



EXCELLENCE IN PUBLIC SECTOR AUDITING

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Audits of Statutory Authorities – June 2012





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OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



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31 July 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

AUDIT OF STATUTORY AUTHORITIES - JUNE 2012

In accordance with section 7(7) of the State Services Decree 2009, I am pleased to transmit to you my report on the audits of accounts of the above mentioned entities that were completed during the 1st half of 2012.

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
Auditor - General



FOREWORD

This report discusses the result of audits of 12 statutory authorities which were completed during the 1st half of 2012.

Out of the 12 statutory authorities audited during the 1st half of 2012, 9 reported surpluses whilst the other 3 incurred losses in their operations. 8 statutory authorities were issued unqualified audit reports while 3 were issued qualified reports. 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 is yet to be submitted for audit.
3	Fiji Institute of Technology	2009	Unqualified	FIT has been taken over by the Fiji National University and will select its own auditor.
4	Fiji Inland Revenue & Custom Authority	2011	Unqualified	Audit of 2011 account completed.
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	2011 audit competed and account sent to FCS for signing.
9	Tourism Fiji	2010	Unqualified	Audit of 2011 account is in progress
10	Korovou Rural Local Authority	2010	Qualified	2011 account is yet to be submitted for audit.
11	National Fire Authority	2009	Unqualified	2010 account is yet to be submitted for audit.
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 is yet to be submitted for audit.
15	Training and Productivity Authority of Fiji	2009	Qualified	Audit of 2010 account completed and financial statement sent to TPAF for signing on 18/6/12
16	Coconut Industry Development Authority of Fiji	2007	Qualified	2008 account is yet to be submitted for audit.
17	Consumer Council of Fiji	2011	Unqualified	Audit of 2011 account completed.
18	Investment Fiji	2011	Unqualified	Audit of 2011 account completed.
19	Sugar Industry Tribunal	2010	Unqualified	Awaiting submission of 2011 account for audit.
20	Fiji Audio Visual Commission	2009	Unqualified	Audit of 2010 is in progress.
21	Fiji Commerce Commission	2011	Unqualified	Audit of 2011 account completed
22	Ra Rural Local Authority	2008	Qualified	2009 account is yet to be submitted for audit.
23	Western Division drainage Board	2010	Unqualified	2011 account is yet to be submitted for audit.

Statutory Authorities

1. Fiji Commerce Commission
2. Consumer Council of Fiji
3. Ra Rural Local Authority
4. Fiji Independent Commission Against Corruption
5. Fiji Institute of Technology
6. Fiji Revenue & Customs Authority
7. National Fire Authority
8. Western Division Drainage Board
9. Korovou Rural Local Authority
10. Tourism Fiji
11. Investment Fiji
12. Land Transport Authority

SECTION 1: FIJI COMMERCE COMMISSION

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

The Commission has the following functions in relation to regulated industries:

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

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

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

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PART A: FINANCIAL INFORMATION

1.1 Audit Opinion

The audit of the financial statements of the Fiji Commerce Commission for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

1.2 Statement of Financial Performance

Year ended 31 December	2011 31 December (\$)	6 Months 31 Dec 2010 (\$)
Income		
Government Grant	1,491,699	619,849
Amortization of Deferred Income	36,759	12,857
Professional Fees	79,266	31,133

Year ended 31 December	2011 31 December (\$)	6 Months 31 Dec 2010 (\$)
Miscellaneous income	50,048	7,993
Total Income	1,657,772	671,832
Expenditure		
Personnel Expense	1,107,544	515,814
Rent	101,172	54,324
Advertising	14,241	21,792
Other Expense	341,858	166,834
Total Expenditure	1,564,815	758,764
Net (Deficit)	92,957	(86,932)

The Commission recorded a net surplus of \$92,957 in 2011 compared to a deficit of \$86,932 in 2010 due to increase in government grant as the result of the merger of Prices and Income Board and the Department of Fair Trading with Fiji Commerce Commission.

1.3 Statement of Financial Position

As at 31 December	2011 31 December \$	6 Months 31 Dec 2010 \$
Current Assets		
Cash at bank and on hand	133,760	66,176
Deposits	5,478	4,724
Other receivables	28,835	9,643
Total Current Assets	168,073	80,543
Non Current Assets		
Property, Plant & Equipment	133,773	141,323
Total Assets	301,846	221,866
Current Liabilities		
Accounts Payable	11,899	32,904
Other current liabilities	77,038	52,387
Total Current Liabilities	88,937	85,291
Non Current Liabilities		
Deferred Income	48,703	65,326
Total Liabilities	137,640	150,617
Net Assets	164,206	71,249
Accumulated Fund	164,206	71,249

Total assets of the Commission increase by \$92,957 or 130% in 2011 compared to 2010 was largely attributed by increase in Cash at bank. The increase in Cash at bank was a result of increase in government grant following the merger of Fiji Commerce Commission with Prices and Income Board and Department of Fair Trading.

SECTION 2: CONSUMER COUNCIL OF FIJI

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

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PART A – FINANCIAL POSITION**2.1 Audit Opinion**

The audit of the financial statements of the Consumer Council of Fiji for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

2.2 Abridged Statement of Financial Performance

As at 31 December	2011 (\$)	2010 (\$)
Income		
Government Grant	531,281	517,578
Other Income	147,144	41,196
Total Income	678,425	558,744
Expenditure		
Depreciation	22,244	29,632
Rent and rates	50,061	49,800
Salaries, wages and related payments	341,233	342,934
Telephone and postage charges	14,879	12,130
Travelling expenses	21,134	19,353
Sundry expenses	142,837	136,856
Total Expenditure	592,388	590,705
Net Surplus/(Deficit) for the year	86,037	(31,961)

The Council recorded a surplus of \$86,037 in 2011 compared to a deficit of \$31,961 in 2010. This was due to the increase in total income by \$119,681 or 21%. Expenditure was also adequately controlled over the period reviewed.

2.3 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Current Assets		
Cash on hand and at bank	273,211	198,103
Other current assets	11,873	9,073
Total Current Assets	285,084	207,176
Non – Current Assets		
Property, plant and equipment	40,891	60,715
Total Non – Current Assets	40,891	54,008
Total Assets	325,975	267,891
Current Liabilities		
Accounts payables and accruals	47,281	43,590
Grants Payable	266,751	180,266
Other current liabilities	125,567	243,696
Total Current Liabilities	439,599	467,552
Total Liabilities	439,599	467,552
Net Assets	(113,624)	(199,661)
Accumulated Funds and Reserves	(113,624)	(199,661)

Cash on hand and at bank increased by \$75,108 or 38% in 2011 compared to 2010. This contributed towards the decline in deficit balance from \$199,661 in 2010 to a deficit balance of \$113,624 in 2011.

SECTION 3: RA RURAL LOCAL AUTHORITY

The Ra 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

3.1 Audit Opinion - 2008

The audit of the financial statements of the Ra Rural Local Authority (RRLA) for the year ended 31 December 2008 resulted in the issue of a qualified audit report. The qualifications were as follows:

1. The Statement of Revenue and Expenditure has been prepared using the cash basis of accounting and did not take into account revenue not received and expenditure not paid at balance date. Similarly, the Statement of Financial Position did not incorporate debtors, prepayments, creditors and accruals and was therefore a limited statement of financial position contrary to section 7(4) of the Public Health (Sanitary Services) Regulations.
2. Certain revenue receipts were missing from the receipt books, and which were not accounted for in the cashbook; therefore I am unable to satisfy myself on the completeness and accuracy of the total revenue amounting to \$113,837.

3.2 Abridged Statement of Financial Performance

Items	2008 (\$)	2007 (\$)
Revenue		
Garbage fees	15,685	16,611

Items	2008 (\$)	2007 (\$)
Government Grant	40,000	15,000
Market fees	40,084	39,747
Rent/Hire of Hall	8,282	6,019
Taxi and Carrier Fees	5,940	3,848
Other Revenue	3,846	4,754
Total Revenue	113,837	85,979
Expenditure		
Garbage Contractor	10,000	10,000
Materials & Tools	7,345	1,166
Salaries, Wages and Related Payments	53,909	55,294
Capital	15,032	129
Other Expenses	14,110	27,483
Total Expenditure	100,396	94,072
Net surplus/(deficit) balance for the year	13,441	(8,093)

RRLA recorded a net surplus of \$13,441 in 2008 compared to a deficit of \$8,093 in 2007. This was attributed to the increase in revenue collected by \$27,858 or 32% in 2008.

3.3 Abridged Statement of Financial Position

As at 31 December	2008 (\$)	2007 (\$)
Assets		
Cash at bank – Operating	239	6,694
Cash at bank – Capital	19,896	---
Total Assets	20,135	6,694
Liabilities		
VAT payable	394	394
Total Liabilities	394	394
Net Assets	19,741	6,300
Accumulated Funds	19,741	6,300

The company's net asset position increased by \$13,441 or 213% in 2008 compared to 2007 as a result of the increase in cash at bank.

PART B – CONTROL ISSUES

3.4 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:

¹ Fiji Accounting Standard – Presentation of Financial Statements, paragraph 7
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- i. All Changes in equity; or
 - 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 the cash basis of accounting, the Authority did not disclose in its financial statements property, plant and equipment, debtors, creditors, prepayments and other accruals. The balance sheet was also 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 statement for the year ended 31 December 2008 does not reflect the true financial position of the Authority; hence it is limited statement of financial information.

Recommendations

- **The Authority should 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 the financial statements.**
- **Training with respect to basic accrual accounting should be provided to the finance staff of the Authority to ensure that the accrual basis for preparation of accounts is complied with.**

Authority's Comments

- *The only money received in the office is the government grant. All public health activity payments are made from this grant.*
- *A balanced Financial Statement will need to be in place prior to the next audit.*
- *Training on Basic Accrual Accounting has been proposed for the Western Division with Divisional Health Inspector Western organizing it.*

3.5 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 unfavorable audit reports

Prudence requires that entities should maintain an accounting manual, whether in the private or public sector to enhance its accounting functions, internal controls and eliminate risk of mismanagement. An

² Finance Instruction 2010 – Section 59

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.

The Authority does 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 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.**

Authority's Comments

The formulation of basic accounting manual or standard operating procedure to be utilized to all rural local authorities has been proposed to Divisional Health Inspector, Western.

3.6 Non Payment of Provisional Tax

Unless a Certificate of Exemption (except as mentioned in the Legal Notice 70) is produced by the contractor or satisfactory evidence is produced by the contractor that he holds such certificate, provisional tax of the rate of 15% must be deducted from the gross amount at the time of actual payment of the contracted sum.³

The Local Authority paid \$10,000 to Company X for the removal and disposal of all garbage from the Ra Sanitary Services proclaimed area to the garbage dump at Naria. However, the Authority failed to deduct \$1,500 (15%) as provisional tax since no Certificate of Exemption was produced by the company.

The above reflects the laxity on the part of the supervising officer in ensuring that provisional tax is deducted on the above payment.

Recommendation

The Authority should ensure that recovery of provisional tax is made from the company.

Authority's Comments

The recommendation is noted and to be complied with.

³ Income Tax (Collection of Provisional Tax) Regulations, 1976.
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SECTION 4: FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION (FICAC)

The Fiji Independent Commission Against Corruption (FICAC) was established on the 4th of April 2007 to investigate acts of corruption by Public Officers, employees of government and government – related organisations. The Fiji Independent Commission Against Corruption is governed by the FICAC Promulgation 2007 and to maintain its independence, it reports directly to His Excellency the President.

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PART A – FINANCIAL INFORMATION

4.1 Audit Opinion

The audit of the financial statements of the Fiji Independent Commission Against Corruption for the year ended 31 December 2010 resulted in the issue of a unqualified audit report.

4.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 (\$)	2009 (\$)
Income		
Government Grants	7,288,889	4,800,000
Other Deposits	---	28,454
Total Revenue	7,288,889	4,828,454
Expenditure		
Salaries and Wages	2,961,671	2,161,161
Legal Fees – Local and Overseas	2,250	185,899
Fixed Assets	1,943,833	437,998
Traveling Local and Expatriate	288,667	329,248
Other operating expense	1,757,631	1,079,560
Total Expenditure	6,954,052	4,193,866
Net Surplus/(Deficit) for the year	334,837	634,588

FICAC's operation was fully funded by the government with salaries and wages making up the major component of the expenditure. The government grant to FICAC was increased by \$2,488,889 or 52% in 2009. Operating expenses also increased by \$2,760,186 or 66%.....

Government grant increased due to high case loads and expansion in operation. The Suva and Lautoka Offices were strengthened. New recruitments made locally and from overseas increased the salaries and wages expenditure. A new server was also purchase and software upgrading was undertaken.

4.3 Abridged Statement of Financial Position

As at 31 December	2010 (\$)	2009 (\$)
Assets		
Cash at bank	696,701	1,219,741
Receivables	115,040	2,784
Total Assets	811,741	1,222,525
Liabilities		
Creditors and other accruals	126,968	72,704
VAT Payable	---	616,848
Total Liabilities	126,968	689,552
Net Assets	684,773	532,973
Net Accumulated Fund	684,773	532,973

The Commission's net assets increased by \$151,800 or 28% in 2010 compared to 2009. This was mainly due to the increase in VAT receivables by \$112,256 and decrease in total liabilities by \$562,584 or 82%.

PART B – CONTROL ISSUES

4.4 Salary Overpayment

Salaries and Wages constitute a major portion of the Commission's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorized payments, inaccurate payroll reports and invalid pay rates.¹

The audit noted that a former employee whilst employed at Fiji Military Forces was overpaid leave compensation of \$5,732.81. The Ministry of Finance through its memorandum (03/09/09) advised the Commission to deduct \$44.10 per fortnight from the officer's salary. The former employee joined the Commission on 10/10/07.

The Commission started the recovery of \$44.10 from the officer's pay 18/2009.

However, audit noted that the officer resigned from the Commission with effect from 03/04/10. As of his resignation date, only \$661.50 was recovered from the officer. The officer still owes \$5,071.31

Furthermore, the Commission revealed that the whereabouts of the Officer is unknown; hence no recovery could be made.

¹ FICAC Finance Manual – Part 3 - Payroll

Lack of controls over resignation increases the risk of non recovery of debt owed by public officers

Recommendations

- **The Commission should make a concerted effort to find the officer and recover the overpayment of \$5,071.31.**
- **The Commission should ensure that salary overpayments are recovered or arrangement made before an officer is released upon resignation or retirement.**

Commission's Comments

The officer's salary overpayment occurred in RFMF, however we ensued deductions until his resignation from FICAC. The officer was paid \$572.00 at the time of his resignation which was beyond the management's jurisdiction to recover the same.

We have obtained confirmation from Airports Fiji Limited, that the officer is a current employer that the recovery deduction was instigated when the officer commenced work at AFL.

The Financial Accountant of AFL confirmed that after 6 fortnightly deductions, the recovery was ceased by the officer due to RFMF not providing the correct account that is to be credited.

This matter has been addressed to the officer and he has confirmed that he would verify this with RFMF Accounts Section in order to have the recovery reactivated.

The auditors can confirm and obtain an update from AFL on the current status of the overpayment recovery. Ministry of Finance has given a 5 year period from September 2009 to recover the total overpayment.

4.5 Case Management System

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or may authorise any officer on his behalf to conduct any enquiry, examination or audit.²

Upon the completion of evaluations, the Chair of the Commission Tender Board or Evaluation Committee shall prepare a report including:

- a) A list of all tenders received;
- b) The evaluation of each tender against each evaluation criteria;
- c) The ranking of tenders based on evaluation criteria – whether on an individual or consensus basis;
- d) The approved or recommended tender.³

Furthermore, for goods, services or works subject to a written contract or agreement, the receiving officer shall verify that claims for progress payments are in order and delivered in accordance with the contract or agreement.⁴

The Commission is in the process of implementing a case management system to handle the entire case history starting from the case registration to the case closure. In addition, the Commission is

² Audit Act – Section 7 (a) & (b)

³ FICAC Finance Manual – Section 2.4.13

⁴ FICAC Finance Manual – Section 2.5.12

introducing a bio metric access control to monitor their attendance system and at the same time ensuring and strengthening its security structure.

The Commission called for tenders on 04/12/09 for the implementation of the above system. The tender was awarded to Bidder 1 on 11/02/10 to implement the above system within 12 months. The Project commenced as plan on 15 February 2010 and was expected to be completed in February 2011.

The audit noted the following anomalies in regards to the selection and implementation of this system:

- The Commission did not produce the details of the tender evaluation and ranking of each tender received. As such, the audit was unable to verify the basis on which Bidder 1 were selected.
- The Commission did not produce a signed tender document or contract for the above work. Hence audit could not determine the cost of tendered work estimated to be done by the company. A total of \$1,929,733.06 was incurred as at 31/12/10 for the above work.
- The work was estimated to be completed in December 2010⁵ as per tender submission by Bidder 1; however the project is still ongoing as at the date of audit.⁶ Hence the works have past the expected date of completion by 7 months.

The Commission will continue to incur high cost if proper plan and budget are not prepared to monitor the implementation of the above capital project.

The above anomalies indicate the laxity of the Commission in ensuring that the above capital work is properly monitored so that it can be completed on time as stipulated in the tender submission by Bidder 1.

Recommendations

- **The Commission should carry out proper planning and supervision of capital works to ensure that the work is completed within the stipulated timeframe and proper value is obtained for the money spent.**
- **The Commission should ensure that all requested documents are made available to auditors during the audit.**

Commission's Comments

In response to the audit findings and recommendations, we wish to clarify the following:

• 21 November 2009	-	<i>Tender was called/advertised in the local papers.</i>
• 4 December 2009	-	<i>Tender closed</i>
• 7 December 2009	-	<i>Tender was opened. Nine (9) companies had submitted their tender and were called to attend the opening of the tender. Out of the nine (9) companies only two (2) were present for the opening of tender (Bidder 2 and Bidder 1)</i>
• 21 December 2009	-	<i>Analysis of tender carried out based on the matrix system from Government ITC and FICAC's requirements</i>
• 11 February 2010	-	<i>Tender awarded to Bidder 1</i>

⁵ Work Estimated to be completed in 10 months

⁶ 03/08/2011

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• 22 February 2010	-	Feasibility study on FICAC current IT setup carried out by Bidder 1 and their parent company
• 30 March 2010	-	Non disclosure agreement signed with Bidder 1 and feasibility assessment report submitted to FICAC
• April – May 2010	-	Framework and flowchart of the case management system requirements was discussed with all Department Heads
• June – September 2010	-	Testing and rectification of errors and changes to the case management system
• October – December 2010	-	Training of officers on the use of the case management system and further changes to the Assessment and Prosecution modules of the case management system
• January 2011	-	Programming of the security and individual access into the system
• March 2011	-	Roll out of the case management system

Concurrent to the above activities, Bidder 1 attended to the following:

- Supply, installation and programming of a new server;
- Relocation, installation and programming of the backup server;
- Supply, installation and interfacing of the attendance machines for FICAC offices (Suva, Lautoka and Labasa);
- Supply, installation and programming of the audio/video recording system, suspect fingerprinting system, barcode machine and photographing system; and,
- Linking IT systems at all FICAC locations (Suva, Lautoka and Labasa).

Please note, the case management system is operational with over 10,000 complaints registered on the system. The system is designed for all FICAC Departments (Complaints, Legal & Investigations) and used at all FICAC locations (Suva, Lautoka and Labasa).

Bidder 1 and its parent company are still providing backup assistance to FICAC with regards to changes required by Legal and Investigations Departments.

Further, the case management system is not an off the shelf software but is a software designed and customised specifically to FICAC's operational requirements.

SECTION 5: FIJI INSTITUTE OF TECHNOLOGY

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

From 1 January 1996, FIT became fully autonomous. Under government's Decree number 18 of 1992, a FIT Council was set up to control the resources and operations of the Institute.

The objectives of the Institute include provision of a broad spectrum of post-secondary programmes particularly in technical and vocational education, in accordance with the educational and economic developmental policies of the government and the needs of the government, major industries and commerce, placing emphasis on pursuits of excellence and equity.

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PART A – FINANCIAL INFORMATION**5.1 Audit Opinion**

The audit of the financial statements of the Fiji Institute of Technology for the year ended 31 December 2008 resulted in the issue of a qualified audit report. The qualifications are as follows:

- A detailed property, plant and equipment register is not maintained by the Institute, therefore I was unable to satisfy myself on the completeness and existence of physical assets totalling \$37,479,896 and the valuation of the cost of depreciation expenses totalling \$1,193,807 and the net carrying amount.
- The depreciation charge for the year in respect of the assets donated by the government of Fiji is offset against the deferred revenue of \$285,993 released to the statement of income and

expenditure. A detailed deferred income register is not maintained by the Institute, therefore the completeness, existence and accuracy of the deferred revenue could not be ascertained.

5.2 Abridged Statement of Financial Performance

Year Ended 31 December	2008 (\$)	2007 (\$)
Income		
Government Grant	8,000,000	9,026,228
Benefits Realized – Government Grant	285,993	497,813
Tuition Fees	10,289,771	9,848,386
Other Income	2,696,730	2,055,308
Total Income	21,272,494	21,427,735
Expenditure		
Course Related Expenses	1,274,239	1,685,655
Personal Expenses	12,456,582	13,997,500
Depreciation and Amortization	1,193,807	1,363,603
Loss on Sale of Plant and Equipment	---	575
Other Operating Expenses	6,830,138	3,596,549
Total Expenditure	21,754,766	20,643,882
Net Surplus/(Deficit) for the Year	(482,272)	783,853

The Institute recorded an operating deficit of \$482,272 in 2008 compared to a surplus of \$783,853 in 2007. This was largely due to decrease in Government Grant by \$1,026,228 or 11% and the significant increase in other operating expenses by \$3,233,589 or 90% in 2008 compared to 2007.

5.3 Abridged Statement of Financial Position

As at 31 December	2008 (\$)	2007 (\$)
Assets		
Cash and cash equivalents	3,844,628	836,491
Trade and other receivables	791,392	3,737,065
Inventories	91,588	107,022
Prepayments	27,922	28,888
Operating Grant Due	---	1,026,228
Property, Plant & Equipment	37,479,896	37,245,820
Total Assets	42,235,426	42,981,514
Liabilities		
Bank Overdraft	170,265	1,853,217
Trade and Other Creditors	3,320,036	5,851,010
Provisions	487,693	615,969
Project Funds	292,325	281,937
Deferred Revenue	16,548,055	12,480,057
Total Liabilities	20,818,374	21,082,190
Net Assets	21,417,052	21,899,324
Reserves and Accumulated Losses		
Capital Reserve	11,430,604	11,430,604
Revenue Reserve	3,851,611	4,333,883

As at 31 December	2008 (\$)	2007 (\$)
Asset Revaluation Reserve	6,134,837	6,134,837
Total Accumulated Funds	21,417,052	21,899,324

Net assets decreased by \$482,272 or 2% in 2008 compared to 2007. This was due to a decrease in operating grant by \$1,026,228 or 11% and trade and other receivables by \$2,945,673 or 79% and an increase in deferred revenue by \$4,067,998 or 33%.

PART B – CONTROL ISSUES

5.4 Strengthening of the Financial and Internal Controls

The audit noted a number of issues in relation to the preparation and review process of general ledger reconciliation which suggest that the accounting system, internal control processes and procedures at the Institute requires strengthening. The following irregularities were noted.

- A number of general ledger reconciliations were not available for verification during the audit. For example, the detailed property plant and equipment register and detailed revenue reconciliations.
- The reconciliations provided did not have any evidence of review by an independent person other than the preparer.
- A number of anomalies were noted in relation to the quality, completeness and accuracy of the reconciliations provided. The reconciliations provided contained a number of mathematical errors and incorrect data.

The above anomalies and weaknesses in internal controls over the general ledger reconciliations resulted in incorrect accounting data and accounting information reported to management for the purpose of decision making.

In addition the lack of diligence in preparation and independent review of general ledger reconciliations also increases the risk of errors and anomalies not being detected. Poor accounting systems, processes and procedures could lead to material misstatements, irregularities and even fraud.

Recommendation

The management should strengthen the reconciliation and review function of the Institute. This includes formalizing policies and procedures over the general ledger reconciliation process and establishing and implementing effective internal controls together with adequate segregation of duties over key tasks.

Institute's Comment

All Finance policies and procedures are now in place for general ledger reconciliation.

5.5 Anomalies in Property, Plant and Equipment

Fiji Institute of Technology had over \$37 million in written down value of property, plant and equipment as at 31/12/08. This was the largest component of the Institute's total assets. The following anomalies were noted.

- A detailed property, plant and equipment register was not maintained by the Institute. For each class of property, plant and equipment, only movements such as the totals of the cost of assets, additions made during the year, depreciation charge for the year and accumulated depreciation were provided;
- A separate detailed register is not maintained for fixed assets donated by the Fiji Government. Also a detailed reconciliation of the amortization of Government grant was not provided for review;
- The fixed asset capitalisation policy is \$1,000 and above, however, items below \$1,000 were capitalized. Refer to Table 5.1 below for examples.

Table 5.1: Examples of fixes assets capitalised with cost below \$1,000

Fixed Asset Category – description	Cost (\$)
Library books	130 – 420
Plant and equipment – alloy jet spray nozzle	75
Plant and equipment – fire fighting gloves	630

- Lease agreements for the following leased lands were not made available for verification.
 - Crown lease – DP 2657 Lots 1, 2 & 3 and ND 4758 CAAF Compound lease no. 267384
 - Crown lease – No. 13563 Lot 5 ND 4444 pt of now on Lot 1 ND4761
 - Native lease – Tauvegavega Lot 1 on BA 2232 and Lots 1 & % on SO 3069 –No. 27737
- Rental agreement for quarters 213 CAAF Compound was not renewed which expired in 2007.

As no detailed property, plant and equipment register was provided for verification the audit could not perform audit procedures to verify the property, plant and equipment balance as at 31 December 2008.

Accordingly, the completeness, existence and accuracy of property, plant and equipment and related accounts such as depreciation and deferred revenue could not be ascertained.

Recommendations

- **Management should maintain a detailed property, plant and equipment register for all assets of the Institute including those funded by the Government of Fiji.**
- **It should adhere to fixed asset capitalization policy at all times and should properly maintain the land lease agreements and ensure it is renewed on a timely basis.**

Institute's Comment

A detailed fixed asset register is now being maintained by the university after doing a board of survey and valuation exercise. An asset capitalization policy is now being developed and adhered to. All the property is now being transferred to FNU under FNU decree.

5.6 Controls over student debtors to be strengthened

Our review of the internal controls and processes over trade receivables revealed the following.

- The trade receivables balances were made up of accumulated balances dating back to 1999. The trade receivables balance was understated in the prior years due to the students subsidiary system not able to generate reports;
- There were no credit policies and procedures in place which govern the functions of the receivables and collections department;
- There was no follow up on outstanding debt from prior years. This resulted in the accumulation of outstanding debt;
- Follow up performed by the collections department in years subsequent to 2010 revealed that some of the debtors have left the country and/or there is no available contact. Debts which are no longer recoverable should be written off; and
- Trade receivables control ledger and reconciliations were not reviewed by management on a regular basis. The reconciliations provided did not have any evidence of review by senior management personnel.

The above anomalies resulted in the creation of \$4.2 million of provision for doubtful debts against the trade receivables balance at balance date. This represents 85% of total debts.

Recommendations

- **Management should strengthen the controls regarding the timely update and review of the debtors listing.**
- **It should follow up student debtors as soon as they become overdue and must ensure that students or their sponsors clear all current dues before they are allowed to enrol for further courses.**
- **Management should ensure that student arrears are regularly monitored and followed up to minimize the bad and doubtful debts.**

Institute's Comment

These are all now covered by the debt and fees policy of the university.

PART A – FINANCIAL INFORMATION 2009

5.7 Audit Opinion

The audit of the financial statements of the Fiji Institute of Technology for the year ended 31 December 2009 resulted in the issue of a qualified audit report. The qualifications are as follows:

- The carrying amount of property, plant and equipment as at 31 December 2009 was \$44,426,663 and the depreciation expense for the year was \$1,372,650. The carrying amount and depreciation expense were extracted from the property, plant and equipment register (PPER) as at 31 December 2009. The PPER was not properly maintained and I could not satisfy myself on the existence or completeness of physical assets recorded in the PPER nor the valuation of cost, depreciation and net carrying amounts recorded.

Accordingly, I was unable to verify the reasonableness of the assets depreciation expenses for the year ended 31 December 2009 and the carrying values of property, plant and equipment disclosed in the financial statements as at 31 December 2009 and determine the impact, if any, of any adjustments which may be necessary had a complete and accurate PPER been made available for verification.

- The depreciation charge for the year in respect of the assets donated by the government of Fiji is offset against the deferred revenue of \$285,993 released to the statement of income and expenditure. A detailed deferred income register is not maintained by the Institute, therefore the completeness, existence and accuracy of the deferred revenue could not be ascertained.

5.8 Abridged Statement of Financial Performance

Year Ended 31 December	2009 (\$)	2008 (\$)
Income		
Government Grant	9,000,000	8,000,000
Benefits Realized – Government Grant	285,993	285,993
Tuition Fees	13,428,430	10,289,771
Other Income	5,291,445	2,696,730
Total Income	28,005,868	21,272,494
Expenditure		
Course Related Expenses	1,900,921	1,274,239
Personal Expenses	13,576,327	12,456,582
Depreciation and Amortization	1,372,650	1,193,807
Other Operating Expenses	6,244,034	6,830,138
Total Expenditure	23,093,932	21,754,766
Net Surplus/(Deficit) for the Year	4,911,936	(482,272)

The Institute recorded an operating surplus of \$4,911,936 in 2009 compared to a deficit of \$482,272 in 2008. This was largely due to increase in government grant by \$1,000,000 (13%), tuition fees by \$3,138,659 (31%) and other income by \$2,594,715 (96%) compared to 2008

5.9 Abridged Statement of Financial Position

As at 31 December	2009 (\$)	2008 (\$)
Assets		
Cash and cash equivalents	5,617,150	3,844,628
Trade and other receivables	514,180	791,392
Inventories	144,402	91,588
Prepayments	99,177	27,922
Property, Plant & Equipment	44,426,663	37,479,896
Total Assets	50,801,572	42,235,426
Liabilities		
Bank Overdraft	---	170,265
Trade and Other Creditors	5,089,497	3,320,036
Provisions	200,816	487,693
Project Funds	---	292,325

As at 31 December	2009 (\$)	2008 (\$)
Deferred Revenue	22,262,062	16,548,055
Total Liabilities	27,552,375	20,818,374
Net Assets	23,249,197	21,417,052
Reserves and Accumulated Losses		
Capital Reserve	15,851,346	11,430,604
Revenue Reserve	1,263,014	3,851,611
Asset Revaluation Reserve	6,134,837	6,134,837
Total Accumulated Funds	23,249,197	21,417,052

Net assets increased by \$1,832,145 or 9% in 2009 compared to 2008. This was due to increases in cash and cash equivalents by \$1,772,522 or 46%, inventories by \$52,814 or 58%, prepayments by \$71,255 or 255% and property, plant and equipment by \$6,946,767 or 19%. Provisions also declined by \$286,877 or 59% and project fund and bank overdraft also reduced to nil from \$292,325 and \$170,265 respectively.

PART B – CONTROL ISSUES

5.10 Anomalies in Property, Plant and Equipment

Our audit noted that Fiji Institute of Technology had over \$44 million in written down value of property, plant and equipment as at 31/12/09. This makes it the largest component of the Institute's total assets. The following anomalies were noted:

- A detailed property, plant and equipment register was not maintained by the Institute. For each class of property, plant and equipment, only movement such as the totals of the cost of assets, addition made during the year, depreciation charge for the year and accumulated depreciation were provided.
- A separate detailed register was not maintained for fixed assets donated by the Fiji Government.
- Included in the work in progress balance of \$21,872,645 were items which should not be capitalised as per IAS 16 to the value of \$37,000 for the year ended 31/12/2009. Refer to table 5.2 for examples:

Table 5.2: Items Capitalised

Description	Date Capitalised	Value (\$)
Item 1	03/09/2009	150
Charges for site meetings and attendances	09/06/2009	13,500
Item 2	13/11/2009	29

- Lease agreements for leased land were not made available for verification. The following instances were noted:
 - Crown lease – DP 2657 Lots 1, 2, 3 and D 4758 CAAF Compound lease no 267384
 - Crown lease – No. 13563 Lot 5 ND 4444 pt of now on Lot 1 ND 4761
 - Native Lease – Tauvegavega Lot 1 on Ba 2232 and Lot 1 & % on SO 3069 – No 27737

- Land lease agreement for Quarters 213 CAAF compound was not renewed. The operating lease agreement expired in 2007.

The absence of a detailed property, plant and equipment register created difficulties in performing audit procedures to verify the property, plant and equipment balance as at 31 December 2009.

Accordingly, the completeness, existence and accuracy of property, plant and equipment and related accounts such as depreciation and deferred income could not be ascertained.

Recommendations

- **The management should maintain a detailed property, plant and equipment register for all assets of the Institute including those funded by the Government of Fiji.**
- **The management should adhere to fixed asset capitalization policy at all times.**
- **The Management should properly maintain the land lease agreements and ensure it is renewed on a timely basis.**

Management's Comments:

A detailed fixed asset register is now being maintained by the university after doing a board of survey and valuation exercise. An asset capitalization policy is now being developed and adhered to. All the property is now being transferred to FNU under FNU decree. All lease agreements are now being renewed on timely basis since details are known by FNU.

5.11 Control over student debtors to be strengthened

Our review of the internal control and processes over trade receivables revealed the following:

- The trade receivable balances were made up of accumulated balance dating as far back as 1999. The trade receivable balance was understated in prior years due to the students' subsidiary system not able to generate reports.
- There was no credit policies and procedures in place which govern the functions of the receivables and collection departments;
- There was no follow up on outstanding debt for prior years, resulting in the accumulation of outstanding debt.

The above resulted in the creation of \$6.4 million of provision for doubtful debts against the trade receivables balance at balance date. This represented 93% of total debts.

Recommendations

- **The management should strengthen the controls regarding the timely update and review of the debtors listing by the Accountant and Director Finance.**
- **The management should follow up student debtors as soon as they become due.**
- **The management should implement strategies for students and their sponsors to ensure all current dues are cleared before they are allowed to enrol for further courses.**

Management's Comments

These are all now covered by the debt and fees policy of the university

5.12 Controls over Inventory Management to be strengthened

Audit identified a number of issues with respect to control and processes over the management and recording of inventory. The following anomalies were noted.

- Inventory count process was not effectively carried out. For instance, physical counts were not compared with the inventory listing maintained in the general ledger system and no investigation of the variances between the two records was performed.
- There was no evidence of review of the inventory listing maintained in the general ledger system.
- The books held in the Bookshop were not stated at net realisable value. The selling prices of books were lower than the cost price however the books were stated at cost price. Refer to table 5.3 for examples of books not stated at net realizable value.

Table 5.3: Books not stated at Net Realisable Value

Book Name	Qty	Cost Price (\$)	Selling Price as 31/12/2011 (\$)
A & P Technician General Textbook	3	207	134
Accounting	7	96	95
Applied Mechanical Design	5	96	82
Wiring Rules	40	297	195
Cost Accounting (A Management Emphasis)	9	95	56
Hydraulics in Civil and Environmental Engineering	5	116	50
Public Finance	1	102	34
Strategic Management	23	108	105

- Completed boat was valued at selling price rather than cost price as there are no costing methods to determine the cost of the boats. Refer to table 5.4 for boats valued at selling price.

Table 5.4: Boats valued at Selling Price

Description	Qty	Selling Price (\$)	Value (\$)
23' standard boat	2	7,000	14,000
23' wide boat	3	8,500	25,000

The above anomalies increase the risk of errors and irregularities with respect to the management of inventory. This may also result in misstatement of inventory balances recorded in the general ledger.

Recommendations

- **The Institute should ensure effective inventory management procedures and policies are implemented to address the issues noted above and reduce the risk of errors or irregularities in the inventory balance.**
- **A proper costing method should be used for finished boats.**

Management's Comments

All inventories are now managed by the inventory module of our Navision System.

5.13 Anomalies in Trade Creditors and Accruals.

Audit identified the following anomalies in trade creditors and accruals account.

- Trading accounts was maintained as creditors and accruals accounts. Refer table 4 for details.

Table 4: Trading Accounts maintained as Creditors & Accrual accounts

Account Description	Balance (\$)
Boat Building Trading Account	63,853
Insurance Refunds	45,387

- The Institute made a provision for medical expenditure on the number of employees. When staff claims for expenses the claim is offset against this account however the provision accumulated to a substantial balance of \$486,417 as at 31/12/2009. Review of the account against claims revealed that was overprovided at balance date.

The above anomalies may increase the risk of errors and irregularities with respect to income and creditors. This may also result in the income balance understated and the accrual balance overstated.

Recommendations

- **The Institution should ensure trading accounts are maintained for each operating activity and the profit or loss from the activity is recognised in the profit and loss account in the respective year.**
- **Provision for medical expenses should be reviewed at the end of each financial year and the remaining income should be reversed to income accordingly.**

Management's Comments

- *Trading accounts are now being maintained by our Navision system, it works together with the inventory module of the Navision system.*
- *Medical expenses are kept in a staff insurance scheme, where all the staff medical expenses are catered for. This fund accumulates over the years and gets topped up every year depending on the number of full time staff employed as recommended by the Human Resources committee of the University.*

SECTION 6: FIJI ISLANDS REVENUE & CUSTOMS AUTHORITY

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

The FIRCA Act specifies the following functions of the Authority:

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

Revenue Collection Division

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

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

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

Customs Services Division

The Customs Division is responsible for:

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

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

The Division also acts on behalf of other public agencies in carrying out their responsibilities and functions at the border, and administers all Customs Laws and Regulations. It represents the organization and the Government internationally to bodies such as World Customs Organization (WCO), World Trade Organization (WTO), Oceania Customs Organization (OCO) and the Regional Intelligence Liaison Office (RILO) and provides advice to the Private and Public sector.

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

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

Corporate Services Division

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

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

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PART A – FINANCIAL INFORMATION**6.1 Audit Opinion - 2011**

The audit of the financial statements of the Authority for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

6.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 (\$)	2010 (\$)
State Revenue		
State Revenue	1,585,972,519	1,303,456,633
Less: Payment to Government	(1,585,972,519)	(1,303,456,633)
Agency Revenue		
Grants from Government	29,587,830	25,230,841
Fees and Charges	5,776,596	4,329,608
Other Income	2,312,882	1,176,081
Total Agency Revenue	37,677,308	30,736,530
Employee Costs	22,473,992	21,638,580
Recurrent Expenditure	11,031,049	10,168,999
Total Expenditure	33,505,041	31,807,579
Net Surplus/(Deficit) for the Year	4,172,267	(1,071,049)

The Authority recorded a net surplus of \$4,172,267 in 2011 compared to a net deficit of \$1,071,049 in 2010 which was attributed to the increase in government grant by 17%, fees and charges by 33% and other income by 97%.

6.3 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Assets		
Cash at bank	15,942,076	23,749,955
Investments	25,064,432	11,024,908
Other current assets	1,569,207	2,547,460
Property, plant & equipment	14,271,778	14,315,911
Total Assets	56,847,493	51,638,234
Current Liabilities	5,256,674	5,045,617
Grant received in advance	18,060,023	16,737,213
Deferred grant income	1,748,413	1,918,794
Total Liabilities	25,065,110	23,701,624
Net Assets	31,782,383	27,936,610
Equity		
Restated Opening balance	22,501,762	23,576,340
Net Surplus	4,172,267	(1,071,049)
	26,674,029	22,505,291
Add: Asset Revaluation Reserve	5,108,354	5,431,319
Total Equity	31,782,383	27,936,610

The increase in net assets by \$3,845,773 or 14% in 2011 compared to 2010 was due to an increase in investment by \$14,039,524 or 127%.

PART B - CONTROL ISSUES

6.4 Business Advances Not Retired

Authorised claims are made in advance up to 100 % of the projected cost being issued. Advances must be accounted for, cleared and unused advance must be repaid within five working days of the completion of the official business otherwise deductions will be made for the full 100% from the next pay.¹

Our audit noted that some business advances issued in 2010 have remained outstanding as at 31/12/11. Refer to Table 6.1 below for details:

Table 6.1: Details of 2010 outstanding business advances

Month	Nature of Advance	Amount (\$)
2010/005	Allowance Civil Service Awareness @ Suva on 20/05/10 – 21/05/10	100.00
2010/004	Cash advance Interviews – TRCO on 27/04/10 and CO's (Vac 03/10)	100.00
2010/008	Advance - interview of Staff regarding Tax Fraud case	200.00
2010/012	Advance - interview of Customs Officers from 21/12/10 – 23/12/10	50.00
Total		450.00

¹FRCA Finance and Accounting Directions –Section 5.22.3

Total outstanding business advances balance as at 31/12/11 had increased significantly by \$35,745.42 or 340% compared to the outstanding balance as at 31/12/10. It was also noted that majority of the advance issued in 2011 have exceeded the 5 working days retirement period. Refer to Appendix 1 for details.

The above implies the lack of supervisory checks and inadequate monitoring of the advance balances and there is no compliance to the 5 working days retirement period.

Recommendation

The Authority should immediately instigate salary deductions against all those officers whose advances have not been cleared within the 5 days period time frame.

The Authority should identify those responsible officers who have yet to clear advances for the year 2010 and institute salary deduction to recover these amounts in arrears.

Authority's Comments

Steps have been taken to clear long outstanding advances and they are closely monitored. Where possible we have been recovering outstanding dues via salary deductions including the amounts reflected in the above table.

6.5 Increasing Salary Advance Balance

The Board approved a revolving fund of \$100,000 for the purpose of salary advances and at no time the total outstanding amount exceed \$100,000.² At any time the total deduction should not exceed 50% of gross, as provided for in the employee act.³

Our audit noted that the Authority allows salary advances to staffs who needs urgent assistance in education, family emergencies and funeral expenses for dependent relatives. In 2011, the outstanding balance for salary advance increased by \$15,912 or 23%. The breakdown of Salary Advance is provided in the table below:

Table 6.2: Business Advance 2011

Advance	Amount (\$)
Rent Arrears	1,242
Vodafone	3,838
Others	32,701
Uniforms	21,891
Salary Advance	23,109
TOTAL	82,781

Audit noted that two officers still have a large sum outstanding with regards to the double payment of the per diem paid in 2004 as tabulated below.

² 1.1 FAD001 Policy Guidelines and Procedures for Salary Advances of 20/03/2002

³ 1.5 FAD001 Policy Guidelines and Procedures for Salary Advances of 20/03/2002

Table 6.3: Double Payment of Per-Diem

Edp	D.O.B	Annual Salary	Amount Outstanding As At 31/12/11
47806	21/04/62	60,942	\$13,060
61159	10/08/73	50,684	\$16,669

The recovery rate for both officers is \$80 per fortnight which would take for a period of 6 to 8 years to make a recovery. In the absence of the guidelines for repayments, there are risks of amounts may be irrecoverable should the officers leave the service.

Recommendations

The Authority should review the policy guideline for issuing staff advances and put in provisions to ensure that the outstanding amounts are recovered with reasonable recovery time period.

Authority's Comments:

Comments are noted. Eligibility criteria for salary advances are adhered to including recovery timelines. With regard to the per diem overpayment, this was not a common occurrence and as such other factors including risk elements were considered prior to determining the recovery amount.

6.6 Housing Allowance Entitlement

Staffs eligible to receive housing include all salaried staff working outside Suva who were originally appointed in Suva and transferred to outer stations. Persons entitled to housing may include legally married and single employees, but where two Employees are entitled and they are spouses to each other only one shall be considered. Staff occupying quarters belonging to them or their spouses shall not be eligible for housing.⁴

The audit noted that the following Fiji Revenue and Customs Authority (FRCA) officers have been renting their own property to the FRCA and have been paid housing allowances accordingly. Moreover, it was noted that properties rented have been written under their spouses' name as landlords. Refer to Table 6.4 below for details:

Table 6.4: Officers renting in their own property

Tenant	Landlord	Monthly rent
Tenant 1	Landlord 1	\$600
Tenant 2	Landlord 2	\$450
Tenant 3	Landlord 3	\$600
Tenant 4	Landlord 4	\$450
Tenant 5	Landlord 5	\$450

Discussions with the officer responsible revealed that the Authority had sought clarification from the Public Service Commission in 2001 which had clarified that if the posting of the individual officer coincides with the fact the officer has a property at the station, and then it is unforeseen.

⁴FRCA HRM Directions –Chapter 4d

However, the audit noted that the Human Resource Management (HRM) Directions which was approved in May 2003 had clearly clarified that staffs occupying quarters belonging to them or their spouses shall not be eligible for housing.

The anomaly noted above is an apparent breach of standing FRCA regulations which denotes the laxity of the officer responsible at the Human Resources (HR) section to ensure that the above regulation is adhered to. The possibility of collusion between the HR officer responsible and the FRCA officer being the tenant cannot be also ruled out.

Recommendation:

- **The Authority should immediately cease the payment of housing allowances to the above officers and recover the rent amount already paid.**
- **The Authority should ensure that there is compliance with the FRCA Regulations in particular with the Human Resources Directions.**

Authority's comment:

Comments are noted. In light of the Human Resources Direction (2003) (outlined in paragraph 1 above) taking precedence of the PSC advice (2001). It should also be noted that good houses in Nadi within staff eligibilities were limited which was evidenced by the frequency of staff requesting a change in quarters during the term of a tenancy/lease. This issue has been raised with Management and noted by FRCA Board Audit Committee. In 2012, FRCA has moved away from its involvement with tenancy and landlord leasing agreements by providing respective staff with Housing Allowances to manage their own Housing arrangements.

6.7 Outstanding SPA's – Longroom

The correct amount of any duty, charge or fee due and payable:

- a) may be demanded by the Comptroller at any time within one year from the date when such duty, charge or fee should have been paid;
- b) shall constitute a debt payable to the Government;
- c) is payable by the importer or exporter, as the case may be; and
- d) is recoverable in a court of competent jurisdiction in the name of the Comptroller.

The owner, director, partners and shareholders shall be held personally responsible for payment of the correct amount of any duty, charge or fee due and payable.⁵

A total of \$42,310 has been outstanding from 3 most common agents representing importers that owe duties to the Authority as at 30th September, 2011. Details are noted in the following table:

Table 6.6: Outstanding SPA's from June 2010-September 2011

Agent	SPA's outstanding		Total
	2010	2011	
Customs Agent 1	5,940	2,926	8,866

⁵ Customs Act – Revised to 29th January 2010: Sections 95(1) & (3)

Agent	SPA's outstanding		Total
	2010	2011	
Customs Agent 2	18,879	4,735	23,614
Customs Agent 3	7,412	2,418	9,830
Total			42,310

Despite the duties being outstanding since 2010, the Authority continues to give clearance to these agents on various goods and items consigned to them.

The Authority advised that they cannot penalise the agents for the outstanding duties with their respective importers/clients. The onus is on the owners of the cleared goods to settle the duties outstanding with the Authority. Goods concerned are either sold or used once cleared from the agents therefore most importers are not bothered by the additional duties issued under their goods through these SPA's. Reminders are being sent to the agents and the cases are referred to the Legal Section should the importers refuse to clear their duties owing.

Duties owed to Government will continue to escalate and may become irrecoverable if owners do not settle their duties with the Authority on time.

Recommendations

- **The Authority needs to implement stringent measures in order to recover duties that have been outstanding for some time.**
- **The FITS system and ASYCUDA should be linked so that VAT refunds of defaulters can be placed 'on-hold' and can only be released once their duties owed through Customs has been cleared.**

Authority's comment

Comments are noted. List of owners of outstanding SPA's will be drawn up and given to VAT Unit for the withholding of their respective VAT refunds until SPA's are paid.

6.8 Variances between ASYCUDA to Physical Stock reconciliation

Section 42(3) of the Customs Act⁶ states that all goods to be warehoused should immediately be taken to the warehouse, recorded and kept in its original packaging.

A number of input errors over collective SADs were raised by a Beverage and Distillery Company resulting in warehouse stocks being under or overstated. Since more than one user has access to ASYCUDA, errors have been detected once reconciliation between physical stock and system balances are made. Examples of these are noted in the following table:

Table 6.7: Differences in ASYCUDA and physical stock balances

Date	Entry No.	Product Code	ASYCUDA Balance	Physical Balance	Variance (units)
04.01.11	6	CV03	63	---	63
04.01.11	6	RG02	639	180	459

⁶ Customs Act – Revised to 29th January 2010: Sections 42(3)

Date	Entry No.	Product Code	ASYCUDA Balance	Physical Balance	Variance (units)
19.01.11	2675	RG02	18	---	18
27.01.11	3759	BW02	558	---	558
27.01.11	3759	CV03	540	---	540
27.01.11	3759	BR03	1,252.80	---	1,252.80
27.01.11	3759	BR01	1,566	---	1,566
27.01.11	3759	BR02	2,265.48	---	2,265.48
06.04.11	15034	DW03	540	---	540
Total					7,262.28

The above variance of 7,262.28 units as highlighted by the beverage and distillery company was due to double entry errors during branch transfers and input errors in the system. An approval was sought by the company for Customs to adjust the said balances in the system as some of the stock had been removed from the warehouse.

Customs explained that these errors have been resolved and amended accordingly in the system. This issue has been ongoing since ASYCUDA was first introduced.

Unrecorded movement and variances in stock balances as such may create room for more errors and increases the risk of potential revenue loss for the Authority.

Recommendations

- **ASYCUDA access given to clients should be restricted to one user only to avoid input errors in the system.**
- **Monthly reconciliations of the system balances and the physical stock of warehoused items to be carried out regularly by the Authority as reconciling records between the two can highlight any discrepancies and input errors.**

Authority's comment

Comments are noted. Clerks are approved upon application for ASYCUDA access after the necessary vetting is done. A user name and a confidential password is given to each respective approved clerk for his/her own use only. A list of post entry modifications is being drawn up for all warehouse related SAD's to highlight the errors done by each authorized clerk. The clerks will then be approached individually to emphasize the importance of capturing the correct data. Any continuous errors made in the system will not be taken lightly and dealt with accordingly (may result in the removal of access level for some clerks).

Monthly reconciliations of system balances and the physical stock of warehoused items are being carried out but we have just started to do the reconciliation continuously with the appointment of additional warehouse officers.

6.9 Outstanding Short Payment Advice's – Post Audit

The correct amount of any duty, charge or fee due and payable:

- may be demanded by the Comptroller at any time within one year from the date when such duty, charge or fee should have been paid;
- shall constitute a debt payable to the Government;
- is payable by the importer or exporter, as the case may be; and

d) is recoverable in a court of competent jurisdiction in the name of the Comptroller.

The owner, director, partners and shareholders shall be held personally responsible for payment of correct amount of any duty, charge or fee due and payable.⁷

Verifications of the SPA collections maintained at Post Audit section revealed that a number of claims remain outstanding during the year and this amounts to \$131,542.08. Refer to *Appendix 2*.

The arrears of revenue report highlight duties outstanding for 2-5 years amounting to \$1,609,994 as at 31st March, 2011.

The officer in charge explained that importers who owe duties to the Authority are profiled in the ASYCUDA system and all their entries are sent to Post Audit where they are re-routed to red lane for the enforcement of Section 95 which is to be enforced by the Border Control Section.

For duties outstanding for more than a year includes tariff disputes and incorrect entries made during the initial inspection of the imported goods. Reports are sent to management to inform them of the duties outstanding with the section.

The arrears of revenue of \$1,609,994 indicated laxity by the section in vigorously pursuing recovery from Taxpayers.

With the continuing trend in increasing outstanding SPAs, the authority may find difficulty in collecting these outstanding duties and increases the risk of writ off as bad debts.

Recommendations

- **Management should implement strict collective measures to ensure that duties owed to the Authority are recovered.**
- **Staff resources at the Post Audit Section are reviewed to ensure the revenue which should be collected by the Authority are collected on a timely basis.**
- **Section 95 of the Customs Act must be strictly enforced by the Authority to avoid arrears that may become irrecoverable.**
- **Section leaders' performance to be monitored against collection of arrears.**

Authority's comments

Comments are noted. The Compliance Team is currently embarking on a debt recovery project. This is in line with the imposition of the New Customs garnishee provisions section 95B. The Teams intention is to ensure the timely collection of debt and proper accounting for SPA issued. Our initial response will be to draw up a list of owners of outstanding SPA's which will be given to VAT Unit for the withholding of their respective VAT refunds until SPA's are paid.

Withdrawals will also be addressed in the exercises whereby any SPA withdrawn needs to adhere to strict protocols for transparency and accountability purposes. An SOP will be developed to incorporate all required processes pertaining to the SPA withdrawal. Staffs are also being rotated for the purpose of capacity building and expanding their knowledge base on Customs.

⁷ Customs Act – Revised to 29th January 2010: Sections 95(1) & (3)

6.10 Certificate of Exports versus ASYCUDA Direct Export (EX1) Reconciliation

In determining total income, a deduction for export income shall be allowed. For the purposes of section 21B, “export income” means profits derived by a taxpayer from the business of exporting goods or services [but excludes re-exports]⁸.

All goods processed in Fiji and country of origin (COO) is Fiji is to be declared through the EX1 model of declarations in the Automated System for Customs Data (ASYCUDA) system. The various models of declaration are outlined in the Table 6.8 below as provided by the ASYCUDA team.

Table 6.8: Model of declaration

Model declaration	of	Extended Procedure	Description
EX 1		1000	Direct permanent export
EX 2		2100	Temp Export for processing or repair
EX 2		2300	Temp Export for return unaltered state
EX 3		3040	Re-export
EX 3		3071	Re-export after customs warehousing
EX 3		3052	Re-export after Temp Import for inward processing
EX 3		3053	Re-export after Temp Imports for return unaltered state
EX 3		3300	Re-export for which Industrial Drawback is claimed
EX 3		3340	Re-export Industrial Drawback (import component)
EX 3		3400	Re-export for which Normal Drawback is claimed
EX 3		3440	Normal Drawback (imported component)
ET 9		9194	Export Transshipments

To verify the correctness of the export income figures in the Certificate of Exports issued by the Tariff and Trade section to the Inland Revenue section, the audit carried out reconciliation between the export income figures in the Certificate of Export (COE) against the value of all the exported goods declared through the EX1 model of declaration in ASYCUDA system. Refer to Table 6.9 below for examples:

Table 6.9: Variance details

TIN	Financial Year Ending	COE figures	EX1 report figures	Variance
50-11528-0-0	31/12/10	117,892,721.64	118,296,593.33	403,871.69
50-04744-0-6	31/07/11	863,311.40	969,968.00	106,656.60
50-00352-0-5	30/06/11	2,213,308.25	2,101,038.48	112,269.77
50-16568-0-9	31/12/10	6,683,542.43	8,147,468.47	1,463,926.04
50-05466-0-6	31/12/10	11,364,413.14	1,441,538.40	9,922,874.74
50-02505-0-7	30/06/11	4,070,495.08	2,794,444.51	1,276,050.57
50-02667-0-2	30/06/11	12,959,070.80	13,366,550.75	407,479.95
50-15768-0-4	30/06/11	1,601,293.77	1,623,348.76	22,054.99

Moreover, it was noted that the Tariff and Trade section does not have an export report generated from ASYCUDA to rely on to verify the correctness of the schedule of export income figures certified in the Certificate of Export.

⁸Income Tax Act – Section 21B

The above findings denotes that goods being temporarily re-exported (EX2), re-exported (EX3) and for transshipment (ET9) have been included in the schedule of exports by the taxpayer without being detected by the Tariff and Trade section.

The above if not addressed will result in the Authority continuing to lose out on potential government revenue.

Recommendation

- **The Authority should provide explanations for the above variances.**
- **The Authority should consider strengthening its ASYCUDA system input controls and ensure that only those goods declared through the EX1 model of declaration are taken into account when deriving the export income.**

Authority's comments

Changes have been made with regards to claiming of Export Income Deduction for tax purposes. The current process is that exporters are no longer required to submit Export Certificates when lodging their returns of income. All exporters are now required to submit the following documents when claiming for this particular deduction:

- 1. Export income summary for the fiscal year.*
- 2. Calculation of 50% export income deduction claim.*

Internal verification will then be made with Customs to ensure that only EX1 export entries are included in the export income summary before any deductions are allowed. Tariff and Trade verifies the details of each entry in the system for those entries that are given to Tariff & Trade section by the exporter for export certification. The certificate of export figures may not tie up with the EX1 report figure because the exporter may not have submitted all the export entries or some of the entries may have been rejected as those products may not have qualified.

In regards to EX2, EX3 AND ET9 we are now re-verifying the records with the schedules provided and the ASYCUDA print-out and so far we have not come across any of the SADs (EX2, EX3, ET9) has been included in the certificate of export. Your comments have been noted and once after re-verification we will revert to you on the results.

6.11 Export Income Deduction

In determining total income, a deduction for export income shall be allowed. For the purposes of section 21B, “export income” means profits derived by a taxpayer from the business of exporting goods or services [but excludes re-exports]⁹.

The audit noted that the Authority's verification process of the schedule of exports in order to determine the export income for taxation purposes is not comprehensive and in most cases the custom entries listed in the schedule of exports are only verified to the ASYCUDA system instead of the source documents supporting the single administrative document (SAD) entries to validate the origin of the items being exported.

⁹Income Tax Act – Section 21B

Moreover, taxpayers do not submit relevant source documents together with the custom entries for customs verification purposes to ensure that only those goods that are made in Fiji are included in the export income calculation.

As a result, goods valuing \$334,290 that were being re-exported by taxpayer 50-04744-0-6 were treated as direct exports hence escalating the taxpayers export income deduction for the financial year ending 31 July 2011. Refer to *Appendix 3* for details of re-exported goods.

Furthermore, taxpayer 50-05466-0-6 was declaring goods processed in Fiji through the EX3 (re-export) model of declaration in ASYCUDA. Refer to Table 6.10 below for details.

Table 6.10: Details of custom entries declared through the EX3 (re-export) model of declaration

Export Date	Custom Entry No.	Procedure Code	Description of Goods	Country of Origin	Statistical Value (\$)
08/10/10	48684	3300	Corned beef	Fiji	118,524
08/10/10	48684	3300	Corned mutton	Fiji	38,365
15/01/10	1782	3400	Corned beef	Fiji	160,917
23/12/10	63644	3300	Corned mutton	Fiji	10,000
23/12/10	63644	3300	Corned meat	Fiji	191,158
23/12/10	63644	3300	Corned meat savoury	Fiji	7,358
02/09/10	41967	3300	Corned beef	Fiji	133,679
02/09/10	41967	3300	Corned mutton	Fiji	22,770
22/06/10	28112	3300	Corned beef	Fiji	166,148
09/06/10	26269	3300	Corned meat	Fiji	162,078
07/06/10	25916	3300	Corned meat	Fiji	186,923
04/06/10	25588	3300	Corned meat	Fiji	226,953
05/05/10	19642	3400	Corned mutton(sheep or lamb)	Fiji	15,348
05/05/10	19642	3400	Corned mutton	Fiji	122,592
28/05/10	24217	3300	Corned meat	Fiji	9,141
28/05/10	24217	3300	Corned meat	Fiji	139,794
25/05/10	23468	3400	Corned mutton	Fiji	30,084
25/05/10	23468	3400	Corned beef	Fiji	91,193
23/04/10	17865	3400	Corned beef	Fiji	77,175
23/04/10	17865	3400	Chicken luncheon	Fiji	45,730
23/04/10	17865	3400	Drippings	Fiji	5,514
29/04/10	18915	3400	Curry chicken	Fiji	80,060
29/04/10	18915	3400	Corned beef	Fiji	21,587
29/04/10	18915	3400	Drippings	Fiji	25,229
26/04/10	18287	3400	Corned meat	Fiji	202,765
27/04/10	18483	3400	Corned meat	Fiji	191,419
15/04/10	16390	3400	Corned beef	Fiji	78,380
15/04/10	16390	3400	Corned beef	Fiji	7,117
15/04/10	16390	3400	Drippings	Fiji	15,301
15/04/10	16390	3400	Beef sausage	Fiji	10,044
08/04/10	15061	3400	Corned meat	Fiji	203,904
06/04/10	14593	3400	Corned beef	Fiji	163,183
31/03/10	14102	3400	Corned beef	Fiji	103,286
31/03/10	14102	3400	Corned beef	Fiji	15,085
31/03/10	14102	3340	Beef tongues	Fiji	3,512
31/03/10	14102	3400	Beef trims 65CL	Fiji	10,353

Export Date	Custom Entry No.	Procedure Code	Description of Goods	Country of Origin	Statistical Value (\$)
17/03/10	11253	3400	Corned beef	Fiji	124,396
17/03/10	11253	3400	Corned mutton	Fiji	29,867
04/03/10	9666	3400	Corned meat	Fiji	157,909
25/02/10	8399	3400	Ready to eat chicken	Fiji	64,074
25/02/10	8399	3400	Lamb Rogan josh	Fiji	22,426
25/02/10	8399	3400	Dhal soup	Fiji	17,480
02/03/10	8773	3400	Corned mutton	Fiji	9,485
02/03/10	8773	3400	Corned meat	Fiji	146,807
02/03/10	8773	3340	Sheep hearts	Fiji	22,282
22/01/10	2951	3400	Ready to eat chicken	Fiji	53,387
22/01/10	2951	3400	Ready to eat lamb	Fiji	19,773
22/01/10	2951	3400	Dhal soup	Fiji	26,938
18/01/10	2081	3400	Corned meat	Fiji	175,751
26/01/10	3378	3400	Corned beef	Fiji	73,698
26/01/10	3378	3400	Drippings	Fiji	4,610
26/01/10	3378	3400	Chicken luncheon	Fiji	5,807
Total					4,047,359

The above anomalies denote the laxity or the lack in number of officer responsible at the Tariff and Trade section to ensure that custom entries in the schedule of exports are verified against relevant source documents.

It also indicates that customs agents are not fully aware of the different types of model of declarations in the ASYCUDA system resulting in incorrect entries being made.

Failure to verify accurately export entries may result in revenue leakage.

Recommendations

- **The Authority should ensure that all the customs entries as per schedule of exports are verified to the relevant source documents before the issuance of Certificate of Exports.**
- **The Authority should consider conducting more ASYCUDA awareness training programmes to customs agents to enable them to understand the importance of using the correct model of declaration when making customs entries.**
- **The work of the Tariff and Trade section should be boosted with additional staff to monitor exports and minimise possible revenue leakages.**

Authority's comment

Goods manufactured in Fiji for which imported raw materials are used, upon export of the finished product the exporter can claim industrial drawback on imported inputs. In this case for corned beef and corned mutton, industrial drawback was claimed on the imported raw materials (Beef heart, beef tongue, beef, trims, beef MDM for corned beef and Lamb trims and mutton trims for corned mutton). The finished product passes through manufacturing process where the imported raw materials are substantially transformed to corned beef and corned mutton. Hence the value for the finished product qualifies for export incentive. In reference to Table 7.10 for some of the entries under EX3 Model, Procedure Code 3400 was used which is now being amended to read Procedure Code 3300 after verification that the products declared on the entries were manufactured in Fiji on which Industrial Drawback was claimed.

6.12 Uncollected debts

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.¹⁰

The audit noted that the total debt reported by the Debt Management Unit of the Authority as at 31 December 2011, totalled \$146,044,908 as tabulated below:

Table 6.11: Age of Debtors as at 31/12/11

Age of Debtors	Amount (\$)	Percentage
1 – 30 days	9,975,873	6.8%
31 – 60 days	10,914,405	7.5%
61 – 90 days	3,791,626	2.6%
91 days – 2 years	60,410,266	41.4%
2 – 5 years	29,830,695	20.4%
More than 5 years	31,122,043	21.3%
Total	146,044,908	100%

Of this total debt of \$146,044,908, income tax has the major component of 47.7%, Value Added Tax 40.8%, PAYE 5.7% and other arrears of revenue being 5.8%. Refer to Table 6.12 for examples:

Table 6.12: Arrears of Revenue by Revenue Type as at 31/12/11e

Revenue Type	Real Tax (\$)	Penalties (\$)	Total (\$)	% of Total Arrears
Income Tax	44,531,970	20,408,762	64,940,732	47.7%
PAYE	5,441,147	2,316,815	7,757,962	5.7%
Provisional Tax	1,266,995	358,588	1,625,583	1.2%
Withholding Tax	3,127,252	176,509	3,303,761	2.4%
Land Sales Tax	491,023	161,223	652,246	0.5%
Gambling Turnover Tax	422,476	123,313	545,789	0.4
Resident Withholding Tax	1,756	439	2,195	---
Value Added Tax	33,247,341	22,227,628	55,474,969	40.8%
Hotel Turnover Tax	784,786	981,011	1,765,797	1.3%
TOTALS	89,314,746	46,754,288	136,069,034	100%

The recovery mechanism being employed by the Authority should be strengthened and if there is laxity there are risks of cases being statute barred or taxpayers absconding and default payment.

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.

¹⁰ Income Tax Act 2007, Section 76 (1) (2)

Recommendation

The Authority should ensure that its recovery mechanism are strengthened and ensure that favoritism is not being practiced.

Authority's comments:

The comments from OAG are noted.

Firstly the Debt Management Case Manager Performance indicators have been revisited as of January 2012. A more rigorous follow up of debtors is being pursued with Case Managers required to attend to 100% with follow up actions on their individual caseloads. This addresses the issue of non-attendance to cases for long periods and thus increasing the risk of un-collectability of the same.

Monthly monitoring of current debt turning arrears has been tagged as KPI of Team Leaders.

Debt Management also requires stronger partnership with other agencies like LTA, Immigration. To facilitate garnishee of 1/5th pension income towards settlement of tax and information sharing on current employers and addresses of taxpayers with arrears, a MOU with FNPF in 2011 has been signed and agreed upon.

Practice Statements and SPOS are under review and being fine tuned to remove subjectivity in the application of due processes.

APPENDIX 1: OUTSTANDING BUSINESS ADVANCES

Month	Nature of Advance	Amount (\$)
2011/001	Allowance Civil Service Awareness @ Suva on 20-21/5	50.00
2011/002	Cash Adv Interviews-TRCO on 27/4 & COs (Vac.03/10)	120.00
2011/002	Advance Interview of staff re:Tax Fraud Case	150.00
2011/002	Advance Interview of Customs Officers, 21.12-23.12	150.00
2011/002	Advance Customs Division WrkShp, 07.01.11	200.00
2011/002	Advance Quality Customer Care Trng, Lab,24-25.02	235.00
2011/002	Advance Panel members- Customs Mngt intervw,24-25.02	500.00
2011/003	Cash Advance RPPD, Analyst & Legal Officer-21-22/2/11	27.50
2011/003	Advance Board meeting morning tea,21.02.11	42.00
2011/003	Advance Work Plan for the Review of Nadi Airprt-02'11	50.00
2011/003	Cash Advance Board Refreshments/Dinner _Board Meeting Levuka	65.00
2011/003	Morning tea for Busines Plan Meeting	171.30
2011/003	Advance Analyst Programmer positn intrvw,17.03	171.30
2011/003	Advance Boat travel exp for Isireli.N, attend training	190.00
2011/003	Refreshment for Passenger Profiling Trng on 31/3	200.00
2011/004	B/D,Visa Fees,Arieta.D,atnd WCO Regional WrkShp	57.50
2011/004	B/D,Visa Fees,Arthur.K,atnd WCO Regional WrkShp	72.50
2011/004	Advance Quality Customer Care,Nadi Port,07-08.03	90.00
2011/004	Advance Disciplinary Tribunal Hearing-P.Tuiviwa,29-30.03	100.00
2011/004	Advance cost of final Medical Report-Iliesa.M	120.00
2011/004	Advance morning tea-Steering Committee Meeting,13.04	250.00
2011/004	TRS Workshop site visit to Suva wharf on 07/04/11	340.00
2011/005	Cash Adv for TIN Registration Tour Trip LUISA C	-522.50
2011/005	Advance Primary Line Training, Nadi,20-21.04	-0.13
2011/005	Advance TIN Registration, Bua Distric,05.04-15.04	-12.90
2011/005	Advance Industrial Relations Training,Suva,07.08.04	-3.00
2011/005	c/advnc -MSG Customs/Quarantine s meeting.	44.00
2011/005	c/advnc -morning tea for TRS w/shop	57.00
2011/005	c/advnc Analyst programmer interview	60.00
2011/005	c/advnc -w/plan for review of Nadi Airport	70.00
2011/005	FIRCA Salary Expense	100.00
2011/005	Incidental expense Int. Audit,Nadi,09-20/05/11 Sereima	120.00
2011/005	Processing fees J.Lesi & M.Riaz Chinese embassy	150.00
2011/005	Cash advance for Data Entry Interview,12/5/11	150.00
2011/005	Cash advance for fuel,Ai Matai & sevusevu,WCO Comp	172.00
2011/005	Boat transfer costs,Musket Cove,Nad Audit MUNI	175.00
2011/005	Advance for contribution to MSG Cocktail on 28/5/11	200.00
2011/005	Cash advance for Code of Conduct Trng on 13/5/11	500.00
2011/005	Reimbursement for excess baggage & cash advance	500.00
2011/005	Morning tea for 70 tax agents Ltk on 02/06/11MILIA	990.00
2011/005	Lunch expenses for Board meeting _ 16/5/11 FRANCES	4,185.00
2011/006	Customs Recruitment Trng,09-20/5/11 SAMSU DIN	-92.40
2011/006	Customs Recruitment trng,23/5-3/6/11	50.00

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Month	Nature of Advance	Amount (\$)
2011/006	MSG Customs & Quarantine S/Committee Mtg,25-27/5/11	50.00
2011/006	A/T,Shujie Zhang,Booking ref#5HFTWS	50.00
2011/006	basic recruitment trng - Customs Officers	125.00
2011/006	Cash Adv for Dbase Admin & Analyst Programer,14/6	150.00
2011/006	c/advnc for recharge card & travel expense Labasa	210.00
2011/006	Cash advance R/Card & taxi fare	343.00
2011/006	Tea exp participants attending field trip Ltk on 22/6	727.00
2011/007	Cash advance for TRIM training from 9-10/6/11	-149.50
2011/007	Cash Advance Primary line Trng,22-23/6/11	-35.45
2011/007	Cash advance boat fare & vehicle freight,29/6/11	-26.00
2011/007	Exp for launching of automation cargo maifests,16/6/11	-0.85
2011/007	c/advnc Industrial Relations training	50.00
2011/007	c/advnc: TRIM training	70.00
2011/007	c/advnc: ERP training – refreshments	315.00
2011/007	c/advnc: Industrial Relations training	340.00
2011/007	Trainee programmer interview held on 29/7/11	477.00
2011/007	Interview for Clerical officer Legal on 29/7/11	500.00
2011/007	Catering, refreshment QVS, field trip to FRCA_22.7	660.00
2011/007	WCO IPR Action Plan Wkshop,18-22/7/11	660.00
2011/007	Permit fee, Paul Gallaghe, transfer pricing specialist	2,500.00
2011/008	TIN Registration in Cicia, Lau group from 02/08/11	-100.00
2011/008	44 gallons @ 15 per gallon of fuel	-21.15
2011/008	Fuel for travelling expense, Moce, Oneata & Lakeba	-4.90
2011/008	Funeral arrangement for S.Selala	50.00
2011/008	c/advnc: hosting lunch for IRR consultants	57.50
2011/008	c/advnc: interview for Legal CO on 29.7.12	75.00
2011/008	c/advnc: w/shop-Free Trade Agreement	80.00
2011/008	Refreshments - ASYCUDA Training - 04-05/08/11	115.00
2011/008	Refreshments for OHS committee on 17/8/11	165.00
2011/008	TIN Registration team's morning & afternoon tea,23-27/8/11	180.00
2011/008	Refreshments for Border control training on 12/08/11	190.00
2011/008	Cost of medical report for Israel Thamson Thalari	210.00
2011/008	Pasage,3 officers, Presentation toLevuka,31/8-2/9/11	355.00
2011/008	Purchase salusalu for 50 delegates at \$3 each	600.00
2011/008	Permit issue fees for R.Vuppala	889.52
2011/008	Cash Adv Wshop Free Trade Agrmt - 4-8/08/11NACANI	2,500.00
2011/008	Mining wkshop,25/8/11&Income rewrite on 25-26/8/11	5,680.00
2011/009	Purchase cocktail savouries for PITAA Conf,21/8/11	-185.90
2011/009	Advance official trip to India,trnst HngKng,27.8-1.9	-147.00
2011/009	Advance for funeral arrangements for A.Kumar	-115.00
2011/009	Purchasing items for PITAA Conference from 22-24/8	-4.25
2011/009	c/advnc: PCA Dinner	-3.80
2011/009	Customs Recruitment training (note Jnl 226 \$3 to be given by Lai)	32.50
2011/009	Verekawa c/advnc: medical report for Thalari	37.50
2011/009	V Naqaravatu- Cash advance: I/Tax Rewrite - in Lbs	50.00
2011/009	M.Naulaukai c/advnc: exec .recruitment interview	55.00

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Month	Nature of Advance	Amount (\$)
2011/009	Conduct presentation, Redesign Valdatn,Nad&Ltk,29-30/9	70.00
2011/009	Conduct presentation, Redesign Valdatn,Nad&Ltk,29-30/9	75.00
2011/009	Purchase recharge cards for Operation Senibiau	80.00
2011/009	Afternoon tea for Redesign validation on 27/9/11	80.00
2011/009	Taxi fare to & from Nausori airport, Budget training	100.00
2011/009	Purchase 5 lali's for PCA Registration training participts,19-23/9	100.00
2011/009	Cash advance for 4x\$20 recharge cards	156.00
2011/009	Drinks with dinner for delegates,wkshp,22/9/11	200.00
2011/009	Refreshments for Income tax rewrite with Labasa agent	372.93
2011/009	Staff refreshments for income tax rewrite,15/9/11	500.00
2011/009	Allowance SEAA site visit for FRCA,04-06.09	500.00
2011/009	Executive recruitment interviews from 26-27/9/11	520.00
2011/009	Cash advance UNN Ext Cap Bldg wkhop,7-8/10/11	689.00
2011/009	FIRCA Salary Expense	900.00
2011/010	Incidental expenses for border control operation	-373.00
2011/010	Boat transportation from Port Denarau to Coral Coast	-217.00
2011/010	Attend urgent border operation at Taveuni,7-9/9	-80.50
2011/010	PCA workshop dinner, Bowling club,22/9/11	-44.12
2011/010	refund of allowance- Laisiana for Cap/bldg w/shop	-8.05
2011/010	boat t/port- Denarau to C/Coast for J Vuto	-5.00
2011/010	c/advance: l/tax decree w/shop	-1.20
2011/010	c/advance: accountants post interview	-1.15
2011/010	c/advance: VAT/TAX self-assessment w/shop	-0.80
2011/010	R Yauvoli - boarder operation in Taveuni	22.00
2011/010	Presentation-redesign validation in Ltka/Nadi	30.00
2011/010	c/advance :Customs redesigning aft/tea	30.00
2011/010	c/advance: Customs redesign validation	50.00
2011/010	Return ticket on Coral Sun by F.Legget on 22/10/11	50.00
2011/010	Advance Afternoon tea for attendees-Redesgn Valdatn	50.00
2011/010	Customs Redesign Validation arvo tea 20-21/10/11	75.00
2011/010	Incidental expenses for Levuka audit,26-28.10.11	80.00
2011/010	Morning tea for Customs Redesign at Nadi on 7/10/11	80.00
2011/010	Refreshments TRCO Intervw_ 1/11/11	100.00
2011/010	Tax self assessment workshop from 16-19/10/11	125.00
2011/010	Morning & afternoon tea, Customs Redesign,13-14/10/11	130.00
2011/010	Refreshment, Customs Redesign Validatn,20-21/10/11	150.00
2011/010	Advance Interview of Finance Positions,12,14.10	160.00
2011/010	ITAX Decree 2011 workshop on 13/10/11	170.00
2011/010	Interview, TL Cargo&passenger,Nad,13-14/10/11	200.00
2011/010	Interview for P.Auditor & Prin Assessor,6-7/10/11	200.00
2011/010	Refreshment ,Customer Serv trng,Labasa,2-3.11.11	230.00
2011/010	Refreshments, TRCO interview,7/10 & 12-13/10/11	300.00
2011/010	Cash advance, ITAX Decree 2011 on 28.10.11	500.00
2011/010	TIN Registration in Nayau&Vanuavatu from 27.10-3.11	500.00
2011/010	Refreshment Forensic Actg training Ltk 20-21Oct 11	500.00
2011/010	Refreshment Qty Customer Serv training 27-28 & 30.10.11	2,500.00

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Month	Nature of Advance	Amount (\$)
2011/010	Advance for Operations Senibiau, Yasawa & Mamanuca	5,000.00
2011/011	Farewell for L.Sakealevu on 15/10/11	-1,515.00
2011/011	Sevusevu & trans for TIN Registn to Moala, 11-18/11	-218.00
2011/011	Advance Funeral expenses for Late Ms Susheshni S	-190.00
2011/011	Advance Funeral expenses for Late Ms Susheshni S	-104.00
2011/011	c/advnc - funeral exp for Susheshni	65.00
2011/011	C/advnc: funeral exp for S Selala	70.00
2011/011	I.Soqoiwasa-refund extra allwnc for Rotuma trip	77.50
2011/011	c/advnc:TRCO interview	150.00
2011/011	Refreshments ,Dev Standard Operating Procdre,23.11 SASHI	200.00
2011/011	Refreshments Risk Mgt trng,Nadi,14.11.11 SASHI	200.00
2011/011	Refreshments risk mgt training 24/11/11 Lab/Savu2VIKA N	280.00
2011/011	Refreshments Customs attaches interview,2-3/11/11	350.00
2011/011	Advance Refreshment interview 22-23/11/11	413.00
2011/011	Refreshments panels conducting interview 30/11,1& 5/12/11	1,183.97
2011/012	Taxi fare A.Narayan,Dev of ISO trng,Nadi,23.11.11	-269.40
2011/012	Stay extended due to bad weather, Rotuma,11-18.11	-205.10
2011/012	Accommodation & Incidental Exp (4-11/11/11)	-160.00
2011/012	Per diem N.Dreu WTO Trade facilitatn,04-15/11/11	-131.65
2011/012	PITAA conference - c/advance	-74.60
2011/012	morning/afternoon tea - taxation planning workshop	-71.45
2011/012	forensic accounting – refreshments	-51.50
2011/012	c/advnc: new auditors training refreshments	-50.00
2011/012	c/advnc: board meeting refreshments	-4.20
2011/012	chief Auditor/Assessor interview refreshments	-0.25
2011/012	c/advnc: taxation lockout meeting (chq # 72013)	45.00
2011/012	incidental exp-transport- Inoke S	50.00
2011/012	c/advnc: Sea face-2-face presentation	100.00
2011/012	c/advnce: RMU training	100.00
2011/012	Refreshment for records management training 8/12/11	100.00
2011/012	Purchase 1 can coffee for executive management meeting	125.00
2011/012	Morning tea expenses hosted by AGM 3/01/12 - Ltka	160.00
2011/012	Refreshment & light snacks for signing new contract	200.00
2011/012	Refreshment signing contract for Nadi,Ltk, Lab,Savu2	200.00
2011/012	Morning tea for service excellence awards 28/12/11	250.00
2011/012	Refreshments for Forensic acctg from 15-16.12.11	625.00
2011/012	Refreshment expenses for board meeting on 29.12.11	1,150.00
2011/012	Refreshment tax officer & cashier CEC from 14-16.12.11	-88.20
2011/001	Advance Taxation Division Lockout meeting,15-16.12	50.00
2011/002	Refreshment for new auditors trng 7-9 & 14-15/12/11	120.00
2011/002	Morning & Afternoon tea-taxation planningwkshp20-23Dec'11	150.00
2011/002	C/Advance Customer Service Trng,Nadi-Sashi	150.00
Total		46,274.62

APPENDIX 2: OUSTANDING SPAs – POST AUDIT SECTION

SPA No.	SAD #No.	Date	Reason	Amount (\$)
January				
22765	28	31.12.10	VFD Incorrect	144.27
22773	21550	10.01.11	T.I Incorrect	4,821.55
22774	59827	06.12.10	T.I Incorrect	576.81
22779	20987	13.01.11	T.I Incorrect	541.78
22781	3270	24.01.11	T.I Incorrect	62.35
22782	3341	25.01.11	T.I Incorrect	562.54
22783	46578	28.01.11	T.I Incorrect	71.82
Total				6,781.12
February				
22784	6971	11.02.11	T.I Incorrect	1,974.10
22785	41178	21.02.11	T.I Incorrect	1,800.42
22786	59827	21.02.11	T.I Incorrect	729.95
Total				4,504.47
March				
22789	29903	21.03.11	T.I Incorrect	315.16
22790	12275	21.03.11	T.I Incorrect	566.76
22792	15892	13.04.11	T.I Incorrect	251.55
Total				5,637.94
April				
22793	14502	06.04.11	T.I Incorrect	399.01
22794	15209	08.04.11	T.I Incorrect	6,713.60
22796	59923	15.04.11	Code 237 not applicable	1,773.43
22797	12474	15.04.11	Code 237 not applicable	1,152.72
22798	33163	15.04.11	Code 223 not applicable	352.50
22799	35037	19.04.11	Code 223 not applicable	112.25
22800	36512	19.04.11	Code 223 not applicable	477.25
22851	37580	19.04.11	Code 223 not applicable	38.87
22852	48962	19.04.11	Code 223 not applicable	1,946.25
22853	48969	19.04.11	Code 223 not applicable	221.50
22854	48972	19.04.11	Code 223 not applicable	235.37
22855	48974	19.04.11	Code 223 not applicable	104.50
22856	50537	19.04.11	Code 223 not applicable	24.50
22857	52459	19.04.11	Code 223 not applicable	25.62
22858	57735	19.04.11	Code 223 not applicable	49.00
22859	57791	19.04.11	Code 223 not applicable	413.25

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SPA No.	SAD #No.	Date	Reason	Amount (\$)
22860	4665	19.04.11	Code 223 not applicable	35.10
22861	12766	19.04.11	Code 223 not applicable	72.45
22862	20711	20.04.11	Code 223 not applicable	173.25
22863	20712	20.04.11	Code 223 not applicable	1,162.25
22864	27904	20.04.11	Code 223 not applicable	160.50
22865	28098	20.04.11	Code 223 not applicable	696.75
22866	34269	20.04.11	Code 223 not applicable	365.12
22867	37728	20.04.11	Code 223 not applicable	305.37
22868	39970	20.04.11	Code 223 not applicable	496.00
22869	40096	20.04.11	Code 223 not applicable	1,089.50
22870	2937	20.04.11	Code 223 not applicable	150.00
22871	5275	20.04.11	Code 223 not applicable	158.40
22872	7005	20.04.11	Code 223 not applicable	2,830.35
Total				21,734.66
June				
22879	11462	09.06.11	Freight entered not	1,501.63
22880	11462	09.06.11	Freight entered not	1,111.87
22895	27943	20.06.11	T.I Incorrect	161.28
25912	12606	24.06.11	T.I Incorrect	9,237.60
25914	29830	24.06.11	T.I Incorrect	253.53
25926	6071	27.06.11	T.I Incorrect	3,546.15
25927	9350	27.06.11	T.I Incorrect	4,989.90
25928	578	28.06.11	T.I Incorrect	2,735.40
25929	2071	28.06.11	T.I Incorrect	1,906.05
25930	29987	28.06.11	T.I Incorrect	3,087.90
Total				25,443.41
July				
25937	37684	20.07.11	Code 223 not applicable	2,759.12
25938	37866	20.07.11	Code 223 not applicable	96.37

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SPA No.	SAD #No.	Date	Reason	Amount (\$)
25939	38757	20.07.11	Code 223 not applicable	118.37
25940	38347	20.07.11	Code 223 not applicable	207.62
25941	40390	20.07.11	Code 223 not applicable	180.62
25942	42342	20.07.11	Code 223 not applicable	67.75
25943	45252	20.07.11	Code 223 not applicable	92.12
25944	54265	20.07.11	Code 223 not applicable	152.50
25945	54269	22.07.11	Code 223 not applicable	20.62
25946	55145	22.07.11	Code 223 not applicable	60.87
25947	55815	22.07.11	Code 223 not applicable	46.75
25948	55956	22.07.11	Code 223 not applicable	85.25
25949	40558	22.07.11	Code 223 not applicable	309.87
25950	44961	22.07.11	Code 223 not applicable	29.62
4,227.45				
August				
25866	48549	05.08.11	Code 223 not applicable	49.87
25869	52099	05.08.11	Code 223 not applicable	19.25
25870	50940	05.08.11	Code 223 not applicable	26.12
25873	19491	11.08.11	T.I Incorrect	387.93
25876	59062	17.08.11	T.I Incorrect	286.09
25879	50800	19.08.11	T.I Incorrect	340.35
25881	40561	25.08.11	T.I Incorrect	42,334.25
Total				43,443.86
September				
25886	53836	05.09.11	T.I Incorrect	2,049.55
25887	1844	06.09.11	T.I Incorrect	275.75
25888	26822	07.09.11	T.I Incorrect	571.50
25890	52737	07.09.11	T.I Incorrect	521.07
25891	1355	08.09.11	Code 223 not applicable	578.45
25893	1356	08.09.11	Code 223 not applicable	52.05

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SPA No.	SAD #No.	Date	Reason	Amount (\$)
25894	2509	08.09.11	Code 223 not applicable	49.80
25895	2510	08.09.11	Code 223 not applicable	32.10
25896	3815	08.09.11	Code 223 not applicable	164.55
25897	4665	08.09.11	Code 223 not applicable	35.10
25899	4667	09.09.11	Code 223 not applicable	164.55
25900	4819	09.09.11	Code 223 not applicable	54.00
26151	6847	09.09.11	Code 223 not applicable	58.35
26152	5197	09.09.11	Code 223 not applicable	51.15
26153	7567	09.09.11	Code 223 not applicable	197.70
26154	7968	09.09.11	Code 223 not applicable	608.40
26155	7970	09.09.11	Code 223 not applicable	608.40
26156	8233	09.09.11	Code 223 not applicable	96.00
26157	8234	09.09.11	Code 223 not applicable	466.05
26158	43677	09.09.11	T.I Incorrect	201.97
26159	12744	12.09.11	Code 223 not applicable	24.75
26160	8520	12.09.11	Code 223 not applicable	59.10
26161	12766	12.09.11	Code 223 not applicable	72.45
26162	13630	12.09.11	Code 223 not applicable	46.80
26163	8078	12.09.11	Code 223 not applicable	264.00
26164	1466	12.09.11	Code 223 not applicable	97.20
26165	13633	12.09.11	Code 223 not applicable	31.35
26166	13722	12.09.11	Code 223 not applicable	42.15
26167	13912	12.09.11	Code 223 not applicable	283.20
26168	14196	12.09.11	Code 223 not applicable	822.00
26169	15029	12.09.11	T.I Incorrect	132.45
26171	45490	16.09.11	T.I Incorrect	610.15
26172	45539	20.09.11	T.I Incorrect	151.15

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SPA No.	SAD #No.	Date	Reason	Amount (\$)
26173	46482	27.09.11	T.I Incorrect	796.17
26174	46856	28.09.11	T.I Incorrect	104.47
Total				10,373.88
October				
26175	47901	04.10.11	T.I Incorrect	4,630.45
26176	59062	07.10.11	T.I Incorrect	286.09
26177	24271	25.10.11	T.I Incorrect	219.35
26178	2513	25.10.11	T.I Incorrect	20.26
Total				5,156.15
November				
26181	19322	07.11.11	T.I Incorrect	1,027.00
26185	55956	14.11.11	Code 223 not applicable	85.25
26186	64438	14.11.11	Code 223 not applicable	959.42
26187	55911	14.11.11	T.I Incorrect	1,427.74
26189	56230	15.11.11	T.I Incorrect	739.73
Total				4,239.14
Total outstanding SPAs				131,542.08

APPENDIX 3: RE-EXPORTED ITEMS INCLUDED IN EXPORT INCOME

Export date	Custom Entry No.	Procedure code	Description of goods	Country of Origin	Statistical Value (\$)
29/09/10	46669	3040	PVC pipe fittings	NZ	4,680.00
29/09/10	46669	3040	Foams	NZ	5,650.00
29/09/10	46669	3040	Hand Basin	NZ	659.00
29/09/10	46669	3040	Taps	NZ	1,695.00
27/10/10	52025	3040	Cement boards	China	7,972.50
27/10/10	52025	3040	PVC 80mm pipes	China	1,187.00
07/12/10	60205	3040	Paint brush	China	2,770.00
07/12/10	60205	3040	Butt hinges	China	688.00
07/12/10	60205	3040	Diamond cutter	China	541.00
07/12/10	60205	3040	Dust mask	China	70.00
07/12/10	60205	3040	Crome pipe & rods	China	685.00
07/12/10	60205	3040	Furniture fittings	China	80.00
07/12/10	60205	3040	Welding rods	China	1,580.00
07/12/10	60205	3040	Steel drill bits	China	465.00
07/12/10	60205	3040	Builder straps	China	2,990.00
07/12/10	60205	3040	Steel brush	China	81.00
07/12/10	60214	3040	PVC trimmer line	China	195.00
07/12/10	60214	3040	Sanitary ware	China	4,145.00
07/12/10	60214	3040	Electric cable	China	5,240.00
07/12/10	60214	3040	Hose clips	China	35.00
07/12/10	60214	3040	Water taps	China	2,299.00
07/12/10	60214	3040	Valves	China	2,008.00
07/12/10	60214	3040	Walla extra straight	China	1,044.00
07/12/10	60214	3040	Cutting wheels	China	380.00
15/02/11	6739	3040	Plastic basins	China	2,618.00
15/02/11	6739	3040	Perspex Sheets	China	4,379.00
15/02/11	6739	3040	PVC fittings	China	1,925.00
15/02/11	6739	3040	Flip flops	China	356.00
15/02/11	6739	3040	Electrical fittings	China	1,061.00
15/02/11	6739	3040	Wood Putty	China	473.00
17/02/11	7289	3040	Mesonite board	Kiribati	7,979.00
17/02/11	7289	3040	Louvre frame	Kiribati	2,908.00
17/02/11	7289	3040	Resene glues	Kiribati	13,364.00
17/02/11	7289	3040	Plain Roofing	Kiribati	11,895.00
17/02/11	7289	3040	Cable wire	Kiribati	5,464.00
17/02/11	7289	3040	Carpet	Kiribati	923.00
17/02/11	7289	3040	Toilet seat	Kiribati	1,522.00
17/02/11	7289	3040	Paint	Kiribati	13,001.00
17/02/11	7289	3040	Pad bolts	Kiribati	555.00
17/02/11	7289	3040	Galvanised staples	Kiribati	485.00
17/02/11	7289	3040	Shower grating	Kiribati	198.00
17/02/11	7289	3040	Energy saver	Kiribati	853.00
17/02/11	7289	3040	Rope	Kiribati	944.00
17/02/11	7289	3040	Tape measure	Kiribati	302.00
17/02/11	7289	3040	Laying trowel	Kiribati	1,206.00
17/02/11	7289	3040	Sand paper	Kiribati	140.00
17/02/11	7289	3040	PVC	Kiribati	10,944.00

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Export date	Custom Entry No.	Procedure code	Description of goods	Country of Origin	Statistical Value (\$)
17/02/11	7289	3040	Valves	Kiribati	298.00
17/02/11	7289	3040	Light fitting	Kiribati	4,268.00
17/02/11	7289	3040	Nails	Kiribati	5,536.00
17/02/11	7289	3040	Hacksaw blade	Kiribati	887.00
17/02/11	7289	3040	Paint brush	Kiribati	1,786.00
17/02/11	7289	3040	Fibre glass mat	Kiribati	1,525.00
17/02/11	7289	3040	Bolt and nuts	Kiribati	1,296.00
17/02/11	7289	3040	Shovel	Kiribati	1,089.00
17/02/11	7289	3040	Hand saw blade	Kiribati	1,145.00
17/02/11	7289	3040	Hammer	Kiribati	576.00
17/02/11	7289	3040	Butt hinges	Kiribati	360.00
17/02/11	7289	3040	Locks	Kiribati	1,179.00
17/02/11	7289	3040	File	Kiribati	618.00
17/02/11	7289	3040	Tap	Kiribati	506.00
17/02/11	7289	3040	Adaptor	Kiribati	335.00
17/02/11	7289	3040	Panel pin	Kiribati	476.00
17/02/11	7289	3040	Wood putty	Kiribati	473.00
17/02/11	7289	3040	Brass bib cork	Kiribati	280.00
17/02/11	7289	3040	Thread seal tape	Kiribati	46.00
17/02/11	7289	3040	Hose	Kiribati	231.00
17/02/11	7289	3040	Silicone	Kiribati	645.00
17/02/11	7289	3040	Gumboot	Kiribati	147.00
18/02/11	7406	3040	Garnet paper	China	950.00
18/02/11	7406	3040	Drill bits	China	944.00
18/02/11	7406	3040	Crome pipes	China	797.50
18/02/11	7406	3040	Hinges	China	113.00
18/02/11	7406	3040	Electrical fittings	China	220.00
18/02/11	7406	3040	Nails	China	6,169.00
18/02/11	7406	3040	Washers	China	114.00
18/02/11	7406	3040	PVC pipes	China	5,305.00
18/02/11	7406	3040	Waste pipes	China	795.00
18/02/11	7406	3040	Paint spray	China	660.00
18/02/11	7406	3040	Paint brush	China	415.00
18/02/11	7406	3040	Hand tools	China	125.00
18/02/11	7406	3040	Measuring tape	China	650.00
18/02/11	7406	3040	Gum boots	China	1,320.00
18/02/11	7406	3040	Sinks and basins	China	4,337.00
18/02/11	7406	3040	Garden hose	China	993.00
18/02/11	7406	3040	Padlocks	China	2,869.00
18/02/11	7406	3040	Mild steel rods	China	1,800.00
18/02/11	7406	3040	Galvanised Wire	China	1,499.00
18/02/11	7406	3040	Galvanised mesh wire	China	2,370.00
18/02/11	7406	3040	Adhesives	China	2,541.00
18/02/11	7406	3040	Thread seal tape	China	220.00
18/02/11	7406	3040	CRC anti rust treat	China	334.00
18/02/11	7406	3040	Gas regulators	China	238.00
18/02/11	7406	3040	Trimmer line	China	719.00
18/02/11	7406	3040	Wheel barrows	China	1,032.00
09/03/11	10481	3040	Engine oil	Wallis & Futuna	2,440.00
09/03/11	10481	3040	Paints, varnish	Wallis & Futuna	6,638.00

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Export date	Custom Entry No.	Procedure code	Description of goods	Country of Origin	Statistical Value (\$)
09/03/11	10481	3040	Louvre frames	Wallis & Futuna	1,623.00
09/03/11	10481	3040	Rakes	Wallis & Futuna	310.00
09/03/11	10481	3040	Broom handle	Wallis & Futuna	230.00
09/03/11	10481	3040	Chop mat	Wallis & Futuna	331.00
09/03/11	10481	3040	Copper nails	Wallis & Futuna	908.00
09/03/11	10481	3040	Clear Perspex	Wallis & Futuna	5,357.00
09/03/11	10481	3040	Car tubes	Wallis & Futuna	3,736.00
09/03/11	10481	3040	Lantern	Wallis & Futuna	1,085.00
04/04/11	14544	3040	PVC lino	Tonga	4,830.00
04/04/11	14544	3040	Masonite board	Tonga	8,000.00
04/04/11	14544	3040	Cutting wheel	Tonga	591.00
04/04/11	14544	3040	Chain link	Tonga	4,715.00
04/04/11	14544	3040	PVC guttering	Tonga	4,440.00
04/04/11	14544	3040	Galvanised tubing	Tonga	2,425.00
04/04/11	14544	3040	Set pan cistern & seat	Tonga	2,570.00
04/04/11	14544	3040	Angle iron steel	Tonga	1,455.00
04/04/11	14544	3040	Cement board	Tonga	1,088.00
04/04/11	14544	3040	Clear louver blade	Tonga	8,213.00
04/04/11	14544	3040	Lamp holder	Tonga	791.00
04/04/11	14544	3040	Bolts and Nuts	Tonga	2,520.00
04/04/11	14544	3040	Tile glues	Tonga	1,695.00
04/04/11	14544	3040	W/fabric	Tonga	228.00
04/04/11	14544	3040	PVC green cables	Tonga	254.00
09/05/11	20325	3040	Cement boards	China	3,263.00
09/05/11	20325	3040	80mm PVC pipes	China	7,628.00
09/05/11	20325	3040	PVC gutters	China	5,966.00
09/05/11	20325	3040	PVC fittings	China	16,895.00
13/05/11	21483	3040	PVC lino	Tonga	10,937.00
13/05/11	21483	3040	Metal cutting wheel	Tonga	591.00
13/05/11	21483	3040	Meso board	Tonga	8,000.00
13/05/11	21483	3040	Binding wire	Tonga	1,,985.00
13/05/11	21483	3040	Chain link	Tonga	1,985.00
13/05/11	21483	3040	Pan cistern & seat	Tonga	2,570.00
13/05/11	21483	3040	Ceramic tile	Tonga	3,263.00
13/05/11	21483	3040	Clear lover blade	Tonga	8,213.00
13/05/11	21483	3040	Lamp holder	Tonga	791.00
13/05/11	21483	3040	Bolts and nuts	Tonga	2,520.00
13/05/11	21483	3040	Tile glues	Tonga	1,695.00
13/05/11	21483	3040	W/fabric	Tonga	228.00
13/05/11	21483	3040	Filling cabinet	Tonga	375.00
13/05/11	21483	3040	Blue chair	Tonga	45.00
Total					334,290

SECTION 7: NATIONAL FIRE AUTHORITY

The National Fire Authority (NFA) was established as a corporate body in 1994 under the National Service Act 1994. The duties of the Authority are:

- establish Fire Districts in the areas to which they cover and ensure that the District Fire Officer conforms to the NFA Act and maintains an efficient fire service having regard to the life and property, which he is under an obligation to protect and to the financial capacity of the district;
- coordinate the units of fire services for the purposes of fire protection, reinforcement at serious fire or other emergencies;
- encourage, supervise or carry out fire prevention activities and also experiment or research work with respect to fire service methods, equipment, organization or coordination with other services;
- establish courses of training and generally direct the training of the members the fire services;
- provide for the inspection of training of brigades, and for such degree of standardization of plan, equipment and training as it considers necessary for combined operations;
- inspect in relation to fire safety premises whether public or otherwise;
- arrange for obtaining, by inspection or otherwise, information required for fire fighting purposes with respect top the character of the building and other property in the Fire District and in any area in which the Authority is under an obligation to protect, the available water supplies, means of access thereto, and other material circumstances;
- provide consultancy services on fire fighting and fire fighting equipment and
- Perform such other duties as the Minister may from time to time direct.

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PART A – FINANCIAL INFORMATION**7.1 Audit Opinion**

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

7.2 Abridged Statement of Financial Performance

Year Ended 31 December	2009 (\$)	2008 (\$)
Income		
Fire Levy	5,047,927	4,945,864
Government Grant	1,422,222	1,422,222
Other Income	1,218,589	944,453
Total Income	7,688,738	7,312,539
Expenditure		
Personnel Expenses	4,932,500	4,431,870
Depreciation & Amortization	885,758	713,478
Others	1,825,600	2,086,637
Total Expenditure	7,643,858	7,231,985
Net Surplus/(Deficit) for the Year	44,880	80,554

The Authority surplus decreased by \$35,674 or 44% in 2009 to \$44,880 compared to 2008. This was largely due to increase in personnel expenses by \$500,630 or 11% and depreciation and amortisation expense \$172,280 or 24% in 2009.

7.3 Abridged Statement of Financial Position

As at 31 December	2009 (\$)	2008 (\$)
Assets		
Cash & Cash Equivalents	---	327,379
Trade & Other Receivables	1,623,428	2,057,671
Inventories	83,646	77,323
Financial Assets – Short Term	---	---
Property, Plant & Equipment	6,148,192	5,066,120
Total Assets	7,855,266	7,528,493
Liabilities		
Bank Overdraft	344,588	---
Trade & Other Payables	679,579	611,012
Employee Entitlement	273,342	202,650
Deferred Revenue	206,165	408,119
Total Liabilities	1,503,674	1,221,781
Net Assets	6,351,592	6,306,712
Accumulated Funds		
Retained Profits	6,351,592	6,306,712

As at 31 December	2009 (\$)	2008 (\$)
Total Accumulated Funds	6,351,592	6,306,712

The Authority acquired land and building, fire engines, radio equipment, fire fighting equipment and other fixed assets totalling \$1,976,723 in 2009 which was funded from within hence the decrease in cash at bank and the increase in bank overdraft.

PART B – CONTROL ISSUES

7.4 Overstated Accounts Receivable Balance

In all cases the gross amounts received by revenue collectors shall be accounted for and paid in as revenue.¹ Prudence requires that assets should not be overstated in the financial statements.

NFA had accounts receivable balance of \$1,482,189 as at 31/12/09. Included in the accounts receivables were arrears of fire levy from Suva City Council (SCC) totalling \$530,611 as at 31/12/09.

According to SCC they have paid all fire levies and do not owe any amount to NFA as at 31/12/09. Refer to table 1 below for details.

Table 7.1: Movement in Fire Levy Account – Suva City Council

Accumulated Profits	Amount (\$)	Amount Paid (\$)
Accumulated losses as at 31 December 1994	(166,136)	
Net Profit for the year - 1995	468,849	
Accumulated profits as at 31 December 1995	302,713	
Paid to National Fire Authority in 1997	115,080	115,080
Accumulated profits as at 31 December 1997	187,633	
Paid to National Fire Authority in 1998	187,133	187,133
Accumulated profit as at 31 December 1998	0	
Total Amount Paid		302,213

As a result the accounts receivable balance as at 31/12/09 was overstated by \$530,611.

Recommendations

The Authority should consider writing off the outstanding fire levy of \$530,610.76.

Authority's Comment

No comments provided.

¹ Section 8.6.1 - The Finance and Accounting Directions
Report of Statutory Authorities – July 2012

7.5 Property, Plant and Equipment

Either on the satisfactory receipt of newly purchased goods or the transfer of existing assets, the relevant cost centre manager must ensure that the relevant asset register has been updated with the required information.² Prudence requires that assets should not be overstated in the financial statement.

The audit noted variance in asset values for each class of asset between the Fixed Assets Register and the Financial Statement figures as at 31/12/09. The total variance between the two records was \$169,820. Refer to the table 7.2 below for details.

Table 7.2: Variance in Asset Values between FAR and Financial Statement Figures

Assets	Amount as per Fixed Asset Register (\$)	Amount as per Financial Statement (\$)	Variance (\$)
Land and Buildings	2,975,914	3,053,307	(77,393)
Fire Engines	2,142,849	2,183,203	(40,354)
Motor Vehicles	111,541	130,084	(18,543)
Radio Equipment	152,394	142,993	9,401
Fire Fighting Equipment	574,445	625,628	(51,183)
Office Equipment	10,395	8,342	2,053
Furniture and Fittings	32,476	18,900	13,576
Computer Equipment	64,680	69,185	(4,505)
Station Requirements	52,115	59,238	(7,123)
Rescue Equipment	103,001	99,950	3,051
Other Assets	44,318	43,118	1,200
Total	6,264,128	6,433,948	(169,820)

As a result the total assets in the financial statements were overstated by \$169,820 as at 31/12/09.

Recommendations

- The Authority should ensure that the fixed asset register is updated to correctly reflect asset acquisitions, transfers, sale and disposal.
- The Authority should ensure that amount disclosed in the financial statements match with the amounts recorded in fixed asset register.
- The Authority should identify the variance noted in fixed assets values between FAR and financial statements and take appropriate action.

Authority's Comment

No comments provided.

7.6 Visa Card Acquittals

When using visa cards the officer concerned within seven days of return to duty, shall submit a statement of expenses with supporting vouchers.³

² Section 9.4.1 – The Finance and Accounting Directions

³ Section 3.11.3 of Finance Instruction NFA

NFA maintained three Visa Cards for official purposes during 2009. Arrangement was made with the bank to automatically replenish the balances on the visa cards on the agreed due date. This was facilitated by debiting NFA's operating account and crediting the visa card account with the amount expensed during the preceding period.

Subsequent to the replenishment of the credit card accounts, the Visa Card holders were required to provide the acquittals of the Visa Card usage to facilitate posting of the expenses into respective expense accounts. As at 31 December 2009, the general ledger had a balance of \$24,967.52 under Visa Card allocation.

However total expenses incurred using credit cards totalled \$35,896.21 as at 31/12/09. Refer to table 7.3 for details.

Table 7.3: Credit Card Expenses

Visa Card Number	Position	Amount Used (\$)
4999-6400-0008-5736	Director Corporate Services	26,343.91
4999-6400-0008-5744	Chief Executive Officer	7,272.57
4999-6400-0008-4267	Chief fire officer	2,279.73
Total		35,896.21

Out of the total credit card expenses of \$35,896.21, the credit card holders did not provide acquittals for expenses incurred totalling \$25,213.46. As a result these expenses were not posted into respective expenditure allocations in Authority's general ledger. Refer to table 7.4 below for details of the credit card expenses.

Table 7.4: Details of Visa Card

Visa Card Number	Position	Visa Card Limit (\$)	Amount not Acquitted (\$)
4999-6400-0008-5736	Director Corporate Services	10,000	18,839.39
4999-6400-0008-5744	Chief Executive Officer	10,000	6,374.07
Total			25,213.46

The audit further noted that visa card expenses totalling \$24,966.52 for which no acquittals were provided was incorrectly included in accounts receivables through a journal entry.

In absence of acquittals for credit card expenses it cannot be determined whether the expenses incurred by the card holders were for business purposes or personal in nature. In addition the accounts receivable balance as at 31/12/09 was overstated by \$24,966.52 due to incorrect posting of credit card expenses.

Recommendations

- **The Authority should ensure that all acquittals for credit card transactions are obtained from the card holders.**
- **The Authority should cease the use of credit card.**

Authority's Comment

No comments provided.

7.7 Unauthorised Travel by Board Members to Malaysia and China

A letter was written by former chairman, to the Minister of Local Government, Urban Development, Housing and Environment on 16 /03/09 seeking approval for the official overseas travel in April 2009. On 31/03/09, approval was granted by the Minister for two board members to travel to Malaysia and China with the Chief Executive Officer.

However, audit noted that 3 board members travelled to Malaysia while another 4 board members and the CEO visited China. This was a direct breach of the approval granted by the Minister. Table 7.5 below shows members of the Board who went on the overseas trip.

Table 7.5: Board Members Travelled to China and Malaysia

Board Member	Country Travelled	Per diem (\$)	Air tickets (\$)	Total Cost (\$)	Comments
Members Approved by the Minister to travel to China and Malaysia					
Board Member 1	Malaysia	3,059.78	4,047.84	7,107.62	Air Fare paid by NFA
Former Chairman	Malaysia	9,029.35	5,670.97	14,700.32	Air Fare paid by Chinese Embassy
CEO	Malaysia	4,891.35	5,263.15	10,154.50	Air Fare paid by NFA
Total		16,980.48	14,981.96	31,962.44	
Additional Members who travel to China and Malaysia without Ministers approval					
Board Member 2	China	5,914.50	4,035.08	9,949.58	Air Fare paid by Chinese Embassy
Board Member 3	China	5,914.50	4,035.08	9,949.58	Air Fare paid by Jieda Fire (China)
Fleet Manager	China	4,417.58	2,232.85	6,650.43	Air Fare paid by NFA
Director Corporate	China	5,153.84	2,232.85	7,386.69	Air Fare partly sponsored by SOPAC
Total		21,400.42	12,535.86	33,936.28	
Grand Total		38,380.90	27,517.82	65,898.72	

As a result the Authority incurred additional cost of \$24,749.69 for two separate teams to visit Malaysia and China. Refer to table 7.6 for details.

Table 7.6: Additional Expenses Incurred by NFA for China Trip

Board Member	Per diem (\$)	Air Fare (\$)	Total Cost (\$)	Comments
Board Member 2	5,914.50	0	5,914.50	Air Fare paid by Chinese Embassy
Board Member 3	5,914.50	0	5,914.50	Air Fare paid by Jieda Fire (China)
Fleet Manager	4,417.58	2,232.85	6,650.43	Air Fare paid by NFA
Director Corporate	5,153.84	1,116.42	6,270.26	Air Fare partly sponsored by SOPAC
Total additional Expenses incurred	21,400.42	3,349.27	24,749.69	

The finding shows that the Authority's funds were not properly used for its best interest.

Recommendations

The Ministry should take appropriate action against the former chairman and former Chief Executive Officer (CEO) and Director Corporate for not adhering to Ministerial approval for overseas travel.

Authority's Comment

No comments provided.

7.8 Per – Diem Loading

The Per Diem or Daily Subsistence Allowance payable at UN rates is meant to be sufficient for an Officer's subsistence in terms of accommodation, meals and incidentals while on overseas duty travel.⁴

During the trip to China and Malaysia, the board of directors were paid per-diem allowance based on the rates provided by the Public Service Commission. In addition, the board members got an additional 10% top up on their per-diem.

The audit further noted that there is no provision for topping up of per diem allowance in the Authority's Finance Instruction. Refer to the table 7.7 below for details of payment.

Table 7.7: Per-diem for Directors and NFA Staffs

Board Member	Per-diem US(\$)	10% Loading	Total Per-diem Paid US(\$)	Total Per-diem paid FJ(\$)	Route taken
Board Member 1	1,253	125.30	1,392.20	3,059.78	Nadi/Kuala Lumpur (via Seoul)/Nadi
Former Chairman	3,626	362.60	4,028.90	9,029.35	Brisbane/Sydney/Kuala Lumpur/Shanghai/Brisbane/Nadi
CEO	1,989	198.90	2,187.90	4,891.35	Nadi/Japan (via Seoul)/Kuala Lumpur/Nadi
Board Member 2	2,422	242.20	2,691.10	5,914.50	Nadi/Shanghai(via Seoul)/Nadi
Board Member 3	2,422	242.20	2,691.10	5,914.50	Nadi/Shanghai(via Seoul)/Nadi
Director Corporate	2,345	0	2,345	5,153.84	Nadi/Sydney/Shanghai/Sydney/Nadi
Fleet Manager	2,010	0	2,010	4,417.58	Nadi/Sydney/Shanghai/Sydney/Nadi
Total	16,067	1,171.20	17,346.20	38,380.90	

The Authority incurred additional expenses totalling US\$1,171.20 by providing 10% top up on per diem allowance.

⁴ PSC Circular no. 21/2010

Recommendations

The Authority should ensure that payment of per diem allowance is in accordance with Finance Instruction.

Authority's Comment

No comments provided.

7.9 Purchase of Air Tickets

The Chief Executive shall obtain at least 3 competitive quotations for the supply of goods and services valued in excess of \$1000.

Purchases of goods and services to the value beyond \$1001 must be approved by the board.⁵

The National Fire Authority board members took official trips to Malaysia and China in April 2009. Air tickets totalling F\$27,517.82 were purchased in Australia by the chairperson. Refer to the table 7.8 below for details.

Table 7.8: Overseas Travel Details

Name	Route Taken	Air Fare (\$)	Purpose of trip
Board Member 1	Nadi/Kuala Lumpur (via Seoul)/Nadi	4,047.84	Attend to bilateral talks for secondment of a Structural Fire Engineer and a Technical Assistant to NFA. Departed Nadi on 19/04/09 and returned on 23/04/09.
Former Chairman	Brisbane/Sydney/Kuala Lumpur/Shanghai/Hong Kong/Brisbane	5,670.97	Attend to bilateral talks for secondment of a Structural Fire Engineer and a Technical Assistant to NFA and follow up with relationship established with China Fire Services in 2007. John Low departed Nadi on 18/04/09 and returned on 03/05/09.
CEO	Nadi/Japan (via Seoul)/Kuala Lumpur/Nadi	5,263.15	Attend to bilateral talks for secondment of a Structural Fire Engineer and a Technical Assistant to NFA. Departed Nadi on 16/04/09 and returned on 23/04/09.
Board Member 2	Nadi/Shanghai(via Seoul)/Nadi	4,035.08	Follow up with relationship established with China Fire Services in 2007. Departed Nadi on 23/04/09 and returned on 30/04/09.
Board Member 3	Nadi/Shanghai(via Seoul)/Nadi	4,035.08	Follow up with relationship established with China Fire Services in 2007. Departed Nadi on 23/04/09 and returned on 30/04/09.
Director Corporate	Nadi/Sydney/Shanghai/Sydney	2,232.85	Follow up with relationship established with China Fire Services in 2007. Departed Nadi on 23/4/09 and returned on 02/05/09.
Fleet Manager	Nadi/Sydney/Shanghai/Sydney	2,232.85	Follow up with relationship established with China Fire Services in 2007. Departed Nadi on 23/04/09 and returned on 01/06/09 after spending one month annual leave in Sydney.
Total		27,517.82	

⁵ Section 6.1(f) of Finance Instruction NFA

The chairperson who was an Australian citizen was in Brisbane when he made the decision to purchase the tickets in Australia on the presumption that it would be cheaper for NFA. The tickets were purchased on 14/04/09 at a cost of AUD\$17,238 and this was later reimbursed to him on 16/04/09 with Fijian dollars amounting to \$27,517.82.

The audit noted that the chairperson violated the NFA Finance Instruction which stipulates that the board should approve all purchases over \$1,000.

In addition, the Authority did not obtain quotes from other travel agents before purchasing the tickets. Therefore, the NFA's claim that they had saved money by buying tickets directly from Australia cannot be substantiated.

Audit further noted that some of the Board members did not fly directly from Fiji to either Malaysia or China and back to Fiji but took indirect routes as following.

- The Fleet Manager for NFA did not return to Fiji immediately after the trip to China but instead went to Sydney on 02/05/09 to spend his one month annual leave before returning to Fiji on 01/06/09.
- The CEO's trip to China originated from Sydney, Australia and on the return trip again went back to Sydney before coming back to Fiji on 02/05/09.
- The chairperson, travelled from Brisbane to Sydney then to Malaysia and China and on his return trip again went back to Brisbane via Sydney and finally returned to Fiji on 03/05/09.

These indirect routes taken by these Board members may have incurred additional travelling costs.

Recommendations

- **The Authority should ensure three quotations are obtained for all expenditures more than \$1,000 as stipulated in the NFA Finance Instruction.**
- **The Authority should ensure that all purchases over \$1,000 are approved by the Board in accordance with the Finance Instructions.**
- **The Ministry should investigate this matter further and take appropriate action.**

Authority's Comment

No comments provided.

7.10 Abuse of Power by Chairperson

The head of an organization should at all times exercise due diligence, practice ethical behaviour and should not take advantage of his position.

Purchases of goods and services to the value beyond \$1001 must be approved by the board.⁶

Three Board members travelled to Malaysia on 18/04/09 while another 4 board members and the CEO visited China on 23/04/09.

⁶ Section 6.1(f) of Finance Instruction NFA

The air tickets for the board members travel were bought by the former board chairman, on 15/4/2009 for A\$17,238 for the China and Malaysia delegation from Flight Centre Unbeatable, a travel agency based in Australia.

Subsequently, on 15/4/2009, the Authority raised cheque number 31798 in Fiji dollars amounting to \$23,297.58 payable to the former chairman to reimburse the cost of air tickets purchased in Australia.

However, on 16/04/10, the cheque number 31798 was again cashed, receipted and deposited into the Authority’s bank account. A replacement cheque number 31809 for \$27,517.82 dated 16/4/10 was issued to the chairperson. The cheque was deposited into his bank account number 1204800 at ANZ Bank in Suva on 16/04/09.

The timing difference between the two cheques was only one day but there was a significant difference of \$4,220.24 in the amount paid on the replacement cheque of 16/4/10 due to devaluation of Fiji dollar effective 16/4/10. Refer to the table 7.9 below for details.

Table 7.9: Reimbursement of Airfare

Date	Cheque\ Number	Amount in Australian Dollars (\$)	Fiji Equivalent Australian Exchange rate rate (\$)	Reimbursement Amount (\$)
15/04/09	31798	17,238	0.7407	23,297.38
16/04/09	31809	17,238	0.6270	27,517.82
Variance				(4,220.24)

The former chairman took advantage of his position and requested for a replacement cheque on 16/4/10 for his personal benefit of \$4,220.24 due to devaluation of Fiji dollar.

Recommendations

The Authority should report the matter to FICAC for further investigations.

Authority’s Comment

No comments provided.

7.11 Increase in Acting CEO’s Salary

The base salary for the former CEO, was \$60,000 per annum. He was on contract for three years with effect from 03/09/07. However, his contract was terminated from June 2009. Since then Director Corporate was acting as CEO with full acting allowance on the base salary of \$60,000 per annum.

However the audit noted that on 04/12/09 the NFA board increased the salary for the CEO position from \$60,000 to \$76,039 per annum while the post was vacant, the Director Corporate was still acting as CEO.

The CEO’s salary was increased in the board meeting on 04/12/09 and the acting CEO, was paid acting allowance on new salary back dated to 02/10/09 totalling \$1,412.45.

The finding shows that the board decision to increase the salary for a vacant position was not in the best interest of the Authority.

Recommendations

The Board must ensure that decisions made by the Board is justified and is in the best interest of the Authority.

Authority's Comment

No comments provided

7.12 Deposits and Advances

The Authority in an effort to support staff during times of bereavement and in encouraging physical fitness of employee will receive written applications from employees for advances on salary. The Authority may at its discretion consider advances of salary for other important and specific circumstances. The Authority may require proof that the advance is used for the intended purposes.⁷

The audit noted that a credit balance of \$1,000 in Deposits Reconciliation as at 31/12/09. This amount was paid to Fairdeal Earthmoving Contractors Ltd as deposit but no corresponding debit was noted in the in reconciliation. No detail for the payment was provided to audit by the Accountant.

Deposits are paid to secure a service with the service provider. A negative balance without a corresponding debit entry questions the validity and accuracy of the account balance.

Recommendations

The Authority should investigate the variance and take appropriate action.

Authority's Comment

No comments provided.

7.13 Accountable Advance by CEO

Where an advance has not been acquitted within 7 working days of travel, recovery must be made from the officer's salary within 6 fortnights⁸.

Scrutiny of the payment vouchers revealed that Director Corporate Services approved an advance of \$670.69 on 15/04/09 for the former NFA CEO for his travel from Narita to Nagoya while in Japan on official trip from 17/04/09 to 20/04/09.

However, the audit noted that no acquittal was provided by the former CEO after his travel from Narita to Nagoya. Without the acquittal the audit could not determine whether the advance to the former CEO was utilised for official purposes.

⁷ NFA/FPSA 2008 Operational Staff Collective Agreement on 24/10/08 – Section 3

⁸ Finance Instructions (2010) s.44 (5)

Recommendations

The NFA should ensure that acquittals are obtained from officers for advance given to them within 7 days or deducted from their salaries if they fail to clear their advance within 7 days from the date of return.

Authority's Comment

No comments provided.

7.14 Additional FNPF Contribution

The Authority shall pay the statutory rates of FNPF contributions and recover the employee contribution from salaries. The Authority shall also contribute an additional sum equal to 2% of an operational employee's net weekly salary into the employees FNPF account.⁹

Contrary to the above, the audit noted that the additional two (2) percent FNPF contributed by NFA for its operational staff's was calculated on the gross weekly salary rather than net weekly wages.

Discussion with the Payroll Officer, revealed that this has been the practice since the implementation of the Collective Agreement between NFA and Fiji Public Service Association Operational Staff on 24/10/08.

Audit further noted that the payroll software used by NFA cannot calculate 2% on net wages. The Authority was overpaying the additional 2% FNPF contribution to its operational staff's.

Recommendations

The Authority should rectify this problem and calculate additional 2% FNPF on net weekly wages as stated in the collective agreement.

Authority's Comment

No comments provided.

7.15 Encashment of Leave

Employee who have excessive annual leave may convert no more than 25% of their excessive leave to cash. Any encashment of leave will require the approval of the Authority.¹⁰

Contrary to the above requirement of the 'Collective Agreement', the audit noted that the Authority had authorised the cashing of annual leave for some staffs that either did not qualify for encashment of their annual leaves or cashed more than 25% of their excess leave days. Refer to table 7.10 below for details.

⁹ NFA/FPSA 2008 Operational Staff Collective Agreement dated 24/10/08 – Section 3.11

¹⁰ Section 5.1.3 National Fire Authority/Fiji Public Service Association Operational Staff Collective Agreement 2008

Table 7.10: Encashment of Annual Leave

Employee Initial	Excessive leave days	Actual Leave days Cashed	Entitlement (25% of Excessive leave)	Excess Leave paid	Value of additional leave Cashed (\$)
TT	60.5	20	15	5 days	397.20
BT	nil	11.5	nil	11.5 days	680.80
SM	nil	11	nil	11 days	594.00
KT	nil	10	nil	10 days	950.41
AB	19	7	4.75	2.25 days	120.33
SN	13	10	3	7 days	613.20

The audit further noted that an officer cashed 19 days of his long service leave entitlement which was contrary to the National Fire Authority/Fiji Public Service Association Operational Staff Collective Agreement 2008. The collective agreement only allowed encashment of annual leaves and not the long service leaves. Refer to the table 7.11 below for details.

Table 7.11: Encashment of Long Service Leave

Employee Initial	Long Service leave Entitlement (days)	Actual Long Service Leave Cashed (days)	Value of long service leave Cashed (\$)
KT	85	19	1,364.96

The findings show that the Authority did not comply with the collective agreement which resulted in compensating leave to employees who were not eligible.

Recommendation

The Authority should strictly comply with section 5.1.3 of National Fire Authority Operational Staff Collective agreement 2008.

Management Comments

No comments provided.

7.16 Salary Advance

The Authority in an effort to support staff during times of bereavement and in encouraging physical fitness of employee will receive written applications from employees for advances on salary. The Authority may at its discretion consider advances of salary for other important and specific circumstances. The Authority may require proof that the advance is used for the intended purposes.¹¹

The audit noted that the Authority issued employees with salary advances for various reasons outlined below.

- Family commitments and gathering;

¹¹ NFA/FPSA 2008 Operational Staff Collective Agreement dated 24/10/08 – Section 3

- Educational assistance;
- Renewal of driver’s licence;
- Death of family member;
- Passport fees;
- Payment of bond to landlord;
- Purchase of mobile phones; and
- Water bill payments.

The audit noted that during the year the Authority issued significant amount of salary advances to its staff totalling \$54,817.89. As at 31 December 2009, staff advances totalling \$20,706.35 or 34% of the total advances issued were still outstanding. Refer to the table 7.12 below for details.

Table 7.12: Details of Staff and Salary Advances in 2009

Balance as at 01/01/09 (\$)	Total Amount Advanced for the year ended 31/12/09 (\$)	Total Amount Advanced As at 31/12/09 (\$)	Total Amount Recovered as at 31/12/09 (\$)	Amount Advance Outstanding as at 31/12/09 (\$)
6,397.53	54,817.89	61,215.42	40,509.07	20,706.35

The audit also noted that the details such as opening balance, advances issued, amount recovered and balance outstanding for accountable and salary advances issued to staff were maintained on the excel worksheet. However records maintained on excel worksheet could easily be manipulated without proper authorisation.

It was further noted that in majority of the cases, the officers’ themselves determined the minimal repayment amount that was quite small and prolonged the repayment period. This resulted in significant amount of advance outstanding at year end.

For instance \$6,574 was advanced to NFA staffs in October 2009 to assist them in buying school stationeries for their children. However as at 31/12/09 only \$2,707.30 was recovered while \$3,866.70 or 59% was still outstanding.

Issuing of advances without appropriate retirement timelines may have resulted in significant advance owed by the staff.

Recommendations

- **The Authority should set a minimum repayment amount for all advances to ensure that advances to staff are collected within specified period of time.**
- **The Authority should take appropriate action to recover the outstanding advances from the staffs.**
- **The Authority should maintain an Advance Register to record all advances to staff and other details.**
- **The Authority should also consider ceasing the provision of salary advance to staff.**

Management Comments

No comments provided.

7.17 Non Deduction of PAYE

For the purpose of this Act, “total income” means the aggregate of all sources of income including the annual net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary or other fixed amount, or unascertained as being fees or emoluments or as being profits from a trade or commercial or financial or other business or calling or otherwise howsoever, directly or indirectly accrued to or derived by a person from any office or employment or from any profession or calling or from any trade, manufacture or business or otherwise howsoever, as the case may be, ¹²

Subject to the other provisions of this Act there shall be assessed, levied and paid a tax to be known as normal tax for each year of assessment on every dollar of chargeable income of—

- (a) an individual whose total income, in the case of a resident, exceeds [\$8,840]¹, or any other person, other than a company, in respect of his chargeable income for the year of assessment [but a resident individual shall be exempt from normal tax to the extent that such normal tax, together with [basic tax]², would reduce the balance of his total income to [\$8,840]³ or less in any year]⁴ : ¹³

The audit noted that normal tax (PAYE) was not deducted from manual payments made to two officer’s. Refer to the table 7.13 below for details.

Table 7.13: Non Deduction of PAYE

Date	Cheque Number	Payee	Particulars	Gross Amount (\$)	Less FNPF (\$)	Amount (\$)
02/01/09	30915	VT	Payment of compensation, outstanding leave and gratuity for the officer who retired on medical grounds effective from 01/01/09.	13,634.06	1,090.72	12,543.34
07/12/09	33499	JK	Payment of difference in acting allowance.	1,412.45	112.96	1,299.49

Default in tax deductions reduces the tax revenue paid to government.

Recommendation

The Authority should take appropriate action against officers responsible for not deducting the tax.

Management Comments

No comments provided.

7.18 Non Lodgement of Revenue

All cash, cheques and documents of value shall be received by the accounting staff and shall be deposited as soon as possible in a safe with the cash and cheques paid into a bank. All bank lodgments shall be checked and reconciled with the receipts issued by the Director – Administration & Finance.¹⁴

¹² Income Tax Act Chapter 201 Laws of Fiji Revised 30 May 2007, Section 11

¹³ Income Tax Act Chapter 201 Laws of Fiji Revised 30 May 2007, Section 7

¹⁴ Section 5.9.1 Financial Instructions

Whilst tracing the receipts issued during the month of December 2009 to the deposit book and bank statements, audit noted that in some instances the cash received by the Authority were not deposited and only cheques were deposited.

Further audit checks of revenue lodgement up to March 2010 noted that cash received in December 2009 totalling \$3,099.14 was not banked by the Authority. Refer to the table 7.14 below for details.

Table 14: Cash Receipts for December 2009 not banked as at 31 March 2010

Date Received	Revenue Receipt	Station	Amount (\$)	Audit Comments
11/12/09	14595	Headquarters	933.50	Not banked as at 31 March 2010
11/12/09	14597	Headquarters	871.89	Not banked as at 31 March 2010
22/12/09	13230	Headquarters	56.25	Not banked as at 31 March 2010
23/12/09	14198	Headquarters	112.50	Not banked as at 31 March 2010
24/12/09	14596	Headquarters	112.50	Not banked as at 31 March 2010
24/12/09	13227	Headquarters	56.25	Not banked as at 31 March 2010
24/12/09	13232	Headquarters	56.25	Not banked as at 31 March 2010
24/12/09	13231	Headquarters	56.25	Not banked as at 31 March 2010
29/12/09	14271	Headquarters	168.75	Not banked as at 31 March 2010
29/12/09	13233	Headquarters	56.25	Not banked as at 31 March 2010
29/12/09	13144	Headquarters	112.50	Not banked as at 31 March 2010
30/12/09	12323	Headquarters	56.25	Not banked as at 31 March 2010
30/12/09	12322	Headquarters	56.25	Not banked as at 31 March 2010
30/12/09	12320	Headquarters	56.25	Not banked as at 31 March 2010
30/12/09	12319	Headquarters	56.25	Not banked as at 31 March 2010
31/12/09	14955	Headquarters	56.25	Not banked as at 31 March 2010
31/12/09	14954	Headquarters	56.25	Not banked as at 31 March 2010
31/12/09	13235	Headquarters	56.25	Not banked as at 31 March 2010
31/12/09	12325	Headquarters	56.25	Not banked as at 31 March 2010
31/12/09	12334	Headquarters	56.25	Not banked as at 31 March 2010
Total			3,099.14	

There is a high risk of cash being embezzled by the cashier. The finding shows poor supervision and monitoring of revenue collected and deposited into the bank account.

Recommendations

- **The Authority should ensure that an officer independent of the revenue collector reconcile the total receipts with the receipt books and deposit the cash into the Authority's bank account.**
- **The Authority should ensure that an officer independent of the revenue collection and deposit performs monthly bank reconciliations.**
- **The Authority should investigate the revenue collected in December 2009 but not deposited and take appropriate action.**

Management Comments

No comments provided.

SECTION 8: WESTERN DIVISION DRAINAGE BOARD

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

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

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

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PART A – FINANCIAL INFORMATION 2010**8.1 Audit Opinion - 2010**

The audit of the financial statements of Western Division Drainage Board for the year ended 31 December 2010 resulted in the issue of an unqualified audit report.

8.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 (\$)	2009 (\$)
Income		
Government Grant	644,762	856,256
Other Income	13,279	204,379
Total Operating Income	658,041	1,060,635
Expenditure		
Wages and Salaries	52,702	50,301

Year Ended 31 December	2010 (\$)	2009 (\$)
Vehicle and Maintenance	26,329	22,379
Drainage Maintenance	673,146	891,357
Other Expenditure	54,472	51,057
Total Operating Expenditure	806,649	1,015,094
Net (Deficit)/ Surplus for the year	(148,608)	45,541

The Board recorded a net deficit of \$148,608 in 2010 compared to a surplus of \$45,541 in 2009. The deficit was recorded due to the decline in Government Grant by \$211,494 (25%). In addition AUSAID grant of which \$191,911 was received in 2009 was discontinued.

8.3 Abridged Statement of Financial Position

Year Ended 31 December	2010 (\$)	2009 (\$)
Current Assets		
Cash	207,600	502,956
Financial Assets – Term Deposits	61,228	59,785
Receivables	28,923	16,819
Total Current Assets	297,751	579,560
Non Current Assets		
Financial Assets – Term Deposits	121,759	113,598
Property, Plant & Equipment	28,538	42,848
Total Non Current Assets	150,297	156,446
Total Assets	448,048	736,006
Current Liabilities		
Creditors & Other Accruals	169,608	303,841
Employee Benefits	897	6,014
Total Current Liabilities	170,505	309,855
Total Liabilities	170,505	309,855
Net Assets	277,543	426,151
Total Accumulated Funds	277,543	426,151

Net assets decreased by \$148,608 or 35% in 2010 compared to 2009 due to significant decrease in cash balance. The decrease in cash balance was mainly attributed to decrease in government grant and that no grant was received from AUSAID in 2010.

PART B – FINANCIAL INFORMATION 2009

8.4 Audit Opinion - 2009

The audit of the financial statements of Western Division Drainage Board for the year ended 31 December 2009 resulted in the issue of an unqualified audit report.

8.5 Abridged Statement of Financial Performance

Year Ended 31 December	2009 (\$)	2008 (\$)
Income		
Grant from Government	856,256	772,447
Other Income	204,379	11,012
Total Operating Income	1,060,635	783,459
Expenditure		
Wages and Salaries	50,301	46,758
Vehicles and Maintenance	22,379	16,051
Drainage Maintenance	891,357	511,666
Other Expenditure	51,057	49,063
Total Operating Expenditure	1,015,094	623,538
Net Surplus for the year	45,541	159,921

The Board recorded a net surplus of \$45,541 in 2009 compared to a surplus of \$159,921 in 2008. The decrease in surplus was due to a significant increase in drainage maintenance expenses during the year. The 2009 flooding in the Western division caused major damage to the Drasa flood gate structure which was rehabilitated by the Board during the year.

8.6 Abridged Statement of Financial Position

Year Ended 31 December	2009 (\$)	2008 (\$)
Current Assets		
Cash	502,956	218,995
Financial Assets – Term Deposits	59,785	58,771
Receivables	16,819	5,060
Total Current Assets	579,560	282,826
Non Current Assets		
Financial Assets – Term Deposits	113,598	109,174
Property, Plant & Equipment	42,848	62,285
Total Non Current Assets	156,446	171,459
Total Assets	736,006	454,285
Current Liabilities		
Creditor and accruals	303,841	63,418
Employee benefits	6,014	5,641
Total Current Liabilities	309,855	69,059
Non Current Liabilities		
Employee benefits	---	4,616
Total Non Current Liabilities	---	4,616
Total Liabilities	309,855	73,675
Net Assets	426,151	380,610
Total Accumulated Funds	426,151	380,610

Net assets increased by \$45,541 or 12% in 2009 compared to 2008. This was mainly due to significant increase in cash balance.

PART C – CONTROL ISSUES**8.7 Acquittal Report – AusAid Grant**

The Board is to provide a final acquittal report consisting of a detailed financial statement, certificate of completion for all building infrastructure activities; and a statement signed by the Chairman of the Western Division Drainage Board that the funds contributed have been applied in accordance with this arrangement once all funds have been expended in accordance with this arrangement.¹

Any excess funds from the flood rehabilitation activities including interest on funds waiting use, to be used for activities mutually determined between the MPI and AUSAID. Any unspent funds will be returned to the GOA.²

Effective monitoring is an essential element of any scheme of financial assistance as it provides the assurance that grant conditions are complied with and assess the effectiveness of individual projects.

In 2009, AusAid provided grant of \$215,900 to the Board for on-farm infrastructure rehabilitation work to assist farms affected by the 2009 floods in the following agreed areas:

- De-silting of farm drains;
- Clearing of farm debris; and
- Maintenance of farm access roads.

The funds were to be used on the drainage maintenance projects for the following provinces:

Table 8.1: Grants to be used for these Provinces

Province	Budgeted Amount (\$)
Ba Province	26,000
Nadroga/Navosa	128,400
Ra Province	61,500
Total Grant	215,900

However, the following anomalies were noted for the grant money received:

- The audit was unable to substantiate how much was spent for each project as the Board failed to provide breakdown details of the expenditure. However, as per the Board's 2009 Annual report, of the \$215,900 grant received, only \$194,936.44 was spent in 2009.
- No acquittal report was prepared and submitted to AusAid as at the date of audit (15/02/12).
- The \$20,964 unspent as at 31/12/09 was not refunded to AUSAID as required in the agreement.
- Audit was unable to ascertain whether the Certificate of Completion for all building infrastructure activities was provided to Ministry of Primary Industries as was required under the grant agreement. No records were provided during the audit.

Non compliance with the grant agreement can lead to future requests for grants being declined.

¹ Arrangement between the government of Australia and the government of Fiji relating to a contribution to assist in the flood rehabilitation program

² Grant Agreement – Section 4

Recommendation

The Board should ensure that Grant Agreement conditions are honored and strictly adhered to.

Board's Comment

The Board has taken note of the recommendation and assures that the grant agreement conditions will be honoured and strictly adhered to in future.

8.8 Anomalies in VAT

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 the following anomalies in the calculation of VAT receivable and VAT Payable by the Board.

8.8.1 Understatement of VAT on Government Grant

The Board failed to recognise VAT output on the grant received from AusAid in 2009. However, an audit adjustment was passed to account for this.

In addition, VAT on government grant was understated for both 2009 and 2010 financial years. Refer to Table 8.2 below for details.

Table 8.2: VAT on Government Grant

Particulars	2009 (\$)	2010 (\$)
Government Grant	957,000.00	718,850.00
Audit Calculation	106,333.33	79,872.22
Amount as per GL	104,744.39	74,087.56
Variance	1,588.94	5,784.66

The VAT amounts recorded in the 2009 and 2010 financial statements are misstated.

8.8.2 Variance in VAT Receivables – 2009 accounts

The audit noted that some contractors engaged by the Board to carry out drainage maintenance works had produced Certificate of Exemption (COE) which effectively meant that no provisional tax was to

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

be deducted from their progress payments. However, client incorrectly treated this as an exemption from VAT. Therefore, when the invoices were processed for payment, they only entered the VEP amount into the system instead of the full invoiced or VIP amount.

As a result of the above, the system calculated the VAT on the VEP amount, thus the payment made to the contractor as well as the VAT input amount were both understated by the same amount.

In order to correct this error, the Board processed another cheque to the contractor from the VAT Input account. As a result, the VAT Receivable account was overstated while the Drainage Maintenance account was understated.

Table 8.3 below provides the details of the initial payments process where the VEP amount was processed; however, the system (general ledger) automatically calculated the VAT from this amount and posted it to the VAT Input account.

Table 8.3: Overstatement of VAT Receivable and Understatement of Drainage Maintenance

Date	Cheque No.	Contractors	Amount on Voucher \$			Amount in GL \$		Additional VAT Processed
			VIP (\$) per Invoice	VAT	VEP (\$) per Invoice	Drainage Maintenance (VEP)	VAT Input account	VAT Input account
23/01/09	312	Contractor 1	8,959.30	996.30	7,963.00	7,078.95	884.87	996.30
23/01/09	311	Contractor 2	13,045.93	1,449.55	11,596.38	10,307.89	1,288.49	1,449.55
17/08/09	528	Contractor 3	32,766.84	3,640.76	29,126.08	24,757.17	3,094.65	3,640.76

After incorrectly establishing that they had not charged VAT on the initial payment, the client had raised another cheque equivalent to the VAT component on Invoice directly from the VAT Receivable account.

The Drainage Maintenance account and the VAT Receivable account in the general ledger as well as in the financial statements for the year ended 31 December 2009 were understated.

8.8.3 Variance in VAT Accruals

Agencies must ensure that all commitments and invoices are promptly and accurately recorded in the accounting system to meet management and external reporting needs.⁵

The accruals record maintained by the Board did not reconcile to the general ledger and the audit figure. Refer to Table 8.4 below for details.

Table 8.4: Variance in VAT Accruals

Item	As per WDDB (Accrual Listing) (\$)	As per General Ledger (G. Lal) (\$)	Difference (AL vs GL)	As per Audit	Difference (AG vs GL)
VAT Accruals	19,186.71	13,815.60	5,371.11	18,262.66	4,447.06

⁵ Finance Instructions 2010 – Section 53 (1)

No satisfactory explanation could be provided by the Board on the variances noted above between the three records.

As such the audit was unable to substantiate the accuracy of the VAT accruals figure.

Recommendations

- **The Board should ensure that a comprehensive reconciliation is carried out for the VAT Receivable and VAT Payable accounts. These records need to be reconciled to Statement of VAT from FRCA and any variance noted to be adjusted accordingly.**
- **Accounting for VAT training should be provided to the Accounts Officer to solve the issues on VAT.**

Board's Comment

The Board has taken note of the recommendations.

The Board would like to clarify that the former clerical officer who retired in mid 2010 was not familiar with VAT calculation and lodgements. However the newly appointed clerical officer is a qualified and well versed with the VAT calculation and lodgement procedures.

SECTION 9: KOROVOU RURAL LOCAL AUTHORITY

The Korovou Rural Local Authority is established under section 10 of the Public Health Act.

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 costs of these services.

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PART A – FINANCIAL INFORMATION

9.1 Audit Opinion - 2008

The audit of the financial statements of the Korovou Rural Local Authority for the year ended 31 December 2008 resulted in the issue of a qualified audit report. The following issues were qualified:

The Statement of Revenue and Expenditure of the Authority was prepared using the cash basis of accounting and did not take into account revenue not received and expenditure not paid at balance date. Similarly, the Statement of Financial Position did not incorporate debtors, prepayments, creditors and accruals and is therefore a limited Statement of Financial Position contrary to Section 7 (4) of the Public Health (Sanitary Services) Regulations.

9.2 Abridged Income Statement 2008

Year Ended 31 December	2008 (\$)	2007 (\$)
Revenue		
Market Fees	26,267	13,653
CBH Grant	25,000	15,000
Garbage Services	1,812	2,825
Base Fees	2,400	1,848
Other Income	7,505	3,705
Total Revenue	62,984	37,031
Recurrent Expenditure		
Sanitary Services	31,147	22,718
Market Services	15,591	14,304
Administration and General	2,696	2,063
Total Expenditure	49,434	39,085
Result for the year from Ordinary Activities	13,550	(2,054)

The Authority recorded a surplus of \$13,550 in 2008 compared to a deficit of \$2,054 in 2007. This was due to the increases in government grant, market fees and other income.

9.3 Abridged Balance Sheet 2008

As at 31 December	2008 (\$)	2007 (\$)
Current Assets		
Cash at Bank	15,918	8,060
Cash on Hand	5,692	-
Total Assets	21,610	8,060
Accumulated Funds		
Opening Balance	8,060	10,114
Net Surplus/(Deficit)	13,550	(2,054)
Total Accumulated Funds	21,610	8,060

The increase in total assets was due to increase in cash injection into the Authority's operation through increased government grants, market fees and other income.

9.4 Audit Opinion – 2009

The audit of the financial statements of the Korovou Rural Local Authority for the year ended 31 December 2009 resulted in the issue of qualified audit opinion. The following issues were qualified:

The Statement of Revenue and Expenditure of the Authority was prepared using the cash basis of accounting and did not take into account revenue not received and expenditure not paid at balance date. Similarly, the Statement of Financial Position did not incorporate debtors, prepayments, creditors and accruals and is therefore a limited Statement of Financial Position contrary to Section 7 (4) of the Public Health (Sanitary Services) Regulations.

9.5 Abridged Income Statement 2009

Year Ended 31 December	2009 (\$)	2008 (\$)
Revenue		
Market Fees	40,491	26,267
CBH Grant	25,000	25,000
Garbage Services	1,968	1,812
Base Fees	2,136	2,400
Other Income	3,501	7,505
Total Revenue	73,096	62,984
Recurrent Expenditure		
Sanitary Services	37,413	31,147
Market Services	35,616	15,591
Administration and General	4,180	2,696
Total Expenditure	77,209	49,434
Result for the year from Ordinary Activities	(4,113)	13,550

The Authority recorded a deficit of \$4,113 in 2009 compared to a surplus of \$13,550 in 2008. This was due to increases in expenditure being market services (\$20,025 or 123%) and sanitary services (\$6,266 or 20%).

9.6 Abridged Balance Sheet 2009

As at 31 December	2009 (\$)	2008 (\$)
Current Assets		
Cash at Bank	17,497	21,610
Total Assets	17,497	21,610
Accumulated Funds		
Opening Balance	21,610	8,060
Net Surplus/(Deficit)	(4,113)	13,550
Total Accumulated Funds	17,497	21,610

The decrease in total assets was due to more outflow of operating activities with respect to market and sanitary services resulting in reduced cash at bank balance during in 2009 compared to 2008.

9.7 Audit Opinion – 2010

The audit of the financial statements of the Korovou Rural Local Authority for the year ended 31 December 2010 resulted in the issue of qualified audit opinion. The following issues were qualified:

The Statement of Revenue and Expenditure of the Authority was prepared using the cash basis of accounting and did not take into account revenue not received and expenditure not paid at balance date. Similarly, the Statement of Financial Position did not incorporate debtors, prepayments, creditors and accruals and is therefore a limited Statement of Financial Position contrary to Section 7 (4) of the Public Health (Sanitary Services) Regulations.

9.8 Abridged Income Statement 2010

Year Ended 31 December	2010 (\$)	2009 (\$)
Revenue		
Market Fees	40,428	40,491
CBH Grant	25,000	25,000
Garbage Services	2,012	1,968
Base Fees	1,866	2,136
Other Income	4,072	3,501
Total Revenue	73,378	73,096
Recurrent Expenditure		
Sanitary Services	17,076	37,413
Market Services	40,046	35,616
Administration and General	4,834	4,180
Total Expenditure	61,956	77,209
Result for the year from Ordinary Activities	11,422	(4,113)

The Authority recorded a surplus of \$11,422 in 2010 compared to a deficit of \$4,113 in 2009 due to a significant reduction in recurrent expenditures for sanitary services even though there was no major increase in revenue received during the year.

9.9 Abridged Balance Sheet 2010

As at 31 December	2010 (\$)	2009 (\$)
Current Assets		
Cash at Bank	28,919	17,497
Total Assets	28,919	17,497
Accumulated Funds		
Opening Balance	17,497	21,610
Net Surplus/(Deficit)	11,422	(4,113)
Total Accumulated Funds	28,919	17,497

The increase in total assets was due to decrease in cash outflows for its sanitary services resulting in the increase in cash at bank during the year.

PART B – CONTROL ISSUES

9.10 Basis of Accounting and Disclosure of Assets and Liabilities

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

The Authority is adopting the cash basis of accounting and does not maintain a balance sheet to show the assets and liabilities as required under regulations 7(4) of the Public Health (Sanitary Services) regulation.

Furthermore, the Statement of Revenue and Expenditure failed to account revenue not yet received, prepayments and expenditure not paid at balance date.

Thus the financial statement for the year ended 31 December 2008 to 31 December 2010 did not truly reflect the true financial position of the Authority.

In addition, this issue has been raised in previous years audit and included in the Audit Reports for the Authority.

Recommendations

The Authority should ensure that the Authority maintain a balance sheet and reflect the assets and liabilities of the Authority as required under the Public Health (Sanitary Services) Regulation.

Authority's Comment

The Local Authority would now ensure to comply with section 7(4) of the Public Health (Sanitary) regulation.

9.11 Absence of Approvals for Decisions Undertaken

The books of account shall be open to inspection by the Auditor General, and by the Secretary of the Board or any person authorized by it.²

The following anomalies were noted:

- Audit was not provided with the Authority's board minutes despite making several requests.
- The board approval for the dumping of the garbage at the private land dump in Nabilo could not be sighted.
- Authority for the payment of \$600 as Christmas Bonus for the year ended 31 December 2010 could not be verified.
- The approval for the increase in the wage rate in 2009 for the Authority's staff could not be verified. Refer to table 9.1 below for the payment of wages over the last three years:

¹ Public Health (Sanitary Services) Regulations 7(4)

² Public Health (Sanitary Services) Regulations, Section 52 (7) (3)

Table 9.1: Payment Of Wages

Year	Market Account (\$)	Sanitary Account (\$)	Total (\$)
2008	10,529	8,228	18,757
2009	18,071	10,596	28,667
2010	22,276	4,573	26,849
Total	50,876	23,397	74,273

In the absence of the minutes of the meeting, the approval for the increase in the wage rate cannot be substantiated. The absence of approval is contrary to section 52 (7) (3) of the public health (sanitary) regulation.

Recommendations

The Authority should ensure that

- the minutes of the meetings are made available for audit review; and
- all records requested for audit are provided for our scrutiny and in the absence of these documents, the basis of these payment could not be established and whether proper procedures were followed.

Authority's Comments

The Authority shall ensure to provide all minutes needed as evidence to decisions made by the Board in regards to utilizations of funds.

9.12 Non- Utilization of Natovi Public Convenience

The principles of responsible financial management are to ensure the value for money in the use of money and resources.³

Our audit noted that the Authority built a public convenience facility at Natovi which was completed in 2008. However, the facility is yet to be used due to the reluctance of shipping companies to fill the public convenience water tanks from a thin pipe which take days to fill.

In addition, the funds for construction of the facilities which totalled \$6,606 was provided by Ministry of Health as renovation assistance and there is no value for money since the facility has remained unused for over 4 years.

In addition, audit was not able to determine the following issues which were not provided by the Authority:

- Name of contractor for the facility and the approved plan;
- Whether consultations were made with shipping companies;
- Whether there was any tender called for the building of the facility; and
- Whether there was a completion certificate issued for the facility.

³ Financial Management Act 2004, Section 5.
Report of Statutory Authorities – July 2012

The above indicates improper planning for the construction of the Natovi public convenience hence wastage of public funds.

Recommendations

The Authority should ensure that the public funds are made to good use by ensuring that the facility could be used.

The Authority should ensure that records requested for audit are provided for scrutiny.

Authority's Comments

The Authority would ensure that the facility is to be fully utilized. The Authority would ensure that records of the outstanding issues are provided to your authority for verification.

SECTION 10: TOURISM FIJI

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

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

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PART A – FINANCIAL INFORMATION**10.1 Audit Opinion - 2010**

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

10.2 Abridged Statement of Financial Performance

Year Ended 31 December	2010 (\$)	2009 (\$)
Income		
Government Grant	23,555,556	23,111,111
Co-operative Promotion & Advertisement	1,493,902	1,366,926
Other Income	570,688	379,806
Total Income	25,620,146	24,857,843
Expenditure		
Advertising and Branding	16,766,833	13,869,507
Promotions	3,342,548	2,347,285
Public Relations	1,221,054	1,404,596
Other Selling & Marketing Expenditure	1,929,489	2,812,496
Employee Salaries and Benefits	2,091,186	2,121,949
Operation & Administration Expenditure	1,557,262	1,412,136
Total Expenditure	26,908,372	23,967,969
Net (Deficit)/ Surplus for the Year	(1,288,226)	889,874

Tourism Fiji recorded a net deficit of \$1,288,226 in 2010 compared to a net surplus of \$889,874 in 2009. This was attributed to the increases in cost of Advertising and Branding by \$2,897,326 (21%) and Promotions by \$995,263 (42%).

10.3 Abridged Statement of Financial Position

As at 31 December	2010 (\$)	2009 (\$)
Current Assets		
Cash at bank and on hand	6,202,366	6,998,484
Prepaid expenses	404,966	137,995
Tax refundable	219,795	201,741
Other receivables and advances	85,612	264,113
Total Current Assets	6,912,739	7,602,333
Non-Current Assets		
Property, plant and equipment	589,976	480,387
Investments	20,000	20,000
Refundable deposits	22,452	9,754
Total Non-Current Assets	632,428	510,141
Total Assets	7,545,167	8,112,474
Current Liabilities		
Employee entitlements	152,070	154,878
Accrued expenses	2,888,176	1,717,636
Income received in advance	24,417	24,020
VAT and Other Payables	167,570	614,780
Total Current Liabilities	3,232,233	2,511,314
Total Liabilities	3,232,233	2,511,314
Net Assets	4,312,934	5,601,160
Net Accumulated Funds	4,312,934	5,601,160

Net assets decreased by \$1,288,226 (23%) in 2010 compared to 2009. This was due to the decrease in cash at bank by \$796,118 (11%). Additionally, Tourism Fiji recorded a significant increase in accrued expenses amounting to \$1,170,540 (68%) in 2010 contributing to decline in net assets of Tourism Fiji.

PART B – CONTROL ISSUES

10.4 Inventories

Inventories are assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are required to be stated at the lower of cost and net realisable value (NRV).¹

The audit noted that promotional materials bought for marketing purpose are not held as inventory in the balance sheet. Instead the promotional materials bought are expensed in the financials in the year of purchase. Refer to the Table 10.2 below for details of inventories bought for 2010.

¹ IAS 2.9

Table 10.1: Promotional Materials Purchased During the Year

Particulars	Amount (\$)	Total (\$)
NZ		
Fiji me Promo Merchandise	13,962.35	
Giveaways	13,928.57	
Luxury Consumer Insert	6,411.00	
Total Promotional Materials	34,301.92	68,603.85
USA		
Fiji me Display Units	9,715.78	
Fiji me collaterals	9,551.51	
Total Promotional Materials	19,267.29	38,534.58
Fiji		
2010 Calendar	6,841.05	
Backpacker Flyers	5,224.70	
Chinese Collaterals	44,000.00	
Giveaways	21,817.66	
Giveaways, Letterheads, etc	9,742.47	
Mini-SP Travel Guidebook	5,633.80	
Publication (Explore Fiji)	12,338.75	
Publications & Merchandise	130,599.29	236,197.72
Total		343,336.15

No inventory record was provided during the audit; indicating that an inventory record is not maintained.

Benefits arising from the distribution of promotional materials will not be matched in the year these promotional materials are distributed. Additionally, lack of inventory record for promotional material increases risk of mismanagement of promotional items.

Recommendations

- **Management should consider capitalizing promotional materials as inventories when it is purchased and expensed in the period it is distributed.**
- **A detailed listing of the promotional items should be maintained at all time.**

Company's Comments

Noted and will action accordingly.

SECTION 11: 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.

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PART A – FINANCIAL INFORMATION**11.1 Audit Opinion - 2011**

The audit of the financial statements of the Investment Fiji for the year ended 31 December 2011 resulted in the issue of an unqualified audit report.

11.2 Abridged Income Statement

Year ended 31 December	2011 (\$)	2010 (\$)
Income		
Government grant	913,043	939,455
Other income	638,777	758,182
Trade promotion	244,388	210,978
Total income	1,796,208	1,908,615
Expenditure		
Personnel expenses	850,323	985,735
Operating expenses	288,316	313,218
Administrative expenses	205,621	231,679
Depreciation	112,217	125,166
Trade promotion expenses	253,505	200,947

Year ended 31 December	2011 (\$)	2010 (\$)
Refund of surplus fund	-	32,782
Total expenditure	1,709,982	1,889,527
Net surplus for the year before prior year adjustments	86,226	19,088
Prior year adjustment	61,967	(276,125)
Net surplus / (deficit) for the year after prior year adjustments	148,193	(257,037)

Investment Fiji recorded a net surplus of \$148,193, an increase of \$405,230 in 2011, compared to a net deficit of \$257,037 in 2010. The change from net deficit to net surplus in 2011 is mainly attributed to a positive prior year adjustment made in 2011 amounting to \$61,967 compared to a negative \$276,125 in 2010. Additionally, the declining personnel expenses resulting from staff resignation and termination amounting to \$135,412 also contributed to the net surplus in 2011.

11.3 Abridged Statement of Financial Position

As at 31 December	2011 (\$)	2010 (\$)
Current Assets		
Cash on hand and at bank	606,815	556,304
Receivables	46,038	94,653
Total Current Assets	652,853	650,957
Non - Current Assets		
Property, plant and equipment	326,089	379,441
Total Non Current Assets	326,089	379,441
Total Assets	978,942	1,030,398
Current Liabilities		
Trade creditors and accruals	99,156	84,491
Other creditors	-	134,464
Income received in advance	11,300	44,556
Provision for employee entitlements	34,234	44,641
Deferred Income	5,509	15,290
Total Current Liabilities	150,199	323,442
Non-Current Liabilities		
Provision for employee entitlement	106,091	132,497
Total Non-Current Liabilities	106,091	132,497
Total Liabilities	256,290	455,939
Net Assets	722,652	574,459
Total Equity	722,652	574,459

Investment Fiji recorded an increase in net assets by \$148,193 or 26% in 2011 compared to 2010. This is attributed to nil balance of other creditors in 2011 compared to \$134,464 in 2010.

SECTION 12: LAND TRANSPORT AUTHORITY

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

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

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PART A – FINANCIAL INFORMATION

12.1 Audit Opinion

The audit of the financial statements of the Land Transport Authority for the year ended 31 December 2010 resulted in the issue of a qualified audit report. The qualification paragraph was:

- Included in the financial statements are Property, Plant and Equipment valued at \$9,255,146. The amount of \$2,638,660 cannot be substantiated as the Authority was not able to provide a proper reconciliation. Accordingly, the accuracy and completeness of Property, Plant and Equipment as at 31 December 2010 could not be ascertained.

Without further qualification to the opinion expressed, attention was drawn to the following:

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

12.2 Statement of Comprehensive Income

Year Ended 31 December	2010 (\$)	2009 (\$)
Revenue		
Grant Received	8,888,889	10,666,667
Total Revenue	8,888,889	10,666,667
Expenditure		
Administration Expenses	5,658,476	7,268,737
Operating Expense	3,186,645	3,701,366
Other Expenses	408,106	487,743
Total Expenditure	9,253,227	11,457,846
Result from Operating Activities	(364,338)	(791,179)
Income Tax Expense	-	-
Loss for the year	(364,338)	(791,179)
Other Comprehensive gain/(loss)	72,599	(97,171)
Total Comprehensive Loss	(291,739)	(888,350)

The Authority recorded a decline in total comprehensive loss of \$596,611 or 67% in 2010 compared to 2009. The decrease in total comprehensive loss was largely due to effective control excised over expenditure.

12.3 Statement of Financial Position

As at 31 December	2010 (\$)	2009 (\$)
Current Assets		
Cash and cash equivalents	1,907,894	2,636,641
Receivables	946,071	276,280
Inventories	489,088	383,930
Total Current Assets	3,343,053	3,296,851
Non Current Assets		
Property, plant and equipment	9,255,146	10,090,441
Total Non Current Assets	9,255,146	10,090,441
Total Assets	12,598,199	13,387,292
Current Liabilities		
Creditors and other accruals	920,765	1,412,770
Other Provisions	361,874	367,223
Total Current Liabilities	1,282,639	1,779,993

As at 31 December	2010 (\$)	2009 (\$)
Total Liabilities	1,282,639	1,779,993
Net Assets	11,315,560	11,607,299
Capital and Reserves		
Capital	1,650,146	1,650,146
Retailed Earning	9,665,414	9,957,153
Total Capital and Reserves	11,315,560	11,607,299

Total capital and reserves declined by \$291,739 or 2.5% in 2010 compared to 2009 mainly due to decrease in total assets.

PART B – CONTROL ISSUES

12.4 Fixed asset register to be properly updated and maintained

The audit noted that the Authority has not conducted a board of survey and updated its fixed assets register.

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

- The fixed asset register does not include the asset tag numbers even though these are assigned to assets.
- The fixed assets register is not updated on the timely manner.
- The details for additions to the fixed assets register were not produced for audit verification.
- The description of the asset type on the fixed asset register may agree to the physical asset however the serial numbers differed.

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

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

Recommendations

- The Authority should consider setting up a special team to carry out a physical count of fixed assets and ensuring that the relevant details are accurately updated on the fixed asset register. The asset tags, asset description, serial numbers should be captured accurately on the fixed asset register.
- The fixed asset register should also be reviewed by a senior officer to ensure that any errors or mis postings are identified and rectified in a timely manner.

Management comment

Recommendations considered, the management has re-tagged one Finance Officer Position to be responsible of procurement and fixed asset (FA), who will be responsible of all FA management and will spear head the team to carry out the physical count of fixed asset, tagging and updating of FA register. The finance software will also be upgraded to automatically update the FA register for any procurement of FA.

12.5 Comprehensive Gain Balance

The Authority failed to provide substantiated evidence of the amount \$72,599 for the comprehensive gain balance included in the Statement of Comprehensive Income.

Such finding increases the risk of retained earnings being misstated at balance date.

Recommendation

The Authority should provide proper reconciliation for comprehensive gain balance included into the Statement of Comprehensive Income.

Management comment

Recommendation noted, the Authority will ensure that P&L and Balance Sheet are reconciled with TB with proper reconciliations.

12.6 Inventory management function to be strengthened

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

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

- The Authority failed to locate the stock sheets of the physical count held for financial year 2010;
- Review of inventory schedules was not performed on a regular basis;
- The Authority failed to provide a proper reconciliation on the inventory balance valued at \$489,088 as at 31 December 2010; and
- The procedures over security and safeguarding of inventory items at the store room were not effective leading to risk of pilferages and inventory losses.

In the absences of appropriate process and procedures, there is a risk of theft or misappropriation over the Authority's inventories.

Recommendations

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

- **The inventory listing should be prepared on a monthly basis based on the inventory balance in the inventory register and submitted to a senior office in finance for review;**

- **A count of all inventory items should be undertaken on a monthly basis. An officer independent of the storeroom should perform the inventory count. The inventory count records should be reconciled to the inventory listing; and**
- **Any variances between the inventory count and the inventory listing should be properly investigated, resolved and reported to management.**

Management comment

Recommendation is noted; the Authority will ensure proper procedures are in place for proper controls and recording of inventories on periodical basis.

12.7 Agency Transaction Administred for the Fiji Government

Effective from 2008, the Authority under the Land Transport Authority (Amendment) Promulgation 2007 is responsible for the collection of all licence revenues which are deposited directly into the Government Consolidated Fund.

The Authority is operating a commercial bank account (Account Code 1031) to deposit the revenue received at the Authority's branch in Taveuni. As at 31 December 2010, the account had a balance of \$212,232.60.

Review of the Authority's bank reconciliation revealed that as at 31 December 2010, the Authority failed to transfer \$212,232.60 into the Government Consolidated Fund.

Such finding indicates that the Authority's Cash at Bank is overstated at balance date.

Recommendation

The Authority should ensure to transfer the money into the Government Consolidated Fund in a timely manner.

Management comment

The Authority is now working on the reconciliation of the Account to be transferred to the Government consolidated A/C, however the Authority will ensure that the fund to be transferred on monthly or weekly basis.

12.8 Post Master Receivables

Post Fiji Limited acts as an agency of Land Transport Authority whereby the agencies collect revenue on behalf of the Authority where there are no banking services available. At the end of the month, the Authority issues a debit note to Post Fiji and receipts the revenue into the Government Consolidated Fund Account.

Included in the financial statements is Postmaster receivable totalling (\$48,271) and \$51,894 for 2010 and 2009 respectively. The audit noted that the Authority has booked Postmaster as receivables which relates to agency revenue.

The Authority should have disclosed the receivables into the notes only as the Postmasters are not debtors to the Authority.

Such finding indicates that the Authority's receivables are under and overstated for 2010 and 2009 respectively.

Recommendation

The Authority should make appropriate adjustment to correct the accounts receivable balance and disclose all the receivable relating to agency revenue in the notes to the financial statements.

Management comment

The Authority will ensure that appropriate reconciliation and adjustments are properly accounted for and recorded for the Post Masters Receivables, which to be also shown in the notes of FS.

12.9 Incorrect VAT Lodgement

The Authority had in its VAT lodgement forms lodged VAT payables on the basis of annual grant being apportioned rather than actual funds received from Government.

Such practice increases the risk of VAT accounts/ lodgements being misstated.

Furthermore, this also increases the risk of legal action against the Authority by Fiji Revenue and Customs Authority.

Recommendation

The Authority should prepare a proper reconciliation and make correct VAT lodgements.

Management comment

The Authority will ensure that VAT is calculated on actual funds received from Government and proper reconciliation is done to make correct VAT lodgements.

12.10 Review of Journals

We were not provided with documentary evidence to attest that the journals prepared in Excel were reviewed by a senior officer. This increases the risk of data being manipulated as they are spooled from Excel and exported into EPICOR file.

Data not safeguarded appropriately may be easily altered. Such practise increases the risk of errors and fraud.

Recommendation

The Senior Finance Officers should sign off all the journals to ensure accuracy and completeness.

Management Comments

The Authority is now prepared journals form to be filled and approved before the posting of data into the GL.

12.11 Annual leave schedule

The audit noted that there were differences in the annual leave balances as per annual leave schedule when compared to the individual personnel leave files. Refer to the table below for details.

Staff Initial	Leave balance as per leave register	Leave balance as per personnel file	Variance
RB	88.25	81.09	7.16
JS	25	43	18

The above finding indicates that valuation for the provision of annual leave could be materially misstated. In addition, monetary value paid to the employees could be over or understated upon resignation.

Recommendation

The Authority should perform substantive overhaul of its annual leave records to ensure that proper records are maintained.

Management Comments

The Authority is now conducting a data cleansing and verification exercise in HR department especially on Annual Leave for the HR software , thus will have an up to date and accurate AL data in the HR data base

12.12 Cashier Shortage Recovery

Under the Authority’s finance manual, if cashers have shortage in their cash register reconciliations, the cashiers will be required to pay back the amount.

The Authority has recorded \$10,242.03 as cashier shortage for financial year 2010 compared to \$4,701.18 for 2009.

The audit noted that the Authority has not taken the necessary steps to recover cash shortages from its cashiers.

Such finding indicates that the Authority has not being upholding its finance policies regarding cash shortage.

Recommendation

The Authority should put in place effective controls and polices on cash shortages and the recovery of cash shortages.

Management comment

The Authority will review its Financial Manual, immediate actions have been taken to recover the shortage from payroll and warning letters have been issued.

12.13 Operating Lease Commitments

The Authority has recorded \$442,961 as Operating Lease Commitments for financial year 2010 compared to \$284,536 for 2009.

The Authority failed to provide details of the Operating Lease Commitments. Therefore we are unable to substantiate the balance booked into the financial statements.

Such finding increases the risk of commitments being misstated at balance date.

Recommendation

The Authority should provide proper reconciliation for Operating Lease Commitments included into the financial statements.

Management comment

The Authority will ensure that all the records are up to date and proper reconciliation is done to reflect accurate data is shown in the FS.

12.14 Fraud Control strategy

The Authority does not have any risk fraud control strategy in place even though the Authority has signed an agreement with Fiji Independent Commission against Corruption to investigate and control fraud in the organization.

In addition, the Authority does not have an employee awareness program and fraud reporting system in place.

Without a fraud control strategy in place, LTA will fail to address opportunistic fraud scenarios in the organization.

Recommendation

The Authority should set up a fraud control strategy.

Management comment

The Authority will prepare a fraud risk control strategy together with fraud reporting system and an awareness program covering all functions and operations of the Authority to mitigate risks of fraudulent practises.

12.15 Risk Assessments not performed

The Authority has not carried out any risk assessments in its operations. Without risk assessments, the Authority won't be able to:

- determine internal and external threats; and
- determine the vulnerability of the functions of the organization.

Recommendation

The Authority should perform risk assessments and formulate a risk register to be used by its internal audit section.

Management Comments

No comments provided

12.16 Size of the Authority's Board

The Authority shall consist of 7 members, as follows – ¹

- a Chairman who is to be a person with knowledge and ability in the fields of management and administration to be appointed by the Minister;
- 5 other members appointed by the Minister, who in his opinion have experience and expertise in the areas covered by the functions of the Authority or in the engineering, legal, commercial, insurance, business or administration fields; and
- the Permanent Secretary.

Audit noted that 3 positions were vacant on the Authority's boards.

By not having a balanced Board of Directors as required in the above quoted regulation, the Authority's board will not be able to perform its functions in an effective and efficient manner.

Notable board and management issues currently lacking that also needs to be addressed include Corporate Governance, Internal Audit Charter, Anti-Fraud Strategies and Risk Management.

Recommendation

The Authority should consider filling the vacant position of the Board of Director

¹ LTA Act 1998 Section 7 (1)

Management Comments

The Authority will consider filling the vacant positions as recommended.

12.17 Audit Committee

The Authority does not have an Audit Committee and an Internal Audit Charter in place.

Benefits of Internal audits as described by the Chartered Institute of Internal Auditors (UK) include:

- Internal audit work with Finance on an equal basis to ensure that the business is achieving its objectives, operating in a cost effective way and maximising its return on investments while at the same time managing risks effectively.
- If internal audit is proactively looking for ways that business processes can be improved, while at the same time improving the effectiveness of controls, this can have a positive impact on the bottom line.
- All of this work supports the finance director because it is helping to link strategic risks to budgets and to the setting of objectives.
- Assists in achieving their strategic, financial and operational objectives.
- The internal audit inspires confidence in business controls and processes and enhances its influence. And internal audit's influence can be instrumental in creating an organisational culture which encourages continuous improvement in the management of risks.
- The nature of those risks is changing more quickly than ever during this challenging economic period. Internal audit's role in enabling better risk management strengthens corporate governance. A well-resourced internal audit function can therefore play a vital role in supporting organisations to achieve their strategic objectives.

Enabling this role requires the right reporting lines, strong internal relationships and the support of a responsive board.²

Recommendation

The Authority should consider forming an Audit Committee and establish an Internal Audit Charter.

Management Comments

The Authority will consider forming an Audit Committee as recommended.

² Chartered Institute of Internal Auditors (UK) News Release 18 May 2010 "The advantage of Internal Audit"
Report of Statutory Authorities – July 2012

