EXCELLENCE IN PUBLIC SECTOR AUDITING

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Audit Report on Statutory Authorities – December 2014

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December 2014

REPUBLIC OF FIJI

OFFICE OF THE AUDITOR GENERAL

8th Floor, Ratu Sukuna House,
MacArthur Street,
P. O. Box 2214,
Government Buildings,
Suva, Fiji Islands.

Telephone: (679) 330 9032
Fax: (679) 330 3812
Email: info@auditorgeneral.gov.fj
Website: http://www.oag.gov.fj

Excellence in Public Sector Auditing

File: 102

31 December 2014

The Hon. Dr. Jiko Luveni
Speaker of the Parliament of the Republic of Fiji
Parliament
Fiji

Dear Dr. Luveni

AUDIT REPORT ON STATUTORY AUTHORITIES
FOR THE YEAR ENDED 31 DECEMBER 2014

In accordance with section 152 (13) of the Constitution, I am pleased to transmit to you my report on the audit of statutory authorities for the year ended 31 December 2014.

A copy of the report has been submitted to the Minister of Finance who as required under section 152 (14) of the Constitution will lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

AUDITOR-GENERAL
FIJI

Tevita Bolanavanua
AUDITOR -GENERAL

FOREWARD

This report presents the result of audits of 22 statutory authorities that were completed during 2014.

Out of the 22 statutory authorities discussed in this report, 7 were issued qualified audit opinions, 5 had unqualified audit opinions while 10 were issued with disclaimer of opinions. Surplus balances were noted from the operations of 11 statutory authorities while 11 others realized deficit balances in their operations.

The accounts of the Council of Rotuma were audited from 1996 – 2005 for which all were given disclaimer of opinions due to it not being able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements. The disclaimer of opinions issued for other statutory authorities were due to their failure to prepare their financial statements in accordance with the International Financial Reporting Standards as required for general purpose financial statements.

The following is a summary of the status of audits of all statutory authorities:

	Statutory Authority	Audit Completed	Audit Opinion	Remarks
1	Agriculture Marketing Authority	2009	Qualified	2010 account not submitted for audit.
2	Fiji Arts Council	2003	Qualified	2004 account not submitted for audit.
3	Kalabo Tax Free Zone	2012	Qualified	2013 account not submitted for audit.
4	FRCA	2013	Unqualified	Audit is up to date.
5	Fiji National Council for Disabled	2013	Disclaimer	Audit is up to date.
6	Fiji Museum	2004	Unqualified	Fiji Museum appointed its own auditor.
7	Fiji Servicemen Aftercare Fund	2011	Disclaimer	2012 account not submitted for audit.
8	Fiji Sports Council	2013	Qualified	Audit is up to date.
9	Tourism Fiji	2011	Unqualified	2012 audit competed and file is under review.
10	Korovou Rural Local Authority	2011	Qualified	2012 account not submitted for audit.
11	National Fire Authority	2011	Unqualified	2012 account not submitted for audit.
12	National Food & Nutrition	2013	Disclaimer	Audit is up to date.
13	National Substance Abuse Advisory Council	2013	Disclaimer	Audit is up to date.
14	Navua Rural Local Authority	2009	Unqualified	2010 account not submitted for audit.
15	Coconut Industry Development Authority	2007	Qualified	2008 account not submitted for audit.
16	Consumer Council of Fiji	2013	Disclaimer	Audit is up to date.
17	Investment Fiji	2013	Unqualified	Audit is up to date.
18	Sugar Industry Tribunal	2012	Qualified	2013 account not submitted for audit.
19	Fiji Audio Visual Commission	2009	Unqualified	Audit of 2010 account is in progress.
20	Fiji Commerce Commission	2013	Unqualified	Audit is up to date.
21	Ra Rural Local Authority	2010	Qualified	2011 account not submitted for audit.
22	Western Division Drainage Board	2012	Disclaimer	2013 account not submitted for audit.
23	Fiji Co-operative Union	2003	Qualified	2004 account not submitted for audit.
24	Land Transport Authority	2012	Qualified	2013 audit is in progress.
25	National Center for Micro Finance	2009	Qualified	2010 account not submitted for audit.
26	Council of Rotuma	2005	Disclaimer	2006 account not submitted for audit.
27	iTaukei Affairs Board	2000	Qualified	2001 & 2002 audit completed and under review.
28	National Trust of Fiji	2005	Unqualified	2006 account not submitted for audit.
29	Center for Appropriate Technology	2009	Qualified	2010 account not submitted for audit.
30	Civil Aviation Authority of Fiji	2013	Unqualified	Audit is up to date.
31	FICAC	2013	Qualified	Audit is up to date.

32	Independent Legal Commission	2011	Unqualified	2012 account not submitted for audit.
33	Fiji Medical and Dental Secretariat	2012	Disclaimer	2013 account not submitted for audit.
34	Water Authority of Fiji	2010	Disclaimer	2011 audit completed and sent for signing.
35	Fiji Higher Education Commission	2013	Disclaimer	Audit is up to date.
36	Maritime Safety Authority of Fiji	2012	Unqualified	2013 account not submitted for audit.
37	Telecommunication Authority of Fiji	2013	Disclaimer	Audit is up to date

Only statutory authorities that submitted their accounts for audit in 2014 were audited during the year. Some audits were in progress during the compilation of this report and others which have not shown much improvement may have been affected by the lack of capacity in their respective organizations or will submit their accounts in 2015.

There is a need for all statutory authorities to place more emphasis on the early preparations and audit of their accounts to ensure that important decisions made on behalf these entities are based upon up to date financial data and accounting information.

The reports for these entities are divided in two parts; Part A discusses the financial information about the entities reported while Part B discusses discrepancies and defects in their operations.

Statatutory Authorities

1.	Fiji Roads Authority
2.	National Food and Nutrition Center
3.	Fiji Commerce Commission
4.	Consumer Council of Fiji
5.	Fiji Medical and Dental Secretariat
6.	Fiji National Council for Disabled Persons
7.	Fiji Revenue and Customs Authority
8.	Fiji Servicemen's After Care Fund
9.	Fiji Higher Education Commission
10.	Maritime Safety Authority of Fiji
11.	Korovou Rural Local Authority
12.	National Fire Authority
13.	National Substance Abuse Advisory Council
14.	Civil Aviation Authority of Fiji
15.	Ra Rural Local Authority
16.	Western Division Drainage Board
17.	Investment Fiji
18.	Council of Rotuma
19.	Fiji Independent Commission Against Corruption
20.	Telecommunications Authority of Fiji
21.	Fiji National Sports Commission
22.	Fiji Sports Council

SECTION 1: FIJI ROADS AUTHORITY

Programme Statement

Fiji Roads Authority (the "Authority" or "FRA") was established by the Fiji Road Authority Decree 2012 (as amended by the Fiji Road Authority (Amendment) Decree 2012, "Principal Decree") ("FRA Decree") to serve the road system needs of the Republic of Fiji. This decree established the Authority by transferring the operations and assets of the Department of National Roads ("DNR").

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PART A – FINANCIAL INFORMATION

1.1 Audit opinion

The audit of the accounts of the Fiji Roads Authority for the year ended 31 December 2013 resulted in the issue of a qualified audit report. The issue qualified is as follow:

As discussed in Notes 1(a) and 1(e) to the financial statements, there were insufficient accounting records and related documents to appropriately account and substantiate the value of property, plant and equipment as at 5 January 2012. The financial statements consequently included carried forward opening balance for property, plant and equipment of $4.6 billion based significantly on estimates and assumptions, with uncertainty. Appropriate audit procedures were not able to be carried out to obtain sufficient and appropriate audit evidence over these estimates and valuation. As a result, the audit was not able to determine the effect of adjustments, if any, on the financial position of the Authority as at 31 December 2013, or on its financial performance and cash flows for the year then ended.

1.2 Abridged Statement of Comprehensive Income

Year Ended 31 December	2013 ($)	2012 Restated ($)
Income		
Grants and contributions	33,370,264	228,970,812
Other Income	3,814,739	-
Total Income	**37,185,003**	**228,970,812**
Expenditure		
Employee related expenses	3,664,568	14,297,572
Maintenance	96,239,599	26,009,450
Depreciation and amortisation	45,178,897	48,429,549

Year Ended 31 December	2013 ($)	2012 Restated ($)
Other operating expenses	14,556,132	17,061,988
Total Operating Expenditure	**159,639,196**	**105,798,559**
(Deficit)/Surplus for the period	**(122,454,193)**	**123,172,253**
Other Comprehensive Income		
Loss on Asset Revaluation	(11,034,451)	-
Exchange Difference in Translating Foreign Operation	693,315	-
Total Other Comprehensive Income	**(10,341,136)**	-
Total Comprehensive (Loss)/Income for the period	**(132,795,329)**	**123,172,253**

The substantial comprehensive loss recorded in 2013 was largely due to the following:

- Government grant for capital expenditure accounted as deferred income in 2013, thus the reduction in total income by $191.8 million from the previous year.
- Major maintenance works outsourced and carried out in 2013 resulted in the increase in total expenditures by 51% compared to 2012.
- Loss on revaluation of quarry assets (held for sale).

The decline in employee related expenses by 290% resulted mainly from the significant reduction in average employee numbers during the year.

1.3 Abridged Statement of Financial Position

As at 31 December	2012 ($)	2012 Restated ($)
Cash and cash equivalents	1,200	649,482
Receivables	11,234,159	2,742,768
Other Current Assets	1,782,303	11,000,000
Assets Held for Sale	6,429,998	-
Property, plant and equipment – non-current	4,801,961,000	4,602,802,360
Intangible Assets – non-current	147,543	-
Total Assets	**4,821,556,203**	**4,617,194,610**
Cash Book Overdraft	2,173,607	-
Payables	49,133,095	17,432,257
Provision	37,495,324	8,000,000
Deferred Income – non-current	177,290,078	-
Total liabilities	**266,092,104**	**25,432,576**
Net Assets	**4,555,464,099**	**4,591,762,034**
Other Contributed Equity	4,565,087,175	4,468,589,781
Accumulated Funds	(9,623,076)	123,172,253
Total Equity	**4,555,464,099**	**4,591,762,034**

The increase in liabilities was mainly due to the accounting of capital grants given by Government in 2013 as deferred income. Increase in payables by 182% was due to high maintenance expenses accrued at year end. Provision for capital works of $27.7 million in 2013 resulted in the increased total provision recorded in 2013.

This contributed to the decline in net assets by $36,297,935 (1%) at year end.

PART B – CONTROL ISSUES

1.4 Valuation of property, plant & equipment

IAS 16 Property, Plant and Equipment require initial recognition of property, plant and equipment at cost. However, due to the unavailability of accurate and reliable information, MWH NZ Ltd and Landworth PRC were engaged in 2012 and 2013 respectively to value property, plant and equipment belonging to the Authority.

The values allocated to the different classes of property, plant and equipment at the establishment of the Authority as at 5 January 2012 totalled $5.2 billion with carrying amounts at the end of 2012 and 2013 of $4.6 billion and $4.8 billion respectively. Refer to Table 1.1 for details.

Table 1.1: Property, Plant and Equipment Net Book Balance

Classes	Opening Balance as at 5 January 2012 ($)	Closing Balance as at 31 December 2012 ($)	Closing Balance as at 31 December 2013 ($)
Land and Building	206,995,852	198,988,742	191,039,617
Motor Vehicles	1,233,958	1,068,796	1,108,735
Road Systems	4,950,572,562	4,225,320,048	4,287,226,006
Furniture & Fittings	21,450	20,988	359,719
Plant & Equipment	20,480,583	15,089,707	1,298,735
Maritime Systems	44,957,932	24,640,183	23,411,148
Work In Progress		137,673,896	297,517,040
Total	**$5,224,262,337**	**4,602,802,360**	**4,801,961,000**

The following issues of concern were noted:

- The unavailability of reliable and accurate integrated information on property, plant and equipment has resulted in the significant use of assumptions and estimates, with uncertainty, to determine the value of property, plant and equipment, and in particular, infrastructure assets. The audit noted from the *2012 Roading Asset Valuation Report* prepared by MWH Ltd various recommendations concerning records management practices with regards to improving the accuracy of future infrastructure assets valuations. The significant improvement actions recommended in the report indicated that the value of infrastructure assets may not be fairly reflected in the Statement of Financial Position.

- Non-disclosure of information in the financial statements concerning issues such as date of valuation, independent valuer responsible for the valuation, valuation methodology used in the absence of comparable reliable data, significant assumptions in estimating fair value and the extent to which fair value were determined.

- Land was classified into one category of “Land and Building” with no clear distinction between freehold land and leasehold land in the fixed assets schedule. The land on which depots are built are either under native lease or crown lease but this is not clearly shown in the fixed assets schedule. Information on land titles could not be confirmed and therefore the audit was not able to determine whether land had been properly accounted for in the financial statements.

Various issues of concern regarding the valuation of property, plant and equipment have been considered as a qualification in the Auditor's Report.

Recommendations

- **It is recommended that the Authority consider the various issues raised against the valuation and accounting of property, plant and equipment in the books of account.**
- **Recommendations put forward in the valuation report for road infrastructure should be seriously considered by the Authority to improve the accuracy of future valuations.**
- **Information regarding the valuation of property, plant and equipment should be fully disclosed in the financial statements.**
- **Property, plant and equipment should be properly accounted for in accordance with IFRS.**

Management Comments

Apart from an update to the second paragraph and Table 1.1, Audit's comments here is a repetition of the 2012 issues and FRA comprehensively responded at that time and for the purposes of the record, this is mentioned again below:

'The quality of the former DNR's asset data was ***extremely*** *poor.*

The first pre-requisite for any infrastructure management organization is to know what assets it owns. A 2009 ADB report entitled 'Fiji National Transport Sector Plan Update – National land Transport (Subsector) Plan' (that uses records obtained from the DNR and from the Municipal Councils) says:

'The national road network comprises approximately 5000 km of main secondary and country roads under the management of the Department of National Roads (DNR) which provide the primary inter-urban and rural public network and the main and secondary roads in the urban municipalities. There are also approximately 200km of city and town council roads and 1800km of rural access roads developed for agriculture, forestry and rural development……There are 787 bridges…"

There is a total of 7,000 km roads and 787 bridges.

Upon the establishment of the FRA we asked the DNR to tell us how many assets it was responsible for. Its response was 5058 km of roads, 809 bridges and 15 jetties.

From the work the FRA did during the transition year we believe the true figures are more likely to be something like:

- *DNR Roads*	*4,254*
- *Municipal Council Roads*	*337*
- *Rural Access Roads*	*6,524*
- *TOTAL*	*11,115*
- *Bridges*	*936*
- *Jetties*	*47*

This is before the DNR's information about asset location, material type, condition, capacity, performance, age and remaining life – which was similarly unreliable or (in most cases) non-existent. (An inspection of the bridges revealed a most alarming situation with many in such poor condition that their immediate closure (including the largest bridge in the Suva CBD) or limitation on their use had to be recommended – a situation not revealed at all by the FRA's data).

The FRA is therefore having to develop a new asset information system 'from scratch'.

In these circumstances it simply wasn't possible to carry out a valuation without using a wide range of assumptions and estimates. Nor is it likely to be possible to do so until the FRA has more reliable records – which are going to take time. At this stage the objective is a reliable estimate within 3 years.

We also note that this is apparently the first time the assets have been valued at all.

The asset management system that is being installed now will eventually enable the FRA to report accurately asset quantity, location, material-type, location, capacity, criticality, condition, performance, age and remaining life and historical expenditure information – but the work required before it can do that is likely to take about three years to complete.'

Further update on the current situation as at 5 December 2014:

In its response the FRA repeated what it had previously advised the Office of the Auditor General that it will be likely to be mid 2015 before it will be possible to value the assets without having to resort to a wide range of assumptions and estimates. The purpose of this letter is to update you on the current situation.

To reiterate:

(a) *The assets can't be valued at all until we have an accurate understanding of exactly what infrastructure assets the FRA owns. (They have apparently never been valued by the former Department of National Roads (DNR) in the past).*

When the FRA was established in 2012 information transferred from the DNR regarding these sorts of things was virtually nil. Even the length of roads and the number of jetties and bridges that have to be managed were very significantly wrong. In the case of the jetties for instance we were told there were 15 – so far we have discovered 47. Thousands of kilometres of more roads and about 200 additional bridges have also been located.

(b) *Having identified what it owns a reliable asset valuation cannot be obtained until the FRA knows the location, material-type, capacity, criticality, condition, performance, age and remaining life of each asset.*

Although a top priority this cannot be done overnight. It is essential the information be gathered in a structured way and be recorded in a form that is going to be able to be properly managed in the future. It's also not just a case of 'looking at each asset' and deciding a value. In some cases, especially the bridges and jetties the work involved is very considerable.

A new asset management system was procured, and a programme for its population adopted, in the latter part of 2012. That programme envisaged population of the new system being substantially complete by the end of 2014/mid 2015.

The current situation is:

(a) *All roads have been mapped and verified;*
(b) *Details of the condition of all of the sealed roads will be in 'the system' by the end of the year;*
(c) *Details of the condition of the major unsealed roads will be in 'the system' by July 2015;*
(d) *Basic information regarding 836 bridges is already in 'the system'. 270 bridges have been inspected this year and the information relating to them will be input by the end of March next year.*
(e) *Information relating to the jetties is being input as it comes to hand,*
(f) *Street furniture and drainage information will not be able to be entered until the first half of next year;*
(g) *Our expectation is that all of the information will be complete by the end of July 2015.*

We therefore confirm that the FRA is 'on track' for completion of population of the asset register within the timeframe previously advised. This means of course that the earliest possible date for an accurate and complete valuation of the assets is July next year and that, as a consequence the FRA will have to accept a qualification to its accounts similar to that which your Office has had to impose for 2012 and 2013.

As I have also advised you previously when the revaluation is done it will be carried out by a party who holds a recognised and relevant professional qualification with recent experience in the location and in the type of assets being valued and (in the absence of specific requirements in Fiji) will be required to be carried out in accordance with the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines issued by the NAMs Group.

SECTION 2: NATIONAL FOOD AND NUTRITION CENTRE

Programme Statement

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

The objective of the National Food and Nutrition Centre are:

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

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

Consequently, on 21st January 1999, there was an agreement signed between the Government of Fiji and the National Food and Nutrition Centre for the provision of advice to the Fiji Government on the country's food situation and the nutritional status of its population. Furthermore, the NFNC will coordinate and monitor all government ministries and non government organisations programs and activities relating to nutrition.

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PART A – FINANCIAL INFORMATION

2.1 Audit Opinion

The audit of the financial statements of the National Food and Nutrition Centre (NFNC) for the year ended 31 December 2013 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Centre did not prepare its financial statements in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities as required for the general purpose financial statements.

2.2 Abridged Statement of Financial Performance

Year Ended 31 December	2013 ($)	2012 ($)
Receipts		
Government Grant	196,940	196,742
Government Grant – (FPAN)	173,914	222,952
UNICEF (NIMS/MNP/ Get Ready TOT)	126,932	0
Food Based Dietary Guidelines	0	7,358
FPAN – Reimbursement to Operations	0	12,053
WHO – Projects	147,540	39,453
Bank Interest	2,770	3,944
Food and Agriculture Organisation	1,522	1,471
Other Income	23,402	13,129
Total Receipts	**673,020**	**497,102**
Payments		
Salaries, Wages and Related Expenses	218,930	188,278
Fiji Plan for Action	143,097	282,439
Capital Expenditure	1,920	4,625
Food Based Dietary Guidelines	0	4,801
Publications	260	1,859
Health Promoting Schools	96, 715	46,901
Office Expenses	25, 812	6,758
Other Expenses	160,413	105,987
Total Payments	**647,147**	**641,648**
Net Surplus/(Deficit) for the year	**25,873**	**(144,546)**

The Centre recorded a surplus of $25,873 in 2013 compared to a deficit of $144,546 in 2012. The surplus was a result of an increase in WHO grants by $108,087 or 274% in 2013 compared to 2012. The Centre also received fundings from UNICEF for various projects in 2013 which were not available on 2012.

2.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Assets		
Cash at Bank	327,494	305,551
FEA Deposit	50	50
Telephone Deposit	297	297
Total Assets	**327,841**	**305,898**
Liabilities		
VAT Payable	42,434	46,364
Total Liabilities	**42,434**	**46,364**
Net Assets	**285,407**	**259,534**
Total Accumulated Funds	**285,407**	**259,534**

The Centre’s net assets increased by $25,873 or 10% in 2013 compared to 2012 as a result of an increase in cash at bank and the decline in VAT payable.

PART B – CONTROL ISSUES

2.4 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SMEs)

Smaller accounting entities will, following Fiji Institute of Accountant's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.[1]

The audit noted that the Centre did not prepare its annual financial statements under IFRS for SMEs.

The IFRS for SMEs has simplifications that reflect the needs of users of SMEs financial statements and cost-benefit considerations.

Thus, the annual financial statements prepared by the Centre are contrary to the IFRS for SMEs.

Recommendation

The Centre should work towards the adoption of IFRS for SMEs in preparing its financial statements.

Management Comments

No comments provided.

2.5 Non Separate Disclosure of Donor Funds

It is essential for recipients of grants to prepare separate financial statements to ensure accountability and transparency in the use of donor funds.

In 2013, the Centre received a total grant of $426,480 from the Ministry of Health. Of the total operational grant of $426,480, the sum of $200,000 was for the Fiji Plan of Action for Nutrition. Apart from the Ministry of Health grant of $426,480, the Centre received a total of $276,147.73 from other donor agencies to undertake different projects in 2013. Refer to Table 2.1 below for details.

Table 2.1: Details of Donor Funds Received

Donor Agency	Project	Amount ($)
World Health Organisation	Health Promoting Schools	147,539.53
United Nations Children's Emergency Fund	Get Ready Training of Trainers & National Iron & Micronutrient Supplementation	126,932.20
Total		**274,471.73**

The audit noted that the Centre failed to provide separate financial statements of total donor funds received and utilized.

[1] Fiji Institute of Accountants Annual Report for 2011 – page 14

In absence of separate financial statements for the donor agencies and government grant, users of the financial information may not be able to determine funds provided by the donors and the government of Fiji and expense incurred from donor funds and government grant.

Recommendation

The Centre should ensure that separate financial statements are prepared to disclose the donor funds and government grant.

Management Comments

No comments provided.

2.6 Appointment of Administrative Officer

The position of the Administrative Officer became vacant as the previous incumbent, Mrs. Kesaia Catanasiga, resigned from the Centre with effect from 24/06/13. The Centre advertised the vacant position of Administrative Officer in the Fiji Sun on 27/04/13. A total of 27 applications were received by the Centre for the position but only 2 applicants were shortlisted for the interview.

The Centre recruited Mrs. Jennifer Turaga (FNPF 1422419) as an Administrative Officer with effect from 24/06/13.

The audit noted the following anomalies:

- It is essential for the incumbent to have been appointed as an Executive Officer for 2 to 3 years, have passed form 7 Accounting with computer skills and passed Government service exams E, S, H (1) and (2). It is desirable for the incumbent to have Diploma in Accounting and/or a Degree in Management or Public Administration or Business Studies and/or equivalent.[2]

  The Minimum Qualifications as per the Public Service Commission for Administrative Officer is an undergraduate degree in Management and Public Administration or Business Management with relevant experience.

  Mrs. Jenifer Turaga obtained a Diploma in Frontline Management, and passed Government service exams H (1), H (2), S and E. Despite not meeting the MQR Mrs. Jennifer Turaga was still appointed as the Administrative Officer.

  The finding indicates that the Centre did not comply with MQR while filling the vacant post of Administrative Officer.

- A salary grade of SS03 between the scale $20,945 to $26,770 will be offered to the successful candidate.[3]

  The interview panel recommended that Mrs. Jenifer Turaga be appointed to the position of Administrative Officer with salary of $22,169 per annum. However the interview panel's recommendation was not signed by the members. Mrs. Jenifer Turaga was appointed to the

[2] Administrative Officer Vacancy Advertisement Dated 27/04/13
[3] Administrative Officer Vacancy Advertisement Dated 27/04/13

position of Administrative Officer on a 3 year contract with 24/6/13. However, the Officers employment contract stated that the Officer shall receive an annual salary of $26,770 that is the maximum of the scale SS03.

The Manager NFNC, Mrs. Ateca Kama stated that the increase in salary was awarded due to the experience and competence of Mrs. Jenifer Turaga.

The audit could not substantiate the salary paid to Mrs. Jenifer Turaga as there was no approval sought from the Ministry of Health for paying the Officer salary above the minimum level. In addition, the Officer did not meet the MQR and no evidence provided for her competence.

- It is essential for an organisation to conduct reference checks of all candidates prior to the recruitment.

  The Centre could not provide the audit with evidence of conducting reference checks.

The finding indicates that proper procedures were not followed in recruiting Mrs Jennifer Turaga as Administrative Officer.

Recommendations

The Ministry of Health should:

- **ensure that the best candidate is appointed based on merit and the MQR;**
- **ensure that appropriate approval is sought for any change in recommended salary;**
- **ensure reference checks are made prior to appointment; and**
- **investigate the Officers appointment and salary scale and take appropriate action.**

Management Comments

No comments provided.

2.7 Implementation of Salary Increments

The National Food and Nutrition Centre (Centre) is a statutory organisation established in 1982. The Centre's overall mandate was to advise the Government on ways and means of utilising food resources of the country to the optimum by the people.

The audit noted the following:

- That Centre implemented the salary increment approved by the government in its 2014 budget.

  The Centre awarded salary increments to 9 of its employees with effect from 1/1/14 even though there was no increase in their annual operating grant since 2013.

  The Administrative Officer, Mrs. Jenifer Turaga stated that since they have been operating within the bounds of Public Service Commission Regulations, they were entitled for the salary increments. However, the Centre failed to obtain approval from the Ministry of Health prior to payment of salary increments since there was no Council to oversee their operations.

The finding indicates that Centre awarded increments in salary without the appropriate authority as it was not approved by Ministry of Health

The salary increments may lead to the forgoing of some goals and objectives as additional funds were not provided for in the Centres 2014 budget.

- The Centre awarded the salary and wage increments to 9 of its established staff and also 2 of its un-established staffs respectively.

  The Driver/Messenger, Mr David Anand Prasad was not awarded the increase. The audit findings revealed that Mr David Anand Prasad was appointed to the position on 01/09/86. Mr Anand Prasad served the Centre for 27 years as at 31/12/13.

  The Administrative Officer, Mrs Jenifer Turaga agreed that the wage increment was not awarded to the Driver/Messenger, Mr David Anand Prasad. Mrs Jenifer stated that this was because Mr David Anand Prasad was receiving $5.30 an hour whilst the government wage earners were receiving $4.77 an hour for the similar post.

  The Centre failed to seek approval from its line Ministry (Ministry of Health) whether or not the wage increment should be given to Mr David Anand Prasad.

The findings shows that the salary increase was not authorised since it was not approved by the Ministry.

Recommendation

The Ministry of Health should investigate:

- **the salary increase without proper approval and take appropriate action; and**
- **why no wage increase was awarded to the driver.**

Management Comments

No comments provided.

2.8 Non-Compensation of Long Service Leave

Officers shall be granted long service leave of 56 consecutive days on completion of 20 continuous years of service.[4]

Mr Mohammed Asim joined the Centre on 27/6/88. He completed 23 years of service and retired from the service on 29/7/11. Review of his personal file revealed that Mr Asim did not take his long service leave during his employment with the Centre however he was not compensated for his unutilized long service leave on his retirement.

Mr Asim was owed $3,998.46 by the Centre in lieu of his unutilised long service leave of 56 days.

The audit also noted that the Centre was advised in 2011 to pay the amount due to Mr Asim but the Centre did not comply with the audit recommendations.

[4] General Orders 2011, Section 706 (a) (iii)

Failure to pay outstanding long service leave compensation may lead to legal action taken by Mr Mohammed Asim against the Centre.

Recommendation

The Centre should pay Mr Mohammed Asim a total of $3,998.46 for his long service leave entitlement due to him.

Management Comments

No comments provided.

2.9 Missing Payment Vouchers

It is vital to keep a proper record of all payment vouchers.

The audit noted that several payment vouchers for payments made in 2013 were missing as the Centre's Officials could not provide these payment vouchers for audit verifications. Some of these missing payment vouchers were used to make large payments. Refer to Table 2.2 for examples of missing vouchers.

Table 2.2: Examples of Missing Payment Vouchers

Cheque Number	Payee	Amount ($)
8448	Davuilevu Methodist School	5,000.00
8449	Dilkusha Girls School	3,000.00
8453	Hilton Special School	3,800.00
8454	John Wesley Primary School	3,500.00
8455	Qelemumu Primary School	5,000.00
8457	Navai Primary School	5,000.00
Total		**25,300.00**

This indicates that the Centre did not properly maintain accounting records. This shows poor record keeping and lack supervision by the Manager. In absence of these vouchers audit could not substantiate payments made to various schools in 2013 totalling to $25,300 and there is a high risk of misappropriation of funds.

Recommendations

The Ministry of Health should:

- **ensure that all payment vouchers are properly filed and kept in secured place; and**
- **investigate and take disciplinary action against the Manager for poor supervision and not performing her duties diligently.**

Management Comments

No comments provided.

SECTION 3: FIJI COMMERCE COMMISSION

Programme Statement

Fiji Commerce Commission ("Commission") is the competition regulator of Fiji. The Commission is an independent statutory body established under Section 7 of the Commerce Commission Decree 2010 to ensure the integrated framework for the regulation of monopoly market structures; encourage competition, prevent restrictive trade practices, ensure consumer protection, and undertake pricing of public utilities and other price controlled items.

The objectives of the Fiji Commerce Commission are clearly outlined in Section 2 of the Commerce Commission Decree 2010 and are as follows:
- The promotion of the interests of the Consumers;
- The promotion of the effective and efficient development of industry trade or commerce;
- The need to secure effective competition in industry, trade or commerce; and
- To ensure equitable returns for businesses with fair and reasonable prices charged to consumers.

The Commission has the following objectives in relation to regulated industries and access regimes-
- To promote effective competition in the interests of consumers;
- To facilitate an approximate balance between efficiency and environmental and social considerations;
- To ensure non-discriminatory access to monopoly and near monopoly infrastructure or services.

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PART A FINANCIAL INFORMATION

3.1 Audit Opinion

The audit of the financial statements of the Fiji Commerce Commission for the year ended 31 December 2013 resulted in an unqualified audit report.

3.2 Abridged Statement of Comprehensive Income

Year ended 31 December	2013 ($)	2012 ($)
Income		
Government Grant	1,524,020	1,520,895
Professional Fees	73,988	117,226
Spot Fine	10,435	109,251
Other Income	50,777	53,878
Total Income	**1,659,220**	**1,801,250**

Year ended 31 December	2013 ($)	2012 ($)
Expenditure		
Personnel Expense	1,192,189	1,202,142
Operating Expenses	316,764	288,459
Administrative Expenses	112,412	130,680
Depreciation	65,683	70,082
Total Expenditure	**1,687,048**	**1,691,363**
Net (Deficit)/Surplus	**(27,828)**	**109,887**

The deficit of $27,828 recorded in 2013 was due mainly to the reduction in income, specifically, professional fees and spot fines, compared to 2012.

3.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Assets		
Cash at bank and on hand	63,280	84,531
Deposits	7,585	7,585
Other receivables	72,303	62,414
Property, Plant & Equipment – non-current	336,319	206,731
Total Assets	**479,487**	**361,261**
Liabilities		
Accounts Payable	13,005	1,800
Other current liabilities	46,269	49,625
Deferred Income – non-current	182,477	35,743
Total Liabilities	**241,751**	**87,168**
Net Assets	**237,736**	**274,093**
Accumulated Fund	**237,736**	**274,093**

Net assets of the Commission decreased by $36,357 or 13% in 2013 compared to 2012. This was due the increase in Deferred Income which also resulted in the high Deferred Income recorded in 2013.

The Commission purchased motor vehicles in 2013, thus the increase in property, plant and equipment.

SECTION 4: CONSUMER COUNCIL OF FIJI

Programme Statement

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

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PART A – FINANCIAL POSITION

4.1 Audit Opinion

The audit of the financial statements of the Consumer Council of Fiji for the year ended 31 December 2013 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council did not prepare its financial statements in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities for the general purpose financial statements.

4.2 Abridged Statement of Financial Performance

Year Ended 31 December	2013 ($)	2012 ($)
Income		
Government Grant	643,344	591,949
Other Income/Grant	3,015	6,952
Grant from EU	38,410	201,395
Sundry Income	6,547	19,039
Deferred Grant Income	18,735	20,937
Total Income	**710,051**	**840,272**
Expenditure		
Depreciation	18,735	20,937
Rent and rates	54,914	50,061
Resource Materials including radio programs	0	126,420
Salaries, wages and related payments	510,333	451,103
Telephone and postage charges	14,334	14,244
Travelling expenses	8,133	17,239
Sundry expenses	148,058	262,734
Total Expenditure	**754,507**	**942,738**

Year Ended 31 December	2013 ($)	2012 ($)
Net Deficit for the year	**(44,456)**	**(102,466)**

The Council recorded a deficit of $44,456 in 2013 compared to a deficit of $102,466 in 2012. This was due to the decrease in total expenditures by 20% in 2013 compared to 2012. However the Council need to ensure that total expenses incurred does not exceed its total income.

4.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Current Assets		
Cash on hand and at bank	122,281	165,794
Other current assets	13,676	11,870
Total Current Assets	**135,957**	**177,664**
Non – Current Assets		
Property, plant and equipment	26,708	38,153
Total Non – Current Assets	**26,708**	**38,153**
Total Assets	**162,665**	**215,817**
Current Liabilities		
Accounts payables and accruals	13,671	14,557
VAT Payable	76,977	72,317
Provision for annual leave	10,785	11,810
Other current liabilities	26,708	38,153
Total Current Liabilities	**128,141**	**136,837**
Total Liabilities	**128,141**	**136,837**
Net Assets	**34,524**	**78,980**
Accumulated Funds and Reserves	**34,524**	**78,980**

The Council's total assets decreased by $53,152 or 25% in 2013 while total liabilities decreased by $8,696 or 6.4% for the same year. The Councils current ratio (current assets/current liabilities) decrease to 1.06 compared to 1.3 in 2012.

This indicates that the Councils ability to meet current liability with its current assets available has weakened further in 2013. The Council need to take appropriate action to reduce its liabilities in coming years to improve its liquidity position.

PART B – CONTROL ISSUES

4.4 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SME's)

Smaller accounting entities will, following Fiji Institute of Accountant's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.[1]

The audit noted that the Council did not prepare its annual financial statements for the years ended 31 December 2011 to 2013 under IFRS for SME's.

[1] Fiji Institute of Accountants Annual Report for 2011, Page 14

The IFRS for SME's has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

Thus, the annual financial statements prepared by the Council are contrary to the International Financial Reporting Standards for Small and Medium Sized Entities.

Recommendation

The Council should work towards the adoption of IFRS for SMEs in preparing the financial statements.

Council's Comments

The Council was not aware of this requirement and the audit team did not raise the issue in the previous years. Therefore, the Council prepared its 2013 financial statements under Fiji Institute of Accountant (FIA) standards. The Council has taken note of the recommendation made by the auditors and it will now work towards getting its 2013 and 2014 financial statements under IFRS for SMEs.

Further OAG Comments

The onus is on the Council and the Council's Accountant to keep up to date on the developments in accounting profession. The Office of the Auditor General does not provide advisory services as it would create self-review threat to objectivity.

SECTION 5: FIJI MEDICAL AND DENTAL SECRETARIAT

Programme Statement

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

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

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

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PART A – FINANCIAL INFORMATION

5.1 Audit Opinion

The audit of the financial statements of the Fiji Medical and Dental Secretariat for the year ended 31 December 2012 resulted in the issue of a Disclaimer of Opinion.

The Financial Statements were required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities ("IFRS for SMEs"). The Secretariat was yet to comply with IFRS for SMEs as required for general purpose financial statements.

5.2 Abridged Statement of Financial Performance

Year Ended 31 December	2012 ($)	2011 ($)
Revenue		
Government Grant	84,461	152,472
Subscription	166,183	184,590
Other Income	11,282	12,209
Total Revenue	**261,926**	**349,271**
Expenditure		
Salaries/Wages & Related Costs	112,823	101,555
Repairs & Maintenance	458	1,590
Other Operating Expenses	57,895	43,518
Total Expenditure	**171,176**	**146,663**
Surplus for the year	**90,750**	**202,608**

The Secretariat recorded a surplus of $90,750 in 2012 compared to $202,608 in 2011. The decline in the surplus was due to decrease in government grant and income from member subscription in 2012.

5.3 Abridged Statement of Financial Position

As at 31 December	2012 ($)	2011 ($)
Current Assets		
Cash at Bank	324,887	208,395
Security Deposit	300	300
Other Debtors	400	246
Total Current Assets	**325,587**	**208,941**
Non-Current Assets		
Property, Plant & Equipment	54,249	58,602
Total Non- Assets	**54,249**	**58,602**
Total Assets	**379,836**	**267,543**
Currents Liabilities		
Trade and Other Payables	31,966	6,069
Non Currents Liabilities		
Deferred Revenue	54,249	58,602
Total Liabilities	**86,215**	**64,671**
Net Assets	**293,621**	**202,872**
Total Accumulated Funds	**293,621**	**202,872**

The Secretariat's net asset increased by $90,749 or 44.7% in 2012 compared to 2011. The increase in net assets was due to the increase in cash at bank.

PART B AUDIT FINDING

5.4 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SME's)

Smaller accounting entities will, following Fiji Institute of Accountant's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.[1]

The audit noted that the Secretariat did not prepare its financial statements for the year ended 31 December 2012 under IFRS for SMEs.

The IFRS for SMEs has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

Thus, the annual financial statements prepared by the Secretariat are contrary to the International Financial Reporting Standards for Small and Medium Sized Entities.

Recommendation

The Secretariat should work towards the adoption of IFRS for SMEs in preparing the financial statements.

Secretariat's Comments

Fiji Medical and Dental Secretariat was not aware of the implementation of IFRS by FIA nor was it disclosed to us by the auditors in the 2011 audit report.

Since it was brought to our attention during our 1st meeting with the auditors for 2012 financials, rest assured we will be abiding by it for 2013 financials. We have called for expression of interest for reputable accounting firms to implement IFRS.

[1] Fiji Institute of Accountants Annual Report for 2011 – page 14

SECTION 6: FIJI NATIONAL COUNCIL FOR DISABLED PERSONS

Programme Statement

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

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

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PART A – FINANCIAL INFORMATION

6.1 Audit Opinion

The audit of the financial statements of the Fiji National Council for Disabled Persons (FNCDP) for the year ended 31 December 2013 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council did not prepare its financial statements in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) as required for the general purpose financial statements.

6.2 Abridged Statement of Financial Performance

Year Ended 31 December	2013 ($)	2012 ($)
Receipts		
Government Grant	290,000	260,000
European Union	81,100	0
Other Income	172,523	182,550
Total Receipts	**543,623**	**442,550**
Payments		
Salaries, Wages and Related Expenses	172,025	128,231
European Union Project	77,724	99,966
Disability Data Statistic Survey	7,209	4,320
Travel and Subsistence	1,924	12,440
Telephone/Fax	8,912	11,718
Board & Committee Expenses	10,355	5,979
Maintenance & Repairs	26,800	17,215
International Disabled Persons Day	22,927	6,132
Fiji Vocational Technical Training for Disable People	13,752	12,000
Workshop/Training Programmes	3,237	7,316
Caregiver Allowance	4,240	4,160
Office Equipment	5,222	1,520
Other Expenses	122,863	140,991
Total Expenditure	**477,190**	**451,988**
Net Surplus/(Deficit) for the year	**66,433**	**(9,438)**

The Council recorded a surplus of $66,433 in 2013 compared to a deficit of $9,438 in 2012. This was mainly due to the increase in Government Grant by $30,000 or 12% and receipt of grant totalling $81,100 from the European Union in 2013. No grant was received from the European Union in 2012.

6.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Assets		
Cash at Bank	165,102	100,240
Telephone Deposit	600	600
Share in Unit Trust of Fiji	13,549	11,978
Total Assets	**179,251**	**112,818**
Total Accumulated Funds	**179,251**	**112,818**

The Council's total assets increased by $66,433 or 59% in 2013 compared to 2012 as a result of the increase in cash at bank. This was due to the increase in Government Grant by $30,000 or 12% and receipt of grant totalling $81,100 from the European Union in 2013.

PART B - CONTROL ISSUES

6.4 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SME's)

Smaller accounting entities will, following Fiji Institute of Accountant's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.[1]

The audit noted that the Council did not prepare its annual financial statements for the year ended 31 December 2013 under IFRS for SMEs.

The IFRS for SMEs has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

Thus, the annual financial statements prepared by the Council are contrary to the International Financial Reporting Standards for Small and Medium Sized Entities.

Recommendation

The Council should work towards the adoption of IFRS for SMEs in preparing the financial statements.

Management Comments

Currently the Secretariat is liaising with a Chartered Accountants firm to assist in this area and if we are in time to enforce this for 2014 then we will otherwise it will be taken up by 2015.

6.5 Investment Account

The Unit Trust of Fiji sells units at their selling price (cost price) and the units keep on increasing as and when re-invests are made. The re-investments are sold at the selling price at the time of re-investment and thus increase in units. Once the units are withdrawn it is paid at the re-purchase price declared at the time of withdrawal. The selling and the re-purchase price also changes depending on the market.

The Council bought 18,868 units at the selling price of $1.59 per unit totaling $30,000 from the Unit Trust of Fiji in 1995. The Council has been re-investing the dividends at the selling price at that time. The units had been escalating over the years and reached 69,606 units in 2007 when it decided to withdraw 46,808 units with the dollar value at $57,716 but the re- purchase price was not indicated. A balance of 22,798 units valued at $6,465 remained with the Unit Trust of Fiji as at 31/12/07. After this withdrawal the trend of re-investing the dividends has been continuing.

The audit noted a variance of $25,126.88 between the balance of $13,549 as shown in the Council's financial statements and the balance of $38,675.88 as shown in the audit confirmation from the Unit Trust of Fiji. As at 31 December 2013 the Council had 28,026 units of investment with the Unit Trust of Fiji. The Council was not able to reconcile the variance. Unit Trust of Fiji did not indicate the basis of deducting the units such as FIFO or LIFO methods when the units are redeemed. Therefore the Council could not reconcile its records with that of Unit Trust of Fiji.

[1] Fiji Institute of Accountants Annual Report for 2011 – page 14

As a result audit could not verify the correctness of the balance of $13,549 as shown in the Council's financial statements as at 31 December 2013.

Recommendation

The Council should make an effort to reconcile their books with that of the Unit Trust of Fiji to ensure that the investment amount stated in the financial statements can be relied on.

Management Comments

It has been agreed by the Council the funds to be withdrawn by the end of this year to purchase new Council's vehicle thus the Unit Trust account will be withdrawn.

SECTION 7: FIJI REVENUE & CUSTOMS AUTHORITY

Programme Statement

The Fiji Revenue and Customs Authority (FIRCA) was established as a statutory authority under the FRCA 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 FRCA Act specifies the following functions of the Authority:

- To act as agent of the State and to provide services in administering and enforcing the laws specified in the First Schedule of the Act.
- Generally to exercise all functions and perform duties carried out by the Inland Revenue Services 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.

<u>Revenue Collection Division</u>

The Taxation Division has two major units namely, the Revenue Collection Section and the Risk and Compliance Section. The Revenue Collection Section is the operational arm, which deals with, return lodgements, assessments and collection of revenue.

Also, the Revenue Collection Section is responsible for processing Income Tax and VAT returns lodged by all taxpayers. Their function includes:

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

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

<u>Customs Services Division</u>

The Customs Division is responsible for:

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

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

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

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

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

Corporate Services Division

The Corporate Services Division offers support functions to the Customs and Taxation Divisions of the Authority. The Corporate Services Division comprises of eight sections namely; Information Technology, Finance, Legal, Policy, economic analysis and research, Human Resources, Training & Development, Records Management and Internal Assurance.

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PART A – FINANCIAL INFORMATION

7.1 Audit Opinion - 2013

The audit of the financial statements of the Fiji Revenue and Customs Authority (Authority) for the year ended 31 December 2013 resulted in the issue of an unqualified audit report.

7.2 Abridged Statement of Financial Performance

Year Ended 31 December	2013 ($)	2012 ($)
Revenue		
Grants from Government	35,643,719	32,173,913
Fees and Charges	7,274,307	6,517,888
Other Income	2,739,926	2,892,725
Total Revenue	**45,657,952**	**41,584,526**
Employee Costs	28,241,973	23,975,842
Recurrent Expenditure	11,413,859	11,861,645
Total Expenditure	**39,655,832**	**35,837,487**
Net Surplus for the Year	**6,002,120**	**5,747,039**

The Authority recorded a net surplus by $6,002,120 during 2013 which increased by $255,081 or 4% compared to the year 2012. The increase in net surplus was attributed to the increases in government grant by $3,469,806 or 11% and fees and charges by $756,419 or 12%.

Total expenditure noted an increase in 2013 by $3,818,345 or 11% due to an increase in employee cost by $4,266,131 or 18%. The increase in employee cost is the result of a job evaluation exercise and the performance bonus paid to staffs.

7.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Cash at bank	21,965,613	14,970,388
Investments	23,715,673	26,217,823
Other current assets	1,964,737	2,475,633
Property, plant & equipment	15,975,410	16,758,808
Total Assets	**63,621,433**	**60,422,652**
Current Liabilities	3,940,118	4,534,291
Deferred grant income	16,146,751	18,355,917
Total Liabilities	**20,086,869**	**22,890,208**
Net Assets	**43,534,564**	**37,532,444**
Equity		
Accumulated Funds	38,426,210	32,424,090
Asset Revaluation Reserve	5,108,354	5,108,354
Total Equity	**43,534,564**	**37,532,444**

Total assets increased by $3,198,781 or by 5% due to an increase in Cash at Bank by $6,995,225 or 47%. The increase in cash at bank was the result of the receipt of interest from term deposits which matured at the end of its investment term.

Total liabilities declined by $2,803,339 or 12% in 2013 compared to 2012. This was attributed to decreases in creditors and accruals by $825,078 or 21%.

PART B - CONTROL ISSUES

7.4 Accounting Issues

7.4.1 Discrepancies in the Job Evaluation Exercise

The FRCA Board meeting on 03 July 2012 agreed for the implementation of the 2011 Job Evaluation to be backdated effective from January 1st, 2012. In addition, the Board agreed that the salary adjustment for 110 staff positions to be factored into the 2013 budget at a cost of $396,016.[1] The purpose of the Job Evaluation Exercise is to correct the remuneration given to staffs. [2]

Contrary to the Board's decision, the audit noted that the Authority paid out an additional $109,427.57[3] during 2013 to 155 officers without the approval of the Board. Thus the Authority incurred a total pay-out of $505,443.57 to 265 officers.

In addition, those pay-outs included Officers on acting positions between the periods 1st January 2012 to 31 January 2013 which either moved up or down the salary band after the job evaluation exercise without any recovery made from those officers whose acting salary bands were moved down.

Refer to Table 7.1 for examples where recoveries were not made.

Table 7.1: Staffs who's Acting Salary Bands moved down after the Job Evaluation Exercise

Officer's EDP #	Acting Period	Base Salary (before JER) ($)	Acting Salary (before JER) ($)	Base Salary (after JER) ($)	Acting Salary (after JER) ($)	Difference to be recovered from staff ($)
49761	16/03/12 – 10/04/12	31,880.00	41,346.00	33,027.00	41,284.00	123.52
	12/06/12 – 02/07/12	31,880.00	41,346.00	33,027.00	41,284.00	66.17
	18/07/12 – 17/10/12	31,880.00	41,346.00	33,027.00	41,284.00	291.16
	18/10/12 – 14/01/13	31,880.00	40,409.00	33,027.00	41,284.00	277.93
65794	01/08/12 – 31/10/12	21,878.00	29,427.00	22,504.00	28,130.00	158.91
	01/11/12 – 31/12/12	21,878.00	29,427.00	22,504.00	28,130.00	103.53
65762	07/08/12 – 06/09/12	21,878.00	41,346.00	27,188.00	33,985.00	469.73
	07/09/12 – 06/12/12	21,878.00	41,346.00	27,188.00	33,985.00	1,327.50
	07/12/12 – 06/01/13	21,878.00	41,346.00	27,188.00	33,985.00	428.88
	07/01/13 – 31/01/13	21,878.00	33,027.00	27,188.00	33,985.00	388.04
65753	20/02/12 – 19/05/12	21,878.00	29,427.00	22,504.00	28,130.00	156.50
	01/08/12 – 31/10/12	21,878.00	29,427.00	22,504.00	28,130.00	156.50
	01/11/12 – 31/12/12	21,878.00	29,427.00	22,504.00	28,130.00	156.50

Discussions with the National Manager Finance revealed that payments were based on past practices of making payment of arrears to all its staffs. However the audit could not establish why the authority of the Board was not complied with.

The above is a blatant disregard to the Board's decision which warrants immediate disciplinary action. It also indicates the lack of coordination between the Human Resource and Finance section during the exercise to ensure that all relevant factors were considered before making those payments.

[1] FRCA Circular No.34/2012
[2] FRCA Board Paper (2012) dated 3rd July 2012
[3] Approved by National Manager Finance

Recommendation

The Authority should recover those payments which did not have the endorsement of the Board and disciplinary actions instigated against the National Manager Finance for approving the payments without the Board's authority.

Authority's comments:

The same issue was previously raised by the FRCA Internal Audit team and clarifications on the JE Exercise were made to the Audit Board Committee. It was then agreed that a Board Paper be made and presented at the next full Board meeting. The Authority shall proceed based on the full Board decision.

7.5 Customs Division Issues

7.5.1 Lautoka Customs Division

7.5.1.1 Unpaid Overtime, Meals and Transportation (C1) Claims

Every application made by employees for C1 (beyond normal working hour's clearance) shall be made before 1200 hours on any weekday and specifies the extra period during which the attendance is required and the nature of work to be performed.[4]

The review for the C1 claims by Inspection officers noted that a total of 158 C1 claims amounting to $28,047 remained unpaid by Customs agents at year end. These pending claims relates to overtime hours, meals and transportation expenses for attending to official customs engagements outside normal working hours from April to December 2013.

Discussions with the officer in-charge revealed that the delays emanates from various reasons such as;

- The agents do not pick the C1 copy from the Authority to make these payments;
- Some agents pick the C1 copies but make batch payments at month end;
- Agents lose the C1 copies issued to them;
- Some agents make payments from their central office; and
- Laxities of agents to make prompt payments to Customs despite follow ups over telephone and electronic mails.

While there are outstanding C1 claims payable by agents, Customs officers continued to provide services for these agents.

The findings indicate that the process to involve agent to clear any outstanding CI claims prior to be provided with future inspections have not been strengthened.

In addition with the current trend, the longer it takes for these agents to settle their outstanding C1, the higher the risk that these claim become irrecoverable.

Recommendations

The future provision of services to those agents owing payments to the Authority should be dependent on a credit threshold set by Customs.

[4] Customs Regulation

The Authority should continuously follow up with Customs Agents for the payment of the pending overtime claims.

Authority's comments

The management team for Customs border control had conducted meeting with their team leaders within their respective division regarding to the outstanding C1 payments ,Steps below has are in Motion to address Concerns ;

- *Drafting and implementation of SOP as well as designing a flow chart to simplify the process in the SOP*
- *SOP and flow chart to be circulated to all officers, to ensure the vigilance of officers when charging C1*
- *Utilising of the customs recovery unit for the application of section 95 of the Customs ACT (ie imposed upon non- payment within given time frame of 7 working days)*
- *Assigned C1 officer to monitor overtime transaction and payment by agents. C1 officer will also be responsible for submitting reports on a fortnightly basis as time frame of payment is 7 working days. This is the way forward by management to secure the recovery of revenue to both organization and staff before this process is adopted*
- *Process will be automated into ASYCUDA WORLD roll out.*

Manager Border has assured that he will look at the outstanding C1's from now onwards to ensure that the similar queries will not be repeated.

7.5.2 Nadi Customs Division

7.5.2.1 Collection of Departure Tax from Exempted Passengers

This Decree may be cited as the Airport Departure Tax (Amendment) Decree 2012 and deemed to have come into force on 1st January, 2012.[5] Section 3 of the Airport Departure Tax Act 1986 is amended by deleting "$100" and substituting "$150".[6]

The following passengers shall be exempted from the payment of a passenger service charge;

a) Head of State
b) Transit passengers scheduled to depart within 12 hours of arrival from outside Fiji,
c) Children under 12 years of age,
d) Aircraft crews travelling on duty, including positioning crews[7]

Our review of the Departure Tax collections made by the Authority noted the following;

- The gross departure tax collections made by the Authority in 2013 totalled $102.2 million recording a surplus collection of $3.1 million compared to the total departure payable for all the passengers departing Fiji. Refer to ***Appendix 7.1*** for details.

- Out of the total surplus collection of $3.1 million made, $243,897 was collected by the Authority through demand letters for recovery of arrears and short payments while $2.9 million surplus collection of departure tax collection was attributed to the airline companies charging departure

[5] Airport Departure Tax (Amendment) Decree 2012, Decree No.12 of 2012, section (1)
[6] Customs Regulations 1986 – section 63.
[7] Civil Aviation Authority (Passenger Service Charge) Regulations 1994 – section 4

tax on those passengers exempted under the Civil Aviation Authority (Passenger Service Charge) Regulations, 1994 and subsequent Airport Departure (Amendment) Decree.

- The exempted passengers include those passengers in transit passengers scheduled to depart within 12 hours of arrival from outside Fiji, children under 12 years old and diplomats.

The surplus collection clearly indicates that airline companies are charging departure taxes on exempted passengers without any remedial action taken by the Authority to address this issue.

Moreover, there is also a risk that some airline companies may be charging departure tax on exempted passengers and not remitting the same to the Authority.

Failure to address the timeliness and proper verification of the correctness of the airport departure tax received from various airlines defeats the intention of the decree and undermines the revenue collection for government.

Recommendations

The Authority should consider carrying out awareness with the airline companies on the requirements and applicability of the Airport Departure Tax Decree and ensure that the tax is charged correctly and correctly remitted to the Authority.

Authority's Comments

Departure Tax Unit occasionally meets up with all the airlines and keeps all the airlines in the loop. Awareness was conducted in 2013 via e mail and this will be reviewed in 2015. DTU is currently waiting the gazetting of DTU Officers concerning Instrument of Delegation of TAD Powers by Legal section. This will enable DTU to conduct Airlines audits under TAD decree and follow money trail of Departure Tax. After this audit, DTU will be able to determine what the Airlines collect and what they pay us. Furthermore DTU is waiting for the structure to be approved by FRCA board before we are empowered by more human resources.

7.5.3 Customs Head Quarters - Suva

7.5.3.1 Analysis of Customs Import Duty Foregone through Concession Granted by Government

Section 10 (Sub section 1) of the Customs Tariff Act stipulates that the Minister may after receiving recommendation from the Comptroller may consider to reduce or refund the whole or part of fiscal duty and import excise duty paid or payable by a person or organization in respect of goods imported into Fiji, if the Minister is satisfied that: [8]

(a) the goods imported or being imported act as a relief in the event of a disaster declared by the Government as a national disaster;

(b) the importer of the goods is a person or organization covered under any International Agreement or Convention between the respective Governments or Parties;

(c) The importer of the goods is a registered religious or charitable organization and that any reduction or refund of such duty is, in the circumstances, justifiable having regard to the purpose for which the organization was established;

(d) The reduction or refund of fiscal duty will contribute an identifiable benefit to the country.

[8] Customs Tariff Act 1986 – s10(1)

Unless otherwise indicated by the Minister, the reduction or refund approved under subsection (l) (d) shall remain in force for a period of 12 months after approval. [9]

For the purposes of subsection (l) (d), the applicant for a concession must:

(a) make application in writing to the Comptroller;
(b) set out in the application the detail of the concession sought and its fiscal duty value; and
(c) outline the benefit to the country that the concession will provide. [10]

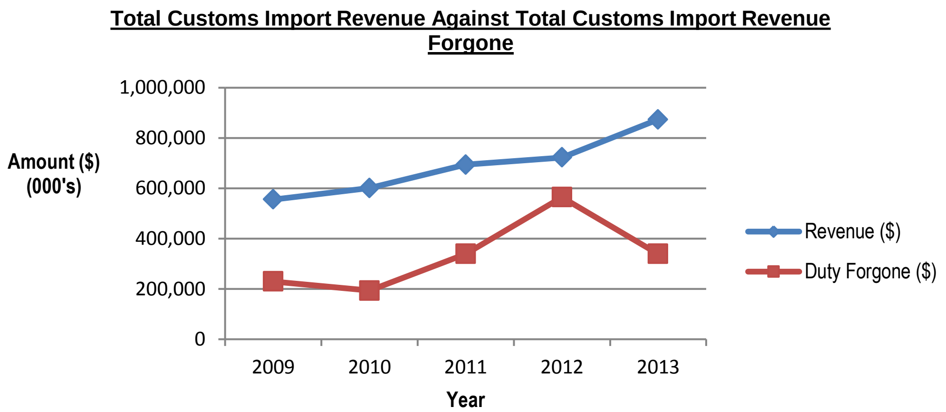
The review of the duty collected by Customs on imports against total import duty foregone due to concessions granted by government revealed that the percentage of total duty foregone to total customs revenue collections increased over the years from 2009 to 2012 but decline in 2013.

Refer to Table 7.2 and Figure 7.1 below for details.

Table 7.2: Customs Import Revenue Collection vs. Customs Imports Duty Foregone

Year	2009 ($)	2010 ($)	2011 ($)	2012 ($)	2013 ($)
Total Customs Import Duty Foregone Amount (Fiscal duty, Import excise, Import VAT)	229,769,987	193,508,543	339,201,378	564,572,911	339,067,234
Total Customs Import Revenue Collection (Fiscal duty, Import excise, Import VAT)	555,622,829	601,158,071	693,992,669	722,711,148	873,270,474
% of Import Duty foregone to Total Import Customs collections	**41%**	**32%**	**49%**	**78%**	**39%**

Figure 7.1: Customs Import Revenue Collection vs. Customs Imports Duty Foregone



The total import duty foregone declined by $36.2 million in 2010 compared to duty foregone by government in 2009, however, in 2011, the total import duty foregone increased by $145.7 million.

The import duty foregone to total import customs collections for the years 2009 was 41%, then decreased to 32% during 2010 but increased to 49% during 2011 and then increased exorbitantly to 78% during 2012 but decreased to 39% during 2013.

[9] Customs Tariff Act 1986 – s10(2)
[10] Customs Tariff Act 1986 – s10(3)

7.5.3.2 Analysis of the Various Duty Concession Approvals

Section 10 (Sub section 1) of the Customs Tariff Act stipulates that the Minister may after receiving recommendation from the Comptroller may consider to reduce or refund the whole or part of fiscal duty and import excise duty paid or payable by a person or organization in respect of goods imported into Fiji, if the Minister is satisfied that [11]

(a) the goods imported or being imported act as a relief in the event of a disaster declared by the Government as a national disaster;

(b) the importer of the goods is a person or organization covered under any International Agreement or Convention between the respective Governments or Parties;

(c) The importer of the goods is a registered religious or charitable organization and that any reduction or refund of such duty is, in the circumstances, justifiable having regard to the purpose for which the organization was established;

(d) The reduction or refund of fiscal duty will contribute an identifiable benefit to the country.

Unless otherwise indicated by the Minister, the reduction or refund approved under subsection (l) (d) shall remain in force for a period of 12 months after approval. [12]

For the purposes of subsection (l) (d), the applicant for a concession must:

(a) make application in writing to the Comptroller;
(b) set out in the application the detail of the concession sought and its fiscal duty value; and
(c) outline the benefit to the country that the concession will provide. [13]

Section 11 (subsection 1) of the Customs Tariff Act further stipulates that the Minister may, subject to such conditions as he may consider necessary, remit or reduce duty payable in respect of imported machinery and equipment (including parts and materials) if he is satisfied it is to be used in a manufacturing or production process which will promote or create the development of industry in the country.

The concession approval process under section 10 and 11 of the Customs Tariff Act normally involves the following steps;

Step 1- The concession applications can be made with the Minister of Finance (through Ministry of Finance and Office of the Prime Minister) requesting for concession on duty on their imported items.

Step 2 – Upon receipt of the application, the Ministry of Finance will than seek the Comptroller of Customs advice and recommendation in relation to the approval of the concession application before a final decision is being made by the Minister.

Step 3 – Advice/ Recommendations are than issued by the Comptroller of Customs to the Ministry of Finance for the consideration and final approval by the Minister of Finance.

Step 4 – After obtaining the Minister of Finance approval, the Ministry of Finance will then advice the applicant of the final decision made by the Minister through a formal correspondence. A copy of the correspondence is copied to the Comptroller of Customs.

[11] Customs Tariff Act 1986 – s10(1)
[12] Customs Tariff Act 1986 – s10(2)
[13] Customs Tariff Act 1986 – s10(3)

Our review of the concession approval processes revealed the following findings:

FBL - File T67/9/2013 – Recommendation No. 397

Concession code 236 of the Customs Tariff Act applies to those manufacturers or producers approved by the Minister importing goods other than machinery equipment and motor vehicles (including parts and materials) of the approved goods falling under chapter 82 to 96 of the Tariff Act on the condition that the materials are to be used by the manufacturer in the manufacture of the approved goods.

Concession code 232 of the Customs Tariff Act applies to a person or organisation importing goods approved by the Minister for entry at reduced duty rates under Section 10 of the Customs Tariff Act.

Concession application was lodged with the Comptroller of Customs by an accounting firm on behalf of their client namely FBL on 27 September 2013 seeking duty free concession on the importation of the following items:

- Pre Engineered Building Structures including 50m x 30m x 7m building materials, steels and panels and

- Water blocking lines including filter, conveyer, filter, pet floor to make bottles and packaging machinery (item B).

The concession application was made with the Comptroller of Customs on 27 September 2013 and the Comptroller's recommendations forwarded to the Ministry of Finance on 09 October 2013.

The audit noted that the Acting Minister of Finance had already granted the approval on 03 October 2013 for both the items to be imported under concessionary rate of zero per cent duty and 15% VAT.

The Comptroller of Customs on 09 October 2013 recommended that in the absence of any concession provisions on the importation of Prefabricated Building Structures, the application for concession was declined, while only the Water blocking lines including filter, conveyor, pet floor to make bottles and packaging machinery were eligible for duty concession under Code 236(iii) to Part 3 of the Customs Tariff.

Consequently, the total duty foregone by government was $133,779.

Refer to Figure 7.2 and Figure 7.3 below for the pre-engineered fabricated Building Structure being built in Nasau, Nadi.


Figure 7.2 Pre-engineered fabricated building structure


Figure 7.3 Container load of building materials

The granting of concession for the pre-engineered fabricated building structures does not fall under the ambit of the Ministerial powers to grant concession as imported items under Code 236 and 232 of the Customs Tariff has to be used in a manufacturing or production process.

This approval defeats governments' regulations and its intention to promote the development of the building and construction industry in the country.

Recommendation No. 53 (File T67/2/2013)

Persons or bodies eligible for concession under Code 217 includes any international air service, local air service (for flights within Fiji) approved by the Minister responsible for Civil Aviation; an aerial survey enterprise for the Government of Fiji; any other organisation approved by the Minister of Civil Aviation.

Goods imported eligible for duty concession includes **aircrafts, aircraft equipment, aircraft stores, ground equipment and spare parts,** only under the following conditions:

Aircraft – imported goods are solely for use on an international air service, any local air service (for flight within Fiji), or an aerial survey enterprise for the Government of Fiji.

Aircraft equipment – imported goods are solely for use or available for use on board an aircraft during the flight.
Aircraft stores – are on board an aircraft during flight

Ground equipment – solely for use in the maintenance, repair and servicing of an aircraft on the ground.

Spare parts – are solely for incorporation in an aircraft

The audit noted that the concessionaire had previously been granted concession under Code 217 of Part 3 of the Customs Tariff Act in 2004 for leasing of one on Cessna 182 Aircraft VH – PQR from an Australian company and also on spare parts and fuel with free fiscal and 12.5% VAT for each importation.

On 9 September 2012, the concessionaire applied for extension of duty concession under the same concession code 217. Accordingly, the Comptroller of Customs recommended to decline the extension as the type of activities carried out by the operator was not within the scope of Code 217 Part 3, which applied only to aircrafts and other goods imported by operators operating as an international or local airline.

However, the concession was granted by the Acting Minister of Finance under section 10 of the Customs Tariff Act, even though the aircrafts, aircraft equipment, aircraft stores, ground equipment and spare parts were not in the Section 10 approved list of items for 2012 to 2013.

MCS Ltd – (Approval No. 58 & 148)

The initial concession application made by MCS Limited on 06 December 2012 was declined by the Acting Minister of Finance on 17 January 2013 following the Authorities recommendation that the portable sawmill is within the ambit of the Customs Tariff at 5% fiscal, free import excise, and 15% VAT payable.

However, the same request was later considered by the Authority when the Ministry of Fisheries and Forests applied on behalf of the company supporting the importation of the portable sawmill at concessionary rates of duty.

The concession was granted under the current Section 10 Item 6 of the Customs Tariff Act following a site inspection and review of the actual manufacturing process by the Authority.

Discussions with the responsible officers revealed that the initial application may have been declined due to the non-availability of officers to conduct inspection of the manufacturing process at the site.

The examples discussed above showed the blatant disregard to the concession approval process where clarity is needed on section 10 and 11 of the Customs Tariff Act that does not clearly address the following questions:

1. Does the Minister have the power within the ambit of Section 10 and 11 to waive the age limit of imported vehicles under the Customs Prohibited Imports and Export Regulation?

2. Does the Minister have the power to grant concessions without obtaining recommendations of the Comptroller under Section 10 and 11 of the Customs Tariff Act?

3. Does the Minister have the powers to overturn the Comptrollers recommendations and grant concession accordingly?

Failure to address the above provides room for abuse of powers and could result in substantial amount of government revenue foregone. These issues also reflect on the undermining of governments own laws and regulations put in place to protect and promote local business and the people.

Recommendations

The Authority should ensure that;

- **a detailed standard operating procedure for the Concession approval process is developed and strictly adhered to and there is clarity on the key questions raised by audit relating to Ministerial powers as provided under section 10 and 11 of the Customs Tariff Act.**

- **an awareness on the legislations and concession approval process is carried out to ensure that the general public and other stakeholders are informed and to adhere to the processes.**

Authority's Comments

In the 2015 Budget Summary and Budget Supplement it has been agreed that a committee will be established for the establishment of a committee to assess and make recommendations on Customs Tariff Section 10 applications if it is outside the ambit of Concession Codes or Standing Section 10 approvals.

The committee to be chaired by Ministry of Finance however; the final approval will rest with the CEO of the Fiji Revenue and Customs Authority.

7.5.3.3 Inconsistency on the Concession Codes Interpretations

Concessionaires registered as charitable or religious organisations are given free duty and free VAT for the importation of donated items.[14]

Concession code 215 applies to registered charitable and religious organisations (free fiscal, free excise, free VAT) on the conditions **that the goods are a gift to or are imported by or on behalf of the organisation** and **that goods are distributed free to hospital patients and persons in need of support, or are used for the free treatment, assistance or education of such persons.**

[14] Customs Tariff Act – Section 10 (1) (c) & Code 215 of Part 3 of the Customs Tariff Act

The audit noted inconsistency when dealing with concessionaires' application. Refer below for examples on the inconsistent interpretations of concession codes below:

Organisation A (Approval No. 228) vs. Organisation B (Approval No. 215)

The "Organisation A" being a religious organisation applied for duty concession on the importation of 40,000 boxes of donated gift boxes to be distributed to the poor children of Fiji.

The Authority granted free concessions but charged 15% VAT to Organisation A.

On the other hand, another religious organisation "Organisation B" applied for duty concession under the same concession code on the importation of 100 cartons of donated canned food for distribution to the poor and needy people in Fiji.

The Authority granted free concession without charging VAT to religious organisation B.

While both the applicants were both religious organisations with donated imported items for distribution to the poor people of Fiji, there were inconsistencies on the concession codes interpretations.

(Company A) vs. (Company B)

Concession code 244 applies to companies or entities granted approval under the New Short Life Investment Scheme importing capital equipment and machinery. The provisional approval is required from the Ministry of Finance for goods to be imported under free fiscal, free excise and 15% VAT.

The audit noted that importations of noodle flavours (tastemakers) by these two companies are importing the same product.

While the same concessionary rate of duty are applied, audit noted that noodles flavours(tastemakers) imported by Company A are processed through Concession Code 236 whereas the importations done by Company B are processed through Concession Code 232.
The audit noted that Company A imports noodles flavours (tastemakers) in 24 kilogram which are than repacked into smaller sachets at their factory in Fiji.

Our review of the concession duty approvals granted to Company A noted the following;

- The Authority initially granted company A to import raw materials at concessionary rates of free fiscal plus VAT under the Short Term Incentive Package (STIP) for a period of 12 months with effect from 17 November 2006. Upon the expiry of the 12 months period, the rates stipulated under concession code 236(1) of Part III of the Customs Tariff would apply.

- However, Concession code 236(1) applies to a manufacturer or producer approved by the Minister. Audit could not ascertain whether there was any Ministerial approval obtained by the Authority for the grant of the concessionary rate of duty after the expiry of the initial 12 months concessionary period.

- In contrast to the above, the audit noted that Company B also imports noodles flavours (tastemakers) in packed small sachets at the same concessionary rates of duty under Concession code 232 where the Ministers approval are granted under Section 10 of the Customs Tariff Act.

- Moreover, audit noted that noodles flavours are sold together with the noodles hence it does not meet the conditional requirements of concession code 232(1) which states that the goods are not for sale and to be used exclusively for purposes for which the concession is granted.

The audit also noted that the Post Compliance Audit team of the Authority had issued Short Payment Advices (SPA) totalling $640,977 to Company A in 2013 on the basis that Concession Code 236(1) was not applicable as noodles flavours (tastemaker) were considered to be a final product and not as raw materials used for the manufacture of noodles.

These SPAs were later withdrawn after the in- house committee that addresses tariff classifications and valuations issues decided that tastemakers were considered a raw material.

The above cases denote the inconsistency in the interpretation of the concession code by Customs as relevant concession legislations is silent on supplementary final products. This has resulted in the substantial loss of customs revenue foregone for government.

Failure to address the above increases the risk of revenue leakage as interpretation are at the custom officers' discretion. Elements of fraud and thefts cannot be eliminated as this may allow officers to interpret the Tariff Act to suit their own agenda out of which they may seek to gain financially.

Recommendations

The Authority should develop Standard Operating Procedures to incorporate procedures that are not explicitly outlined in the Act which are simple and easily understood by Customs officers.

The in-house committee should be proactive in reviewing major SPA's before they are issued to ensure consistency in the application of the customs tariff act.

Authority's comments

Comments duly noted. Requests for concessions which do not fall within the ambit of Concession Codes or Standing Section 10 approvals will now be handled by the Committee which will be chaired by the MOF.

7.5.3.4 Possible Duty Foregone on Departure Clearance of Yacht SY "OKEANOS"

Concession code 228 of the Customs Tariff Act applies to entries for ships and aircrafts provided that bona fide tourists import the vessel/ aircraft solely for pleasure cruising in the Fiji Islands for a period of not exceeding eighteen (18) months.

Our review of the investigation carried out noted the following;

- Upon arrival in Fiji on 09 April 2013, the master of the yacht indicated to Customs of its intention of coming to Fiji to cruise or visit the Fiji Islands and to conduct research/studies with the University of the South Pacific and Government.

- However, the audit noted that the yacht was cleared by Customs under Code 228 with zero duty and zero VAT payable which is only applicable for vessel solely for pleasure cruising in the Fiji Islands.

- A media article published on 20th May 2013 highlighted that the yacht "SY OKEANOS" was used to conduct research and studies in Fiji, which prompted the Customs Investigation Branch (CIB) to carry out an investigation as the yacht was initially cleared under Code 228 of the Customs Tariff Act.

- On 24th July 2013, the CIB issued an email directive to the management of Customs Boarder Control division not to give any coastal clearance or clearance for departure on the yacht "SY OKEANOS" as the investigation on the yacht had commenced.

- However, on 15th August 2013 information received by Customs Headquarters that the said yacht had arrived in Rotuma and might depart for Tuvalu on 20 August 2013. Despite having this information, the customs officer based in Rotuma was not advised of the investigations carried out by CIB to stop the yacht from departing the Fiji waters.

- As a result, the "SY OKEANOS" left the Fiji waters, the file was proposed for closure and the investigation was ceased thus foregoing possible customs duty.

There was no further investigation into the loopholes in the system to determine reasons for the ignorance to the information provided by CIB.

The above indicates that the advance arrival notice was not properly vetted by Customs and possible tax avoidance with actions of yacht owners visiting the country. In addition, this issue highlights the poor coordination and communication between Customs Head Quarters and other customs officers based in ports of entry.

Recommendations

The Authority should ensure having coordinated information sharing between Customs stations or port of entry and Headquarters in terms of providing alert to prevent any possible tax evasion or tax avoidance of yacht owners.

The Authority should consider collecting "security bonds" from yachts that have dual (cruising and other purposes) purposes of coming to Fiji while awaiting approvals from relevant agencies.

The Authority should carry out a thorough investigation into the clearance of the SY OKEANOS to leave the Fiji Waters and disciplinary actions imposed on officers if found to be breaching the Customs Act.

Authority's Comments

The auditor's comments and recommendations are dully noted. To avoid similar occurrences in future especially in dealing with officers in remote areas like, Rotuma we have formulated a combine mail address for all boarding officers in Fiji (including Rotuma) and the intelligence section known as "Yacht Report" When alerts are forwarded to this address the alert would be received by all Boarding Officers including Rotuma Port. This would ensure that all alerts are disseminated and would be received at all ports of entry.

The recommendation of imposing 'Bond Security" is not supported. While the spin – off benefits derived from the industry is not huge in terms of monetary, the small business enterprises are thriving from the income from the yachties.

OAG's recommendations have been noted and the Authority will carry out further investigations into the clearance of SY OKEANOS.

7.5.3.5 Corporation Governance Issues - Approval of Board for Operational Matters

It is Board's policy that no Director is to interfere in the management or operations of the Authority at any time. The Board's role is to govern the organization and not to manage it. Any request from management or staff to a Director for advice or assistance with an operational matter, is to be referred by that Director to the CEO for action.[15]

If the Comptroller is satisfied that a person owes duty or has outstanding fines or penalties under the Customs Act 1986 or Customs Tariff Act 1986 or Excise Act 1986 may leave Fiji without discharging such duty, fines or penalties under the Customs Act 1986, Customs Tariff Act 1986 or Excise Act 1986 or without securing such duty, fines or penalties, the Comptroller may issue a departure prohibition order against the person prohibiting the departure of the person from Fiji for another country.[16]

The Comptroller may, where he or she is satisfied that a person has committed an offence against this Act in respect of which a pecuniary penalty is provided or in respect of which any goods are liable to forfeiture, compound such offence and may order such person to pay such sum of money, not exceeding the maximum amount of the pecuniary penalty to which such person would have been liable if he or she had been prosecuted and convicted for the offence, as he or she may think fit; and he or she may order any goods liable to forfeiture in connection therewith to be condemned provided that the Comptroller shall not exercise his or her powers under the provisions of this section unless such person in writing admits that he or she had committed the offence and requests the Comptroller to deal with such offence under the provisions of this section.[17]

A follow up review of the Departure Prohibition Order (DPO) and Compounding form approval process noted that the Chairman of the FRCA board was approving all DPO's and Compounding forms issued in 2013 after being vetted by the management of the Authority contrary to section 143c and 155 of the Customs Act.

Table 7.3: List of DPO / Compounding Forms Approved by the Board Chairman

Case File Number	DPO / Compounding	Dates Sent for Board Approval	Date Approved / Received	Approximate Time Taken
FSCIB/V/2013/02	DPO	09/08/13	09/08/13	-
FSCIB/G/2013/05	Compounding	13/08/13	10/09/13	1 month
FSCIB/G/2013/22	Compounding	13/06/13	01/07/13	1 month
FSCIB/G/2013/19	Compounding	09/07/13	10/09/13	2 months
FSCIB/G/2013/20	Compounding	27/05/13	01/07/13	2 months
FSCIB/G/2013/35	Compounding	13/08/13	10/09/13	1 month
FSCIB/G/2013/36	Compounding	12/09/13	24/09/13	12 days
FSCIB/G/2013/21	Compounding	12/09/13	24/09/13	12 days
FSCIB/G/2013/34	Compounding	22/08/13	10/09/13	1 month
FSCIB/V/2013/04	Compounding	13/09/13	24/09/13	11 days
FSCIB/G/2013/37	Compounding	19/08/13	10/09/13	1 month
FSCIB/G/2012/16	Compounding	21/10/13	12/12/13	2 months
FSCIB/G/2013/26	Compounding	13/05/13	01/07/13	2 months
FSCIB/G/2012/05	Compounding	25/11/13	12/12/13	1 month
FSCIB/G/2013/04	Compounding	26/07/13	10/09/13	2 months
FSCIB/V/2013/02	Compounding	22/10/13	12/12/13	2 months

[15] FRCA Corporate Governance Charter
[16] Customs Act – s143C
[17] Customs Act – s155

While audit noted the involvement of the Board in the operations of the Authority in regards to issuance of DPO and Compounding of customs offences under section 155 was to ensure that there is some degree of certainty and consistency on the disposition of offences, audit is of the view that the involvement of the Board may be bordering on the non-compliance with the Authority's Corporate Governance Charter.

Moreover, this approval process also defeats the purpose of having the Authority's corporate governance charter in place and the Authority's operations will continuously be undermined by the Board Chairman's involvement.

Despite the issue raised in the previous year's audit reports, no action has been taken by the Authority to address the above.

Recommendations

The Authority should immediately take necessary actions to ensure that the Boards interference into the operations is not entertained and should be limited to the governing of the organisation only. All DPO's and Compounding forms are to be only approved by the CEO in accordance with provisions of the Customs Act.

The Authority should ensure that FRCA Corporate Governance Charter is complied with at all times.

Authority's Comments

The FRCA Board is appointed under section 4 of the FRCA Act and under the said section they are the Members of the Authority. Authority is defined in section 2 of the FRCA Act as the Fiji Revenue & Customs Authority. As members of the Authority, the Board appoints the CEO under section 27 of the FRCA Act who as the CEO of FRCA also holds office as the Commissioner Inland Revenue, Comptroller of Customs and Commissioner Stamp Duties.

Furthermore the CEO is responsible to the Authority for the proper administration and management of the affairs of the Authority in accordance with the policy laid down by the Authority and be responsible to the Authority for the administration and enforcement and collection of revenue under the laws specified in the 1st Schedule which amongst others include the Customs Act.

Therefore as the CEO of FRCA his functions really is to execute the policy laid down by the Authority the membership of course consist of the Board members led by the Board Chairman.
Since Customs Act is part of the laws to be enforced and administered by the AUTHORITY as set out in the 1st Schedule of the FRCA Act it is safe to suggest that the intervention of the Board into the operations of the Authority is proper as it is the Board which appoints the CEO/Comptroller/CIR/Commissioner Stamp Duty.

Finally it is to be noted that the involvement of the Board in the operations of the Authority in regards to issuance of DPO and compounding of customs offences under section 155 is only to ensure that there is some degree of certainty and consistency on the disposition of offences. The Board has agreed that once they are satisfied with the way offences and disputes settlements are managed then they will review their position on their current practice.

7.5.3.7 Control Weaknesses over Customs Bonded Warehouse Records and Stock

Bond Warehouse No – S00120

If the owner does not lawfully remove any goods, but excluding goods specified in subsection (2), which have been deposited in a bonded warehouse within one year of the date of their deposit in the warehouse, the Comptroller may, after giving one month's notice of his or her intention, proceed to sell the goods in the prescribed manner or otherwise dispose of the goods, and the proceeds of any sale of such goods shall be dealt with in accordance with the provisions of Section 63.[18]

The warehouse keeper shall mark the containers or lots of any warehoused goods in such manner as the proper officer may direct and shall, subject to any further directions, keep them so marked while they are warehoused.[19]

Physical inspection of records at the bonded warehouse operated by the company noted the following discrepancies;

- There were variances between the quantity (weight) of goods as per the open declaration listing (ASYCUDA) and the quantity (weight) of the goods as per the bond register maintained by the bond keeper. Refer to Table 7.4 below for details:

Table 7.4: Details of variance in balances

SAD no.	Product Code	Balance (Weight) as per the ASYCUDA	Balance (Weight) as per the Bond Register	Variance
C62923	D046	461	520	(59)
C62923	D047	855	676	179
C62923	D049	475	416	59
C62923	D051	475	260	215
C62923	D059	437	520	(83)
C62923	D060	437	520	(83)
C62923	D061	413	364	49
C62923	D062	413	364	49
C62923	D063	413	364	49
C62923	D064	413	364	49

- Physical verification of expired goods against the expired declaration list (ASYCUDA) in the bonded warehouse proved futile as the goods could not be located in the bonded warehouse. Numerous goods were not marked and not stored properly for easy identification thus increases risk of abuse and theft.

- The audit also noted that customs entries relating to goods imported in 2003 and 2004 were still hanging in the ASYCUDA system, hence the integrity of the data in the ASYCUDA system is questionable as goods are no longer in the bond. The hanging entries are attributed to input errors or incorrect weight entered by the agents in the entries which were not properly checked by Customs when assessing the entries for removal of the items from the bond.

- In addition, no remedial action is taken by Customs to clear the hanging entries which have accumulated over the years. Refer to ***Appendix 7.2*** for examples.

Bond Warehouse No – S00117

- The audit noted that stock balances as per the ASYCUDA generated expired declarations listing report relates to goods imported from the years 2005 to 2011 by the warehouse S00117. However these goods no longer exist in the bonded warehouse. These are hanging entries in the ASYCUDA system resulting from input errors and improper verification of the entries when goods were removed from the bond. Refer to Table 7.5 below for examples.

[18] Customs Act – Revised to 21st January 2013: Sections 52(1)
[19] Customs Act – Revised to 21st January 2013: Sections 42(4)

Table 7.5: List of Hanging Entries

SAD no	Date	Product Code	Balance
C22162	10/05/05	584A	1.0 ltr
C48705	22/09/05	514C	0.60 pcs
C48406	21/10/08	861B	1.0 ltr
C11028	12/03/10	859B	0.75 ltr
C43540	08/09/11	284D	1.0 ltr

Bond Warehouse No – S00146

- A physical verification of balances of stock as per the ASYCUDA open declaration listings noted that stocks of umbrellas with product code 30 and 31 revealed stock balances of 84 and 406 pieces respectively without any stock physically stored in the warehouse. The custom entry C26176 of 23/05/12 is relevant.

- Moreover, our review of the removal entries noted that the above was attributed to the incorrect input of quantity in the supplementary units tab of the entry by the customs agents. The customs entry C27568 of 30/05/12 is relevant.

Bond Warehouse No – S00124

- Our review of the warehouse records maintained by the bond keeper differed from the records maintained in the ASYCUDA system by Customs. In addition, customs entries and removal entries from the warehouse did not match. Hence customs entries were noted to be hanging since 2006. Refer to Table 7.6 for examples.

Table 7.6: Details of Difference in Records Maintained

Customs Record		Bond Keepers Records			Remarks
Receiving SAD no.	Product Code	Receiving SAD no.	Product Code	Clearing SAD no.	
C42618 of 18/09/08	608	C7413 of 18/05/07	PC608	C27911 of 25/06/08	Customs records does not match the bond keepers record
C36067 of 12/08/08	622C	C38349 of 29/08/07	PC622C	C58929 of 13/12/07	Customs records does not match the bond keepers record
C51911 of 20/11/09	629C	C49709 of 27/10/07	PC629C	C51963 of 20/11/09	Customs records does not match the bond keepers record
C17576 of 21/04/10	671C	C17985 of 04/05/09	PC671C	C15885 of 13/04/10	Customs records does not match the bond keepers record
C60664 of 09/12/10	735C	C13806 of 30/03/10	PC735C	Prohibited import	Customs records does not match the bond keepers record
C51261 of 19/09/12	607C	C18042 of 30/04/07	PC607C	C21208 of 17/05/07	Customs records does not match the bond keepers record

- Moreover customs records C47697 dated 13/09/2006 was still hanging in the ASYCUDA records relating to a forklift unit that did not arrive in Fiji.

Bond Warehouse No – S0018

The audit noted that stock balances as per the ASYCUDA generated expired declarations listing report contains a long list of expired entries dating back to the period 1999 to 2008 without any physical stock stored in the warehouse. These are hanging entries in the ASYCUDA system resulting from input errors and lack of proper verification of the entries lodged and removed from the warehouse. Refer to Table 7.7 below for examples.

Table 7.7: List of Hanging Entries

SAD no.	Date	Item No	Product Code	Balance
C2143	01/10/99	01	None	875 kgs
C2565	05/10/99	01	None	1,071 kgs
C2906	06/10/99	01	None	7,830 kgs
C11054	17/11/99	01	None	9,461 kgs
C27933	27/06/00	03	003	54,000 pieces
C27933	27/06/00	06	006	6,000 pieces
C27933	27/06/00	09	None	26,380 pieces
C44695	20/10/00	03	None	1,980 pieces
C8634	25/02/00	01	None	525 pieces
C54808	20/12/00	10	S050	516pieces
C50868	16/11/01	01	190A	768 pieces
C55716	12/12/01	01	193A	564 pieces
C15887	06/04/00	01	001	8,017,180 pieces

The anomalies noted from the above warehouses indicate the following;

- Customs entries were not properly verified by the warehouse customs officers when entering or removing goods from the customs bonded warehouse;
- The laxity of the Customs division to continuously monitor bonded cargo in terms of the approved warehousing period and disposal of the said goods should they expire;
- The ASYCUDA system input risk is very high resulting in the incorrect quantities being entered by the agents on the customs entry.

Failure to address the above issues increases the risk of revenue leakage as bonded goods may be removed without detection and foregoing the duty payable on the imported items.

Recommendations

The Authority should regularly monitor the bonded warehouses to ensure that bonded goods are cleared within the approved warehousing period.

Stock take of Customs bonded goods should be carried out on a regular basis to ensure that information in the ASYCUDA are correctly updated.

The reports on the expired declarations listings are generated on a monthly basis by the Warehouse section with necessary action to be taken accordingly.

A reconciliation team should be temporarily set up to reconcile all warehouse records in ASYCUDA to ensure that warehouse data on the ASYCUDA system are reliable for prudent decision making purposes.

More awareness should be carried out with the Customs Agents in terms of the input of data into the system and continuously infringing agents being dealt with by the Authority.

Authority's comment

Comments and recommendation have been duly noted. Warehouse Section is presently addressing the queries on bonded Warehouses. Stock-take is carried out by Compliance Section as per their audit plan.

However warehouse section does monthly print-out on goods overdue for removal from warehouse and before the expiry of the storage period a reminder notice is sent on the 11th month to all warehouse keepers to clear the goods before the expiry date. Failures to clear the goods then goods are advertised for Auction Sale.

7.6 Inland Revenue Services Department – Suva Head Quarters

7.6.1 Duplication of Tax Identification Numbers (TIN)

A Tax Identification Number (TIN) is a unique identifier issued to each person by FRCA to identify all categories of Tax and Duty payers and is used by the person to comply with Tax and Customs legislations. The use of a TIN helps the Authority in handling queries, trace correspondences, and store information for each person that is registered for Customs and Tax purposes.

The audit on the business (Form B) taxpayer records revealed that numerous taxpayers did have more than one Tax Identification Numbers (TIN). Refer to ***Appendix 7.3*** for details.

Explanation provided by officers in the PAYE section revealed that the possibility of generating the same TIN for different taxpayers could be due to the following reasons:

- The old system of registering TIN did not require old birth certificates and valid ID to confirm identity of the taxpayer as now a requirement for new registrations; and
- Registration of taxpayers outside Fiji Revenue and Customs Authorities office.

This issue highlights the weaknesses and can create opportunities for tax evasion and fraudulent activities to occur. This could lead to a high risk of revenue leakage if the controls in the Fiji Integrated Tax System (FITS) is not constantly reviewed, tested, and strengthened.

Recommendation

The Authority should immediately review the taxpayer registration process to ensure that duplication of TINs are minimised and avoided.

Authority's Comments

The issuance of TIN is computer generated. The details given by T/P in the registration form are captured in the system. The FITS system is to check for any same or similar details already in the system and flag out to the user to ensure no duplication of TIN. If nothing is flagged out then the system generates TIN.

Authority had been conducting data cleansing activities for the past years to eliminate duplicated TINS. The TIN registration process and system controls had been strengthened from 2012 with the assistance of FRCA Internal Assurance. Duplicated TINS highlighted would mostly for periods prior to 2012. Authority will review the duplicated TINS detected for Data cleansing required.

Risk Review of TIN Registration process on-going by the Authority for mitigation of extreme risks.

7.6.3 Taxpayers with identical bank account numbers

If you are expecting the return to give you a refund, and you wish to have the refund sent directly to a bank account, write the bank name, branch and account number in the box provided. The bank account must belong to you.

Our review on the business (Form B) taxpayer records revealed that various taxpayers were using the same bank account for deposit of tax refunds. Refer to ***Appendix 7.4*** for details.

While the relationship between spouses sharing the same bank account can be clearly established, the audit noted that numerous tax refunds were deposited into other bank account numbers not linked to the taxpayer. In addition, audit was unable to establish the link to the other bank account provided by the taxpayer.

Tabulated below are some taxpayers whose refunds have been deposited into other taxpayers' bank accounts.

Table 7.8: Refunds deposited into other Taxpayers bank accounts

TIN #	Return Number	Return Year	Taxpayers Bank Account Details	Comments
41324804	2973377	2010	Account # 10994034 (ANZ)	Tax refund of $1,473 for the tax year 2010 was deposited into BSP Bank Account number 998904 which is the same bank account number provided by taxpayer with TIN 121307503.
161902405	3002690	2010	ANZ Bank acct # 05698930	Tax refund of $28.03 for tax year 2010 deposited into the ANZ acct # 9805360 which is the same bank account number provided by taxpayer with TIN no. 32200506.
201161308	3111622	2011	ANZ Bank acct # 10852067	Tax refund of $1,074.61 for tax year 2011 deposited into the ANZ acct # 10852067. **The same bank account number was used by taxpayer no. 195988307 for the deposit of his refunds in 2011 (2008 return).**
131881105	2641942 2819801 2977202 3131079	2008 2009 2010 2011	Deposited **ANZ Bank 1150681**	Taxpayers ANZ bank account number 1150681 is also the same as the bank account number provided by taxpayer (TIN#: 201372717), however with the BSP bank.
201372717	2764293, 2596793, 2929743, 3113574, 3300927	2009, 2008, 2010, 2011, 2012	Deposited **BSP acct # 1150681** (Nausori Branch)	Taxpayer currently has bank acct with Bred Bank acct # 107812019. However, refund of $542.42 for tax year 2011 deposited into BSP acct # 1150681. This was also the same for refunds from tax year 2006 - 2010.

However, refund of $542.42 for tax year 2011 deposited into BSP acct # 1150681. This was also the same for refunds from tax year 2006 - 2010.

The Authority relies on the information relating to bank account provided by the Taxpayer and there are no other checking mechanisms in place to verify the correctness and relations between the taxpayer and the bank account submitted.

On the other hand, the banks only concern is the validity of bank account numbers given by the Authority for depositing refunds.

In the absence of an effective security mechanism in place to verify that the bank account number provided are correct, valid, and actually belong to the taxpayer being assessed, the use of one bank account by many taxpayers increases the risk of collusion and the possibility of the creation of bogus taxpayer names to facilitate the leakage of funds also cannot be ruled out.

Recommendations:

The Authority should consider implementing a policy whereby bank statements are attached to the tax returns as an evidence of the ownership of bank account.

The Authority should consider strengthening the controls of the FITS to generate exceptions reports to assist in the monitoring and managing the risk of fraud.

Authority's Comments

Audit finding noted and that there is currently no mechanism in place for FITS to check same bank account no. with various other tax payers. This issue is phasing out slowly as we are moving towards self-assessment and accordingly the risk expected is very minimal now.

However a FITS report is always available to be generated to check the same account number for two or more taxpayers. This is an on-going data cleansing exercise. A control measure as a FITS upgrade to flag out two different TINs showing same bank account is to be explored.

Noted that different TINS with same bank a/c numbers for different banks is not an issue. It was a coincidence that account numbers for ANZ and BSP are same.

7.6.4 Discrepancies in payment of PAYE taxes and filing of returns

A taxpayer required to file a tax return under a tax law must, in addition to any requirements under the tax law, file the return in the approved form and in the manner required by the CEO. If a taxpayer has failed to file a tax return as required under a tax law, the CEO may, by notice in writing, require the taxpayer to file the return by the date set out in the notice.

A person who fails to file a tax return or lodge any other document as required under a tax law is liable in the case of a failure to file tax return under which tax is payable, for a penalty of 20% of the amount of tax outstanding under the return or in any other case, for a penalty of $1 for each day of default.[20]

Our review of the annual total PAYE remittances made by the Taxpayer A (50-17459-0-9), Taxpayer B (50-17639-0-3) and Taxpayer C (50-17365-0-5) on behalf of their employees in 2012 noted the following anomalies;

- The PAYE tax deducted by the employer from these non-resident employees were relatively low compared to the high income earned by these employees;

[20] Tax Administration Decree 2009- s43

- Moreover, PAYE tax were deducted from employees who do not have tax identification numbers and remitted to the Authority;

- Several non - resident employees failed to lodge their 2012 annual tax returns in the year 2013 and majority of these employees also failed to lodge their 2010 annual tax returns;

- Total amount of PAYE paid by Taxpayer A (50-17459-0-9) as per STA is $205, 277.55 compared to $56,758.54 as per the total of tax deducted from all the employees in the P4-1 slip. A variance of $148,519.01 was noted.

- Total amount of PAYE paid by Taxpayer B (50-17639-0-3) as per the STA was $128,802.96 compared to $23,738.31 as per the total of tax deducted from all the employees in the P4-1 slip. A variance of $105,064.65 was noted.

- Total amount of PAYE paid by Taxpayer C (50-17365-0-5) as per the STA was $15,625.70 compared to $1,146,267.99 as per the total of tax deducted from all the employees in the P4-1 slip. A variance of $1,130,642.29 was noted.

The Authority could not provide comments during the audit on the variances noted above.

Refer to ***Appendix 7.5*** for details.

The above discrepancies may be attributed to the lack of effective monitoring mechanisms to ensure that all non-resident employees are registered for tax purposes and that the correct amount of PAYE taxes are paid and posted to the correct tax ledger.

The Authority in failing to have in place frequent and effective monitoring mechanisms may hinder proper reconciliations of tax ledgers. This may also imply inaccurate tax collection figures reported by the Authority.

Recommendations

The Authority should ensure that;

- **Registration processes are reviewed and proactive measures to be put in place to ensure that all non-resident employees in Fiji are registered for tax purposes at the commencement of their employment.**
- **Relevant employers are closely monitored and tabbed to ensure that PAYE taxes paid are correct in all aspects.**
- **All the highlighted variances should be properly reconciled and all pending reconciliations are updated as well.**

Authority's Comments

•The recommendations are noted.

•All short payments as a variance are collected by collection process of DMS.

•However overpayments are normally further reconciled manually by the Inspectors.

7.6.5 Recurring Control Issues

7.6.5.1 Mandatory Returns on Levies not Lodged and payments made past the legislated due dates

The licensed telecommunication service provider shall on or before 15 days after the last day of each month, lodge a return in the approved form and pay the levy due.[21] The bank shall, on or before 15 days after the last day of each month, lodge a return in the approved form and pay the levy due.[22]

The insurance company shall on or before 20 days after the last day of each month, lodge a return in the approved form and pay the levy that due.[23]
The audit noted that taxpayers failed to lodge returns in the approved forms when making payments to the Authority contrary to the requirements under Section 7 of the Income Tax Act. Therefore, the accuracy of payments being made could not be verified against the companies Statement of Tax Account.

Refer to Table 7.9 for details of this companies and months in which the return forms were not lodged.

Table 7.9: Details of Levy Returns not lodged in 2013

Levy Types	T.I.N	Monthly Returns not Lodged for 2013	Branch
Telecommunication Levy	50-08737-0-8	March, May to December	Suva
	50-16456-0-9	January, March, May to December	
	50-00061-0-4		
Third Party Insurance Levy	50-08066-0-7	May, June, August to December	Suva
	50-11005-0-4	May to December	
	40-00009-0-9	May to December	
	40-00093-0-0	May to December	
	40-00025-0-9	May to August	Suva, Labasa, Nadi
		September to December	Suva, Labasa, Nadi, Lautoka
Credit Card Levy	50-16365-0-4	March, May, June, July, August, September, October, November, December.	Suva
	50-00002-0-4	November	
	50-02633-0-7	February, May, November	

Furthermore, audit noted that companies remitting the telecommunication, third party and credit card levies are making payments between 6 to 16 days past the legislated due dates. Refer to Table 7.10 for details.

Table 7.10: Telecommunications, Third Party Levy & Credit Card Levy Delayed Payment

T.I.N	Month	Due Date	Payment Date	Days Lapsed
Telecommunication Levy				

[21] Revised Income Tax Act Chapter 201 – Section 7F (3)
[22] Revised Income Tax Act Chapter 201 – Section 7G (3)
[23] Revised Income Tax Act Chapter 201 – Section 7H (3)

T.I.N	Month	Due Date	Payment Date	Days Lapsed
50-16456-0-9	January	15/02/2013	28/02/2013	13 days
50-10599-0-9	August	15/09/2013	23/09/2013	8 days
50-15986-0-6	January	15/02/2013	27/02/2013	12 days
	February	15/03/2013	28/03/2013	13 days
	March	15/04/2013	30/04/2013	15 days
	April	15/05/2013	31/05/2013	16 days
	May	15/06/2013	28/06/2013	13 days
	June	15/07/2013	31/07/2013	16 days
	July	15/08/2013	30/08/2013	15 days
	August	15/09/2013	30/09/2013	15 days
	September	15/10/2013	31/10/2013	16 days
	October	15/11/2013	29/11/2013	14 days
	November	15/12/2013	31/12/2013	16 days
	December	15/01/2014	31/01/2014	16 days
Third Party Levy				
50-08066-0-7	July	20/08/2013	26/08/2013	6 days
Credit Card Levy				
50-16365-0-4	August	15/09/2013	27/09/2013	12 Days
	September	15/10/2013	29/10/2013	14 Days
	December	15/01/2014	31/01/2014	16 Days
50-00003-0-4	January	15/02/2013	27/02/2013	12 Days
	February	15/03/2013	28/03/2013	13 Days
	March	15/04/2013	26/04/2013	11 Days
	April	15/05/2013	31/05/2013	16 Days
	May	15/06/2013	28/06/2013	13 Days
	June	15/07/2013	26/07/2013	11 Days
	July	15/08/2013	28/08/2013	13 Days
	September	15/10/2013	30/10/2013	15 Days
	October	15/11/2013	26/11/2013	11 Days
	December	15/01/2014	31/01/2014	16 Days

Discussions with the relevant officers revealed that the return forms are self-assessed and manually administered, however, as at audit date[24], it was noted that only credit card levy module is now in place while modules for the other levies are yet to be implemented.

In the absence of the relevant modules in place, the Authority will not be able to access real time information to assist in the reconciliation of return forms of the levy remitting companies; hence the accuracy of revenue collected cannot be validated.

Recommendation

The Authority should ensure that strategies to be put into place to administer these new levies with proper planning with minimal hiccups.

[24] 28/08/14

Authority's Comments

•Recommendations are noted.
•The module for the levies needs to be implemented.
•The specifications are with IT.
•The Credit Card Levy module was implemented early 2014
•Third Party and Telecommunications Levy modules yet to be created by IT.
•Due to reprioritising the levies modules have been delayed in creating, testing and implementation.

7.6.5.2 Outstanding Capital Gains Tax (CGT) from Undertaking/Arrangement Made By Agent

The capital gain made by a person on the disposal of a capital asset is the consideration received on the disposal reduced by the cost of the asset at the time of the disposal.[25] A person must keep such accounts, documents, and records as to enable the computation of the capital gains tax payable by the person in respect of the disposal of a capital asset.[26] The CEO may disallow the inclusion of the amount of expenditure in the cost of an asset if a person is unable, without reasonable excuse, to produce a receipt or other record of the expenditure.[27]

As at audit date[28], a total of $62,703 of Capital Gain Tax remained uncollected by the Authority. These outstanding taxes relate to those CGT certificates issued as early as January 2013 and remain unpaid by agents, who are normally solicitors. Refer to Table 7.11 for details.

Table 7.11: Unpaid CGT Undertaking by Agents (2013)

T.I.N	Date CGT Issued Certificate	CGT Amount Payable ($)
11-17542-0-9	29/04/2013	No update in the system
14-81229-0-7	30/10/2013	3,200.00
50-07329-0-0	25/11/2013	6,000.00
16-25386-0-5	26/11/2013	3,000.00
03-10509-0-8	11/12/2013	2,000.00
50-01765-0-1	11/12/2013	35,420.00
03-10509-0-8	16/12/2013	3,562.67
13-07175-0-8	30/01/2013	8,145.00
11-08725-0-0 11-08725-1-1	31/01/2013	1,375.00
Total		**62,702.67**

The above may indicate the laxity of the CGT section in following up for the payment of these taxes. Failure to promptly follow up on these outstanding taxes increases risk of this revenue being written off and uncollectible.

Recommendation

The Authority should promptly follow up with the agents for the payment of outstanding Capital Gains Taxes.

Penalties should be imposed and accumulated for these unpaid taxes as a deterrent for delaying payments.

[25] Capital Gains Tax Decree 2011 – Section 10 (1)
[26] Capital Gains Tax Decree 2011 – Section 17 (1)
[27] Capital Gains Tax Decree 2011 – Section 17 (3)
[28] 14/05/2014

Authority's Comments

The availability of funds for payment is dependent on the settlement of the transaction. Normally undertaking is received from Trust Account where proceeds from sale will be deposited before disbursement to vendor and CGT certificate released to facilitate settlement to take place. Sometimes if settlement is delayed, then recovery of the same is also delayed. These debts are however secured before issuance of CGT Certificate.

APPENDICES

Appendix 7.1: Departure Taxes Reconciliation

MONTHS	PASSENGER CLASSIFICATION					DEPARTURE TAX				
	TOTAL PASSENGERS EMBARKING (A)	TOTAL PASSENGERS UNDER 12 YRS	TOTAL DIPLOMATS	TOTAL FOREIGN MILITARY PERSONALS	TOTAL PAX TRANSIT WITHIN 12HRS	TOTAL EXEMPTED (B)	PAYING PAX (A-B)	TOTAL PAYABLE (A-B) *$150	TOTAL RECEIPTED BY FRCA ($)	OVER/ UNDER COLLECTION ($)
January	65,478	9,710	2	0	0	9,708	55,770	8,365,500	9,380,432	(1,014,932)
February	41,223	3150	0	0	45	3,195	38,028	5,704,200	6,094,111	(389,911)
March	49637	4623	0	0	0	4,623	45,014	6,752,100	7,094,005	(341,905)
April	59,727	7,531	32	0	55	7,618	52,109	7,816,350	7,855,533	(39,183)
May	63987	7338	17	9	2537	9901	54086	8,112,900	8,339,619	(226,719)
June	66,934	8570	3	200	3267	12,040	54,894	8,234,100	8,584,351	(350,251)
July	77284	11737	1	292	55	12085	65199	9,779,850	9,759,413	20,437
Aug	77381	10893	15	5	3197	14,110	63,271	9,490,650	9,901,245	(410,595)
Sept	70330	10332	14	0	1069	11415	58,915	8,837,250	8,929,233	(91,983)
October	71060	10533	143	7	1064	11747	59,313	8,896,950	9,153,969	(257,019)
November	66827	7718	177	0	993	8888	57,939	8,690,850	8,751,420	(60,570)
December	64001	6737	133	0	1514	8384	55,617	8,342,550	8,369,339	(26,789)
Total	**773,869**	**98,872**	**537**	**513**	**13,796**	**113,714**	**660,155**	**99,023,250**	**102,212,669**	**(3,189,419)**

Appendix 7.2: Details of Hanging Entries

SAD No.	Date	Product Code	Quantity (Units)
C55677	14/11/03	A040	452
C55677	14/11/03	A042	1,716
C55856	16/11/03	A282	480
C55856	16/11/03	A284	540
C55818	15/11/03	A212	480
C62978	19/12/03	412F	720
C62978	19/12/03	413F	360
C63350	22/12/03	438E	450
C63431	22/12/03	437E	1,404
C63431	22/12/03	438E	1,800
C63431	22/12/03	439E	600
C63431	22/12/03	428E	1,800
C63431	22/12/03	433E	582
C63434	22/12/03	374E	540
C63434	22/12/03	231B	1,000
C63674	23/12/03	336	10,200
C10355	03/02/04	342	1,491
C05603	02/05/04	149C	2,700
C10366	02/03/04	0005	1,200
C31287	28/06/04	A575	1,475
C38166	04/08/04	A623	7,640
C38166	04/08/04	A625	1,872
C38166	04/08/04	A626	1,644
C62116	08/12/04	A815	1,392
C62118	08/12/04	A823	2,019

Appendix 7.3: Taxpayers with More Than One Tax Identification Number

TIN	Bank Account Number	Bank Code
201703607	00114157019	BRD
202821708	00114157019	BRD
161347107	02478917	ANZ
161647708	02478917	ANZ
113381001	02487831	ANZ
113380701	02487831	ANZ
120563805	02708704	ANZ
112590600	02708704	ANZ
131938706	03161578	ANZ
116022309	03161578	ANZ
131573802	03312712	ANZ
132465700	03312712	ANZ
130482800	0427259700	WBC
182289703	0427259700	WBC
112602101	05636155	ANZ
112615808	05636155	ANZ
162207509	0771920040	WBC
22036704	0771920040	WBC
142673704	09012280	ANZ
142718104	09012280	ANZ
190313104	10379416	ANZ
190313115	10379416	ANZ
121199005	1039979	ANZ
120474015	1039979	ANZ
180335400	10460818	ANZ
187160506	10460818	ANZ
100145506	1310126	ANZ
100393109	1310126	ANZ
192403407	1318557	BSP
114673707	1318557	CNB
30757600	1395032	ANZ
31478607	1395032	ANZ
11115302	145808	BOB
11115405	145808	BOB
11115508	145808	BOB
11115601	145808	BOB
11115704	145808	BOB
11115807	145808	BOB
231016001	1519059	ANZ
231016104	1519059	ANZ
144036303	1636932	CNB
180548305	1636932	BSP
130436706	16400330	WBC
130436717	16400330	WBC
110754701	1679829	BSP
112243904	1679829	CNB

TIN	Bank Account Number	Bank Code
202155405	1714527	CNB
202153805	1714527	CNB
140967207	1730876	BSP
142800104	1730876	WBC
230926804	2123792	CNB
230993008	2123792	CNB
260038700	2206908	ANZ
22737104	2206908	ANZ
193243101	2218369	ANZ
142072501	2218369	ANZ
181329404	229946	BOB
131857205	229946	BOB
31662907	2393974	ANZ
31851103	2393974	ANZ
196266903	2718917	ANZ
196267007	2718917	ANZ
90065806	2736210	ANZ
90153204	2736210	ANZ
180511505	2801769	ANZ
182502509	2801769	ANZ
200159001	3046168	CNB
201319004	3046168	CNB
161049209	3056596	CNB
12307502	3056596	BSP
31092119	3352370	ANZ
31366601	3352370	ANZ
142740909	3784106	CNB
142793804	3784106	CNB
113216509	4632403	BSP
113532009	4632403	CNB
144069707	4928536	BSP
144833401	4928536	BSP
111473201	5062881	ANZ
131041301	5062881	ANZ
21755909	5127126	ANZ
170580401	5127126	ANZ
31493907	5210978	BSP
32047606	5210978	CNB
170200909	5247669	ANZ
201983603	5247669	CNB
240403007	5426024	ANZ
221163302	5426024	ANZ
192646013	556013	BSP
21632208	556013	CNB
21368602	5718721	ANZ
21542406	5718721	ANZ
193677304	5736513	ANZ
193847606	5736513	ANZ
193566701	6127964	BSP

TIN	Bank Account Number	Bank Code
194202307	6127964	CNB
21703603	62631940	WBC
21703706	62631940	WBC
230918504	6451470	CNB
230988608	6451470	CNB
184073605	6576680	BSP
185199601	6576680	CNB
161893000	6804608	BSP
162152807	6804608	BSP
32057908	6938213	CNB
33237608	6938213	CNB
181453604	7001031	BSP
70697409	7001031	CNB
10923401	7023124	ANZ
11089904	7023124	ANZ
21125801	7141536	ANZ
22270506	7141536	ANZ
192771100	7167655	ANZ
191000500	7167655	ANZ
220522300	7630810	ANZ
220984603	7630810	ANZ
142040005	772613	BSP
142568406	772613	CNB
32227509	7743813	BSP
32286702	7743813	BSP
11894900	8230708	ANZ
43879403	8230708	ANZ
162146107	8606456	ANZ
163118907	8606456	ANZ
100375301	8772876	ANZ
100309108	8772876	ANZ
41702707	896899	BSP
113079106	896899	CNB
30940901	8994298	ANZ
32192607	8994298	ANZ
130653907	9070467	ANZ
11102801	9070467	ANZ
162853506	91010100003223	BOB
163721507	91010100003223	BOB
121804309	91010100004613	BOB
121804907	91010100004613	BOB
132231509	91010100007133	BOB
133057708	91010100007133	BOB
42728104	91010200000359	BOB
42807108	91010200000359	BOB
181233606	91010400000026	BOB
181233617	91010400000026	BOB
131390102	91020100002604	BOB
132918600	91020100002604	BOB

TIN	Bank Account Number	Bank Code
182152005	91020100005323	BOB
191596704	91020100005323	BOB
140465107	91020100005668	BOB
70843804	91020100005668	BOB
182444708	91040100001615	BOB
182375408	91040100001615	BOB
231001601	91040100002136	BOB
232688106	91040100002136	BOB
31318907	91050100001813	BOB
32105005	91050100001813	BOB
112422002	91050100002643	BOB
100420807	91050100002643	BOB
142833807	91050100008531	BOB
142833405	91050100008531	BOB
21655805	9201448	BSP
22205809	9201448	BSP
210117503	92082500	WBC
210015005	92082500	WBC
21138106	9354177	BSP
21138117	9354177	BSP
11010306	9800468077	WBC
11852504	9800468077	WBC
230927908	9800471634	WBC
60060004	9800471634	WBC
193727609	9800558364	WBC
221370304	9800558364	WBC
111122707	9800917776	WBC
113163108	9800917776	WBC
21793404	9801097818	WBC
21448906	9801097818	WBC
194155201	9801113250	WBC
194412704	9801113250	WBC
195066908	9801253056	WBC
195452204	9801253056	WBC
10814109	9801425662	WBC
10443701	9801425662	WBC
32037005	9801758492	WBC
32077502	9801758492	WBC
194228701	9801873945	WBC
194502609	9801873945	WBC
162398405	9802024464	WBC
162507409	9802024464	WBC
32060904	9802028499	WBC
121738208	9802028499	WBC
160519109	9802131988	WBC
194784906	9802131988	WBC
40380414	9802350083	WBC
120974319	9802350083	WBC
113897201	9802438763	WBC

TIN	Bank Account Number	Bank Code
114326805	9802438763	WBC
191348008	9803075432	WBC
194291200	9803075432	WBC
115246607	9803096479	WBC
115396603	9803096479	WBC

Appendix 7.4: Details of Taxpayers Using the Same Bank Account

Bank Account Number	Bank Code	TIN
0004520700	WBC	130457301
0004520700	WBC	130457312
00101168019	BRD	80580605
00101168019	BRD	21534209
00122654012	BRD	193286209
00122654012	BRD	221568806
0053013000	WBC	112919300
0053013000	WBC	110700104
0071091600	WBC	141995403
0071091600	WBC	160299203
01235103	ANZ	20948702
01235103	ANZ	131432303
01339372	ANZ	120668409
01339372	ANZ	120668410
01549889	ANZ	110673808
01549889	ANZ	110673819
02460591	ANZ	30259205
02460591	ANZ	100142101
02810399	ANZ	80406019
02810399	ANZ	130696005
02855943	ANZ	161844109
02855943	ANZ	230657100
0321306900	WBC	100110801
0321306900	WBC	100110812
0325516230	WBC	30542105
0325516230	WBC	43391808
03777530	ANZ	180550207
03777530	ANZ	132785400
03799203	ANZ	110133915
03799203	ANZ	112702700
03831884	ANZ	250161805
03831884	ANZ	250161816
0423351230	WBC	160951705
0423351230	WBC	162262409
0423351230	WBC	162262502
0424531040	WBC	32301003
0424531040	WBC	42070001
0482847900	WBC	140804504
0482847900	WBC	140804515
05014178	ANZ	170263003
05014178	ANZ	113318904
05578736	ANZ	132019004
05578736	ANZ	181801807
0560314	ANZ	30302008
0560314	ANZ	112912004

Bank Account Number	Bank Code	TIN
05667560	ANZ	31371506
05667560	ANZ	113150906
07215726	ANZ	31810801
07215726	ANZ	31810904
07215726	ANZ	21627200
0781860430	WBC	181746319
0781860430	WBC	181746308
08430730	ANZ	41685703
08430730	ANZ	70297106
08472374	ANZ	141051110
08472374	ANZ	202066903
0875623040	WBC	163657006
0875623040	WBC	164068306
08926090	ANZ	142661008
08926090	ANZ	41680708
10018381	ANZ	201339505
10018381	ANZ	113162303
1003067	ANZ	40223005
1003067	ANZ	231169804
10044355	ANZ	182526004
10044355	ANZ	183033208
10045542	ANZ	30560202
10045542	ANZ	163286000
1014728	ANZ	160651702
1014728	ANZ	160651713
1020210	BSP	182275614
1020210	BSP	182275603
1029075	ANZ	20535908
1029075	ANZ	20535919
10460375	ANZ	11331904
10460375	ANZ	11846608
1047153	BSP	182738403
1047153	BSP	32088300
10481942	ANZ	140837001
10481942	ANZ	122431902
10486010	ANZ	113214909
10486010	ANZ	183603401
10588114	ANZ	112231105
10588114	ANZ	200554701
1060173	ANZ	160518706
1060173	ANZ	160243305
1060173	ANZ	160231908
1060173	ANZ	163245708
10605709	ANZ	30542817
10605709	ANZ	192579807
10605709	ANZ	194277602
10660443	ANZ	11506603
10660443	ANZ	42656605
10745408	ANZ	182838600

Bank Account Number	Bank Code	TIN
10745408	ANZ	183185000
107635	BSP	80108502
107635	BSP	80108513
10800584	ANZ	22002804
10800584	ANZ	183718204
10822247	ANZ	193365409
10822247	ANZ	183645405
10828465	ANZ	163084305
10828465	ANZ	163391607
11018926	ANZ	70470507
11018926	ANZ	121713908
11048043	ANZ	22467708
11048043	ANZ	42850704
11048043	ANZ	144360804
112001	ANZ	230979101
112001	ANZ	144968200
11214251	ANZ	131091502
11214251	ANZ	132201603
11314186	ANZ	110426701
11314186	ANZ	192808705
11337997	ANZ	142982008
11337997	ANZ	198673305
11372422	ANZ	201026805
11372422	ANZ	121862707
114053	ANZ	190277806
114053	ANZ	192282109
114053	ANZ	192282202
114053	ANZ	195328107
11460160	ANZ	142612107
11460160	ANZ	44460400
1148000100	WBC	120623608
1148000100	WBC	80065702
1154686	CNB	193003303
1154686	BSP	193003314
11713850	ANZ	120681408
11713850	ANZ	23047103
11794749	ANZ	160233601
11794749	ANZ	122536702
1201945	ANZ	192995504
1201945	ANZ	195486104
1206841	ANZ	31518703
1206841	ANZ	30885217
1212936	ANZ	40241216
1212936	ANZ	41609600
1216045630	WBC	41504305
1216045630	WBC	41764305
1221270	ANZ	70010402
1221270	ANZ	70010505
1221270	ANZ	70010608

Bank Account Number	Bank Code	TIN
1221270	ANZ	70010310
1246400	ANZ	230760808
1246400	ANZ	170201405
1250494	ANZ	70583504
1250494	ANZ	182576102
1254818	ANZ	41157505
1254818	ANZ	183270704
1255947	ANZ	250138102
1255947	ANZ	250138113
1276819	ANZ	191917602
1276819	ANZ	194202709
132411	ANZ	131695203
132411	ANZ	230740008
132411	ANZ	230506804
132411	ANZ	32453001
1341698	ANZ	250141902
1341698	ANZ	250141913
1343185	ANZ	194070407
1343185	ANZ	230985502
1349223	ANZ	10281008
1349223	CNB	131329605
137554	BOB	111162307
137554	BOB	162414305
1395407	BSP	33111605
1395407	BSP	115110302
1401310	BSP	193931402
1401310	BSP	113210307
140594	ANZ	80122203
140594	ANZ	110547503
1419395	ANZ	160733802
1419395	ANZ	160733813
1431196	CNB	131143913
1431196	BSP	131143902
1431196	ANZ	190572206
1443373	ANZ	193057405
1443373	ANZ	221011304
1456665	BSP	40872108
1456665	BSP	111358302
1464382	ANZ	110876010
1464382	ANZ	113133006
1464382	ANZ	21803202
1464439	ANZ	70011919
1464439	BSP	193142006
1465568	CNB	182215409
1465568	ANZ	193516809
1478714	ANZ	191627107
1478714	CNB	113640104
1534894	ANZ	192729608
1534894	ANZ	182482007

Bank Account Number	Bank Code	TIN
1536198	ANZ	181349101
1536198	ANZ	181349112
1541290	BSP	181549309
1541290	BSP	191894705
1541290	BSP	132424202
1543219	ANZ	41577000
1543219	ANZ	41577103
1549095	ANZ	70121201
1549095	ANZ	70121212
1549947	ANZ	190318109
1549947	ANZ	191399602
1552224	CNB	130821104
1552224	CNB	113258709
1552224	CNB	142828603
1554684	BSP	180902301
1554684	ANZ	200564704
1561329	ANZ	191017407
1561329	ANZ	191017418
1562888	BSP	161858003
1562888	BSP	41477205
1597662	CNB	160724408
1597662	BSP	230924008
1612300	BSP	130837505
1612300	CNB	130837516
1641342	ANZ	160415001
1641342	ANZ	162372609
164456	BOB	111014303
164456	BOB	111214800
164456	BOB	111626407
164456	BOB	160118506
164456	BOB	165057501
16852840	WBC	131747005
16852840	WBC	196195302
174034	CNB	40126812
174034	ANZ	140861004
1827199	CNB	120470103
1827199	CNB	120470114
183276	ANZ	181870900
183276	ANZ	231728508
1841089	CNB	182085800
1841089	CNB	182267509
1847401	CNB	120574315
1847401	CNB	21470904
1847401	BSP	230877902
1895614	BSP	10323704
1895614	BSP	120363308
2007980	CNB	111818800
2007980	BSP	112782900
201242	BSP	160743908

Bank Account Number	Bank Code	TIN
201242	BSP	31514204
201242	BSP	161976008
201242	BSP	163971205
208511	CNB	100186808
208511	ANZ	31639309
2150227	BSP	132239404
2150227	CNB	41518807
225563840	WBC	30963807
225563840	WBC	120811203
2308853	ANZ	30096316
2308853	ANZ	131237007
231026200	WBC	40055808
231026200	WBC	110351807
231026200	WBC	112798909
2353396	ANZ	30247509
2353396	ANZ	30247510
2369168	ANZ	230906509
2369168	ANZ	112873002
2369168	ANZ	41584804
2390735	ANZ	31201607
2390735	ANZ	131589409
2390735	ANZ	230608911
2390735	ANZ	183687904
24253440	WBC	250106709
24253440	WBC	250106710
2433691	ANZ	132018209
2433691	ANZ	132018302
2439604	ANZ	201926804
2439604	ANZ	201925803
2447241	BOB	162330203
2447241	BOB	130190004
2494702	ANZ	111057607
2494702	ANZ	130123707
2494702	ANZ	11740807
2498059	ANZ	121306007
2498059	ANZ	121197106
2498059	ANZ	121196909
25445530	WBC	30901003
25445530	WBC	31284109
2701005	ANZ	70235807
2701005	ANZ	193774106
2704845	ANZ	190930608
2704845	ANZ	230968107
2721511	ANZ	130928504
2721511	ANZ	130928515
273840240	WBC	31327507
273840240	WBC	161665805
2751024	ANZ	114475006
2751024	ANZ	122539808

Bank Account Number	Bank Code	TIN
2775793	ANZ	231549008
2775793	ANZ	33564906
2831024	ANZ	10670008
2831024	ANZ	10670019
2842322	ANZ	21474204
2842322	ANZ	21474008
28437140	WBC	161022907
28437140	WBC	161022918
30014000	WBC	40136402
30014000	WBC	40136413
3005018	BSP	161868707
3005018	BSP	192763202
3088608	BSP	141443009
3088608	BSP	32263507
3107247	ANZ	160468401
3107247	ANZ	160276503
3123510	ANZ	30427815
3123510	ANZ	230250305
3159058	ANZ	30178405
3159058	ANZ	201665005
3213766	BSP	162156409
3213766	BSP	112619503
3250572	BSP	41051302
3250572	CNB	113054703
3339937	ANZ	191519714
3339937	ANZ	21206807
3349072	CNB	230296004
3349072	ANZ	202569406
3350430	CNB	190193704
3350430	BSP	142730308
3350882	ANZ	190995704
3350882	ANZ	170249405
336007	BOB	121150901
336007	BOB	230698402
337987	ANZ	112938800
337987	ANZ	111607000
3396634	ANZ	160580606
3396634	ANZ	161631709
3406305	HBB	140691207
3406305	BSP	141063506
342971	BOB	113722905
342971	BOB	113725805
3478499	BSP	162357505
3478499	BSP	164371604
351072	ANZ	121116008
351072	ANZ	41625602
3513792	BSP	230830408
3513792	CNB	131925803
3618184	BSP	180857207

Bank Account Number	Bank Code	TIN
3618184	BSP	231589103
3628103	BSP	132143204
3628103	CNB	183405009
3639103	CNB	114406604
3639103	CNB	122365801
36391800	WBC	120192511
36391800	WBC	122127603
3650467	BSP	31973803
3650467	BSP	32052800
3655829	ANZ	161167204
3655829	ANZ	162398704
3655829	ANZ	221680805
3675233	ANZ	190788908
3675233	ANZ	190788919
3778884	ANZ	210013900
3778884	ANZ	195165207
3781581	ANZ	180456109
3781581	ANZ	180456110
3788123	ANZ	140626614
3788123	ANZ	21102606
3791511	ANZ	121160409
3791511	ANZ	121160502
3811529	ANZ	210042919
3811529	ANZ	60342807
3828395	ANZ	113873005
3828395	ANZ	113873706
3828395	ANZ	114671808
3828464	ANZ	40657703
3828464	ANZ	70791002
40425040	WBC	162429303
40425040	WBC	191480601
4090592	BSP	220266901
4090592	BSP	222287306
41104300	WBC	230950209
41104300	WBC	160410800
4130264	BSP	191731404
4130264	BSP	230960408
4164001	CNB	121103703
4164001	CNB	230856008
4212897	CNB	160338504
4212897	BSP	194519207
4351535	CNB	110866109
4351535	CNB	110866110
472008900	WBC	160240106
472008900	WBC	160106408
478237	BSP	120407305
478237	BSP	122504907
48037200	WBC	80065805
48037200	WBC	80064804

Bank Account Number	Bank Code	TIN
48037200	WBC	80261308
484035500	WBC	190444208
484035500	WBC	116669201
4846595	CNB	162146406
4846595	CNB	160338308
484890400	WBC	191040708
484890400	WBC	250343205
4874395	CNB	201757204
4874395	CNB	112914903
492149	CNB	180366307
492149	CNB	180366318
5023444	CNB	161798118
5023444	ANZ	161805809
5037876	ANZ	111100204
5037876	ANZ	250138607
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5067302	BSP	21700806
5086530	BSP	220758503
5086530	BSP	220758514
52466240	WBC	10682807
52466240	WBC	21699502
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5295147	CNB	162311301
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5359431	ANZ	131256909
5372383	ANZ	230935301
5372383	ANZ	181395700
5419357	BSP	70129405
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5421297	ANZ	194055705
5421297	ANZ	194055808
5432356	ANZ	10890603
5432356	CNB	21707607
5449304	ANZ	180463707
5449304	ANZ	180463718
5484270	BSP	10794607
5484270	BSP	21894602
5489880	BSP	20846008
5489880	BSP	113133707
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551956	ANZ	100132706
551956	ANZ	100366206
552019	ANZ	10026405
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5525671	ANZ	90134601
5525671	ANZ	90134704
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5538942	ANZ	141810506

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5553278	ANZ	20809308
5553278	ANZ	231075709
5603550	BSP	160827804
5603550	CNB	42095105
561817	ANZ	40622008
561817	ANZ	41101102
5658986	BSP	192258704
5658986	BSP	192258715
5662528	ANZ	20482105
5662528	ANZ	21461008
5662528	ANZ	21461101
568289	ANZ	70136106
568289	ANZ	70629802
568289	ANZ	196380203
572580	ANZ	31423401
572580	ANZ	31997205
5737776	CNB	200491307
5737776	BSP	200491318
5739581	ANZ	191231100
5739581	ANZ	191231111
574567500	WBC	40907402
574567500	WBC	34269406
5759519	ANZ	140707805
5759519	ANZ	141085308
5788223	ANZ	110592204
5788223	ANZ	180991606
5809324	ANZ	121434304
5809324	BSP	196126405
5834599	ANZ	111322204
5834599	ANZ	111322215
5888557	CNB	132396008
5888557	ANZ	231056405
5899488	BSP	80689605
5899488	BSP	80689708
5946098	CNB	230962503
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5973611	BSP	111336902
5973611	BSP	111566718
5976678	BSP	130658304
5976678	BSP	12523908
60003900	WBC	100063406
60003900	WBC	100063417
6001407	ANZ	10408601
6001407	ANZ	11202204
6002478	ANZ	161650405
6002478	ANZ	230645002
6009428	ANZ	161819909
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600998	ANZ	31403106
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600998	ANZ	31850700
601041	WBC	195119907
601041	WBC	163854706
6015910	ANZ	230155505
6015910	ANZ	230155516
6019277	BSP	182069107
6019277	CNB	183169101
601990	CNB	111007808
601990	CNB	191355400
601990	CNB	142869101
601990	CNB	80721404
601990	BSP	123503105
6065086	ANZ	160102002
6065086	ANZ	161883409
6068112	ANZ	194300100
6068112	ANZ	231016609
6069772	ANZ	250151307
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608870	ANZ	190638005
608870	ANZ	190638016
617009200	WBC	30289008
617009200	WBC	80604606
62113940	WBC	191590203
62113940	WBC	191590306
6234987	ANZ	160483516
6234987	ANZ	160483505
6241554	ANZ	131692107
6241554	ANZ	132800907
6344457	BSP	195594003
6344457	BSP	202563905
6397624	BSP	10190308
6397624	BSP	31009706
6407781	ANZ	70174508
6407781	ANZ	121734101
6443888	ANZ	192232403
6443888	ANZ	42911003
6446969	BSP	30492109
6446969	BSP	231525204
63200600	WBC	130459004
63200600	WBC	130459015
6459195	ANZ	112598309
6459195	ANZ	112598402
6466237	ANZ	110268002
6466237	ANZ	41408504
6466237	ANZ	70703409
6466237	ANZ	132179900
6466237	ANZ	70683804

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6556336	BSP	191607008
6556336	BSP	113787506
6562690	BSP	193934807
6562690	BSP	23026405
6647361	BSP	80635709
6647361	BSP	22567802
6717034	BSP	121724201
6717034	BSP	122406702
674296	BOB	182383708
674296	BOB	182383801
6765952	CNB	181580209
6765952	CNB	182281303
6825823	CNB	121781608
6825823	CNB	32111406
6849141	BSP	112960708
6849141	CNB	113937204
6881174	CNB	162251106
6881174	CNB	142752306
6881174	BSP	162567809
6884131	BSP	183505701
6884131	BSP	183505804
6917168	BSP	194183806
6917168	BSP	197371204
7034986	CNB	111626108
7034986	BSP	143633901
7044032	CNB	194281104
7044032	CNB	41802100
7059071	CNB	131274800
7059071	BSP	194295503
7071247	ANZ	113014000
7071247	ANZ	80759102
7082294	ANZ	111740800
7082294	ANZ	120280207
7138192	ANZ	100263914
7138192	CNB	21824900
6978915	CNB	31292502
6978915	ANZ	132317407
7141558	ANZ	182703100
7141558	ANZ	182783809
7154567	ANZ	194070706
7154567	ANZ	21815609
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72258900	WBC	161162900
7235414	ANZ	192444307
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7266384	CNB	142096202
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7288536	CNB	40452201
7288536	CNB	40452212
7330340	ANZ	230541719
7330340	ANZ	144644609
7352047	ANZ	162512201
7352047	ANZ	162512304
7368546	BSP	162546709
7368546	BSP	162546606
7369722	ANZ	31441209
7369722	ANZ	230856101
7375053	ANZ	111106808
7375053	CNB	132440307
7377163	ANZ	140589902
7377163	ANZ	191375015
7377163	ANZ	190488606
7416490	CNB	121773102
7416490	CNB	121773205
7498474	BSP	182291605
7498474	ANZ	182071102
7531183	ANZ	183065508
7531183	BSP	121667504
7539535	ANZ	111779901
7539535	ANZ	111932812
7574274	ANZ	160219209
7574274	ANZ	162510302
7580119	BSP	113262108
7580119	BSP	32785005
7604619	BSP	192012003
7604619	BSP	197482508
7617084	ANZ	193382103
7617084	ANZ	112859600
7617992	BSP	120388907
7617992	BSP	120388918
7618725	BSP	191604407
7618725	BSP	191604418
7638399	BSP	121238409
7638399	ANZ	113032901
7655949	ANZ	132158501
7655949	ANZ	170222608
7672806	ANZ	111315307
7672806	ANZ	112816306
7674825	ANZ	31098403
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7685941	CNB	41573501
7685941	ANZ	194862507
7689184	ANZ	120621503
7689184	ANZ	120621514
7736237	BSP	220347206
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7748743	BSP	192253400
7748743	BSP	192272302
7863448	ANZ	11175104
7863448	ANZ	143362308
7872340	BSP	191928606
7872340	BSP	112542700
7922086	CNB	191421501
7922086	BSP	21901902
7928113	CNB	201619904
7928113	BSP	205846605
7951947	BSP	71234706
7951947	BSP	71396707
8060085	BSP	182953602
8060085	BSP	142754700
8063621	BSP	120687208
8063621	ANZ	31813402
8107037	BSP	30906307
8107037	BSP	140075117
81140700	WBC	141022802
81140700	WBC	141022813
8156857	ANZ	41832408
8156857	BSP	186777004
8221217	ANZ	161311308
8221217	ANZ	132341400
82395740	WBC	161166007
82395740	WBC	192883209
8283069	BSP	112518903
8283069	BSP	164674806
8310516	BSP	30929904
8310516	BSP	33136802
8365340	ANZ	132101107
8365340	ANZ	132410308
8444074	BSP	200011309
8444074	BSP	204020901
8458699	ANZ	193393207
8458699	ANZ	194063201
8489300	BSP	130308409
8489300	BSP	130308410
8501259	ANZ	132290908
8501259	ANZ	31953405
854372	ANZ	21402908
854372	ANZ	100374001
8697149	BOB	60392905
8697149	ANZ	60393009
8743415	ANZ	200770200
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8763770	ANZ	70570601
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8863913	BSP	140968507
8863913	BSP	143106601
8863913	BSP	143390800
8864430	ANZ	31895202
8864430	ANZ	31895305
8884446	ANZ	121727802
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8906142	ANZ	170189004
8906142	ANZ	170256508
8952407	ANZ	250275102
8952407	ANZ	70644205
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9092131	BSP	21278109
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91010200000311	BOB	190320702
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91010200000311	BOB	190882800
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91010200000311	BOB	190781705
91010200000334	BOB	130496405
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91020100003054	BOB	30202203
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91020100004414	BOB	31512202
91020100004414	BOB	121753508
91020100006147	BOB	113949900
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91020100006385	BOB	21836307
91020100006385	BOB	113260807
91020100006385	BOB	162569007
91020100006385	BOB	123725600
91020100006772	BOB	162889903
91020100006772	BOB	116128605
91020100011331	BOB	183506702
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91020200000266	BOB	21474503
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91030100002740	BOB	10305803
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91030200000106	BOB	21243208
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91030400000069	BOB	181785206
91030400000069	BOB	21576904
91030400000069	BOB	21577008
9104010000	BOB	190736602
9104010000	BOB	114561608
91040100000540	BOB	231024806
91040100000540	BOB	113323108
91040100001184	BOB	181089007
91040100001184	BOB	182221305
91040100001485	BOB	141810403
91040100001485	BOB	181066204
91040100002353	BOB	161235400
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91040100002531	BOB	194580807
91040100002531	BOB	11310103
91040100005210	BOB	70609301
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91040100005531	BOB	113146404
91040100005531	BOB	142745904
91040100007397	BOB	122700101
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91040100007904	BOB	162508400
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91040100008485	BOB	11256007
91040100008485	BOB	11258308
91040100009632	BOB	181467003
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91040100010866	BOB	142130601
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9104019222	BOB	161554408
9104019222	BOB	43137907
91050100000486	BOB	20419606
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91050100001237	BOB	142117406
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91050100001606	BOB	162522606
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91050100002349	BOB	130547804
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91050100014705	BOB	41048100
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9105517883	BOB	160529700
9105517883	BOB	160529711
91060100001804	BOB	70317402
91060100001804	BOB	70422504
91060400000020	BOB	41202207
91060400000020	BOB	190252805
91060600000329	BOB	112973704
91060600000329	BOB	142687701
910702000000106	BOB	161886608
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91070200000046	BOB	31813907
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91080100000345	BOB	160864607
91080100000345	BOB	112426006
9128375	ANZ	112448901
9128375	ANZ	11696704
9172947	ANZ	113013401
9172947	ANZ	32199903
9178166	ANZ	162440300
9178166	BSP	32050200
9210883	ANZ	230951808
9210883	ANZ	230954409
9250779	ANZ	110898502
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9417072	ANZ	180367906
9417072	ANZ	162437902
9417210	ANZ	113941304
9417210	ANZ	194880408
9427455	ANZ	162304909
9427455	ANZ	162314005
944213700	WBC	131911208
944213700	WBC	70547816
9477473	ANZ	10885309
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9527754	ANZ	80672100
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9539146	ANZ	182492907
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9544373	ANZ	131647705
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9633081	ANZ	201342006
9633081	ANZ	131871401
9678726	ANZ	31859503
9678726	ANZ	31859709
969994	BSP	201060605
969994	CNB	220465614
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9800006711	WBC	41611409
9800012011	WBC	60275602
9800012011	WBC	60262802
9800017521	WBC	31184500
9800017521	WBC	192748108
9800018718	WBC	90035900
9800018718	WBC	192632809
9800020160	WBC	192878005
9800020160	WBC	192748005
9800021243	WBC	192333003
9800021243	WBC	192338008
9800025554	WBC	40007300
9800025554	WBC	180011809
9800025554	WBC	210000904
9800026475	WBC	191831106
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9800026475	WBC	196218106
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9800026475	WBC	90292000
9800052327	WBC	192690001
9800052327	WBC	192690218
9800055106	WBC	110207715
9800055106	WBC	193928509
9800108285	WBC	110623401
9800108285	WBC	132021803
9800130529	WBC	30020308
9800130529	WBC	31614308
9800138027	WBC	191736904
9800138027	WBC	193934900
9800156508	WBC	31614205
9800156508	WBC	31852207
9800179971	WBC	90009709
9800179971	WBC	131320204
9800179971	WBC	131320101
9800296510	WBC	120315903
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9800370273	WBC	40164708
9800370273	WBC	114584803
9800391683	WBC	160055102
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9800402811	WBC	121174901
9800402811	WBC	183097705
9800415151	WBC	10124404
9800415151	WBC	10124415
9800439292	WBC	131690909
9800439292	WBC	113468807
9800445620	WBC	21186800
9800445620	WBC	130892302
9800457377	WBC	11042905
9800457377	WBC	11042802
9800543812	WBC	162352304
9800543812	WBC	162896800
9800556897	WBC	143169901
9800556897	WBC	42126807
9800648702	WBC	10010705
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9800793797	WBC	201833700
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9800800121	WBC	21618105
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9800842685	WBC	112801803
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9800889355	WBC	141672102
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9800908767	WBC	23019003
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9800934540	WBC	250183906
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9801053779	WBC	111445709
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9801059925	WBC	130944207
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9801109589	WBC	60374705
9801124299	WBC	30277508
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9801154692	WBC	131142705
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9801157380	WBC	80545206
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9801200933	WBC	131343203
9801200933	WBC	142760307
9801240558	WBC	220925400
9801240558	WBC	221468908
9801425746	WBC	32807808
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9801633455	WBC	10593408
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9801638975	WBC	41674204
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9801684136	WBC	120272011
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9801698193	WBC	10026900
9801698193	WBC	10026911
9801725871	WBC	111971008
9801725871	WBC	110447801
9801777468	WBC	70072505
9801777468	WBC	144568402
9801788416	WBC	30522800
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9801831638	WBC	182522309
9801831638	WBC	11279604
9801288318	WBC	160284607
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9801382939	WBC	202070405
9801382939	WBC	23066201
9801891806	WBC	130221603
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9802020058	WBC	31815600
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9802058389	WBC	32431302
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9802065681	WBC	32052501
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9802084070	WBC	113154106
9802085812	WBC	161771300
9802085812	WBC	204730705
9802088568	WBC	133202401
9802088568	WBC	195921405
9802111733	WBC	141922317
9802111733	WBC	142089408
9802139577	WBC	80607702
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9802157462	WBC	113234204
9802245515	WBC	80692209
9802245515	WBC	21833500
9802614652	WBC	20118406
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9802652892	WBC	181814401
9802652892	WBC	181814412
9802674375	WBC	160534409
9802674375	WBC	162647701
9802765660	WBC	32196209
9802765660	WBC	32196302
9802776584	WBC	10896002
9802776584	WBC	21968505
9802782590	WBC	112156703
9802782590	WBC	41751309
9803098988	WBC	111125205
9803098988	WBC	231778503
9803146100	WBC	10588400
9803146100	WBC	143150208
9803395731	WBC	31341301
9803395731	WBC	162803202
9803455691	WBC	133107003
9803455691	WBC	31213314
9803480368	WBC	11009807
9803480368	WBC	100689404
9803547174	WBC	144074200
9803547174	WBC	144074705
9803643528	WBC	142882306
9803643528	WBC	146873306
9803674820	WBC	21314108
9803674820	WBC	201524705
9803697383	WBC	200355504
9803697383	WBC	200355515
9803818096	WBC	163305707
9803818096	WBC	163871101
9803989152	WBC	131777314

Bank Account Number	Bank Code	TIN
9803989152	WBC	135366101
9803998849	WBC	121403603
9803998849	WBC	121340209
9804656685	WBC	20137504
9804656685	WBC	110906009
9804734029	WBC	100202708
9804734029	WBC	43172708
9846114	ANZ	191870200
9846114	ANZ	230974601
9846114	ANZ	194698201
9874287	ANZ	21336508
9874287	ANZ	140418301
9874287	ANZ	21336601
9874287	ANZ	21835502
9929454	BSP	132345105
9929454	BSP	22718006
9945499	ANZ	41838600
9945499	ANZ	194346304

Appendix 7.5 Details of Discrepancies in Payment of PAYE Tax and Filing of Returns

Employee Name	TIN #	Period Employed	Gross Wages ($)	Tax Deducted ($)	Audit Observations	Reg. Date
Yanzhou Xie	No TIN	01/03/12 - 31/12/12	24,804.00	477.06	No return lodged by TP.	
Zhanli Gong	07-13915-0-6	01/04/12 - 31/12/12	36,812.00	599.88	No return lodged by TP.	9/5/2011
Hengjun Tang	20-23916-0-1	01/04/12 - 31/12/12	26,707.50	150.50	2010 return was the last return lodged by the taxpayer. No 2012 return lodged	29/10/10
Xining Jin	No TIN	01/01/12 - 31/12/12	33,256.00	563.53	No return lodged by TP.	N/A
Kejun Ma	13-51857-0-2	01/01/12 - 31/12/12	36,951.00	628.65	No return lodged by TP.	20/04/12
Ruili Li	12-50918-0-2	01/03/12 - 31/12/12	19,296.00	374.87	No return lodged by TP.	23/07/12
Jianping Liu	12-51853-0-9	01/01/12 - 31/12/12	30,914.00	42.00	No return lodged by TP.	16/10/12
Jie Liu	12-51852-0-6	01/01/12 - 31/12/12	36,503.93	486.34	No return lodged by TP.	16/10/12
Fengnian An	01-26215-0-5	17/09/12 - 31/12/12	10,347.00	479.11	No return lodged by TP.	11/12/2012
Qingfeng Cheng	03-25232-0-9	1/1/2012 - 31/12/12	36,534.00	84.00	2010 return lodged in Sept 2011 was the last return lodged to FRCA	19/10/10
Zhenyu Chen	26-01186-0-2	29/06/12 - 31/12/12	16,079.00	439.29	No return lodged by TP.	16/10/12
Feng Na	No TIN	01/01/12 - 31/12/12	15,124.00	437.83	No return lodged by TP.	N/A
Wenhua Ding	04-53155-0-5	01/01/12 - 31/12/12	26,337.50	80.69	No return lodged by TP.	23/07/12
Yongqiang Deng	04-58348-0-4	30/06/12 - 31/12/12	44,755.50	458.50	No return lodged by TP.	25/11/13
Zhiping Deng	No TIN	06/07/12 - 31/12/12	18,523.00	-	No return lodged by TP.	N/A
Deng Fei	04-17752-0-6	13/02/12 - 31/12/12	28,597.50	178.27	2010 return lodged in Sept 2011 was the last return lodged to FRCA	29/09/09
Zhongyu Chen	03-26205-06	01/01/12 - 31/12/12	37,623.00	84.00	2010 return lodged in Sept 2011 was the last return lodged to FRCA	29/10/10
Ganggang Yuan	25-02973-0-6	01/01/12 - 31/12/12	38,000.00	-	2010 return lodged in Nov 2011 was the last return lodged to FRCA	2/6/2010
Tao Zhang	26-00960-0-5	17/09/12 - 31/12/12	63,393.00	804.43	No return lodged by TP.	3/5/2011
Ruibin Zhang	26-00962-0-1	17/09/12 - 31/12/12	27,708.00	194.31	No return lodged by TP.	3/5/2011
Qiang Zhang	26-00375-0-3	18/05/12 - 31/12/12	24,892.00	540.18	No return lodged by TP.	10/8/2010
Yanhai Zhang	26-00961-0-8	17/09/12 - 31/12/12	31,495.00	541.96	No return lodged by TP.	3/5/2011
Junping Zhao	26-00618-0-5	17/09/12 - 31/12/12	26,973.50	73.22	No return lodged by TP.	20/12/10

Employee Name	TIN #	Period Employed	Gross Wages ($)	Tax Deducted ($)	Audit Observations	Reg. Date
Peng Zhang	26-01331-0-8	01/01/12 - 31/12/12	36,153.00	684.13	No return lodged by TP.	20/08/13
Yong Zeng	25-02855-0-7	01/01/12 - 31/12/12	36,623.00	84.00	Return type - B, Nature of business - Manufacturing of Garments, no return lodged till to date	3/12/2007
Zhenlong Yu	25-05598-0-4	01/01/12 - 31/12/12	32,479.00	584.29	No return lodged by TP.	20/04/12
Jiahui Zhou	26-00473-0-0	17/09/12 - 31/12/12	36,556.00	84.00	2010 return lodged in Nov 2011 was the last return lodged to FRCA	19/10/10
Changhe Yu	No TIN	01/01/12 - 31/12/12	34,914.00	555.66	No return lodged by TP.	N/A
Yawei Yang	25-05593-0-9	01/01/12 - 31/12/12	39,466.00	479.83	No return lodged by TP.	17/04/12
Zhanzhen Liu	12-49707-0-8	01/01/12 - 31/12/12	36,402.00	679.95	No return lodged by TP.	20/04/12
Yang Zhiming	No TIN	17/09/12 - 31/12/12	45,180.00	-	No return lodged by TP.	N/A
Rujiang Zheng	No TIN	17/09/12 - 31/12/12	36,623.00	84.00	No return lodged by TP.	N/A
Keliang Ma	13-45584-0-8	01/01/12 - 31/12/12	29,782.50	75.79	No return lodged by TP.	3/5/2011
Lidong Jiang	10-07514-0-8	09/06/12 - 31/12/12	22,926.00	491.10	No return lodged by TP.	23/07/12
Jianfeng Wang	23-12840-0-2	10/09/12 - 31/12/12	36,124.00	84.00	2010 return lodged in Nov 2011 was the last return lodged to FRCA	29/10.10
Tianpeng Song	20-20955-0-9	24/04/12 - 31/12/12	65,853.72	561.78	2010 return lodged in Nov 2011 was the last return lodged to FRCA	28/08/09
Suifeng Wang	23-12842-0-8	01/01/12 - 31/12/12	37,705.00	84.00	2010 return lodged in Sept 2011 was the last return lodged to FRCA	29/10.10
Shaohua Wang	23-25934-0-2	01/01/12 - 31/12/12	34,000.00	-	No return lodged by TP.	28/09/11
Qiang Wang	23-27712-0-0	23/07/13 - 31/12/12	19,246.00	567.81	No return lodged by TP.	21/05/12
Guohai Chen	03-46656-0-2	01/01/12 - 31/12/12	32,537.00	522.08	No return lodged by TP.	25/04/12
Chen Chao	03-46662-0-1	01/01/12 - 31/12/12	36,220.55	601.90	No return lodged by TP.	25/04/12
Yunfei Cai	25-05852-0-1	29/06/12 - 31/12/12	42,900.34	457.66	No return lodged by TP.	16/10/12
Jianxi Chang	03-46810-0-6	4/10/12 - 31/12/12	27,259.00	-	No return lodged by TP.	15/05/12
Wuying Cai	03-48593-0-6	05/11/12 - 31/12/12	34,944.29	368.71	No return lodged by TP.	19/12/12
Jian Guo Cai	No TIN	03/01/12 - 31/12/12	20,224.50	129.50	No return lodged by TP.	N/A
Bingsheng Shi	19-89867-0-6	03/01/12 - 31/12/12	20,959.00	0	No return lodged by TP.	20/04/12

SECTION 8: FIJI SERVICEMEN'S AFTER-CARE FUND

Programme Statement

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

The mission or core business of the Fund is in the following areas:

- To provide funds for the maintenance and welfare of persons who have served at any time during the war in or with the Fiji Naval or Military Forces or any branch of the Allied Forces or any Allied Merchant Service or any Nursing Service attached to any of the Allied Forces and for the aid and care of the wives, widows, children and other dependents of such persons;
- To provide such persons or any of them with medical care and surgical appliances;
- To provide for the education of the children such persons or any of them;
- To assist such persons or any of them to fit and equip themselves for any profession, trade or calling;
- To make loans to persons specified above, subject to such conditions the committee may think fit;
- To make the payment of all reasonable costs, charges and expenses of the Committee or incidental to the applications and the administration of the Fund.

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PART A – FINANCIAL INFORMATION

8.1 Audit Opinion

The audit of the financial statements of the Fiji Servicemen's After-Care Fund for the year ended 31 December 2011resulted in the issue of disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Fund did not prepare its financial statements in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities as required for the general purpose financial statements.

8.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 ($)	2010 ($)
Receipts		
Government Grant	5,580,448	5,792,349
Other	72,843	241,175
Total Receipts	**5,653,291**	**6,033,524**
Payments		
Beneficiary Payments	5,474,571	5,441,791
Staff/Personnel Costs	239,139	213,902
Other Operating & Administration Expenses	116,280	143,622
Total Payments	**5,829,990**	**5,799,315**
Net (Deficit/ Surplus for the Year	**(176,699)**	**234,209**

The Fund realized a deficit of $176,699 in its operation in 2011 compared to a surplus of $234,209 in 2010 due to decrease in government grant by $211,901 or 3.7% and decrease in other receipts by $168,332 or 69.8%.

8.3 Abridged Statement of Financial Position

As at 31 December	2011 ($)	2010 ($)
Current Assets		
Cash at Bank	142,215	318,914
Total Assets	**142,215**	**318,914**
Accumulated Funds	**142,215**	**318,914**

The Fund's current assets which constitute cash at bank balance declined by $176,699 or 55.4% in 2011 compared to 2010. The decrease in cash at bank was mainly due to decrease in government grant and other receipts.

PART B – CONTROL ISSUES

8.4 Non - Reconciliation of Accounts

The Secretary is responsible for ensuring that regular reconciliations are undertaken at the end of each month.[1]

The audit noted that reconciliations were not carried out for salaries and wages, PAYE and FNPF for the year 2011. The issue was also highlighted in 2010 however no action was taken by the Fund.

The Fund has poor controls in salaries and wages, PAYE and FNPF payments. Hence there is a high risk of fraudulent payments or misappropriation of funds.

[1] Financial Management Procedure Manual – Fiji Servicemen's After-Care Fund (Reconciliation 4.1)

Recommendation

The Fund must ensure that regular reconciliations for salaries and wages, PAYE and FNPF are carried out.

Management Comments

No comment received from the Fund.

8.5 Favouritism in Temporary Employment

The Equal Employment Opportunity Policy is intended to provide all Public Service officers with a guide to fairness and equity in employment decisions in the areas of recruitment, promotion, transfer and training on the basis of merit.[2]

Before either a letter of appointment or contract of appointment is issued, a candidate selected for appointment must undergo medical examination and be passed as being in all respects physically and mentally fit by an authorised Medical Officer.[3] The employee must have a satisfactory police record.[4]

The position of a Clerical Officer was vacant from 26/04/11 to date of audit.[5]

The Fund appointed a Ms. Salote Tagicakiverata as a Temporary Relieving Clerical Officer (TRCO) on 19/12/11. The review of the appointment of the TRCO revealed the following anomalies.

- The vacant Clerical Officer position was not advertised in the local dailies to seek expressions of interest from suitably qualified candidates. In addition the officer was appointed as a TRCO from 19/12/11 to 23/12/11, 9/1/12 to 13/1/12 and 22/4/13 to date of audit[6] without being interviewed.

- The TRCO's details in the personal file revealed that she is related to the Assistant Secretary.

- The Fund did not issue appointment letter to the officer on her temporary appointment. She was paid wages at the rate $4.36 per hour for 37 hours per week by the Fund.

- The Fund did not obtain Police and Medical Clearance reports prior to the appointment of the Officer.

- Her qualification was also not available in her personal file. As result audit could not establish if the appointment was based on merit as required by the Public Service Commission.

Such findings clearly indicate that the appointment was made on favouritism and nepotism as the appointment was not made through an open and competitive selection process.

Recommendations

The Secretary should ensure that:

- **The officer's appointment as TRCO is terminated immediately;**

[2] General Orders 2011, – 1224 (b)
[3] General Orders 2011, Section 203 (a)
[4] General Orders 2011, Section 203 (b)
[5] 29/9/14
[6] 01/10/14

- **the vacant position for the Clerical Officer is filled following a proper recruitment process; and**
- **the matter is investigated and appropriate disciplinary action taken against Officer's responsible for making appointment without following proper procedures.**

Management Comments

No comment received from the Fund.

8.6 Staff Appraisal

The performance management system is the assessment of an officer's performance which is to be reported in the 'Performance Assessment and Development Form.[7]

Salary increase should be given based on staff performance and Committee's approval.

The audit noted that seven Officers of the Fund were awarded salary increase which was approved by Fund's Secretary for the year 2011. However the salary increase was not based on staff performance or job evaluation exercise.

The audit also noted that the Committee approval was not obtained for the salary increase. In addition the salary increase was not budgeted for. Refer to Table 8.1 for details.

Table 8.1: Details of Salary Increment – 2011

Name of Staff	Position	Salary 2010 ($)	Salary 2011 ($)	Increment ($)	Percentage Increased
Jone Kotobalavu	Secretary	48,206	50,164	1,958	3.9
Tikiko Vulaca	Accounts Officer	17,935	18,468	533	2.9
Ovalase Toduadua	Disbursement Officer	12,735	13,171	436	3.3
Akisi Laveti	Payroll Officer	23,646	24,636	990	4.0
Marica Waqanivere	Senior Disbursement Officer	19,033	20,018	985	4.9
Fane Bogidrau	Reconciliation Clerk	13,627	14,084	457	3.2
Soko Qionirokoi	Disbursement Officer	13,171	13,627	456	3.3
Total		**148,353**	**154,168**	**5,815**	

Proper procedures were not followed for the salary increase. The findings indicate abuse of powers by the Secretary. Hence the salary increase approved by the Secretary was unauthorised.

Recommendation

The Fund Committee should investigate the matter and take appropriate action for unauthorized salary increase to Fund's staff.

Management Comments

No comment received from the Fund.

[7] General Orders 2011, Section 406

8.7 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SME's)

Smaller accounting entities will, following Fiji Institute of Accountant's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.[8]

The audit noted that the Fund did not prepare its annual financial statements for the year ended 31 December 2011under IFRS for SME's.

The IFRS for SME's has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

Thus, the annual financial statements prepared by the Fund are contrary to the International Financial Reporting Standards for Small and Medium Sized Entities.

Recommendation

The Fund should work towards the adoption of IFRS for SME's in preparing the financial statements.

Management Comments

No comment received from the Fund.

8.8 Fund's Budget

The Secretary and the Assistant Secretary will examine current year expenditure and forecast likely expenditure for the following year taking into account the level of expenditure during the current year.[9] Estimates should take into account likely numbers of recipients for the following year, forecasted cola allowances, and staffing, in addition to administrative costs under the parameters of the Annual Corporate Plan.[10]

The Secretary must ensure that expenditure for the current year is incurred within the approved amount set in the budget.[11]

The Fund did not have a budget for the year 2011. According to the Assistant Secretary, Mrs. Vasiti Fuli the approved budget was misplaced by the Fund.

The Fund did not have the budget for the year 2010 either and provided similar reason during the audit of 2010 accounts. The audit is of view that the Fund may not have prepared the budget at all.
Due to laxity and poor record keeping the Fund was not able to provide budget for audit purposes. As a result the audit could not ascertain whether the expenses incurred by the Fund were actually budgeted for.

The finding shows poor control over expenditure by the Fund. In the absence of a budget the Fund would not be able to control over expenditure.

[8] Fiji Institute of Accountants Annual Report for 2011, Page 14
[9] Financial Management Procedure Manual – Fiji Servicemen's After-Care Fund, Section 1.2
[10] Financial Management Procedure Manual – Fiji Servicemen's After-Care Fund, Section 1.3
[11] Financial Management Procedure Manual – Fiji Servicemen's After-Care Fund, Section 2.3

Recommendations

The Fund committee should:

- **investigate whether the budget for 2011 was prepared by the Secretary; and**
- **take appropriate action against the Secretary for not maintaining a budget.**

Management Comments

No comment received from the Fund.

8.9 Anomalies in Finance Manual

Finance Manual generally contains pertinent accounting rules and other information for a business or organization. It provides accounting procedures and guidelines to be followed to ensure consistency and control for organisations operations.

The audit noted that the Finance Manual used by the Fund does not stipulate procedures for receipting cash, banking revenues, the rate for study allowance, education eligibility and maximum re-imbursement for medical. The Fund had also implemented Mind Your Own Business (MYOB) accounting software. However the Funds Finance Manual was not reviewed to include the accounting procedures required for using MYOB.

The finding shows that the Funds Finance Manual has not been reviewed since its adaptation in 2001. The weaknesses noted in the Manual may result in inconsistency in accounting procedures adopted and inadequate controls.

Recommendation

The Fund should review its Finance Manual to include the accounting procedures required for using the MYOB.

Management Comments

No comment received from the Fund.

8.10 Transfer of Funds

The Committee in its meeting on 18/11/09 endorsed that $60,000 be transferred from the Main Account (ANZ Account Number 8519427) to Operational Account (ANZ Account Number 10420592) each month to cater for administration costs.

The audit noted the following anomalies in the transfer of funds.

- Based on the Committees approval for monthly transfer of $60,000 the total funds to be transferred per year should be $720,000. However the Fund transferred a total of $914,949.65 in 2011 from the Main account to Operating. The Fund did not seek the approval from the Committee for the transfer of funds in excess of $720,000.

- The transfer of $60,000 per month from the Main account to Operating account could only be authorised by Committee of Management. However out of a total of $914,949.65 transferred to the Operating account in 2011 total of $906,445.69 was authorised by the Assistant Secretary who did not have the authority to transfer of funds.

The above findings indicate that the Fund did not follow proper procedures for transfer of funds. As a result, the funds transferred in excess were $60,000 per month were unauthorised.

Recommendations

The Fund should ensure that:

- **the approval limit for the amount to be transferred is adhered to at all times; and**
- **appropriate disciplinary action is taken against the Assistant Secretary for transferring funds in excess of her authorised limit.**

Management Comments

No comment received from the Fund.

8.11 MYOB Accounting System

In 2010, the Fund engaged Datec Fiji Limited for the supply and installation of Mind your Own Business (MYOB System) Accounting Software at a total cost of $5,182.20.

The software was installed by the Fund to automate its financial record keeping and reporting.

As at the date of audit[12], the Fund entered its financial data in the MYOB System till February, 2011 only. The Fund is yet to enter the financial data from March 2011 onwards.

Failure to fully utilize the MYOB System has resulted in the delay in preparation of the financial statements for the years 2011 to 2013. Due to poor supervision and monitoring by the Assistant Accounts Officer, posting of financial data into the MYOB System was not done beyond March 2011.

The finding indicates that the Fund has not obtained value for money it invested in the MYOB System.

Recommendation

The Fund should ensure that financial data is posted up to date in the MYOB System to prepare outstanding financial statements.

Management Comments

No comment received from the Fund.

[12] 2/10/14

SECTION 9: FIJI HIGHER EDUCATION COMMISSION

Programme Statement

The Fiji Higher Education Commission was established on 14 October 2008 under the Higher Education Commission Promulgation (Promulgation No. 24 of 2008).

The functions of the Commission are to:

- Register and regulate higher education institutions according to the provisions of the promulgation;
- Foster and safeguard the national interest, the interest of students and parents, and also of local higher education providers;
- Establish national standards for different qualifications;
- Oversee the review process of higher education institutions;
- Provide assurances that the programme developed by the institutions meet national standards;
- Promote the development of Fiji as a knowledge society;
- Allocate government funds marked for higher education annually to higher education institutions according to a transparent and well-publicised criteria for allocation;
- Foster co-operation among higher education institutions and linkages between higher education institutions and industry;
- Maintain a database of higher education information;
- Develop or cause to be developed an academic broadband facility for use by higher education institutions; and
- Make recommendations to the Minister with respect to issues consistent with its functions including special projects.

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PART A – FINANCIAL INFORMATION

9.1 Audit Opinion

The audit of the financial statements of the Fiji Higher Education Commission for the year ended 31 December 2013 resulted in the issue of a Disclaimer of Opinion.

The Financial Statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). The Commission was yet to comply with IFRS for SMEs as required for general purpose financial statements.

9.2 Abridged Statement of Financial Performance

Year Ended 31 December	2013 ($)	2012 ($)
Receipts		
Government Grant	1,305,000	651,558
Fiji National University (FNU) Grant		653,475
Total Receipts	**1,305,000**	**1,305,033**
Payments		
Employee cost	626,816	509,283
Consultancy expenses	13,137	177,985
Allowances	79,221	41,807
Standard setting committees	-	15,272
Travel and Subsistence	45,690	43,363
Training facilities and materials	-	2,200
Equipment and Furniture	122,081	-
Other Expenses	124,392	162,416
Total Payments	**1,011,337**	**952,326**
Surplus for the year	**293,663**	**352,707**

The Commission recorded a surplus of $293,663 in 2013 compared to $352,707 in 2012. The decrease in surplus was due to the increase of expenditure by $59,011 or 6%.

9.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Current Assets		
Cash at Bank and on hand	981,180	687,517
Total Assets	**981,180**	**687,517**
Accumulated Funds	**981,180**	**687,517**

The Commission's cash at bank increased by $293,663 or 43% in 2013 compared to 2012 due to increase in Government Grant.

PART B – CONTROL ISSUES

9.4 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SME's)

Smaller accounting entities will, following Fiji Institute of Accountant's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.[1]

The audit noted that the Commission did not prepare its financial statements for the year ended 31 December 2013 under IFRS for SMEs. The IFRS for SMEs has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

[1] Fiji Institute of Accountants Annual Report for 2011 – page 14

Thus, the annual financial statements prepared by the Commission are contrary to the International Financial Reporting Standards for Small and Medium Sized Entities.

Recommendation

The Commission should work towards the adoption of IFRS for SMEs in preparing the financial statements.

Commission's Comments

The recommendation raised has been duly noted. The commission had prepared its financial statements in accordance with Fiji Accounting Standards for its accounts for the year ending 31st December 2013. As a new approach FHEC has started transiting to accrual accounting for the current financial year, 2014. FHEC will also be presenting its financial accounts for the year 2014 in accordance with IFRS for SME's.

9.5 Financial Statements

An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. On the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items.[2]

The audit noted that the financial statements for the Commission as at 31 December 2013 were prepared under the cash basis of accounting. Hence the effects of the transaction were not recognised when they occurred and they were not reported in the financial statements.

This also resulted in items such as property, plant and equipment, accounts receivable, accounts payable and prepayments not reported in the financial statements.

The Commission's financial statements for the year ended 31 December 2013 do not reflect the true financial position of the Commission.

Recommendation

The Commission should prepare its financial statements on accrual basis of accounting in future.

Commission's Comments

The Commission agrees with the recommendation to transit to the accrual basis of accounting and to implement the change effective for reporting of the financials for year 2014. As eluded above, we have started the necessary transition towards accrual accounting in this current financial period 2014.

The Commission is, however, of the stand that in the circumstances whereby its financials for 2013 were reported under cash basis of accounting, the financial reported is a true reflection to that extent, acknowledging the indicated shortcomings of the reporting system used for 2013.

[2] Guide for Micro-Sized Entities Applying the IFRS for SMEs (2009) Section G 12

SECTION 10: MARITIME SAFETY AUTHORITY OF FIJI

Programme Statement

The Maritime Safety Authority of Fiji acts as a regulator, responsible for Fiji's maritime safety, protection of the marine environment and regulation of search and rescue and hydrographical services.

The Authority transitioned from a Government Department to a Commercial Statutory Authority in 2011 through the Maritime Safety Authority of Fiji Decree 2009.

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PART A – FINANCIAL INFORMATION

10.1 Audit Opinion

The audit of the financial statements of the Maritime Safety Authority of Fiji for the year ended 31 December 2013 resulted in the issue of a qualified audit report. The issue qualified is as follow:

The Authority in accordance with a circular issued by the Ministry of Public Enterprises accounts for all government grants received from 1 January 2011 as capital contributions. This was a departure from the International Financial Reporting Standard (IFRS) for Small and Medium–sized Entities (SME) *Section 24 – Government Grants* which requires government grants to be recognized in profit or loss as income when grant proceeds are receivable or when performance conditions are met.

Had the Authority complied with IFRS for SMEs, the impact would be an increase in income and retained earnings by $4,931,299 and $13,769,039 respectively and reduction in capital contribution by $13, 769,039.

10.2 Abridged Statement of Comprehensive Income

For the Year ended 31 December	2013 ($)	2012 ($)
Revenue		
Qualification and Licensing	273,717	319,280
Standard and Compliance	364,544	334,458
Light Dues	618,048	545,674
Other Income	38,362	96,509
Total Revenue	**1,294,671**	**1,295,921**

For the Year ended 31 December	2013 ($)	2012 ($)
Expenditure		
Staff Cost	1,774,897	1,695,453
Administration Expenses	420,516	294,605
Depreciation Expenses	576,948	514,350
Other Operating Expenses	921,372	707,582
Total Expenditure	**3,693,733**	**3,211,990**
Total Comprehensive Loss	**(2,399,062)**	**(1,916,069)**

Total expenditure increased by 15% or $0.48 million in 2013 compared to the previous year. This was attributed to the Authority continuing to establish/enhance its systems and processes after assuming its full roles and responsibilities in 2012 and conducting extensive stakeholder awareness.

Had the Authority recognised government grants in accordance with IFRS for SMEs, the result would be a net surplus.

10.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Assets		
Cash & Cash Equivalents	4,430,464	3,622,203
Trade and Other Receivables	583,676	239,037
Prepayments and Deposits	53,262	648,463
Property, plant & equipment (Non-current)	5,819,860	3,953,135
Total Assets	**10,887,262**	**8,462,838**
Liabilities		
Trade and Other Payables	190,591	332,108
Provision for employee entitlement	98,044	64,340
Total Liabilities	**288,635**	**396,448**
Net Assets	**10,598,627**	**8,066,390**
Equity		
Capital Contribution	13,769,039	8,837,740
Accumulated Funds	(3,170,412)	(771,350)
Total Equity	**10,598,627**	**8,066,390**

The increase in net assets by $2.5 million was largely due to the increase in assets, specifically, cash & cash equivalents, trade and other receivables and property, plant and equipment. The Authority acquired additional Aids to Navigation amounting to $1.6 million.

Increase in government grant received by the Authority by $0.9 million also contributed to the increased cash at bank balance at year end.

PART B - CONTROL ISSUES

10.4 Treatment of Government Grants

The objective of IFRS for SMEs section 24 Government Grants is to prescribe the accounting and reporting for government grants and the disclosure of other forms of government assistance. An entity shall recognize government grants as follows:

a) a grant that does not impose specified future performance conditions on the recipients is recognized in income when the grant proceeds are receivable;
b) a grant that imposes specified future performance conditions on the recipient is recognized in income only when the performance conditions are met; and
c) grants received before the income recognition criteria are satisfied are recognized as a liability.[1]

The Authority has assessed its accounting policy with regards to the recognition of government grants based on the circular issued by the Ministry of Public Enterprise on 14/03/13. The circular stated that any recent government grant or special funding to State Owned Enterprises be treated as capital contribution rather than revenue from the year 2010 onwards in accordance with Cabinet Decision No, 357 of 2012.

The Authority's records indicate that had it complied with IFRS for SMEs *Section 24 – Government Grants*, for the year ended 2013 the impact would be an increase in income and retained earnings by $4,931,299 and $13,769,039 respectively and reduction in capital contribution.

Recommendation

The Authority should consider reviewing its accounting policy in respect of accounting of government grants including assessing and correcting the treatments made in previous years.

Authority's Comments

MSAF duly acknowledges the Auditor General's recommendations and advises as follows:

The Authority is in the process of officially writing to the Permanent Secretary of Ministry of Public Enterprise to inform them to reconsider the decision on the treatment of grants. The intention is to ensure that Section 24 is complied with. If the decision is reconsidered by the Ministry, all adjustments for prior years will be reflected in the 2014 financial reports.

[1] Section 24 – Government Grant - IFRS for SMEs

SECTION: 11 KOROVOU RURAL LOCAL AUTHORITY

Programme Statement

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

11.1 Audit Opinion - 2011

The audit of the financial statements of the Korovou Rural Local Authority for the year ended 31 December 2011 resulted in the issue of a disclaimer audit opinion as follow:

Appropriate accounting records to verify the amounts stated in the Authority's financial statements for the year ended 31 December 2011 were not made available for audit.

11.2 Abridged Income Statement 2011

Year Ended 31 December	2011 ($)	2010 ($)
Revenue		
Market Fees	33,335	40,428
Government Grant	10,000	25,000
Other Income	6,460	5,937
Total Revenue	**49,795**	**73,377**
Expenditure		
Sanitary Services	26,317	17,075
Market Services	39,711	40,046
Administration and General	3,536	4,834

Year Ended 31 December	2011 ($)	2010 ($)
Total Expenditure	**69,564**	**61,955**
Result for the year from Ordinary Activities	**(19,769)**	**11,422**

The Authority recorded a deficit of $19,769 in 2011 compared to a surplus of $11,422 in 2010. This was due to the decreases in government grant by $15,000 (60%) and market fees by $7,093 (18%) compared to year 2010.

11.3 Abridged Balance Sheet 2011

As at 31 December	2011 ($)	2010 ($)
Current Assets		
Cash at Bank	1,620	28,919
Other Receivables	7,530	0
Total Assets	**9,150**	**28,919**
Accumulated Funds		
Opening Balance	28,919	17,497
Net Surplus/(Deficit)	(19,769)	11,422
Total Accumulated Funds	**9,150**	**28,919**

The decrease in total assets was due to decrease in cash inflow from the Authority’s operation through decrease in government grants and market fees revenue.

PART B: CONTROL ISSUES

11.4 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 nightsoil or garbage removal services for the year ended on the immediately preceding 31 December, together with a balance sheet as at that date.[1]

The Authority has adopted the cash basis of accounting for financial reporting for the year ended 31 December 2011. The audit noted that the Authority have yet to recognize its properties, equipment, debtors, creditors and prepayments into the balance sheet as required under section 52 Regulation 7(4) of the Public Health (Sanitary) regulation.

In addition, the Statement of Revenue and Expenditure has also yet to account the revenue not yet received, prepayments (if any) and expenditure not paid at balance date.

Therefore the balance sheet for the year ended 31 December 2011 is limited as the Authority's assets and liabilities are not fully disclosed.

[1] Public Health (Sanitary) Regulation, Section 52 Regulation 7(4)

Recommendation

The Authority should comply with section 52 regulation 7(4) of the Public Health (Sanitary) Regulation as the balance sheet should have information detailing all assets and liabilities which is a reflection of the financial position for the Authority at a point in time.

Management Comment

No comment received from the Authority.

11.5 Payment Vouchers not provided for audit review

The Management of the Authority are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles which include designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material miss-statements, whether due to fraud or error, selecting and applying appropriate accounting policies.

The presence of a reliable and easy to follow audit trail is an indicator of good internal controls.

The Authority during the audit was unable to furnish the payment vouchers for the months from March to December 2011 for audit. During our email discussions with the Authority who revealed that the payment vouchers have been misplaced by the Central Board of Health Internal Auditors.[2]

Furthermore, audit noted that the Central Board of Health (CBH) internal auditor had migrated without handing over the investigation papers and the investigations could not proceed.

The absence of an audit trail hindered the progress of the audit as the Authority was trying to locate those payments vouchers and supporting documents kept with Central Board of Health.

Recommendation

The Central Board of Health should take initiative to secure any records taken from the Authority and kept in a secured place as it has compromised the investigations.

The Authority should request Central Board of Health to complete its investigation and resolve the allegation of misappropriation of funds and report them to Police if there are elements of fraudulent intentions.

Management Comment

No comment received from the Authority.

11.6 Non-preparation of Bank Reconciliations

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer[3].

[2] Email from Vakaruru (Secretary of Korovou Rural) dated 07/10/13
[3] Finance Instructions 2010 - Regulation 32(6)

The audit noted that the Authority failed to prepare monthly bank reconciliations for its Sanitary and Market account for the year ended 31 December 2011. Refer to Table 11.1 for details:

Table 11.1: Non Preparation of Bank Reconciliation

Bank Name	Account Name	Account No.	Balance as at 31/12/11 ($)
Bank of South Pacific	KRLA – Sanitary Account	1201649	9,125
	KRLA – Market Account	1201650	25
Total			**9,150**

In addition, audit noted that there was an unaccounted cash of $7,530 between the cash book and the bank statement records for the year 2011. Refer to Table 11.2 below for details:

Table 11.2 Variances in Cash book reconciliation

Cash book Variance	($)
Cash at Bank as at 01/01/11	28,919
Add Receipts	49,795
Less Payments	(69,564)
Cash at Bank as at 31/12/11	9,150
Less Closing balance as per bank statement as at 31/12/11	1,620
Variance	**7,530**

This implies on the laxity of supervising Officer at the Accounts section to prepare monthly bank reconciliations. Non-preparation of monthly bank reconciliation could lead to financial frauds being undetected.

Recommendations

- **The Council should ensure that monthly bank reconciliations are prepared for all bank accounts and supervisors carry out surprise cash count and review the work of officers on a weekly basis.**
- **The Authority should investigate the variance of $7,530 and put in control measures to minimize the risk of theft and misappropriation of Authority funds.**

Management Comment

No comment received from the Authority.

11.7 Anomalies in Revenue Collection Process

An official government receipt must be issued for all monies received[4].

For internal control purpose, a cancelled receipt should be marked “cancelled” and retained in the receipt book.

[4] Finance Instruction 2010 – Regulation (20)(6)

The revenue collector should maintain a cashbook to record the cash receipts and payments detailing the dates of receiving cash, receipt number and amount. For expenditure, details includes name of payee, voucher number and amount should be recorded.

The following anomalies were noted in the revenue collection process:

- The Authority maintained two receipt books which has the same receipt numbers. The audit noted that signatures on the original receipt books were issued by the Market Master while the duplicate books were issued by the former Clerk, Seini Wati for revenue collection purposes. For details of receipt book refer Table 11.3 below.

Table 11.3 Duplicate Receipt Books

Receipt Numbers	Number of Books	Collection Original Book ($)	Collection Duplicate Book ($)
44501-44600	2	310.50	350.70
44601-44700	2	279.60	351.60
44701-44800	2	262.80	373.60
44801-44900	2	279.60	361.20
44901-45000	2	310.50	378.40
Total	**10**	**1,443.00**	**1,815.50**

- Moreover, audit noted that the receipt numbers 44858 and 45001 were cancelled without being retained in the book;

- The audit noted that the cash book transactions dates did not correlate with the saving bank account transactions. The cashbook recorded the fees collected transactions for the month from 04 January 2011 to 19 August 2011 whilst the saving bank passbook showed that the bank transactions dates were between 4 January 2011 to 12 April 2011, then from 1 September 2011 to 29 December 2011. Moreover, the Authority could not provide an explanation for these variations in dates for these accounting records.

The practice adopted by the Authority is viewed with suspicion and misappropriation of funds cannot be conclusion unless a detailed investigation is carried out.

The above anomaly implies poor control over revenue system and the lack of supervisions to the officer responsible for revenue collection and recording the cash books.

<u>Recommendations</u>

- **The Authority should ensure that official receipts are issued to customers upon receipt of monies.**
- **The Authority should cancel revenue receipts with same numbers and these be destroyed accordingly under proper supervision to certify that the books have been destroyed.**
- **The Authority must ensure that all cancelled receipts are attached in the receipt books.**
- **The Authority should ensure that all revenues collected from the use of the market space and public convenience is accurately accounted.**

- **The Authority should carry out an investigation against the former officers responsible for revenue collection and report them to Police for an investigation.**

Management Comment

No comment received from the Authority.

SECTION 12: NATIONAL FIRE AUTHORITY

Programme Statement

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:
integral

- 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

12.1 Audit Opinion

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.

12.2 Abridged Statement of Financial Performance

Year Ended 31 December	2011 ($)	2010 ($)
Income		
Fire Levy	7,000,765	6,261,037
Government Grant	889,509	1,233,889
Other Income	1,693,395	1,616,865
Total Income	**9,583,669**	**9,111,791**
Expenditure		
Personnel Expenses	5,479,044	5,333,048
Depreciation & Amortization	899,104	905,639
Others	2,176,341	2,006,220
Total Expenditure	**8,554,489**	**8,244,907**
Net Surplus/(Deficit) for the Year	**1,029,180**	**866,884**

A surplus balance of $1,029,180 was realised from the Authority's operation in 2011 compared to $866,884 in 2010. This was largely due to increase in fire levy and other income by 12% and 5% respectively in 2011.

12.3 Abridged Statement of Financial Position

As at 31 December	2011 ($)	2010 ($)
Assets		
Cash & Cash Equivalents	2,103,881	1,165,678
Trade & Other Receivables	1,670,141	1,473,806
Inventories	145,372	80,849
Property, Plant & Equipment	5,693,335	5,918,499
Total Assets	**9,612,729**	**8,638,832**
Liabilities		
Trade & Other Payables	1,049,612	986,571
Employee Entitlement	185,066	425,805
Deferred Revenue	130,395	7,980
Total Liabilities	**1,365,073**	**1,420,356**
Net Assets	**8,247,656**	**7,218,476**
Accumulated Funds		
Retained Profits	8,247,656	7,218,476
Total Accumulated Funds	**8,247,656**	**7,218,476**

The Authority's retained profit improved by $1,029,180 or 14.2% in 2011 compared to 2010.
This was mainly due to increase in total assets by $973,897 or 11.2% and decrease in total liabilities by $55,283 or 3.9%.

PART B – CONTROL ISSUES

12.4 Fire Levy Received from Insurance Companies

The Minister may from time to time, after consultation with the Commissioner of Insurance and other person or persons he deems appropriate, make in such form and containing such details (including provision for the payment of interest) as he may determine, a levy order imposing a levy on any insurance policy or class of insurance policy written in Fiji and the amount payable under such levy order shall be paid to the authority at the time and manner specified in such levy order provided that a levy order may make different provisions in relation to different classes of insurance policies.[1]

According to the Insurance Policy Levy Order issued in 1995, the following prescribed fire service levy or individual contribution shall be charged for each class of insurance policy specified below, where the inception date is on or after the 1st day of August 1995:

a) Commercial Fire Policies: all policies covering commercial (non-domestic) property for the peril of fire. This will include fire, industrial all risks and contractors all risk policies. Prescribed levy – 0.06% of the policy sum insured or total value of the property whichever is greater.

b) Domestic Fire Policies: all policies covering domestic property for the peril of fire. This will include house owners, householders and contract works policies. Prescribed levy – 0.06% of the policy sum insured or total value of the property whichever is greater.[2]

The Authority received a total of $7,000,764.21 from Insurance Companies for the year ending 31/12/11 as fire levy.

However, the audit noted that the Authority did not verify in any way to ascertain the amount paid by insurance companies was correct. Refer to Table 12.1 below for details of amount received.

Table 12.1: Details of Fire Levy for 2011

Insurance Company	Fire Levy Received 2011 ($)
Tower Insurance	1,345,339.78
Queensland Insurance	2,331,014.69
New India	1,914,428.99
Marsh	337,275.24
Dominion Insurance	234,773.55
AON	184,721.98
Sun Insurance	635,534.75
Unity Brokers	405.00
Labasa Town Council	17,270.23
Total Fire Levy	**7,000,764.21**

Under the current arrangement the Authority accepts the amount paid by the Insurance Companies as correct.

As a result audit could not ascertain whether the Authority was receiving the correct amount as fire levy from respective Insurance Companies.

[1] National Fire Service Act, 1994 section 29 () Insurance Companies Contributions
[2] Insurance Policy Levy Order - National Fire Authority Compliance and Levy

Recommendation

The Authority must verify the amount paid by Insurance Companies as fire levy to ensure correct amount is received.

Management Comments

The Authority has an Audit and Compliance Officer who has been given the task to verify that insurance levy that is levied on any insurance policy or class of insurance policy written in Fiji and that such levy are correctly calculated and remitted to the Authority on a timely manner. Currently we are maintaining records to all levies received and questioning the insurance companies on big variances. We have met with some Insurance companies in relation to fire levy and expect to verify their records soon.

CEO had conducted random testing this year of some of the big organizations but full audits will be conducted in 2014.

12.5 Water Levy Received From Water Authority of Fiji

In order to raise any amount required to be contributed by it towards the annual expenditure of the Authority, the Minister in consultation with the Authority may make and levy for that purpose a rate on each water meter from the owner or occupier of any premises within any fire district. Provide that the owner of any property which is already under an insurance policy levy may apply to the Authority from exemption from any levy made under this section.[3]

The prescribed levy on each water meter shall be 50 cents per month as effective from the 1st day of August 1995.[4]

The Authority recognised total of $581,487 as Water Levy in the financial statements. The audit noted that the Authority did not verify with WAF to ascertain that the correct amount was paid. Under the current arrangement the Authority accepts the amount given by WAF for water levy as correct without any verification.

As a result audit could not ascertain whether the amount of Water Levy received from WAF was correct.

Recommendations

The Authority should:

- **verify the amount paid by WAF as water levy to ensure that the amount received are correct; and**
- **take general ledger balance into the financial statements. Any adjustments to the ledger balances to be carried out through appropriate journals.**

Management Comments

As stated above, the Audit and Compliance Officer will be tasked to verify that the water levies are calculated on all water meters within fire boundaries and those levies are correctly calculated and remitted to the Authority on a timely manner. NFA, WAF and MOF met and approved that WAF does a monthly reconciliation of their accounts and this is submitted with the approval for payment from the Ministry of Finance. Monthly

[3] National Fire Authority Service Act 1994, section 30 Levy on Water Meters
[4] Levy on Water Meter Order, 1995 – National Fire Authority Compliance and Levy

reconciliations are submitted to NFA and payment is now received regularly. Further verification will be done with the WAR prior to year end.

12.6 Absence of Contract Agreement for Tower Services

Public Tenders to be called for goods and service in excess of $10,000.00.[5]

The Authority engaged the services of Elecom's Tower Services since 2005 for its repeater rental which is installed at each fire station and fire trucks. These enable communication over the air by the use of towers throughout Fiji.

The audit noted that the Authority does not have a valid contract agreement between the Authority and Elecom Services since 2005.

The audit further noted that the Authority continued to engage Elecom's Tower services for its services in 2011. A total of $41,085.69 was paid to Elecom Services in 2011 for the monthly repeater rental fee. Refer to Table 12.2 below for payment details.

Table 12.2: Payment to Elecom Services

Date	Cheque Number	Invoice Number	Amount ($)
05/01/11	36389	14595	3,585.70
01/02/11	36692	15009	3,450.00
11/03/11	36927	15022	3,450.00
12/04/11	37351	15040	3,000.01
04/05/11	37241	15050	3,000.00
03/06/11	37554	15462	3,000.00
22/06/11	37690	15040	449.99
22/06/11	37690	15050	449.99
10/07/11	37820	15472	3,450.00
04/08/11	38005	15483	3,450.00
05/09/11	38239	15491	3,450.00
11/10/11	38515	15405	3,450.00
03/11/11	38745	15410	3,450.00
05/12/11	38951	15428	3,450.00
Total			**41,085.69**

Without a valid contract agreement it may be difficult to resolve any disputes that may arise between the parties.

Recommendation

The Authority should draw up an agreement with Elecom for the provision of Tower services.

Management Comment

Your comments are noted. We have now tendered the provision of Tower service and are in the process of finalizing the agreement with the successful bidder.

[5] Financial Instructions, National Fire Authority Section 6.2 (c) Competitive Quotations/Tenders

12.7 Variances between the General Ledger (GL) and Fixed Asset Register (FAR)

All amounts stated in the financial statements should be traced to general ledger balance. The amount for property, plant and equipment in the general ledger should reconcile with the amount in the Fixed Asset register.

The audit noted that property, plant and equipment and the depreciation amounts recorded in in the general ledger and were not the same as the Authority's Fixed Asset Register. Refer to Table 12.3 below for details.

Table 12.3: Variances between GL/FS and FAR

Assets	GL/FS Figure ($)	FAR Figure ($)	Variance ($)
Fire Tender	4,235,320	4,233,422	1,898
Acc Depreciation – Fire Tender	(2,472,339)	(2,471,774)	565
Communication Equipment	545,650	546,640	(990)
Acc Depreciation – Communication Equipment	(422,667)	(423,318)	(651)
Fire Fighting Gear	1,540,664	1,540,493	171
Furniture & Fittings	144,750	145,069	(319)
Acc Depreciation – Furniture & Fittings	(126,995)	(127,067)	(72)
Computer Equipment	199,642	199,383	259
Acc Depreciation – Computer Equipment	(139,608)	(139,692)	(84)
Asset - Others	226,022	240,965	(14,943)
Acc Depreciation – Asset Others	(184,620)	(183,721)	899

The audit also noted that the amount for most of the property, plant and equipment stated in Note 8 of the financial statements did not match with the amounts stated in the FAR. The amount in Note 8 of the financial statements was from the general ledger.

The variances indicate that general ledger balance for property, plant and equipment are not reconciled with FAR.

Recommendations

The Authority should:

- **ensure that all assets are properly recorded in the general ledger and the fixed assets register; and**
- **the property, plant and equipment balance in the general ledger is reconciled with FAR.**

Management Comments

Your comments are noted. We note that there is difference between GL and FAR and that this relates to prior years which we will rectify in our 2012 audit.

12.8 Idle Scooters

In 2011, the Authority acquired 8 Scooters at a total cost of $13,913. The Scooters were distributed to the Fire Stations in the various divisions and 2 of them were kept at Headquarters.

The audit at Headquarters on 24/07/13 revealed that 2 Scooters were not in working condition. Discussion with the Plant Manager revealed that the Scooters were of inferior quality and were in operation for only a few months. The Scooters distributed to the other divisions had similar problems.

In addition the audit noted that the Scooters valued at $13,913 were included in the FAR even though it was impaired.

The Authority was not able to provide any details about the purchases of scooters for verifications. As a result audit could not be established whether proper procurement procedures were followed.

Recommendation

The Authority should investigate the purchase of scooters and take appropriate action

Management Comments

Your comments are noted. We will investigate the purchase of the scooters and if necessary and possible take necessary action since there has been a change in the management staffs.

12.9 Non Recording of Assets

Either on the satisfactory receipt of newly purchased goods or transfer of existing assets, the relevant cost centre manager must ensure that the relevant asset register has been updated with the required information.[6]

On 06/05/11, the Authority purchased 20 Breathing Apparatus costing $47,739.

The audit noted that the items were neither updated in the asset register nor in the General Ledger. The 20 Breathing Apparatus were not included in Note 8, Property, Plant and Equipment in the financial statements.

As a result total asset was understated in the financial statements by $47,739.

The above indicates poor control over stores and there is a high risk of misappropriation of stores.

Recommendation

The Authority should ensure that all assets acquired are properly recorded in the Asset Register and the General Ledger to be updated accordingly.

Management Comments

Your comments are noted. As stated above, for any purchases or release of items from the stores staff personal, station and inventory stock cards are now utilized and items procured and or released from the stores, the stock cards are appropriately updated.

[6] Finance and Accounting Directions, section 9.4.1

12.10 Unreconcile Variance

The general ledger amounts in the financial statements should match with amounts recorded in the general ledger at balance date. Any variance between ledger balance and the subsidiary record should be reconciled.

The audit noted variance in some of the accounts balance and the general ledger balance or the reconciliation balance. These include:

- A variance of $107,105 in VAT amount between the Authority's general ledger amount and audit reconciliation. The Authority recorded a VAT Receivable of $10,847 in the financial statement whereas the audit reconciliation had a VAT Payable of $96,258.

- A variance of $8,797.50 in Trade Debtors amount between the Authority's general ledger amount and the amount stated in the aged receivables. The Authority's general ledger showed a balance of $401,350.01 whereas the Aged Receivables had a balance of $410,147.51. The amount ($401,350) was recorded in the financial statements.

- The Authority recorded a Prepayment of $68,136 in the balance sheet. Included in the Prepayment is an "Adjustment to 2010 opening $8,872.73". The Authority was not able to provide the details of the adjustment for audit verifications.

- The Authority recorded a Prepayment of $68,136 in the balance sheet. Included in the Prepayment was a prepayment to Aon Medical Insurance of $53,043. However out of this $17,289 was paid in 2012 and not prepaid in 2011. As a result the Prepaid Insurance was overstated by $17,289 in 2011. The Authority did not adjust the amount despite audit advised to adjust this amount.

The above shows that reconciliations were not carried out by the Authority on a regular basis which resulted in the variances.

Recommendations

The Authority should ensure that:

- **reconciliations are carried out for VAT paid and received and adjust the account accordingly;**
- **debtors aging is properly carried out;**
- **all adjustments made is supported by the proper evidence and documentation and adjustments made with proper disclosures; and**
- **The Prepaid Insurance amount is adjusted to report true amount for prepaid insurance.**

Management Comment

Comments are noted. We will carry out necessary monthly reconciliations now and do the necessary adjustments on a monthly basis. We are also willing to adjust the 2011 financial statements if need be.

12.11 Inventory

Tally cards should be maintained to record all inventories purchased and issued. Tally cards should be updated when inventors are received or issued.

The audit also noted that no record such as tally card was maintained for inventory at the Communication Department.

The audit further noted that no stocktake was carried out for inventories at Communication department, Transport – others and Transport – Rubia in 2011.

As a result audit cannot ascertain whether the inventory amounts for the Communication department ($89,585), Transport – others ($1,405) and Transport – Rubia ($1,228) recorded in the general ledger and the financial statements were correctly stated.

Recommendations

The Authority should ensure that;

- **proper records are maintained for all inventories; and**
- **stocktake is carried out at year-end and a report maintained.**

Management Comment

Your comments are noted. Due to the items being kept by different departments, it was assumed that Department heads would have had conducted the yearly stock take but unfortunately. We now are conducting our Annual Stock Take to ascertain that the records are properly maintained and there are if any minimal stock loss.

SECTION 13: NATIONAL SUBSTANCE ABUSE ADVISORY COUNCIL

Programme Statement

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

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

The primary objectives of the Council are to:

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

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

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PART A – FINANCIAL INFORMATION

13.1 Audit Opinion

The audit of the financial statements of the National Substance Abuse Advisory Council for the year ended 31 December 2013 resulted in the issue of a Disclaimer of Opinion.

The Financial Statements were required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities ("IFRS for SMEs"). The Council was yet to comply with IFRS for SMEs as required for general purpose financial statements.

13.2 Abridged Income Statement

Year Ended 31 December	2013 ($)	2012 ($)
Revenue		
Government Grant	350,000	350,000

Year Ended 31 December	2013 ($)	2012 ($)
MOE Extra funding	26,000	0
UN Women	2,500	50,847
Miscellaneous	7,017	4,660
Total Revenue	**385,517**	**405,507**
Expenditure		
Payroll Expenditure	246,145	207,536
Other Operating Expenses	195,223	111,692
Capital Expenditure	15,740	16,536
Total Expenditure	**457,108**	**335,764**
Net (Deficit)/ Surplus for the year	**(71,591)**	**69,743**

The Council recorded a deficit of $71,591 in 2013 compared to a surplus of $69,743 in 2012. This was mainly due to increase in payroll and other operating expenditures for the Council.

13.3 Abridged Balance Sheet

As at 31 December	2013 ($)	2012 ($)
Current Assets		
Cash at Bank	14,845	86,436
Total Assets	**14,845**	**86,436**
Accumulated Funds		
Opening Balance	86,436	16,693
Net (Deficit)/Surplus	(71,591)	69,743
Total Accumulated Funds	**14,845**	**86,436**

The Council's cash at bank and accumulated funds decreased by $71,591 or 82.8% in 2013 compared to 2012. This was mainly due to increase in total expenditure by $121,344 or 36%.

PART B – CONTROL ISSUES

13.4 Non-Adoption of International Financial Reporting Standards for Small Medium Entities (IFRS for SME's)

Smaller accounting entities will, following Fiji Institute of Accountant's adoption of the IFRS for SME Standard from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn.[1]

The audit noted that the Council did not prepare its annual financial statements for the years ended 31 December 2013 under IFRS for SMEs.

The IFRS for SMEs has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

Thus, the annual financial statements prepared by the Council are contrary to the International Financial Reporting Standards for Small and Medium Sized Entities.

[1] Fiji Institute of Accountants Annual Report for 2011 – page 14

Recommendation

The Council should work towards the adoption of IFRS for SMEs for preparing the financial statements.

Council's Comments

The above recommendation is noted and the Council will work towards the adoption of IFRS for SMEs in preparing the Financial Statement.

SECTION 14: CIVIL AVIATION AUTHORITY OF FIJI

Programme Statement

The Civil Aviation Authority of Fiji (CAAF) is an aviation regulatory authority and is responsible to discharge its functions on behalf of the Fiji Government under its responsibility to the Chicago Convention on International Civil Aviation Organisation (ICAO). The Authority regulates the activities of:

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

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PART A – FINANCIAL INFORMATION

14.1 Audit Opinion

The audit of the financial statements of the Civil Aviation Authority of Fiji for the year ended 31 December 2013 resulted in the issue of an unqualified audit report.

14.2 Abridged Income Statement

Year Ended 31 December	2013 ($)	2012 ($)
Revenue		
Revenue from operations	1,386,172	1,018,045
Government grant	300,000	300,000
Other income	381,862	451,614
Total Revenue	**2,068,034**	**1,769,659**
Expenditure		
Administrative expenses	(1,213,227)	(1,069,513)
Operating expenses	(580,073)	(633,316)
Personal expenses	(2,376,846)	(2,446,985)
Total Expenditure	**(4,170,146)**	**(4,149,814)**
Operating loss before tax	**(2,102,112)**	**(2,380,155)**
Income tax benefit/(expense)	1,420,928	(658,711)

Year Ended 31 December	2013 ($)	2012 ($)
Net Loss after tax	**(681,184)**	**(3,038,866)**

The Authority's net loss declined by $2,357,682 or by 78% in 2013 compared to 2012. This was mainly attributed to incurrence of income tax benefit of $1,420,928 in 2013 compared to income tax expense of $658,711 in 2012. The Authority's revenue from major operations increased by $368,127 or 36% in 2013 due to the increase in airworthiness, pilots/engineers licences and airport license fees.

14.3 Abridged Balance Sheet

As at 31 December	2013 ($)	2012 ($)
Assets		
Cash and cash equivalents	278,915	383,552
Trade Receivables	411,081	385,773
Investments	7,855,649	9,809,258
Other current assets	338,538	326,109
Income tax refundable	51,077	87,453
Property, plant and equipment	4,757,810	4,994,505
Other non-current assets	1,761,069	306,871
Total Assets	**15,454,139**	**16,293,521**
Liabilities		
Creditors and other payables	635,604	602,875
Employee benefits	338,476	575,794
Total Liabilities	**974,080**	**1,178,669**
Net Assets	**14,480,059**	**15,114,852**
Shareholders' equity		
Reserves	3,406,023	3,359,632
Retained Earnings	11,074,036	11,755,220
Total shareholders' equity	**14,480,059**	**15,114,852**

Net assets of the Authority declined by $634,793 or 4.2% in 2013 compared to 2012. This was mostly attributed to withdrawal of investments of $2,000,000 during the year to fund the Authority's operations.

PART B – AUDIT FINDINGS

14.4 Excessive leave entitlement

Annual leave should be liquidated regularly at times mutually agreed between the parties and no accumulation of leave shall be allowed beyond six months of the following year.[1]

The Authority owed a total of $132,673 to seven employees who have accumulated leave balance over 50 days. Refer to Table 14.1 for details:

[1] Annex 3 - General Terms and Condition of Service of the Contract of Service dated 1 July 2010

Table 14.1: Staff with excessive accumulated leave balance

Name	EDP No.	No. of leave days	Amount ($)
Ajai Kumar	17042	149	38,612
Suresh Kumar	17052	177	24,801
David MacDonald	12064	160	20,557
Isei Tudreu	17145	81	16,022
Etuate Rakuro	17050	59	10,973
Jasmel Singh	17183	70	10,886
Theresa O Levestam	17177	69	10,822
Total			**132,673**

Accumulation of annual leave may affect the liquidity of the Authority in the future when the leaves benefits are en-cashed.

Recommendation

The Authority should encourage its staff to utilise their leave when due.

Authority's Comments

The comment is noted. The Authority has a leave plan and leave is continuously liquidated subject to exigencies of work. Leave accumulated by David McDonald includes 135 days long service leave which he is entitled to under his existing Terms & Conditions of Service between CAAF and Fiji Public Service Association. Some leave accumulated by Ajai Kumar and Suresh Kumar relate to a period when they could not be released as the housing estate which comprised of 224 tenants, was managed by the Authority.

14.5 Travel allowance

Employees who owe any advance will have such outstanding advance recovered from personal claims submitted or from their pay if the advance is not cleared within fourteen days of return to the existing place of work.[2]

As of the date of the audit[3] , the Authority had a balance of $16,776 for travel advance having not been cleared by the staffs of the Authority within fourteen working days of returning to the existing place of work.

Staff not clearing the funds on time may indicate that funds may have been misused.

Recommendation

The Authority should follow up and effect recovery actions accordingly.

Authority's Comments

The comment is noted. Staffs are paid allowances at the UNDP per diem rates which are based on fixed itinerary. There is, therefore, no possibility of misuse of funds as no surplus other than the entitlement is paid. There was only one instance where additional money was paid which arose from flight delay overseas and staff had to stay extra days. Advances are reconciled monthly and followed up when staff return from overseas. The requirement to lodge the claim within 14 days is for administrative expediency.

[2] Civil Aviation Authority Finance Manual, Section 7.47
[3] 27 March 2014

SECTION 15: RA RURAL LOCAL AUTHORITY

Programme Statement

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

15.1 Audit Opinion - 2010

The audit of the financial statements of the Ra Rural Local Authority (RRLA) for the six month period ending 30 June 2010 resulted in the issue of a qualified audit report. The issues qualified are as follows:

- The Statement of Revenue and Expenditure has been prepared using the cash basis of accounting and does not take into account revenues not received and expenditures not paid at balance date. Similarly, the Statement of Financial Position does 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.

- The Authority did not perform bank reconciliation for User Pay and Grant Account for the period ended 30 June 2010. Consequently, bank account balances for these two accounts could not be substantiated for completeness. Accordingly, the audit was not able to confirm whether the cash at bank of $25,131 is fairly stated in the Statement of Financial position.

- The Authority failed to maintain proper records of its market fees, taxi and carrier fees, rent and hall hire revenue and garbage fees revenue for the period ended 30 June 2010. Consequently, the audit was not able to perform necessary audit procedures to substantiate the completeness and accuracy of these revenues. Accordingly, the audit was unable to confirm whether these revenue are fairly reported in the Statement of revenue and expenditure.

15.2 Abridged Statement of Financial Performance

Items	Period Ending 30 June 2010 ($)	2009 ($)
Revenue		
Garbage fees	9,285	11,044
Government grant	3,409	36,500
Market fees	17,724	33,329
Rent/Hire of Hall	2,577	6,955
Taxi and Carrier fees	3,060	3,200
User pay toilet	11,022	24,171
Other revenue	1,537	3,931
Total Revenue	**48,614**	**119,130**
Expenditure		
Garbage contractor	4,800	9,600
Materials & tools	595	344
Salaries, wages and related payments	21,881	48,188
Capital	13,963	27,928
Other expenses	13,780	22,500
Total Expenditure	**55,019**	**108,560**
Net (deficit)/surplus balance for the year	**(6,405)**	**10,570**

The Authority recorded a deficit of $6,405 as at 30 June 2010 compared to a surplus of $10,570 as at 31 December 2009. The incurrence of a deficit is mainly attributed to the Authority's operation being transferred to Rakiraki Town Council from 1st of July 2010. Consequently, the income statement is only prepared for a period of 6 months.

15.3 Abridged Statement of Financial Position

As at	30 June 2010 ($)	31 December 2009 ($)
Assets		
Cash at bank	25,131	29,951
VAT receivable	-	69
Total Assets	**25,131**	**30,020**
Liabilities		
VAT payable	1,516	-
Total Liabilities	**1,516**	**-**
Net Assets	**23,615**	**30,020**
Accumulated Funds	**23,615**	**30,020**

The Authority's net assets position decreased by $6,405 or 21% for 2010 compared to 2009. This is due to the Authority's operation being transferred to Rakiraki Town Council from 1st of July 2010. Consequently, the movement of assets and liabilities only reflect up to 30th of June 2010.

PART B – CONTROL ISSUES

15.4 Reconciliation not prepared

Reconciliation is the process of comparing and matching figures from the accounting records against those shown on third parties records. Since there are timing differences between when data is entered in the third parties systems and when data is entered in the Authority's general ledger, there is sometimes a normal discrepancy between account balances.

Audit noted that the Authority did not perform any reconciliation for the following accounts. Refer to Table 15.1 for details.

Table 15.1: List of Accounts Not Reconciled

Account Name	Balance as at 30 June 2010
User Pay bank account	15,914.70
Grant account	6,554.60
VAT payable	1,516.00

Non preparation of above reconciliation exposes high risk of incorrect financial reporting. Additionally, risk of mismanagement of funds is high.

Recommendation

The Authority should ensure that reconciliation is prepared, reviewed and approved on a timely manner.

Authority's comments

Yes agreed and shall adhere to above, timely reconciliation is being done.

15.5 User pay toilet account

For the purpose of any audit, an auditor may by notice in writing require any person holding or accountable for any books, records, accounts, vouchers, deeds, contracts or other documents which he may require for the purpose of such audit or examination to appear before him at the time and place specified in the notice and to produce any such document as aforesaid for his inspection.[1]

The Authority charges $0.20 to each person every time the public convenience at the market is used. Before the daily cash collected is banked, the caretaker uses part of the revenue to pay for purchase of toilet papers and other materials for the daily operation of the public convenience.

Audit was not provided with the details of the expenses incurred during the six months period together with the relevant supporting documents to ascertain those expenses. Refer to Table 15.2 for each month's expense amount.

[1] Local Government Act Section 52 (1)

Table 15.2: Userpay monthly expenses as per General Ledger

Month	Amount $ (VIP)
January	900.75
February	875.25
March	650.70
April	378.67
May	937.95
June	1,370.79
Total	**5,114.11**

The absence of a daily expense records with its supporting documents increases the risk of cash revenue being misused by the user pay toilet caretaker.

Recommendation

The Secretary of the Authority should ensure that a daily expense record system is implemented and maintained by the user pay toilet caretaker and this record should be verified and signed off by the Secretary within a reasonable time ensuring its accuracy.

Authority's comments

All of above is now being handled by the Rakiraki Town Council

15.6 Presentation of financial statements

A complete set of financial statements includes the following components:

a. Balance Sheet
b. Income Statement
c. Statement showing either:
    i. all changes in equity
    ii. changes in equity other than those arising from capital transactions with owners and distribution to owners
d. Cash flow statements; and
e. Accounting policies and explanatory notes

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

The Authority adopted cash basis of accounting for financial reporting. With the cash basis of accounting, the Authority has not disclosed in the financial statements the property plant and equipment debtors, creditors, prepayments and other accruals.

The financial statements for the year ended 30 June 2010 do not reflect the true financial position of the Authority; hence it is a 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 Public Health Act while preparing the financial statements to be sent to the Auditor General.**

Authority's comments

Will adhere to this however local authority now does not do revenue collection.

SECTION 16: WESTERN DIVISION DRAINAGE BOARD

Programme Statement

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

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

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

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PART A – FINANCIAL INFORMATION

16.1 Audit Opinion

The audit of the financial statements of Western Division Drainage Board for the year ended 31 December 2012 resulted in the issue of a disclaimer of opinion. This was due to the following:

- The financial statements submitted by the Board for the year ended 31 December 2012 was not prepared in accordance with the International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs) as required for general purpose financial statements. Accordingly, the audit was not able to determine the impact on the financial statement of the Board, if any, adjustments which may be necessary if the financial statements were prepared under IFRS for SMEs.

16.2 Abridged Statement of Financial Performance

Year Ended 31 December	2012 ($)	2011 ($)
Income		
Government Grant	677,125	512,489

Year Ended 31 December	2012 ($)	2011 ($)
Other Income	21,109	8,966
Total Operating Income	**698,234**	**521,455**
Expenditure		
Wages and Salaries	47,000	56,180
Vehicle and Maintenance	34,030	21,988
Drainage Maintenance	517,862	364,577
Other Expenditure	96,282	52,318
Total Operating Expenditure	**695,174**	**495,063**
Net (Deficit)/ Surplus for the year	**3,060**	**26,392**

The net surplus declined by $23,332 (88%) in 2012 compared to 2011 mainly due to the increase in the drainage maintenance expenses and other expenses by 42% and 84% respectively. This is despite an increase in government grant by $164,636 or 32%.

16.3 Abridged Statement of Financial Position

Year Ended 31 December	2012 ($)	2011 ($)
Current Assets		
Cash	276,355	200,113
Financial Assets – Term Deposits	132,684	127,314
Receivables	16,911	7,812
Total Current Assets	**425,950**	**335,239**
Non Current Assets		
Property, Plant & Equipment	11,742	18,259
Total Non Current Assets	**11,742**	**18,259**
Total Assets	**437,692**	**353,498**
Current Liabilities		
Creditors & Other Accruals	151,737	71,580
Provisions	3,541	2,564
Total Current Liabilities	**155,278**	**74,144**
Total Liabilities	**155,278**	**74,144**
Net Assets	**282,414**	**279,354**
Total Accumulated Funds	**282,414**	**279,354**

Net assets increased by $3,060 or 1% in 2012 compared to 2011 due to the significant increase in cash balance despite an increase in creditors and other accruals by 112%. The increase in cash balance was mainly attributed to increase in government grant in 2012.

PART B – CONTROL ISSUES

16.4 Non-Compliance to IFRS for SMEs

Smaller accounting entities will, following Fiji Institute of Accountant’s adoption of the IFRS for SMEs from 1st January 2011, need to comply with that Standard. The old Fiji Accounting Standards (FASs) have been withdrawn. However, the new SME Standard will only apply to SMEs that[1]:

[1] Fiji Institute of Accountants Annual Report 2011

(a) do not have public accountability; and
(b) publish general purpose financial statements.

An entity with "public accountability" is defined as one whose debt or equity instruments are traded in a public market or one which holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

Audit noted that the Board's financial statements for the year ended 31 December 2012 were not prepared in accordance with the IFRS for SMEs.

As a result, the financial statements were not in accordance with the current reporting standards.

Recommendation

The Board should ensure that its financial statements are prepared in accordance with the IFRS for SMEs.

Boards' Comment

The Board has noted the recommendation. As advised by [contracted accounting firm] that the financial statements were prepared for the purpose of the Board's financial reporting and auditing. It was not prepared for FRCA hance they have not prepared in accordance with the IFRS and it would have been more costly. The Board relied on the services of the Chartered accounting firm to prepare standard financial statements for reporting and advise the board accordingly about the new accounting standards and requirements. [The Accounting firm] has been preparing the Board's account for more than 10 years now.

The Board will ensure that the Fiji Institute of Accountants adoption of the International Financial Reporting Standards will be adhered to in future.

16.5 Variance between Contract Amount and Actual Claim

The Western Division Drainage Board entered into four contracts for each year in 2011 and 2012 for the upgrading and maintenance and upgrading of drainage in the western division. Refer to Table 16.1 below for details.

Table 16.1: Variance between Contract Amount and Actual Amount

Contract Number	Contract Sum ($)	Claims ($)	Variance ($)	% of contract sum claimed
2011				
WDDB 01/11	247,560.50	87,743.61	159,816.89	35.4
WDDB 02/11	225,822.74	109,999.86	115,822.88	48.7
WDDB 03/11	239,913.58	122,310.57	117,603.01	51
WDDB 04/11	215,998.12	128,237.64	87,760.48	59.4
Total	**931,305.94**	**450,302.68**	**483,014.26**	
2012				
WDDB 01/12	287,028.50	66,363.03	220,665.47	23.1
WDDB 02/12	261,437.55	105,820.44	155,617.11	40.5
WDDB 03/12	380,286.83	130,771.65	189,515.18	34.4
WDDB 04/12	278,516.32	150,017.42	128,498.90	53.9
Total	**1,207,269.2**	**452,972.54**	**694,296.66**	

Audit noted that the work carried out and total amount claimed by the Contractors were substantially less than the contract amount ranging from twenty to sixty per cent as shown in Table 16.1 above.

The amount claimed by contractors related to actual work being carried out.
The above indicates that proper feasibility study was not carried out on the scope and cost of drainage maintenance works. Hence, information given out during the tender for contract works was misleading.

It also demonstrates that contracts were not properly monitored to ensure that payments and works are carried out in accordance with the signed contract.

Recommendation

- **The Board should ensure that contract payments and works are carried out in accordance with the signed contract terms and conditions.**

- **Proper justification should be provided for the variances noted above.**

Management Comment

When tenders are called in the daily newspaper seeking tenders from contractors and once the contractors pick the tender documents, they are aware through the ' Instructions to Tenderers' that:

' the quantities set out in the Bill of Quantities are estimated only and their accuracy will in no way affect the validity of the contract based thereon. The rate, prices and totals are required for the comparison of tenders received and will not necessarily represent the sum paid to the contractor for the execution of the work. The actual sum paid will be determined by measuring the work executed in accordance with the contract and valuing at the rates or prices inserted by the Contractor in the Bill of Quantities.'

The Board has annual capital works budgets and all the maintenance works will be carried out within that budget. The Board engineer will estimate the works and provide engineers estimate. If the contractor tender in high rates, then certain works will have to be shelved in order to cater within the year's allocated budget. There will be variances. However, the Board has noted the recommendations made and will ensure that works are not underestimated.

All the works were being carried out in accordance with the signed contract terms and agreement.

16.6 Valuation of Plant and Equipment

The frequency of revaluations depends upon the movement in the fair values of the items of property, plant and equipment being revalue. When the fair value of a revalue asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant and equipment may experience significant and volatile movements in fair value thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant movements in fair value. Instead, revaluation every three or five years may be sufficient.[2]

The audit of Fixed Assets records noted the following anomalies:

- Assets were listed in groups (e.g. office furniture, office equipment, furniture and fittings) in the Fixed Asset Register (FAR), rather than individual asset making it difficult to trace the existence of assets in the FAR and vice versa.

[2] Fiji Accounting Standard 16 – Section 32

- Most of the plant and equipment reflected in the FAR had been fully depreciated with zero written down value but are still being used by the Board. Also no revaluation policy on fully depreciated assets exists. Refer to Table 16.2 below for examples.

Table 16.2: Valuation of Plant and Equipment

Assets	Written Down Value 31/12/12 ($)
Office Furniture	0
Office Furniture (Oct 2005)	0
Filing Cabinet (July 2006)	0
Furniture & Fittings	0
Motor Blower (March 2002)	0
Computer (Dec 2002)	0
Motor Blower (Sep 2004)	0
Furniture & Fittings (June 2005)	0
Office Equipment (August)	0
Office Equipment (December)	0
Vehicle – EN 598 (Oct 2004)	0
Vehicle – EW 934 (Dec 2005)	0

- The board also does not have an asset capitalization policy in place.

The above anomalies may indicate that the amount recorded as plant and equipment in the financial statement may not be reported at its fair value.

Recommendations

- **The Board should conduct a board of survey for all its fixed assets and update its FAR accordingly with all individual assets. All assets that are not in working conditions should be written off; otherwise should be considered to be revalued.**
- **The Board should have a capitalization policy in order to ensure that items falling under the definition of fixed assets are properly disclosed in the Financial Statement.**

Board's Comments

The Board has small asset listings and seldom purchase items. The last Board of Survey was carried out on 19/08/11. The Board has a fixed asset register and expendable register or tally cards that is updated regularly and is up to date. Due to fewer movements of items and small listings, Board of Survey is carried out at an interval of 3-5 years.

The items listed in the table above have depreciated to zero value but they are in good condition, serviceable and are being used. These items do have current market values. Annual valuations will incur additional costs for the Board.

SECTION 17: INVESTMENT FIJI

Programme Statement

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

17.1 Audit Opinion

The audit of the financial statements of Investment Fiji for the year ended 31 December 2013 resulted in the issue of an unqualified audit report.

17.2 Abridged Income Statement

Year ended 31 December	2013 ($)	2012 ($)
Income		
Government grant	1,086,957	913,044
Other income	703,904	414,894
Trade promotion	194,438	202,769
Total income	**1,985,299**	**1,530,707**
Expenditure		
Personnel expenses	829,228	824,332
Operating expenses	336,280	349,605

Year ended 31 December	2013 ($)	2012 ($)
Administrative expenses	247,133	267,146
Depreciation	102,190	118,609
Finance cost	2,299	684
Trade promotion expenses	210,503	203,384
Total expenditure	**1,727,633**	**1,763,760**
Net (deficit) / surplus for the year	**257,666**	**(233,053)**

Investment Fiji recorded a net surplus of $257,666 in 2013 compared to a net deficit of $233,053 in 2012. The surplus realized in 2013 was attributed to the increase in other income by $289,010 and grant revenue by $173,913. Other income increased due to increase in registration fees collected in 2013.

17.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Current Assets		
Cash on hand and at bank	692,608	470,170
Receivables	45,473	42,072
Total Current Assets	**738,081**	**512,242**
Non - Current Assets		
Property, plant and equipment	192,976	293,125
Total Non-Current Assets	**192,976**	**293,125**
Total Assets	**931,057**	**805,367**
Current Liabilities		
Trade creditors and accruals	83,023	169,430
Income received in advance	-	11,300
Provisions	29,015	38,785
Interest bearing borrowings	12,301	12,301
Total Current Liabilities	**124,339**	**231,816**
Non-Current Liabilities		
Provisions	37,926	50,124
Interest bearing borrowings	21,527	33,828
Total Non-Current Liabilities	**59,453**	**83,952**
Total Liabilities	**183,792**	**315,768**
Net Assets	**747,265**	**489,599**
Total Equity	**747,265**	**489,599**

Investment Fiji recorded an increase in net assets by $257,666 or 53% in 2013 compared to 2012. This is due to the increase in cash by $222,438 or 47%, and the decline in trade creditors and accruals by $86,407 or 51%. Additionally, the increase in total equity is a result of a net surplus of $257,666 in 2013 compared to a deficit of $233,053 in 2012.

PART B – CONTROL ISSUES

17.4 Non- Disclosure of Conflict of Interest by Executive Chairman

It is a good governance practice that any material interest of a relevant person that may lead to an actual, perceived or potential conflict of interest must be disclosed.

Our review of a tender process for printing and designing of annual report of Investment Fiji revealed that the Executive Chairman failed to disclose his interest on tender of services for the reports. The Executive Chairman is the CEO and founder of F1 mobile which in two occasions showed its interest in quoting for the printing and designing of annual report for Investment Fiji and the design works for the 2014 Westpac Prime Minister's Exporter of the Year Award. Refer to the Table 17.1 and 17.2 for the details of the tenders.

Table 17.1: Tender for Design and Printing Work of Annual Report for 2012

Company Name	Amount ($)
Web media	8,962.50
Universal Print	4,600.00
Pacific Reach Ltd	10,002.50
F1 mobile	No cost provided.

The CEO called for the expression of interest to be re-advertised as there were no reputable entities as per above whom Investment Fiji can rely on to provide the service. However, audit did not sight any documentary evidence to indicate this was approved by the Board. Refer to Table 17.2 for the resubmission of the tender.

Table 17.2: Re – Submission of Tender for Design and Printing of Annual Report for 2012

Company Name	Amount ($)
Redox Print Promotion	3,400.00
Siyaahi	4,500.00
Tahila Group	4,600.00
Max Marketing & Publishing Ltd	6,800.00
Oceanic Communication Ltd	13,552.60

The audit was informed that the Tender committee agreed to award the tender to Siyaahi after reviewing the quality of prints and its competitive price. However, the Tender Committee's decision was rejected by the CEO and tender was given to Max Marketing & Publishing Ltd at a revised cost of $3,600 for printing while the F1 mobile carried out the designing works with no cost. The audit did not cite the full Board approval for the award of the tender to Max Marketing & Publishing Ltd for printing and F1 mobile for designing.

The audit further noted that on 10th of May, 2014, Investment Fiji called for Expression of Interest (EOI) to secure a company to do the design works for the 2014 Westpac Prime Minister's Exporter of the Year Awards. F1 mobile again tendered for the design works and the Executive Chairman did not disclose his interest.

The above shows disregard of practices for good governance at the Board level.

Recommendations

- **The Board of Investment Fiji should ensure that there is a collective decision on the awarding of any tender.**
- **Conflict of interest should be properly disclosed by any member of the organization including the Board of the Directors pertaining to any personal gain whether monetary or in form of mileage.**

Management Comments

The non-disclosure of interest by the Executive Chairman in the two incidence noted by the audit would be brought to the Board's attention in an effort to rectify the matter. The point raised by the audit has been noted that any conflict of interest needs to be properly disclosed beforehand.

Investment Fiji also notes that a collective decision needs to be reached for awarding any tender.

SECTION 18: COUNCIL OF ROTUMA

Programme Statement

The principal purpose of the Council is to consider good governance and wellbeing of the Rotuman Community in the island as may be directed by the Minister or may seem to them to require their attention; and to administer the Rotuman Development Fund established by Act, and to carry out all functions as may be required by law or necessary or desirable in connection with such fund.

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PART A – FINANCIAL POSITION

18.1 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 1996 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.2 Abridged Statement of Financial Performance

Year Ended 31 December	1996 ($)	1995 ($)
Receipts		
Government Grant	0	54,207
Administration	43,523	22,428
Development	121	426
Bus Transport	4,542	3,777
Education	3,987	29,013
Miscellaneous	108,694	52,258
Total Receipts	**160,867**	**162,109**
Payments		
Administration	28,381	42,900
Development	450	2,185
Education	12,099	60,321
Bus Transport	16,653	38,258
Miscellaneous	98,239	15,982
Total Payments	**155,822**	**159,646**
Net Surplus for the year	**5,045**	**2,463**

The Council recorded a surplus of $5,045 in 1996 compared to a surplus of $2,463 in 1995. This was due to the decrease in total expenditures by 2% in 1996 compared to 1995.

18.3 Abridged Statement of Financial Position

As at 31 December	1996 ($)	1995 ($)
Assets		
Cash at bank	32,418	(31,767)
Shares at Cost	12,000	12,000
Fiji Government Securities	200,000	0
Total Assets	**244,418**	**(19,767)**
Liabilities		
Current Liabilities	69,872	10,732
Total Liabilities	**69,872**	**10,732**
Net Assets	**174,546**	**(30,499)**
Total Accumulated Funds	**174,546**	**(30,499)**

The Council's net assets increased by $205,045 or 672% in 1996 compared to 1995 due to increase in cash at bank.

PART A – FINANCIAL POSITION

18.4 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 1997 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.5 Abridged Statement of Financial Performance

Year Ended 31 December	1997 ($)	1996 ($)
Receipts		
Administration	17,892	43,523
Development	253	121
Bus Transport	27,332	4,542
Education	0	3,987
Miscellaneous	4,276	108,694
Total Receipts	**49,753**	**160,867**
Payments		
Administration	14,215	28,381
Development	500	450
Education	0	12,099
Bus Transport	23,499	16,653
Miscellaneous	2	98,239
Total Payments	**38,216**	**155,822**
Net Surplus for the year	**11,537**	**5,045**

The Council recorded a surplus of $11,537 in 1997 compared to a surplus of $5,045 in 1996. This was due to the decrease in total expenditures by 75% in 1997 compared to 1996.

18.6 Abridged Statement of Financial Position

As at 31 December	1997 ($)	1996 ($)
Assets		
Cash at bank	29,165	32,418
Shares at Cost	12,000	12,000
Fiji Government Securities	0	200,000
Investment at Unit Trust	155,661	0
Total Assets	**196,826**	**244,418**
Liabilities		
Current Liabilities	10743	69,872
Total Liabilities	**10,743**	**69,872**
Net Assets	**186,083**	**174,546**
Total Accumulated Funds	**186,083**	**174,546**

The Council's net assets increased by $11,537 or 7 % in 1997 compared to 1996 due to decrease in current liabilities.

PART A – FINANCIAL POSITION

18.7 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 1998 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.8 Abridged Statement of Financial Performance

Year Ended 31 December	1998 ($)	1997 ($)
Receipts		
Administration	25,921	17,892
Development	1,605	253
Bus Transport	38,484	27,332
Education	0	0
Miscellaneous	2,487	4,276
Total Receipts	**68,497**	**49,753**
Payments		
Administration	16,950	14,215
Development	3,256	500
Education	0	0
Bus Transport	24,888	23,499
Miscellaneous	3,653	2
Total Payments	**48,747**	**38,216**
Net Surplus for the year	**19,750**	**11,537**

The Council recorded a surplus of $19,750 in 1998 compared to a surplus of $11,537 in 1997. This was due to the increase in total receipts by 38% in 1998 compared to 1997.

18.9 Abridged Statement of Financial Position

As at 31 December	1998 ($)	1997 ($)
Assets		
Cash at bank	37,483	29,165
Shares at Cost	12,000	12,000
Fiji Government Securities	0	0
Investment at Unit Trust	167,092	155,661
Total Assets	**216,575**	**196,826**
Liabilities		
Current Liabilities	10,742	10743
Total Liabilities	**10,742**	**10,743**
Net Assets	**205,833**	**186,083**

As at 31 December	1998 ($)	1997 ($)
Total Accumulated Funds	**205,833**	**186,083**

The Council's net assets increased by $19,750 or 11 % in 1998 compared to 1997 due to increase in cash at bank.

PART A – FINANCIAL POSITION

18.10 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 1999 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.11 Abridged Statement of Financial Performance

Year Ended 31 December	1999 ($)	1998 ($)
Receipts		
Administration	29,120	25,921
Development	1,010	1,605
Bus Transport	38,555	38,484
Education	2,015	0
Miscellaneous	0	2,487
Total Receipts	**70,700**	**68,497**
Payments		
Administration	14,115	16,950
Development	13,759	3,256
Bus Transport	33,263	24,888
Miscellaneous	6,189	3,653
Total Payments	**67,326**	**48,747**
Net Surplus for the year	**3,374**	**19,750**

The Council recorded a surplus of $3,374 in 1999 compared to a surplus of $19,750 in 1998. The decrease in surplus was due to increase in total payments by 38% in 1999 compared to 1998.

18.12 Abridged Statement of Financial Position

As at 31 December	1999 ($)	1998 ($)
Assets		
Cash at bank	18,285	37,483
Shares at Cost	12,000	12,000
Fiji Government Securities	0	0
Investment at Unit Trust	179,271	167,092
Total Assets	**209,556**	**216,575**
Liabilities		

As at 31 December	1999 ($)	1998 ($)
Current Liabilities	349	10,742
Total Liabilities	**349**	**10,742**
Net Assets	**209,207**	**205,833**
Total Accumulated Funds	**209,207**	**205,833**

The Council's net assets increased by $3,374 or 1.6% in 1999 compared to 1998 due to increase in investment in Unit Trust.

PART A – FINANCIAL POSITION

18.13 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 2000 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.14 Abridged Statement of Financial Performance

Year Ended 31 December	2000 ($)	1999 ($)
Receipts		
Government Grant – Fijian Affairs	97,400	0
Administration	15,917	29,120
Development	10,840	1,010
Bus Transport	37,957	38,555
Miscellaneous	12,494	2,015
Total Receipts	**174,608**	**70,700**
Payments		
Administration	15,080	14,115
Development	5,256	13,759
Bus Transport	44,373	33,263
Miscellaneous	13,015	6,189
Total Payments	**77,724**	**67,326**
Net Surplus for the year	**96,884**	**3,374**

The Council recorded a surplus of $96,884 in 2000 compared to a surplus of $3,374 in 1999. This was due to the increase in total receipts by 147% in 2000 compared to 1999.

18.15 Abridged Statement of Financial Position

As at 31 December	2000 ($)	1999 ($)
Current Assets		
Cash at bank	103,228	18,285
Shares at Cost	12,000	12,000

As at 31 December	2000 ($)	1999 ($)
Investment at Unit Trust	191,212	179,271
Investment at Yasana Holdings	351,867	0
Total Assets	**658,307**	**209,556**
Liabilities		
Current Liabilities	349	349
Total Liabilities	**349**	**349**
Net Assets	**657,958**	**209,207**
Accumulated Funds	**657,958**	**209,207**

As at 31 December 2000, the Council had net assets of $657,958 in 2000 compared to $209,207 in 1999. This was due to new investment made by the Council in Yasana Holdings.

PART A – FINANCIAL POSITION

18.16 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 2001 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.17 Abridged Statement of Financial Performance

Year Ended 31 December	2001 ($)	2000 ($)
Receipts		
Government Grant – Fijian Affairs	367	97,400
Administration	27,573	15,917
Development	3,706	10,840
Bus Transport	29,131	37,957
Miscellaneous	19,414	12,494
Total Receipts	**80,191**	**174,608**
Payments		
Administration	12,948	15,080
Development	6,214	5,256
Bus Transport	130,877	44,373
Miscellaneous	7,570	13,015
Total Payments	**157,609**	**77,724**
Net Deficit/ Surplus for the year	**(77,418)**	**96,884**

The Council recorded a deficit of $77,418 in 2001 compared to a surplus of $96,884 in 2001. This was due to the increase in total payments by 103% in 2001 compared to 2000. Revenue also decreased by $94,417 or 54%.

18.18 Abridged Statement of Financial Position

As at 31 December	2001 ($)	2000 ($)
Current Assets		
Cash at bank	15,590	103,228
Shares at Cost	12,000	12,000
Investment at Unit Trust	201,065	191,212
Investment at Yasana Holdings	352,234	351,867
Total Assets	**580,889**	**658,307**
Liabilities		
Current Liabilities	349	349
Total Liabilities	**349**	**349**
Net Assets	**580,540**	**657,958**
Accumulated Funds	**580,540**	**657,958**

As at 31 December 2001, the Council had net assets of $580,540 compared to $657,958 in 2000. This was due to a decrease in cash at bank of $87,638.

PART A – FINANCIAL POSITION

18.19 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 2002 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.20 Abridged Statement of Financial Performance

Year Ended 31 December	2002 ($)	2001 ($)
Receipts		
Government Grant – Fijian Affairs	28,984	367
Administration	258,834	27,573
Development	1,241	3,706
Bus Transport	29,128	29,131
Miscellaneous	4,381	19,414
Total Receipts	**322,568**	**80,191**
Payments		
Administration	135,074	12,948
Development	7,304	6,214
Bus Transport	135,058	130,877
Miscellaneous	3,599	7,570
Total Payments	**281,035**	**157,609**
Net Surplus/Deficit for the year	**41,533**	**(77,418)**

The Council recorded a surplus of $41,533 in 2002 compared to a deficit of $77,418 in 2001. This was due to the increase in total receipts by 302% in 2002 compared to 2001.

18.21 Abridged Statement of Financial Position

As at 31 December	2002 ($)	2001 ($)
Current Assets		
Cash at bank	15,672	15,590
Shares at Cost	12,000	12,000
Investment at Unit Trust	213,532	201,065
Investment at Yasana Holdings	381,218	352,234
Total Assets	**622,422**	**580,889**
Liabilities		
Current Liabilities	349	349
Total Liabilities	**349**	**349**
Net Assets	**622,073**	**580,540**
Accumulated Funds	**622,073**	**580,540**

As at 31 December 2002, the Council had net assets of $622,073 compared to $580,540 in 2001. This was due to an increase in investment in Yasana Holdings Limited by $28,984.

PART A – FINANCIAL POSITION

18.22 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 2003 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.23 Abridged Statement of Financial Performance

Year Ended 31 December	2003 ($)	2002 ($)
Receipts		
Government Grant – Fijian Affairs	0	28,984
Administration	154,731	258,834
Development	133	1,241
Bus Transport	28,740	29,128
Miscellaneous	2,331	4,381
Total Receipts	**185,935**	**322,568**
Payments		
Administration	146,230	135,074
Development	0	7,304
Bus Transport	36,439	135,058
Miscellaneous	0	3,599
Total Payments	**182,669**	**281,035**
Net Surplus for the year	**3,266**	**41,533**

The Council recorded a surplus of $3,266 in 2003 compared to a surplus of $41,533 in 2002. This was due to the decrease in total receipts by 42% in 2003 compared to 2002.

18.24 Abridged Statement of Financial Position

As at 31 December	2003 ($)	2002 ($)
Current Assets		
Cash at bank	5,857	15,672
Shares at Cost	12,000	12,000
Investment at Unit Trust	226,613	213,532
Investment at Yasana Holdings	381,218	381,218
Total Assets	**625,688**	**622,422**
Liabilities		
Current Liabilities	349	349
Total Liabilities	**349**	**349**
Net Assets	**625,339**	**622,073**
Accumulated Funds	**625,339**	**622,073**

As at 31 December 2003, the Council had net assets of $625,339 compared to $622,073 in 2002. This was due to an increase in investment in Unit Trust by $13,081.

PART A – FINANCIAL POSITION

18.25 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 2004 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.26 Abridged Statement of Financial Performance

Year Ended 31 December	2004 ($)	2003 ($)
Receipts		
Administration	21,662	154,731
Development	108	133
Bus Transport	29,124	28,740
Miscellaneous	1,532	2,331
Total Receipts	**52,426**	**185,935**
Payments		
Administration	95,964	146,230
Development	0	0
Bus Transport	23,925	36,439
Miscellaneous	0	0
Total Payments	**119,889**	**182,669**
Net Deficit/Surplus for the year	**(67,463)**	**3,266**

The Council recorded a deficit of $67,463 in 2004 compared to a surplus of $3,266 in 2003. This was due to the decrease in total receipts by 72% in 2004 compared to 2003.

18.27 Abridged Statement of Financial Position

As at 31 December	2004 ($)	2003 ($)
Current Assets		
Cash at bank	10,225	5,857
Shares at Cost	12,000	12,000
Investment at Unit Trust	240,557	226,613
Investment at Yasana Holdings	547,885	381,218
Total Assets	**810,667**	**625,688**
Liabilities		
Current Liabilities	349	349
Total Liabilities	**349**	**349**
Net Assets	**810,318**	**625,339**
Accumulated Funds	**810,318**	**625,339**

As at 31 December 2004, the Council had net assets of $810,318 compared to $625,339 in 2003. This was due to an increase in investment in Yasana Holdings by $166,667.

PART A – FINANCIAL POSITION

18.28 Audit Opinion

The audit of the financial statements of the Council of Rotuma for the year ended 31 December 2005 resulted in the issue of a disclaimer of opinion. The disclaimer of opinion was issued on the basis that the Council was not able to provide appropriate supporting documents to verify the amounts and disclosures stated in the financial statements.

18.29 Abridged Statement of Financial Performance

Year Ended 31 December	2005 ($)	2004 ($)
Receipts		
Government Grant – Fijian Affairs	0	0
Administration	6,240	21,662
Development	146	108
Bus Transport	35,238	29,124
Miscellaneous	1,798	1,532
Total Receipts	**43,422**	**52,426**
Payments		
Administration	110,172	95,964
Bus Transport	37,926	23,925
Total Payments	**148,098**	**119,889**
Net Deficit for the year	**(104,676)**	**(67,463)**

The Council recorded a deficit of $104,676 in 2005 compared to a deficit of $67,463 in 2004. This was due to the increase in total payments by 23.5% in 2005 compared to 2004.

18.30 Abridged Statement of Financial Position

As at 31 December	2005 ($)	2004 ($)
Current Assets		
Cash at bank	19,931	10,225
Shares at Cost	14,400	12,000
Investment at Unit Trust	255,115	240,557
Investment at Yasana Holdings	547,885	547,885
Total Assets	**837,331**	**810,667**
Liabilities		
Current Liabilities	0	349
Total Liabilities	**0**	**349**
Net Assets	**837,331**	**810,318**
Accumulated Funds	**453,200**	**557,876**

As at 31 December 2005, the Council had net assets of $837,331 compared to $810,318 in 2004. This was due to an increase in investment in Unit Trust by $14,558.

SECTION 19: FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION (FICAC)

Programme Statement

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

19.1 Audit Opinion

The audit of the financial statements of the Fiji Independent Commission against Corruption for the year ended 31 December 2013 resulted in the issue of a qualified audit report.

The Fiji Independent Commission against Corruption (FICAC) is a Government statutory body and the financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs). FICAC is yet to comply with IFRS for SMEs as required for general purpose financial statements. Accordingly, the audit was unable to determine the impact on the financial statement of FICAC if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.

19.2 Abridged Statement of Financial Performance

Year Ended 31 December	2013 ($)	2012 ($)
Income		
Government Grants	6,858,083	6,388,803

Year Ended 31 December	2013 ($)	2012 ($)
Total Revenue	**6,858,083**	**6,388,803**
Expenditure		
Salaries and Wages	3,943,997	3,501,029
Legal Fees – Local and Overseas	409,000	216,000
Fixed Assets	478,019	796,544
Traveling Local and Expatriate	311,470	281,406
Other operating expense	2,190,463	1,842,566
Total Expenditure	**7,332,949**	**6,637,545**
Net Surplus/(Deficit) for the year	**(474,866)**	**(248,742)**

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 increased by $469,280 or 7% in 2013.

19.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Assets		
Cash at bank	458,175	947,562
Receivables	203,382	97,467
Total Assets	**661,557**	**1,045,029**
Liabilities		
Creditors and other accruals	339,790	248,396
Total Liabilities	**339,790**	**248,396**
Net Assets	**321,767**	**796,633**
Net Accumulated Fund	**321,767**	**796,633**

The Commission's net assets decreased by $474,866 or 60% in 2013 compared to 2012. This was due to the decrease in cash holdings by $489,387 (52%). The increase in operating expenditures by $695,404 or 10% in year 2013 contributed to the decline in cash holding.

PART B – CONTROL ISSUES

19.4 Non Compliance with IFRS for SMEs

The Fiji Institute of Accountants Act is an Act of Parliament which establishes the Fiji Institutes of Accountant (FIA) in Fiji. The Fiji Institutes of Accountant is the designated body regulated under law to establish Accounting and Auditing profession and standards in Fiji. It is a member body of the worldwide International Federation of Accountants and is dedicated to achieving International Reporting Standards by adopting the International Financial Reporting Standards (IFRS) including the IFRS for SMEs for all accounting periods beginning from 1st January 2007.

The SMEs that cannot fully adopt the full IFRS will adopt IFRS for SMEs. The objective of IFRS for SMEs is to provide a simplified, self-contained set of accounting principles that are appropriate for smaller, non-listed companies and are based on full IFRS.

The IFRS for SME will only apply to SMEs that do not have public accountability[1] and publish general purpose financial statement.[2]

The review of the financial statements reveals the following anomalies;

- The financial statements were not prepared in accordance with the IFRS for SMEs despite meeting the criteria for SMEs above;
- The financial statements were prepared on semi-accrual basis of accounting;
- The following financial account balances were not reported on accrual basis;

    - Purchases of Motor Vehicle
    - Purchases of Electronics
    - Purchases of Office Furniture and Equipment
    - Purchases of Server and Software Equipment
    - Depreciation
    - Provision for Depreciation
    - Realisation of Deferred Income
    - Realisation of Grant Income
    - Deposits and Security Bonds
    - Gains/Losses from Disposal of Assets
    - Rent Due
    - Prepayments
    - Leases

The commission agreed that the 2013 financial accounts would be reported on accrual basis in the 2012 general report, however the Commission fail to abide to their comments.[3]

The non-compliance above is a breach of FIA rules and regulation hence the commission's reporting structure is not appropriate and to the required standards for the small medium entities operating in Fiji. It is apparent that the financial statements would be materially misstated if the Commission continues to report on semi-accrual accounting and disregard the IFRS for SMEs reporting standards adopted by FIA.

Non-compliance will result in the non-disclosure of relevant and required financial reporting information.

Recommendations

- **The Commission should comply with IFRS for SMEs.**
- **The Commission may consider external assistance of a Chartered Accountant to assist in the adoption of the IFRS for SMEs.**

Commission's Comments

The Manager Finance has discussed on several occasions with senior officials of the OAG that the Commission has commenced the roll over to accrual accounting which will align the Commission's financial accounts to be prepared in accordance with IFRS for SMEs from 2014.The discussion was held with the following officers;

- *Former Director of Audit - 17/08/2012*

[1] An entity with "public accountability" is defined as one whose debt to equity ratio instrument are traded in a public market or one which holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary business
[2] Decision by the National Regulatory Authority and Standard Setters for Accounting and Auditing in Fiji - FIA
[3] 2012 Office of the Auditor General Report - Management Comments.

- *Audit Managers - 17/05/2013*
- *Director of Audit - 30/01/2014*

The Manager Finance again reminded the 'current Director' in their meeting on 30/01/2014 that the Commission's 2013 financial accounts is prepared on semi accrual basis and also explained the process that has been undertaken by the Commission to roll over to accrual accounting.

The Manager Finance also raised his concerns on the delay in the changeover to accrual accounting due to;

i. *The verification of historical cost for fixed assets purchased in the year 2007.The finance was handled by Attorney General's office and the source documents are in their custody.*
ii. *Most of the fixed assets such as computer and laptops purchased at that time have zero book value now and what method of revaluation could be used to reflect these assets in the balance sheet.*
iii. *Making adjustment for depreciation (to capitalise asset) since all fixed assets have expensed off.*

The OAG would agree that the changeover of accounting style is not a small exercise and as per your recommendation, the Commission will require the assistance of a Chartered firm to provide advice on the changeover.

The Commission will ensure that the financial accounts for 2014 are prepared in compliance with IFRS for SME's.

19.5 Incorrect Classification of Accounts

The IFRS for SME's state that entity should disclose class of property plant and equipment in the financial statements according to the classification that was deemed appropriate to the entity. The principal issue for accounting for property, plant and equipment are the recognition of the assets, the determinations of their carrying amounts and the recognitions of the depreciations chargers and impairments losses.[4]

The reviews of the financial account balances reveal the following incorrect classifications of accounts;

- The financial statement does not reflect the value of all the fixed assets under the ownership of the Commission. As a result the depreciation expenses and provision for depreciation were not realised for all the Commission's fixed assets owned;

- All Fixed Assets procurements were expensed and not capitalised. These include purchase of motor vehicle and other equipment such as computers, office furniture's which cost more than $350[5]. The audit noted that the Commission have a total of $2,020,110 worth of fixed assets in its custody. Refer Table 19.1 below for details of motor vehicle costing $125,800 acquired during the years which were expensed.

Table 19.1: Details of Motor Vehicle Purchase

Date	Cheque No	Particulars	Amount (VEP) ($)
22/2/2013	8309	Purchase of one only Toyota Prado for office use (HB 894)	109,391

[4] IFRS for SMEs workbook -3001 – Section 17 – Property Plant and Equipment Disclosures.
[5] Commission Standing Orders, Chapter 4 – Inventory Manual – Section 13.1 – PPE is considered as stores and item worth $350 and more are classified as stores.

- A total of $18,232 depreciation value was calculated by the Commission; however the Commission did not account and disclose the depreciation value in the books. Hence the provision for depreciation of $18,232 were also not accounted and disclosed in the financial statements;

- Prior year purchases of vehicles with a monetary value of $1,129,458 have also followed similar practices thus a total depreciation value of $197,871 have not been fully recognised;

- The Financial Statement Accounting Policy does not state and disclose the motor vehicle depreciation methods and rates used by the Commission;

- The Commission failed to realise the portion of deferred income from the purchase sourced from grant monies and accounted it in the financial statements;

- The audit noted refundable bonds and securities totalling $16,271 paid for office rents were incorrectly classified under office rent expenses. Refer Table 19.2 below for details;

Table 19.2: Details of Refundable Bond Classified as Rent Expenses

Date	Cheque No	Particulars	Amount (VEP) ($)	Anomaly
20/3/13	8433	Bond payment of CRCP Office at level 5 Vinod Patel Building, Stewart Street, Suva	6,866	Rent security deposit has been expensed instead of receivables in balance sheet.
11/11/13	9445	Bond Payment of Labasa Office	9,405	
TOTAL			**16,271**	

- Moreover audit also noted a total of $41,954 FEA security deposits were wrongly classified as expenses consequently understating the receivables balance under current assets. Refer Table 19.3 below for details;

Table 19.3: Details of Refundable FEA Security Deposit Classified as Electricity Expenses

Account number	Station	Security Deposit Paid (VIP) ($)	Anomaly
2625446313	Suva	1,257	Cash security deposits held at Fiji Electricity Authority was not recorded as receivables (current assets) in the balance sheet.
2625448813	Suva	1,518	
2625564112	Suva	4,300	
2625448713	Suva	1,861	
2625564012	Suva	4,735	
2625449013	Suva	1,453	
2625563912	Suva	3,771	
2625491012	Suva	7,723	
2301670110	CRCP Office, Suva	4,000	
2627817911	Lautoka	3,796	
2627819311	Lautoka	3,119	
2351170112	Labasa	4,420	
Total		**41,954**	

- The Provisions for leave liability account balance was understated whereby two officer's leave balances totalling $1,541 was not incorporated accordingly.

- Further reviews reveal that Lautoka office rent instalment of $8,000 paid to the landlord for Lautoka office were incorrectly recorded in the *Rent Expenses – HQ* general ledger account[6] rather than *Rent Expenses - Lautoka.*

Failure to correctly record all the financial transaction in the correct general ledger account and disclose and account all the required financial information in the financial statement will result in the misstatement of the financial statement. Hence the accounts would not be fairly stated and correctly reflect the financial position of the Commission.

Recommendations

- **The Commission should comply with IFRS for SMEs 17 and ensures that all accounts affected by the capitalisation of fixed assets are disclose and treated accordingly in the financial statements.**
- **The Commission should ensure that all incorrect classification of accounts identified above are adjusted accordingly in the 2014 general ledger system.**
- **The Commission should ensure that all financial transaction is properly accounted in the financial statement.**

Commission's Comments

As stated earlier the Commission has made a commitment to roll over to accrual accounting that will align the Commission's financial accounts to be prepared in line with IFRS for SME's 17 which will basically take care of capitalising assets and proper recording of financial transactions.

19.6 Salary Increment Contrary to Annual Performance Report

It is essential for the general efficiency of FICAC that all annual review reports on its Officers be detailed and candid. Increase of salary or promotion of an officer shall solely depend on the rating of the officer's performance throughout the year.[7]

FICAC awards increment to its officers subject to the performance, measured in line with the individual officers key result areas outlined in their annual review report.[8] An officer does not qualify for increment if he/she fails to perform as expected with the key result areas identified in the annual review report.[9] "*Good"* performance was given 50% of increment ($500), "*very good"* was given one increment ($1,000) and *outstanding performance* of double increment ($2,000).[10]

The Commissioner may, with the prior approval of the President, by standing order modify the application to officers of public service or government regulations or administrative rules.[11]

Review of the annual salary increment revealed that salary increment of $53,500 was awarded to officers contrary to the annual performance assessment of $13,500 that was supposed to be paid. Refer Table 19.4 below for details of staff's performance review points awarded contrary to the entitled performance review points as per the performance assessment report.

[6] General Ledger Account for Rent Expenses – HQ - *60000-50000-1004-100-00*
[7] The Commission Standing Orders – FICAC Policy - Chapter 1 - Section 4.10.1
[8] The Commission Standing Orders – FICAC Policy - Chapter 1 - Section 4.11.1
[9] The Commission Standing Orders – FICAC Policy - Chapter 1 - Section 4.11.2
[10] Analysis of FICAC Salary Structure – Corporate Services Committee, Page 2
[11] FICAC Promulgation No. 11 of 2007 - Section 11 (2)

Table 19.4: Details of Performance Review for Randomly Selected Employees [12]

EDP No.	Increment Amount ($)	Performance Review Comment	Entitle Performance Review Points	Difference ($)
38	3,000	Very Good	1,000	2,000
166	1,000	Good	500	500
117	3,000	Very Good	1,000	2,000
146	4,000	Restructure of salary		4,000
70	7,000	Very Good	1,000	6,000
35	2,000	Good	500	1,500
121	2,500	Good	500	2,000
168	3,000	Good	500	2,500
173	1,000	Good	500	500
72	1,500	Good	500	1,000
170	3,000	Good	500	2,500
151	4,000	Very Good	1,000	3,000
156	500	Very Good	1,000	(500)
137	4,500	Very Good	1,000	3,500
140	5,500	Very Good	1,000	4,500
185	4,000	Outstanding	2,000	2,000
187	4,000	Very Good	1,000	3,000
Total	**53,500**		**13,500**	**40,000**

The increment of salary of officers is contrary to its standing operating orders for salary increments and promotions of staff. Inconsistent increment in salary creates subjectivity to awards system that could be detrimental to the Commission.

Recommendations

- **The Commission should ensure that staffs are awarded the salary increment according to their annual performance review.**
- **Standard Operating Orders 4.10.1 to 4.11.2 should be strictly complied with by the Commission.**
- **The Commission should review and benchmark the annual performance assessment criteria before any further pay-outs of increment in salary is made.**
- **The Commission should make available the authorization of the standing order in accordance with section 11 (2) of the FICAC promulgation 2007.**

Commission's Comments

EDP No.	Old Salary ($)	New Salary ($)	Increment Amount ($)	Performance Review Comment	Salary increment entitlement as per performance review	Difference	*Commission's comments*
38	40,000	43,000	3,000	Very Good	1,000	**2,000**	*The officer is on the same level as HODs, hence his salary was elevated to that of a HOD.*
166	18,000	19,000	1,000	Good	500	**500**	*Support staff are employed on a lower scale and observed on a regular basis. As part of the organization's development plan, officers are coached through their first year and then given*

[12]Data obtained from the Individual Annual Review Assessment Reports

EDP No.	Old Salary ($)	New Salary ($)	Increment Amount ($)	Performance Review Comment	Salary increment entitlement as per performance review	Difference	*Commission's comments*
							appropriate responsibility & salary according to their strengths, abilities and performance.
117	40,000	43,000	3,000	Very Good	1,000	**2,000**	*The officer was promoted to Manager Finance on 1 December 2011 and after 12 months of service and performance review. He has been remunerated the base salary of Manager Finance in compliance with the FICAC Salary Scale.*
146		4,000		Restructure of Salary		**40,000**	*No Comments*
70	32,000	39,000	7,000	Very Good	1,000	**6,000**	*In the salary restructure conducted by the Corporate Service Committee, the officer holds the position of CI West. In this position, the officer oversees both operational & administrative functions of the West office. Considering his position as Officer in Charge of our West office, the officer received 2 increments in addition to his salary (which has been elevated to match that of the Chief Investigator - North). You will note CI Suva is not entitled to this '2 increments' as he only focuses on the operational side for Suva office.* *Further, once the officer is no longer the Officer in Charge of the West office, his salary will be reduced by $2,000 (2 increments). This was clearly highlighted to the officer in his posting order and a copy of the same is filed in his personnel file which you had reviewed.*
35	31,000	33,000	2,000	Good	500	**1,500**	*The officer was promoted to the position of Principal/Senior Officer and accordingly, her salary was adjusted.*
121	18,500	21,000	2,500	Good	500	**2,000**	*The officer was promoted to Team Leader and accordingly, her salary was adjusted according to her new position. This is clearly stated in the letter filed in her Personnel file which you had reviewed.*
168	15,000	18,000	3,000	Good	500	**2,500**	*Financial Investigators are employed by FICAC on a lower salary and after a year of service, we review their performance & qualification and adjust their salary accordingly. This is similar to the appointment of graduate trainee and upon satisfactory completion probationary period they are placed on the right salary point.*
173	12,000	13,000	1,000	Good	500	**500**	*Support staff are employed on a lower scale and observed on a regular basis. As part of the organization's development plan, Officers are coached through their first year and then given appropriate responsibility & salary according to their strengths, abilities and performance.*
72	9,500	11,000	1,500	Good	500	**1,000**	*In accordance with the Prime Minister's comments that the lowest salary grade for Civil Servants is $10,000, we took this into consideration and elevated the officer's salary accordingly. This elevated salary includes the increment she received post appraisal.*

EDP No.	Old Salary ($)	New Salary ($)	Increment Amount ($)	Performance Review Comment	Salary increment entitlement as per performance review	Difference	*Commission's comments*
170	15,000	18,000	3,000	Good	500	**2,500**	*Financial Investigators are employed by FICAC on a lower salary and after a year of service, we review their performance & qualification and adjust their salary accordingly. This is similar to the appointment of graduate trainee and upon satisfactory completion of probationary period they are placed on the right salary point.*
151	26,000	30,000	4,000	Very Good	1,000	**3,000**	*The officer was promoted to Professional Standards Officer which included additional responsibilities. Hence, her salary was adjusted to reflect the above.*
156	10,500	11,000	500	Very Good	1,000	**(500)**	*Not all Officers are automatically given a salary increment during their appraisal. Some Officers still have weaknesses which they need to improve on before their next appraisal. During this period, the Officer is coached and her performance assessed accordingly.*
137	13,500	18,000	4,500	Very Good	1,000	**3,500**	*Support staff are employed on a lower scale and observed on a regular basis. As part of the organization's development plan, Officers are coached through their first year and then given appropriate responsibility & salary according to their strengths, abilities and performance.*
140	28,500	34,000	5,500	Very Good	1,000	**4,500**	*The officer had served 3 years as legal officer (Grade I) and having assessed her performance and the recommendation by Manager Legal, she has been appointed to legal officer (Grade II) in compliance with the Legal Officer Grade II salary scale. Her HOD provided his justification which was taken into consideration. The same justification was provided for the other Lawyers but never highlighted in the previous year's audit query.*
185	35,000	39,000	4,000	Outstanding	2,000	**2,000**	*The officer was given an on- grade transfer to take up the Manager Community Relation (MCR)duties with no change in salary and upon six months review on the MCR position his salary was elevated in line with the MCR salary scale, we are gradually elevating his salary. We cannot immediately adjust his salary in line with other HODs as he is still trying to grasp the requirements of his new position.*
187	12,000	16,000	4,000	Very Good	1,000	**3,000**	*The officer was appointed as complaints Officer in October 2012 and later given an on –grade transfer as Assistant inventory officer with added responsibilities but no change in salary. In late October 2013 and at the time of his annual appraisal he was appointed as Administrative Assistant Inventory given more added responsibilities, reason being his salary was elevated to Admin officer level. Support staff are employed on a lower scale and observed on a regular basis. As part of the organization's development plan, Officers are coached through their first year and then given appropriate responsibility & salary according to their strengths, abilities and performance.*

EDP No.	Old Salary ($)	New Salary ($)	Increment Amount ($)	Performance Review Comment	Salary increment entitlement as per performance review	Difference	*Commission's comments*
Total			53,500		13,500	40,000	

Further OAG comments

Apart from the Annual Performance Report which authorised the increment of $13,500, the Commission did not provide any documentation to authorise the extra increments totalling $40,000.

19.7 Excessive Leave Carried Forward

Officer may be allowed to carry over up to a maximum of ten (10) working days leave entitlement from one leave year to the following year. Any unused annual leave exceeding ten working days in each year automatically lapses in the following year.[13]

The audit noted substantial annual leaves balances held with officers. Refer Table 19.5 below for details of randomly selected officers.

Table 19.5: Details of Excessive Annual Leave Carried Forward For Randomly Selected Officers

EDP No.	Salary/Rate ($)	Leave year	Days carried forward	Daily Rate ($)	Monetary Value ($)
011	35,500	09/10/2013-08/10/2014	45	136.54	6,144
085	27,500	20/05/2013-19/05/2014	32	105.77	3,385
089	22,000	16/06/2013-15/06/2014	15	84.62	1,269
168	18,000	24/01/2014-23/01/2015	18	69.23	1,246
162	19,000	05/05/2013-04/05/2014	14	73.08	1,023
066	31,000	01/12/2013-30/11/2014	26.39	119.23	3,147
Total					**16,214**

The list above is not exhaustive.

The audit further noted that some officers had been compensated for leaves more than 10 days upon resignation and termination. Refer Table 19.6 below for details:

Table 19.6: Details Leave Compensation Paid For Randomly Selected Officers

No	EDP No	Status	Last Day	Days compensated	Annual Salary ($)	Daily Rate [14]	Total ($)
1	155	Resignation	21/06/13	13	12,000	46.15	600
2	044	Resignation	01/11/13	10.5	22,000	84.62	888
3	061	Resignation	08/11/13	12	35,000	134.62	1,615

[13] FICAC Standing Orders, Chapter 1, Paragraph 10.4.7, Page 36
[14] Annual salary/260

No	EDP No	Status	Last Day	Days compensated	Annual Salary ($)	Daily Rate [14]	Total ($)
4	030	Termination	25/09/13	17	30,000	115.38	1,962
TOTAL							**5,065**

Substantial leave balances could affect the Commissions operations should officers resign or retire. It also affects the health of officers for not taking leave when due.

As such, net assets of the Commission will continue to deteriorate due to the continuously carrying forward of substantial leave balances to the next financial year.

Recommendation

The Commission should ensure that Officers are encouraged to take their leave when due without hindering the continuity of the Commission's functions.

Commission's Comments

Officers are constantly reminded to take leave when due. However, circumstances do arise preventing officers from completing their annual leave.

In certain situations, Officers proceeding on leave are called back to work and their leave cancelled. For instance, the officer (EDP 011) had a balance of 45 leave days in 2013. He could not take leave during the year as he is the Investigator Officer for the PWD & various stationery companies' case. Once the first & second phases of the case were presented in Court, the Officer immediately took leave reducing the number of leave days to 17.08 days. The Officer will proceed on leave again once the third phase of investigations is presented in Court.
Nonetheless, the recommendations by the Auditors are noted and we have implemented the automatic cancelling of excessive leave days when an Officer's anniversary is due.

EDP No.	Salary /Rate ($)	Leave year	Days carried forward	Daily Rate ($)	Monetary Value ($)	*Commission's comments*
011	35,500	09/10/2013-08/10/2014	45	136.54	6,144	*Current leave balance is **17.08** days. Officer was called back to work to continue with investigations in the PWD case. The Officer will proceed on leave again once the third phase of the PWD case is presented in Court.*
085	27,500	20/05/2013-19/05/2014	32	105.77	3,385	*Leave balance of **14** days which the Officer was compensated for as he had accumulated additional days after his anniversary.*
089	22,000	16/06/2013-15/06/2014	15	84.62	1,269	*Officer has been notified to reduce her annual leave days or forfeit the extra days on her anniversary.*
168	18,000	24/01/2014-23/01/2015	18	69.23	1,246	*Officer has been notified to reduce his annual leave days or forfeit the extra days on his anniversary.*
162	19,000	05/05/2013-04/05/2014	14	73.08	1,023	*Officers have been notified to reduce their annual leave days or forfeit the extra days on their anniversary.*
066	31,000	01/12/2013-30/11/2014	26.39	119.23	3,147	
Total					**16,214**	

19.8 Breach of Tender Contract Agreement – HQ Office Renovation

No alterations should be made to the basis of designs on which the tender documents have been prepared and tenders invited, except for purposes such as clarification of details or for the acceptance of alternative designs as permitted by the conditions of tender.[15]

In the event that exceptional circumstances have arisen such that part or the whole of the tender designs must be altered appropriate approval should be sought to make the necessary amendments or cancel the tendering exercise with a view to re-tendering. The decision not to accept any tender in a tender exercise must be made by the Tender Board[16].

One of FICAC's objectives in procurement is to obtain goods and services at the best value for money taking into account not only the competitiveness in prices, but also compliance with users' requirements, reliability of performance, qualitative superiority, whole-life costs and after-sale support, where applicable. It is not in the interest of FICAC to accept an unreasonably low bid. The Tender Board should adopt a flexible approach and reject bids that have been priced unreasonably low.[17]

The audit noted the following anomalies in engaging a contractor for renovation works at Headquarters office;

- The tendered renovation works at Headquarter was awarded to the successful bidder for a contract amount of $49,353. The audit noted that additional variations cost of $10,618 was paid for the renovation works, hence a total amount of $59,971 was paid to the contractor;
- The audit further established that two other companies tendered an amount of $26,450 and $58,937 for the works however the nominated contractor was chosen as the company has tendered $49,353 for the complete renovation works. Refer Table 19.7 below for details of payment made which exceeds the contract amount tendered.

Table 19.7: Details of Payments exceeding Contracted Sum

Date	Cheque Number	PO Number	Particulars	Amount ($)
27/09/13	9289	3778	First progress payment for the renovation work for Level 1 and 4	20,000
30/12/13	9680	3778 & 3896	Final payment for the renovation works at Level 1 and 4 and additional renovation works at level 1 (HQ), Complaints Department.	39,971
Total				**59,971**

- The audit further established that the variation cost of $10,618 was not included in initial tender approval.

The above anomalies could indicate that either lack of detail planning of scope of works by the Commission or unreliable information provided by nominated contractor. As a result the Commission incur extra cost from not engaging the most economical or cost-effective contractor.

[15] FICAC Standing Orders, Tender Procedures, Section 5.5.1
[16] FICAC Standing Orders, Tender Procedures, Section 5.5.2
[17] FICAC Standing Orders, Tender Procedures, Section 6.14.2

Recommendations

- **The Commission should ensure that alterations are not made to initial contract after contract is finalized and awarded.**
- **The Commission should ensure that all renovation works required are all included in the tender advertisement.**
- **The Commission should ensure that the contracted company complies with the contract agreement to avoid additional cost incurred.**

Commission's Comments

The Commission takes note of the auditor's recommendation that alteration should not be made to initial contract; however there may be instances in which additional work is warranted to meet the specification required by the Commission.

SECTION 20: TELECOMMUNICATIONS AUTHORITY OF FIJI

Programme Statement

The Telecommunications Authority of Fiji was established under the Telecommunications Promulgation 2008, which provides for the constitution of the Authority and the manner in which it may function, levy and collect licences, exercise powers and expand funds.

The principal activities of the Authority are to provide rapid expansion of reliable and as affordable as possible telecommunications services on an equitable basis, with particular improvement in rural areas; promote efficient investment and innovation in telecommunications network and services; provide fair competition among service providers and allowing market forces to operate; provide and promote appropriate consumer protection and other safeguards in relation to telecommunications services where market forces are insufficient.

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PART A – FINANCIAL INFORMATION

20.1 Audit Opinion

The audit of the financial statements of the Telecommunications Authority of Fiji ("Authority') for the year ended 31 December 2013 resulted in the issue of a disclaimed opinion. The basis for the disclaimer of opinion is as follows:

The financial statements of the Authority for the year ended 31 December 2013 was not presented and prepared in accordance with the International Financial Reporting Standards for Small and Medium Entities (IFRS for SMEs) as required for its general purpose financial statements. Accordingly, the Auditor General was unable to determine the impact on the financial statements, if any, of adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.

20.2 Statement of Receipts and Payments

Year ended 31 December	2013 ($)	2012 ($)
Receipts		
Government Grant	384,646	639,115
Miscellaneous	52,081	104,891
Total Receipts	**436,727**	**744,006**
Administration Expenses	237,443	225,139
Operating Expenses	197,578	272,183
Capital Expenses	19,290	345,806
Value Added Tax	66,360	77,936
Total Payments	**520,671**	**921,064**
Net Deficit	**(83,944)**	**(177,058)**

Total receipts declined by $307,743 as a result of decreases in government grant and miscellaneous revenue. The Council however excised tighter control over both operating and capital expenses resulting in the decline in net deficit by $93,114 or 53%.

20.3 Statement of Financial Position

As at 31 December	2013 ($)	2012 ($)
Cash	141,990	225,934
Total Assets	**141,990**	**225,934**
Accumulated Funds	**141,990**	**225,934**

The Authority operates on a cash basis of accounting. The decrease in cash at bank at year end by 37% was largely attributed by the decrease in government grant received by the Authority in 2013.

PART B - CONTROL ISSUES

20.4 Basis of Accounting

The Telecommunications Authority of Fiji is a Government Statutory body which is required to publish audited financial statements in its annual report. The Authority is therefore required to prepare its general purpose financial statements in accordance with accounting standards determined or issued by the Fiji Institute of Accountants.

The concern regarding the basis of accounting adopted has been highlighted to the Authority since 2011.

In July 2010, the Fiji Institute of Accountants adopted the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) effective from January 2011. The standards apply to small and medium-sized entities that publish general purpose financial statements.

Since its establishment, the Authority has adopted cash basis of accounting in the preparation and presentation of its financial statements submitted for audit. With this basis of accounting, the costs of all fixed assets are expensed, therefore not recognised in the Statement of Financial Position. In addition, receivables and payables are also not captured in the financials.

The Authority explained that the lack of capacity has prevented the move towards accrual based accounting or compliance with accounting standards determined or issued by the Fiji Institute of Accountants. The Authority has provided the same explanations for the past four years.

Non-compliance with IFRS for SMEs is the basis for the Disclaimer of Opinion on the financial statements of the Authority for the year ended 31 December 2013.

Recommendation

It is strongly recommended that the Authority prepare and present its general purpose financial statements in accordance with the accounting standards issued by the Fiji Institute of Accountants.

Management Comments

Telecommunications Authority of Fiji (TAF) Board has decided that they will prepare and present its general purpose financial statements in accordance with the accounting standards issued by the Fiji Institute of Accountants from 2014.

20.5 Requirements of the Telecommunications Promulgation 2008

20.5.1 Board of Directors and Chief Executive Officer

Section 6 of the Telecommunications Promulgation 2008 establishes the Board of the Authority to be appointed by the Minister.

The Board must meet at least once a month, which the Chairperson shall convene.[1]

The Board has the power to appoint a Chief Executive Officer of the Authority on such terms and conditions as the Board may determine.[2]

The audit noted that there was no board meeting held in 2013, although there was an established Board for the Authority. This was confirmed by the Accountant during the audit when minutes of board meetings were not provided for audit purposes when requested.

In addition, the audit also noted that the Authority has been without a Chief Executive Officer for a number of years. As a result, the Board has been taking an active role in the management and operations of the Authority.

Recommendations

- **The Authority should ensure that the requirements of the Telecommunications Promulgation of 2008 are complied with.**
- **It is recommended that the role of the Board and that of Executive Management be separated.**

Management Comments

The Board has been unable to meet due to some members of the Board holding Management positions within several Key Government Ministries. However the board remains in close contact through emails and carry out decision making through the use of flying minutes. Also some of the board members have many official

[1] Telecommunications Promulgation 2008 s9(1)
[2] Telecommunications Promulgation 2008 s11(1)

international meeting commitments that conflict with tentative times of the scheduled board meeting. Also it has been difficult to find additional board members given the travel ban that were imposed on Officials appointed to such positions by Government. However we are hopeful that will not be a problem now with the removal of the travel bans. We would like to point out that the inability for the board to meet has in no way impacted the operations of TAF. However the board will make the necessary submission with regards to your recommendation to the Ministry, for appropriate action.

The Authority welcomes your recommendation and will make appropriate determination on the advertising of key positions this year. It was necessary for the board to have a direct role in the activities of TAF, given there were no senior managers to oversee implementation of critical projects. We hope that with the removal of travel sanctions in recent months by foreign government, we will have a better response from more qualified candidates for these positions now.

20.5.2 Annual Report

The Authority must, in accordance with the prescribed procedures, cause to be prepared an annual report of its activities during the previous financial year.[3] The annual report of the Authority must incorporate its audited accounts.[4]

A performance measure in the Performance Agreement signed between the Government and the Telecommunication Authority of Fiji was the preparation of the annual report.[5]

The audit noted that the Authority has not prepared any annual report since its establishment.

The Authority has not complied with the requirements of the Telecommunications Promulgation 2008 and its Performance Agreement.

Recommendation

The Authority should prepare Annual Reports and publish its audited financial statements.

Management Comments

The Authority welcomes your recommendation and will prepare and publish the annual reports and financial statements.

20.6 Reporting of Receipts and Payments VAT Inclusive

An entity shall exclude from revenue all amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes.[6]

The review of the draft financial statements submitted for audit revealed that receipts and expenditures were presented in the Statement of Receipts and Payments at VAT inclusive balances. However, the General Ledger closing balances were reported at VAT exclusive amounts. This issue has already been highlighted in previous years' audit reports without any action taken by the Authority.

The audit also noted that the Authority did not disclose the use of the gross basis method in the financial statements.

[3] Telecommunications Promulgation 2008 s26(1)
[4] Telecommunications Promulgation 2008 s26(3)
[5] Telecommunication Authority of Fiji Performance Agreement-Appendix C
[6] IFRS for SMEs - Measurement of Revenue s 23.4

Reporting VAT inclusive amounts will distort the results of the financial performance of the Authority as presented in the financial statements.

Recommendation

It is recommended that the Authority use the General Ledger as the basis of drawing up its draft financial statements and present the financial statements VAT exclusive unless the Authority can show that the impact of VAT is not significant.

Management Comments

For the financial year end 2014 Authority will use the General Ledger as the basis of drawing up its draft financial statements and present the financial statements VAT exclusive.

20.7 Failure to Develop a Finance Manual

A Finance Manual sets out policies and procedures needed for the efficient and effective management of the entity and effective operation of internal controls.[7]

The audit noted that the Authority has yet to develop a finance manual outlining its accounting processes and procedures. The cause of the issue, according to the Authority, has been attributed to the lack of capacity.

The issue had been continuously raised with the Authority since its establishment.

Recommendation

The Authority should consider developing its own Finance Manual detailing processes and procedures and internal controls to govern the accounting functions of the Authority.

Management Comments

As per the TAF Board instructions TAF is using the Government's Financial Management Act 2014, in the absence of its own Accounting Manual.

TAF will be developing its Accounting Manual as soon as necessary capacity is built into its existing structure.

20.8 Accounting for Government Revenue

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of an entity.[8]

Revenues collected by the Authority are government revenue deposited to the Consolidated Fund of Government. However, on certain instances, receipts were deposited into the Authority's bank account and later transferred to the Consolidated Fund. And to account for this, the Authority credited revenue and debited expenditure when the funds are transferred to the Consolidated Funds. This is shown as CFA Revenue in Note 2 and Note 4 of the financial statements for the year ended 31 December 2013.

[7] Ministry of Finance Proforma Finance Manual 2011
[8] International Accounting Standards 18.7

The accounting practice of recognising government revenue in the Income Statement and offsetting the balance by expensing the same amount when funds are transferred to the Consolidated Funds is not in compliance with IFRS for SMEs.

Receipts and payments have been overstated by $11,450 and $11,585 respectively.

Recommendation

The following journal entries are recommended to resolve the above issue.

- **Receipt and deposit in the Authority's bank account:**

  DR – Cash
  CR – Payable (Government – Ministry of Finance)

- **Transfer of funds to the Consolidated Fund:**

  DR – Payable (Government – Ministry of Finance)
  CR - Cash

Management Comments

From 2014 TAF will pass the journal entries as recommended by Office of the Auditor General.

SECTION 21: FIJI NATIONAL SPORTS COMMISSION

Programme Statement

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

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PART A – FINANCIAL INFORMATION

21.1 Audit Opinion

The audit of the financial statements of the Fiji National Sports Commission for the year ended 31 December 2013 resulted in the issue of an unqualified audit report.

22.2 Abridged Statement of Financial Performance

Year Ended 31 December	2013 ($)
Revenue	
Operating Grant	793,981
Sports Grant	1,896,055
Other Operating Revenue	23,488
Total Revenue	**2,713,524**
Expenses	
Sports Grant Expenses	1,875,963
Administrative Expenses	141,151
Depreciation	20,220
Personal Expenses	211,422
Operating Expenses	247,857
Total Expenses	**2,496,613**
Net Operating Surplus for the Period	**216,911**

The Commission recorded a surplus of $216,911 in 2013 which was the first year of operations.

21.3 Abridged Statement of Financial Position

As at 31 December	2013 ($)
Current Assets	
Cash at Bank	209,186
Prepayment	6,485
Other Current Assets	845
Total Current Assets	**216,516**
Non-Current Assets	
Property, Plant & Equipment	337,017
Total Non- Assets	**337,017**
Total Assets	**553,533**
Currents Liabilities	
Trade and Other Payables	2,268
Employee Entitlement	5,638
Deferred Revenue	98,070
Finance Lease Liability	42,232
Total Current Liability	**148,208**
Non-Current Liabilities	
Finance Lease Liability	188,414
Total Liabilities	**336,622**
Net Assets	**216,911**
Total Accumulated Funds	**216,911**

The Commission recorded net assets of $216,911.

PART B AUDIT FINDING

21.4 Fiji Rugby Union Acquittals

Fiji National Sports Commission provides grants to sporting bodies.

The recipients are required to submit audited acquittals with payment vouchers and receipts after using the funds.[1]

Fiji National Sports Commission disbursed a grant of $333,000 to Fiji Rugby Union (FRU) for participation and preparation of the National Rugby Sevens Team in the Sevens World Cup held in Russia in year 2013.

The review of the acquittal submitted revealed the following anomalies:

- Out of the total sum disbursed, FRU failed to provide supporting documents for $47,123.93 used for the participation and preparation of the National Rugby Sevens Team in the Sevens World Cup. Refer to Table 21.1 for details.

[1] Fiji National Sports Commission Grant Management Guideline Manual Section 7.1(b)

Table 21.1: Details of Grant

Date	Cheque No[2].	Amount ($)	Payments With Supporting Document ($)	Total Amount Without Supporting Document ($)
11/06/13	2668	23,940.00	23,476.75	463.25
19/06/13	2715	9,761.00	-	9,761.00
20/06/13	2719	23,520.00	-	23,520.00
20/06/13	2721	10,163.00	5,745.00	4,418.00
01/07/13	2792	105.00	40.00	65.00
17/07/13	2850	8,264.00	-	8,264.00
28/08/13	2991	632.68	-	632.68
Total				**47,123.93**

In the absence of acquittals the Commission could not substantiate whether FRU has utilized the grants for the purpose it was given.

- Out of the total grant fund, expenditure incurred totalling $177,481.47 did not relate to participation and preparation of the National Rugby Sevens team in the Sevens World Cup. Refer to Table 21.2 below for details.

Table 21.2: Details of Expenditure

Date	Cheque Number	Particulars	Amount ($)
04/03/13	012721	Payment of Allowances and Camp Expenses for Hong Kong and Japan	14,535.00
11/03/13	012742	Payment of Allowances and Camp Expenses for Hong Kong and Japan	15,885.00
15/03/13	012765	Payment of Allowances and Camp Expenses for Hong Kong and Japan	41,572.00
10/04/13	2485	Payment of Visa Fee for Team Members and Management at the British High Commission	6,100.00
10/04/13	2456	Payment of Allowances and Expenses for Scotland and London Sevens	11,617.50
16/04/13	2492	Payment of Allowances and Expenses for Scotland and London Sevens	14,990.00
24/04/13	2496	Payment of Allowances and Expenses for Scotland and London Sevens	19,640.00
26/04/13	2499	Payment of Allowances and Expenses for Scotland and London Sevens	53,141.97
Total			**177,481.47**

The findings indicate that the grant funds were not used for the purpose it was given. Failure by FRU to use the funds for the purpose it was provided indicates that the FRU did not comply with the Grant Agreement. In addition there is a risk of mismanagement of grant funds.

<u>**Recommendations**</u>

The Commission should:

- **ensure that the grant recipients provide proper acquittal reports together with supporting documents; and**

[2] FRU Cheque Number

- **further investigate the utilization of grant by FRU and take appropriate action.**

<u>Management Comments</u>

We agree that Fiji Rugby Union (FRU) was unable to fully acquit to our satisfaction the $333,000 grant disbursed for the participation and preparation of the National Rugby Team in the 2013 Rugby World Cup.

After various meetings with FRU acting Finance Manager, acting CEO and consultation with the Permanent Secretary - Ministry Of Finance we found the following:

- *Finance Manager and Finance Officer of FRU left employment that had better understanding of the transactions and source documents.*
- *Some payment vouchers were missing altogether.*
- *Some payment vouchers had no supporting documents.*
- *Proper filing of finance documents were not in place.*

A total of $47,123.93 could not be reconciled as proper source documents were not attached to the Payment Vouchers.

We also noted that other tour expenses amounting to $179,488.47 which was not part of the 2013 Rugby World Cup but was build-up towards 2013 Rugby World Cup but proper source documents was not available.

On 22nd January, 2013 FRU acting CEO and acting Finance Manager wrote to the Commission stating the reasons for not fully acquitting the grant.

On 21st January, 2013 Peter Mazey the Executive Chairman emailed Permanent Secretary – Ministry of Finance requesting he send the Commission a formal letter stating the reason for not fully acquitting the grant

On 22nd January, 2013 the PS Finance responded by email stating that, quote "Yes that is what we had agreed" unquote and instructing his Deputy Secretary Budget in the MOF to meet with Kalidas, Finance Manager FRU to resolve the matter.

There were various email correspondence between the Accountant, Fiji National Sports Commission requesting the Finance Manager, Fiji Rugby Union to fully acquit the $333,000 grant disbursed to FRU.

While the Commission was advised by Ministry of Finance to accept the FRU response with regard to the provision of supporting documents for expenditure incurred under this grant we have continued to pursue the matter with FRU.

The appointment in the past couple of months of a new CEO and Finance Manager has meant that we have been able to request they have a relook at their documents especially on this issue and to respond accordingly.

SECTION 22: FIJI SPORTS COUNCIL

Programme Statement

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

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

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

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PART A – FINANCIAL INFORMATION

22.1 Audit Opinion

The audit of the financial statements of the Fiji Sports Council for the year ended 31 December 2013, resulted in the issue of a qualified audit report. The issues qualified are as follows:

1. The carrying amount of property, plant and equipment as at 31 December 2013 was $71,751,048. The carrying amount was extracted from property, plant and equipment register (PPER) which was not properly maintained and also included large number of assets which could not be identified. I could not satisfy myself on the existence and completeness of physical assets recorded in the PPER nor the valuation of the cost, depreciation, net carrying amounts and deferred income recorded as at 31 December 2013.

   Accordingly, I am unable to verify the reasonableness of the assets depreciation expenses for the year ended 31 December 2013 and carrying values of the property, plant and equipment disclosed in the financial statements as at 31 December 2013 and determine the impact of adjustments, if any, which may be necessary had a complete and accurate PPER not made available for verification.

2. The Council did not perform proper revenue reconciliation relating to hiring of facilities for the year ended 31 December 2013 totalling $2,692,291. As a result, I was not able to ascertain that all income have been brought into account during the year ended 31 December 2013. It is not possible to ascertain the impact on the operating results and cash flows for the year ended 31 December 2013.

3. Included in the Borrowings and Interest accrual are the amounts $4,070,550 and $22,627 respectively. The total amount of $4,070,550 represents amount payable to Government. The loan agreement between the Fiji Government and the Council specifying the terms and conditions of the loan payable to Fiji Government amounting to $4,070,550 as at 31 December 2013 has not been finalized and thus I was unable to ascertain the actual loan amount payable to government as at 31 December 2013.

22.2 Abridged Income Statement

Year ended 31 December 2013	2013 ($)	2012 ($)
Revenue		
Operating Revenue	3,888,491	3,289,130
Other Operating Revenue	1,323,899	1,247,245
Interest Income	8,870	27,577
TOTAL REVENUE	**5,221,260**	**4,563,952**
Expenses		
Administrative Expenses	222,908	174,891
Depreciation	1,274,985	1,221,068
Personnel Expenses	1,600,503	1,394,368
Operating Expenses	1,883,846	1,481,346
Finance Expenses	38,524	265,047
TOTAL EXPENDITURE	**5,020,766**	**4,536,720**
NET SURPLUS FOR THE YEAR	**200,494**	**27,232**

The Council recorded a net surplus of $200,494 in 2013 compared to a net surplus of $27,232 in 2012. The increase in net surplus was attributed to the increase in operating revenue by $599,361 or 18% as a result of increase in income generated form hiring of facilities.

22.3 Abridged Balance Sheet

As at 31 December 2013	2013 ($)	2012 ($)
Assets		
Cash and cash equivalents	297,112	3,309,178
Other Current Assets	1,954,285	2,810,817
Property, Plant & Equipment	71,751,048	62,108,976
TOTAL ASSETS	**74,002,445**	**68,228,971**
Liabilities		
Cash and cash equivalent	380,626	118,195
Trade & Other Payables	1,216,431	3,233,946
Other Current Liabilities	29,422	18,771
Borrowings	17,171,766	15,936,354
TOTAL LIABILITIES	**18,798,245**	**19,307,266**
NET ASSETS	**55,204,200**	**48,921,705**

As at 31 December 2013	2013 ($)	2012 ($)
EQUITY		
Reserves	108,000	108,000
Deferred Income	52,750,538	46,668,537
Accumulated funds	2,345,662	2,145,168
TOTAL EQUITY FUNDS	**55,204,200**	**48,921,705**

The Net Asset increased as a result of additional purchases of property, plant and equipment which increased by $9,642,072 or 16% compared to the year 2012. There was an increase in borrowings following the receipt of additional government grant of $5 million for the loan repayment during 2013.

The total liabilities declined by $509,021 or 3% as a result of decrease in trade and payables by $2,017,515 or 62% compared to 2012.

Total Equity increased by $6,282,495 or 12.8% as the result of additional deferred income of $7,250,000 in relation to the government grant received connecting the ANZ Stadium.

PART B – CONTROL ISSUES

22.4 Variances in Hiring of Facilities Reconciliation

Supervisor's report outlines the use of the facilities, the revenue collected which is submitted to respective operation managers on a monthly basis.

Effective management of revenue reconciliation greatly increases management's ability to proactively identify and resolve issues that could result in misstatements in financial accounting and reporting records. By creating and putting in place appropriate reconciliation and information management processes, entities can gain assurance on the completeness of general ledger balances.

The Fiji Sports Council has a total of fifteen revenue generating facilities. Each facility with its own facility supervisor is responsible for the smooth running and proper functionality of daily operations and recording of relevant expenditures incurred and revenues earned by the facility. The Operations Manager is responsible for the overall operation of all facilities and oversees all matters related to the use of all of the Council's facilities. All facility supervisors report to Operations Manager on a monthly basis which also includes all revenue and expenditure generated by each facility.

The following anomalies were noted on the review of hire of facilities revenue records:

1. There were a variance of between the Supervisor's report responsible for these facilities and general ledger records amounting to $726,198.46. Refer to Table 22.1 for details.

Table 22.1: Variance in Hiring of Facilities Revenue

Facility	GL Revenue			Supervisors Report	Variance
	Facilities Hire ($)	Naming Rights ($)	Total ($)	($)	($)
ANZ Stadium	733,836.78	148,750.00	882,586.78	596,380.73	*286,206.05*
National Gymnasium	312,728.90	34,996.32	347,725.22	320,844.80	*26,880.42*
Multipurpose Court	40,956.24	17,391.24	58,347.48	56,625.91	*1,721.57*
Victoria Tennis Courts	53,373.68	-	53,373.68	55,180.78	*(1,807.10)*

Facility	GL Revenue			Supervisors Report	Variance
	Facilities Hire ($)	Naming Rights ($)	Total ($)	($)	($)
National Aquatic & Beach Court	197,090.31	50,000.03	247,090.34	206,919.75	*40,170.59*
National Netball Centre	52,819.64	-	52,819.64	16,841.10	*35,978.54*
Lawaqa Complex	127,705.91	-	127,705.91	-	*127,705.91*
Thompson Park	11,184.54	-	11,184.54	-	*11,184.54*
Regional Tennis Court	25,957.25	8,713.68	34,670.93	-	*34,670.93*
National Fitness Centre	167,560.57	-	167,560.57	153,046.98	*14,513.59*
Vodafone Arena	496,556.55	123,333.32	619,889.87	534,574.07	*85,315.80*
Ra Sports Ground	1,141.73	-	1,141.73	-	*1,141.73*
Hockey	37,541.25	-	37,541.25	-	*37,541.25*
Suva Lawn Tennis Court	35,210.49	-	35,210.49	-	*35,210.49*
National Beach Court	6,181.75	-	6,181.75	16,417.60	*(10,235.85)*
Total	2,299,845.59	383,184.59	2,683,030.18	1,956,831.72	***726,198.46***
Concession	392,445.86				
Total Revenue from Facilities Hire	2,692,291.45				

2. There was no report prepared by Supervisors for 6 out of the 15 facilities.

The absence of carrying out revenue reconciliations for the year ended 31/12/13 does have an impact on the operating results and cash flows for the year ended 31/12/13.

The above indicates the Council's laxity for responsible Officers not taking proactive measures to reconcile and strengthen the internal controls over revenues collection processes.

Recommendations

The Operations Manager should ensure that facility supervisors prepare monthly reports and submit to Finance Division for revenue reconciliation purposes. Those variances should be investigated with the Supervisors and reduced to a minimal level.

Management Comments

In the 2012 Audit which FSC received final comments in December 2013, the Auditor General's office made the same comments. FSC management immediately changed the process effective January 2014. This 2013 report does not reflect the changes recommended in previous year's management letter as FSC had just received the comments and implemented changes which include FSC conducting a review of the reports submitted by the Operations Supervisors and found that the reports in some instances failed to take into account the following data:

1. *Figures presented by the supervisors were VAT inclusive while Finance figures are always VEP.*
2. *Supervisors did not always include naming rights figures*
3. *Finance department usually include income in suspense account and realize them when they fall due which supervisors did not normally consider.*

This will however be reflected in 2014 Report. The monthly report process has been modified in 2014 as recommended to include Manager Finance who will then consult with the Revenue Clerk to verify and reconcile reports against the General Ledger and this is sent to Operations Manager for supervisors to review against their records before confirming as financial report for the preceding month.

The Ops Manager himself overlooked these remaining 6 facilities

22.5 Property, Plant and Equipment Anomalies

It is a good internal control measure that the Property, Plant and Equipment register of the Council is properly maintained at all times containing information such as full description of an asset, serial number, location, date purchased, assets properly classified, additional costs relating to the purchase or installation of the assets to be included as part of the asset and not as individual line items, and depreciation adequately charged.

The following anomalies were noted during the review of Property, Plant and Equipment records:

- The property, plant and equipment register (PPER) as at 31/12/13 was not properly maintained and recorded as large number of assets could not be identified. Thus the assertions of the existence and completeness of physical assets recorded in the PPER cannot be validated.
- A variance of $54,244,450 was noted between the general ledger closing balance and the trial balance submitted by the Council.
- There was a variance of $20,368,092 between the financial statements and fixed assets register relating to written down values opening and closing balances, additions and disposals amounts to fixed assets. Refer to Table 22.2 for examples:

Table 22.2: Variances between Financial Statement and Fixed Assets Register

Description	Balance as per FS ($)	Balance as FAR ($)	Variance ($)
Opening WDV as at 01/01/13	62,108,976	52,796,894	9,312,082
Closing WDV as at 31/12/13	71,751,048	61,588,583	10,162,465
Additions to Fixed Assets	10,928,057	10,045,512	882,545
Disposals to Fixed Assets	11,000	-	11,000
Total	**144,799,081**	**124,430,989**	**20,368,092**

Discussions held during the audit revealed that the Council has engaged a consultant to review the fixed asset register by addressing those anomalies regards property, plant and equipment. This is anticipated to be completed by end of the year 2014.

<u>Recommendations</u>

The Council should reconcile those variances between the general ledger and the fixed assets register.

The Council should ensure that additions/disposal of property; plant and equipment are properly taken up in the fixed assets register so that it can be fairly reflected in the financial statement.

The Council should tag all property, plant and equipment for easy identification to/from the PPE register.

<u>Management Comments</u>

The Fiji Sports Council has engaged SouthPac Advisory Chartered Accountant to examine the existing fixed asset register, identify systematic inaccuracies and deficiencies, reviewing existing depreciation rates and *methods and examining and composing of work in progress relating to the 2012/2013 redevelopment project of ANZ Stadium and this has been extended to all assets and currently a full valuation of all property is being undertaken by the Valuation Department at the Ministry of Lands. An Equipment Officer commenced with FSC in January 2013 and one of his core responsibilities was to tag all assets and load onto PPE register which is an ongoing exercise.*

22.6 Loan Agreement Not Drawn Up with Ministry Of Finance

It is important that loan agreement is made between the borrower and the financier and the terms and conditions of such borrowings be complied at all times.

On 30/08/2005, the Cabinet agreed that government will repay Fiji Sports Council's loan from Fiji National Provident Fund (FNPF), with an amount of $321,000 to be paid as instalment. The Cabinet also agreed that a loan agreement between the Council and the Government be drawn up to facilitate repayment by the Council of the total sum paid by government to FNPF, consistent with the Financial Management Act 2004[1].

The audit noted that the Government has made repayments on behalf of the Fiji Sports Council in respect of the loan the Council has with the Fiji National Provident Fund and that the Council owes Government $4,070,550 being loan repaid as at 31/12/13. However, the formal agreement to be drawn up between the Government and Fiji Sports Council in relation to the terms and condition of this financial arrangement are yet to be finalised.

The absence of a formal agreement, the Council is not able to correctly classify the amount payable into current and long term liabilities thus affecting the Council's working capital. Moreover, the audit noted that confirmation from Ministry of Finance regarding the loan liability from Fiji National Provident has a variance of $23,663.30. Refer to Table 22.3 for details.

Table 22.3: Variance in FNPF Loan Balance and Ministry of Finance Records

Particulars	Amount ($)
Balance as per Council records	4,070,550.00
Balance as per MOF records	4,094,213.30[2]
Variance	**23,663.30**

Discussions with the Ministry of Finance (MOF) revealed that necessary documentation pertaining to the loan is ready for execution but the Council has requested to convert the loan into grant[3].

Without any agreement, the Council is unable to regulate the mutual promises made by the Council from Ministry of Finance.

<u>Recommendations</u>

- **A formal agreement should be drawn up between the Council and the Government to regulate the mutual promises made between them.**
- **The Council should ensure that its records are reconciled with the Ministry of Finance figures to accurately reflect the amounts owed to government.**

[1] CP(05)320
[2] Letter from Ministry of Finance dated 13/10/14
[3] Email from Nemaia Dawai of Ministry of Finance dated 21/11/14

Management Comments

The Council has endeavored through letters and meetings to make arrangements to have this matter clarified and settled. A response from the Ministry of Finance(MOF) stated that MOF requested that FSC focus instead on the current Government guaranteed grant. Discussion to draw formal agreement with government is still in process.

22.7 Going Concern

It is always necessary that the Company operates with positive net assets to be sustainable in the long run.

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so[4].

The audit noted that as at 31 December 2013 the negative working capital with the Council's current liabilities exceeding its current assets by $8,046,396. In addition, the negative working capital has been the trend for the past seven year. Refer to Table 22.4 below for details:

Table 22.4: Deficiency in Working Capital form 2007 - 2013

Financial Year	Deficiency in working capital ($)	Working capital ratio
2007	1,500,990	0.4:1
2008	1,588,682	0.43:1
2009	2,376,467	0.31:1
2010	2,098,493	0.4:1
2011	2,618,040	0.35:1
2012	5,506,875	0.53:1
2013	8,046,396	0:21:1

In addition, the cash flow statement of the Council showed negative cash flows from operations during the year 2013. Net cash outflow from operating activities was $1,716,824 for 2013 which indicates that income generated by the Council from operating activities are not sufficient to meet day to day operations.

Recommendations

The Council should put in place mitigating factors to reduce the unfavourable working capital ratio and finalise its loan agreement with Ministry of Finance.

Necessary disclosures to show the Council's ability to continue as a going concern as required under International Accounting Standards 1, Paragraph 25 should be disclosed as Note 1 of the Accounts.

[4] IAS 1 – Para 25

Management Comments

The Fiji Sports Council Act dictates that "the funds of the Council shall comprise.....of all money paid to the Council by way of grant or loan from the Consolidated Fund for the purposes of the Council"

In a normal business, only the shareholder can correct a situation where there is a working capital deficiency and in this case, the only shareholder is the Government.

In the past, Government would fund capital projects like Lawaqa Park but failed to provide funds to manage the assets and therefore there is always likely to be a Working Capital deficiency. It is to be noted that depreciation is an immediate cost that also goes into business on donated assets.

FSC notes your comments and the Board has instructed the CEO to prepare a cabinet paper requesting approval to have all debt transferred to equity. This can only be approved by Cabinet and will improve the working capital deficiency.

22.8 Loss from Operation of Damodar City National Aquatic Center

The enterprise is normally viewed as a going concern that is continuing operations in the foreseeable future. Hence, it is imperative that Council generates adequate revenue from its operations so that it is able to meet short as well as long term obligations.

The audit noted that the Damodar City National Aquatic Centre continued to incur losses from its operations.

A summary of income and expenditure relating to National Aquatic Centre at each respective balance dates abstracted from the Council's record for the last six financial years showed continuous losses for the period 2007 to 2012. Refer to Table 22.5 for details.

Table 22.5: Losses for the Past Seven Years from National Aquatic Centre

Financial Year Ending	Income ($)	Expenditure ($)	Loss ($)
2007	132,983.39	154,595.42	21,612.03
2008	120,437.45	192,423.79	71,986.34
2009	122,045.17	203,112.67	81,067.50
2010	167,132.52	232,566.29	65,433.77
2011	187,227.86	294,745.37	107,517.51
2012	206,882.79	313,652.08	106,769.29
2013	244,402.34	296,840.40	52,438.06

The above trend indicates that the Centre has put a strain on the Council's finances and the ability to maintain higher profit in other profitable operations of the Council.

Furthermore, audit noted that seven (7) council's facilities incurred losses during 2013. Refer to Table 22.6 below for details.

Table 22.6: Losses from Fiji Sports Council Facilities

Facility	Income ($)	Expenditure ($)	Loss ($)
National Stadium	860,815.92	1,296,926.77	436,110.85
National Aquatic Centre	244,402.34	296,840.40	52,438.06

Facility	Income ($)	Expenditure ($)	Loss ($)
Lawaqa Complex	127,705.91	207,405.71	79,699.80
Thompson Park	10,974.54	22,366.76	11,392.22
Regional Tennis Court	32,545.73	50,535.43	17,989.70
Ra Sports Ground	1,141.73	24,025.88	22,884.15
Suva Lawn Tennis Court	32,887.96	34,803.18	1,915.22
Total	**1,310,474.13**	**1,932,904.13**	**622,430.00**

The above indicates strategies put in place may have not been effective to reduce operational costs and maximising revenues through stringent operating policies with constant reviews of fees structure.

Recommendations

The Council should relook at the cost of maintaining these facilities and put in strategies to minimise unnecessary costs and improve on reducing the losses by providing incentives as to increase the usage of these facilities.

Management's comment

The Council is consistently driving programmes to increase usage of this facility from teen pool parties to Mum and Bubs Aqua sessions to birthday parties and annual fun days. It has successfully brought new programmes into play that has contributed to much needed income for Damodar City Aquatic Centre.

At all facilities, we have reviewed the staff roster to ensure consistent delivery without reducing our liability. At all venues there is ongoing management of supplies to ensure we are constantly reviewing purchases. For e.g., our pool chemical supplies are checked quarterly to ensure the quality of the water is not affected.

Historically, Aquatic centres do not make money due to the high overhead costs involved. Strategies have been put in place at FSC to generate additional income.

The Council recognises the interest on a loan arranged by Government. The 3 grounds, Lawaqa Park, Thompson Park and Rakiraki Grounds were arranged for the Council to manage due to political decisions made at that time for Navua, Rakiraki and Sigatoka. Due to the fact that these grounds are not in population centres, they were never viable and today, despite reducing rates at these centres, the Council still finds it a challenge to generate regular income at these facilities.

The Council is governed by the fact that we are there to foster support and undertake provision of facilities for sport and recreation as dictated in our FSC Act and not necessarily to make a profit.

The expenditure noted for the ANZ Stadium is for the full 12 months whereas the income generated was during the 7 months in 2013 that the Stadium was open for.