1]

Investment Fiji failed to account for the difference in exchange rate for the carrying amount of receivables (overseas). Refer below for details:

	$
Amount in Euro dollar at transaction date	28,523.91
Exchange rate at 31.12.10	0.4132
Amount in FJD at 31.12.10	69,031.72
Amount as per financial statements	60,989.18
Variance	**8,042.54**

Non adjustment of exchange rate difference can result in incorrect financial reporting of accounts receivable.

Recommendation

Exchange rate difference should be properly accounted for to show the correct amount of receivables at balance date.

Management Comments

The outstanding amount is from Centre for Development of Enterprises (CDE) which has been in dispute and relates to period 2004 to 2006.

There is very high chance that these debts may not be collected. Recent communication has been made with CDE to settle their outstanding debts which is currently been verified by them.

[1] Fiji Accounting Standards (FAS 11 a)

The debts have been provided as doubtful in the previous accounts and therefore have not been adjusted for exchange rate difference as at 31st December 2010.

14.6 Long Outstanding Creditors

The Finance Officer is responsible for ensuring that, payments for goods received or services rendered are settled within 30 days from the date of invoice.[2]

Our review of creditors listing noted that some creditors have been long outstanding. Refer to Table 14.3 for details.

Table 14.3: Long Outstanding Creditors

Year	Supplier	Outstanding Amount ($)
December 08	Supplier A	4,320.00
December 08	Supplier E	50.00
April 09	Supplier E	1,046.60
April 09	Supplier E	240.00
May 09	Supplier B	80.00
August 09	Supplier E	160.00
August 09	Supplier E	100.00
August 09	Supplier D	92.18
September 09	Supplier D	1,163.48
December 09	Supplier C	540.00
December 09	Supplier C	540.00
December 09	Supplier F	800.00
Total		**9,132.26**

The above long outstanding balances imply that progressive follow ups were not being done with the suppliers for the outstanding payments. Creditors may be overstated by $9,132.26.

Recommendations

- **Reconciliation should be performed on long outstanding creditors' accounts and payments are to be made to creditors where legal obligation is justified.**
- **Management of Investment Fiji should consider writing back long outstanding creditors once it is reasonable and is established that creditor does not exist and payments will not be made by Investment Fiji.**

Management Comments

The outstanding sum of $4,320 to the creditor, Supplier A relates to retention sum not paid for software development. Supplier A's final product has failed to meet Investment Fiji's expectation. The issue is currently with the lawyers where the Board has decided not to re-engage Supplier A and not to pay the final balance.

The lawyers are expected to communicate to Supplier A their failure to fulfill their contractual obligation, thus advising them on the non-payment of the retention sum.

[2] Investment Fiji, Financial Regulation – Section 2.3

The amount will be cleared from the books once confirmation is received from the lawyers.

The total outstanding sum of $1,255.66 to Supplier D has been not appearing in their statement and was invoiced by Supplier D in 2011. The payment has been made in 2011.

Total works carried by Supplier E amounting to $1,596.60. These details are not appearing in their statement and record; final confirmation will be obtained as at December end 2011 before adjusting our books. The same will be done for Supplier C and other small outstanding creditors.

14.7 Income Received In Advance

Balances reported in the financial statements should be adequately supported with appropriate documents and records.

Income received in advance amounting to $44,556 as reported in the balance sheet could not be substantiated to any supporting documents/records. Refer to Table 14.4 for details.

Table 14.4: Income Received In Advance

Account	Amount ($)
Commonwealth Funding	11,299.58
Austrade Training	33,118.49
NZ Export Enhancement	90.00
Sydney Trade Commission	17.75
LA Trade Commissioner	30.39
Total	**44,556.21**

There is a possibility that income received in advance may have been realized as income in prior years, however not classified in those years as income. Income in advance may be overstated in the financial statements.

Recommendation

Proper reconciliation should be prepared for income received in advance and necessary adjustments made to income statement where realization of the income has been established.

Management Comments

The sum of $33,118.49 is an old transaction relating to 1999. Confirmation has been received from AusTrade Training that there is no record in their books that such money was given as a result our accounts will be adjusted in 2011.

The sum of $11,299.58 relates to money received from Commonwealth in 2002. There are no details/records in our system. Investment Fiji is currently verifying its record to find out the purpose of the funds and from where it was received.

The books will be adjusted in 2011 for the other small amounts.

14.8 Excessive Annual Leave

It is a good financial practice that entities and organizations have a written policy on annual leave entitlements for staff. Such policy will formalize the leave entitlements especially on the encashment of the annual leave due.

Our audit noted that there was no policy in place to restrict annual leave balances to be carried forward. Accordingly, there were instances where annual leave due to staffs were considered excessive. Refer to Table 14.5 for examples.

Table 14.5: Excessive Annual Leave

Staff	No of days leave due	Gross Amount ($)
Staff 1	30	1,400.39
Staff 2	37	6,147.35
Staff 3	27	4,543.12
Staff 4	31	3,419.83
Staff 5	41	2,536.95
Staff 6	32	3,532.43

Higher annual leave balances will increase risk of higher liability for annual leave. Furthermore, annual leave are compensated on current wage rate and any increase in wage rate will put further burden on Investment Fiji for the future cash payments to compensate annual leave which could arise from resignations by those staffs.

Recommendations

- **Leave administration should be improved and Investment Fiji should encourage staffs to take leave when due.**
- **Staffs whose annual leave balances are excessive should be encouraged to go on leave when appropriate.**
- **Written policy should be formalised and become part of the financial regulation to guide accounting for accumulated annual leave balances.**

Management Comments

A new Human Resource Policy is in the process of being drafted by our line Ministry and annual leave policies will be part of it.

Staff leave balances have been reduced in 2011. A few staff still has high leave balances which are slowly getting reduced.

A written policy would be formulated to guide accounting for accumulated annual leave balances.