

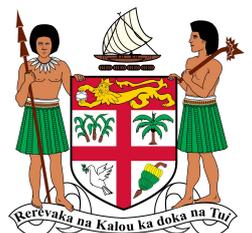


OFFICE *of the* AUDITOR GENERAL  
*Republic of Fiji*

EXCELLENCE IN PUBLIC SECTOR AUDITING

# REPORT OF THE AUDITOR-GENERAL OF REPUBLIC OF FIJI

## AUDIT REPORT ON STATE - OWNED ENTITIES & STATUTORY AUTHORITIES FOR 2015



PARLIAMENT OF FIJI  
PARLIAMENTARY PAPER NO. 128 OF 2017



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OFFICE *of the* AUDITOR GENERAL  
*Republic of Fiji*

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File: 102

14 December 2017

The Honorable Dr. Jiko Luveni  
Speaker of the Parliament of the Republic of Fiji  
Parliament Complex  
Gladstone Road  
SUVA

Dear Dr. Luveni

**2015 AUDIT REPORT ON STATE-OWNED ENTITIES AND STATUTORY AUTHORITIES**

In accordance with section 152 (13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on 2015 audit of State-owned Entities and Statutory Authorities

A copy of the report has been submitted to the Minister for Economy 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.

Yours sincerely

Ajay Nand  
**AUDITOR-GENERAL**

Encl.

## The Office of the Auditor-General – Republic of Fiji

The Office of the Auditor-General is established as an Independent Office by the Constitution of Republic of Fiji. Its roles and responsibilities include expressing an opinion on the financial statements of state-owned entities. These audits are carried out by the Auditor-General on behalf of Parliament.

At least once every year, the Auditor General must report to Parliament on the audits conducted and on *other significant matters* the Auditor-General wishes to bring to the attention of Parliament.

This report satisfies these requirements.

The Office of the Auditor-General notes the impact of its reports to Parliament on the ordinary citizens and strives for accuracy and high quality reporting including recommendations which are not only value-adding to the entity subject to audit but its customers, the general public as well.

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## 1.0 Introduction

All state-owned entities prepare annual financial statements. Directors and management of these entities are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and requirements of applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Auditor-General is responsible, on behalf of Parliament, for audit of the accounts of all state-owned entities except for its own office and those entities which may be exempted by law.

The Auditor-General may conduct audits in the manner considered appropriate but must ensure that they are conducted in a competent manner having regard to assessment of effectiveness of any relevant internal control system. The Auditor-General must carry out the audit in accordance with the relevant provisions of the standards on auditing issued by the Fiji Institute of Accountants or other relevant standards considered appropriate.

Following completion of an audit, the Auditor General must give an opinion on each set of financial statements audited. In addition, an audit memorandum or management letter should be issued to the responsible authority for each entity audited.

The Auditor General's responsibility is to express an opinion on these financial statements based on his or her audit in accordance with the International Standards on Auditing (ISA). Those standards require the Auditor General to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

This report summarizes our analysis of the internal controls of state-owned entities for which audit opinions were issued on the 2015 financial statements and the timeliness and quality of financial reporting by these entities.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the entity. These have been included in this report as they impacted on the overall system of control of the entities during 2015.

## 2.0 Types of audit opinions issued

In accordance with International Standard on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the International Financial Reporting Standards and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit, which would affect the financial statements of an entity.

We issue a *modified opinion* (qualified) when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

An *adverse opinion* is expressed when we, having obtained sufficient appropriate audit evidence, conclude that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

We issue a *Disclaimer of Opinion* when we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and we conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

We include an *Emphasis of Matter* paragraph in the audit report to highlight an issue that will help the user better understand the financial statements. We also include an *Other Matter* paragraph to highlight a matter that is relevant to users' understanding of the audit report.

## 3.0 Results of our audits

As at 31 October 2017, we issued 29 audit opinions on the 2015 financial statements for the various entities.

### 3.1 Quality and timeliness of financial reports

The financial statements of most entities audited were timely and generally of good quality. However, further improvements can be made to enhance the quality and timeliness of submission of financial statements for our audit.

### 3.2 Audit opinions issued

#### 3.2.1 Modified opinions

We issued modified opinions on five of the 2015 financial statements completed for the various entities with one entity issued a disclaimer of opinion.

Audit opinions of a number of entities was modified due to a circular issued by the Ministry of Public Enterprises on Cabinet Decision No. 357 of 2012 which required accounting for all government grants received from 1 January 2011 as capital contributions. We advised the Ministry that this was a departure from the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) *Section 24 – Government Grants* and International Accounting Standard (IAS) 20 - *Accounting for Government Grants and Disclosure of Government Assistance* which require government grants to be recognised in profit or loss as income when grant proceeds are receivable or when performance conditions are met.

Consequently, on 16 March 2016, the Ministry advised all state-owned entities to account for the grants as required by the IAS.

The affected entities have agreed to make the required adjustments in the 2016 financial statements.

#### 3.2.2 Unmodified opinions

We issued unmodified opinions on 23 or 79% of the 2015 financial statements audited for the various entities. This means that material misstatements were not noted in majority of the entities which were audited.

### 3.3 Other significant matters

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause* or *is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the entities in future, if necessary action is not taken to address them.

Common findings which have been reported under other significant matters include the following:

- Fixed assets were carried at zero book values although these assets were used by entities in their operations. Consequently, the depreciation expense has not been charged on these assets.
- Physical verification of fixed assets was not carried out to determine their existence, condition and use. As a result, it was not possible to determine that all assets belonging to entities were used to generate economic activity for the respective entities.
- Some entities did not have the desired number of board members to promote good corporate governance practises.
- Fixed Asset Registers were not updated on a timely basis or did not contain the required information which could lead to misstatement of fixed asset balances.
- Fixed assets relating to core-business of certain entities were not insured hence increasing business continuity risk in times of disasters.

### 3.4 Internal controls

Good internal controls provide reasonable assurance that an entity is achieving its objectives relating to operations, reporting and compliance. We assess the financial controls used by the public sector entities using the following five key elements:

- (i) Control environment – actions, attitudes and values that influence daily operations
- (ii) Risk assessment – processes for identifying, assessing and managing risk
- (iii) Monitoring activities – oversight of internal controls for existence and effectiveness
- (iv) Control activities – policies, procedures, and actions taken to prevent or detect errors
- (v) Information and communication – systems to inform staff about control responsibilities

When we identify that internal controls in any of these elements are missing or are not operating as intended, we refer to them as *control deficiencies (audit finding)*. If we identify that a control deficiency, either alone or in combination with other deficiencies, may lead to a material misstatement in the entity's financial statements, we refer to this as *a significant audit finding*.

If we identify a deficiency (audit finding) with any of these internal controls as part of our audits, we report the finding to the entity's management.

The Results Summary in Section 8; Page 44 shows the strength of controls in key elements for entities for which 2015 financial statements were audited. Our audit indicated that Controls Activities was an area where majority of the significant deficiencies were identified.

### 3.5 Delays in completion of audits

The table below shows the status of audits as at 31 October 2017.

Type of entity	Total no. of. Entities Audited	Audits up-to-date	Audits delayed	% Delayed
Government Commercial Company <sup>1</sup>	9 <sup>2</sup>	5	4	44
Commercial Statutory Authority	4	3	1	25
Re-organized entities	3	2	1	33
Statutory Authorities	28	15	13	46

Audit of six Government Commercial Companies, Commercial Statutory Authorities and Re-organized entities have been delayed. Similarly, audits of about half of statutory authorities are also yet to be completed. Audits of state-owned entities have not been completed primarily due to the following:

- Delay in submission of draft accounts for audits or draft accounts submitted were incomplete;
- Relevant information/records not provided for audit on a timely basis; and
- Entities deciding to address issues raised in draft audit reports and resubmission of financial statements for audit.

Efforts are being made to complete the audit of accounts which have been received.

Details of audits not completed are provided in **Appendix A**.

<sup>1</sup> Auditor-General no longer auditor for Fiji Hardwood Corporation Ltd

<sup>2</sup> Assets Fiji Limited established on 13 November 2015

### 3.6 Entities not subject to audit by Auditor General

The Auditor-General did not audit the financial statements for a number of entities as their governing bodies had appointed Chartered Accountant firms as external auditors. Details of entities together with the audit requirements are shown in **Appendix C**.

### 3.7 Audit conclusion

Unmodified (unqualified) opinions were issued on majority of the 2015 financial statements audited which reflects very positively on the entities. However, close attention should be given to address matters which have been emphasized in audit reports including those included as other significant matters in management letters.

Timely preparation of quality draft annual financial statements is a major issue which needs to be addressed by those charged with governance of several state-owned entities. Delays in submission of financial statements for audit prevents the Auditor-General from giving an opinion on them on a timely basis and informing Parliament and other stakeholders of the outcome of such audits.

Furthermore, other significant findings arising from audit of entities for which the Auditor-General is no longer the external auditor cannot be reported to Parliament under the current legislative framework. Therefore proper consideration should be given prior to change of auditors for state-owned entities.

Identification, valuation and proper accounting of fixed assets needs to be significantly improved in most entities which were audited. This is particularly important due to huge investments made by entities in fixed assets. Opportunities also exist for insurance of critical assets so that business continuity risk can be properly mitigated in times of disasters.

The involvement of line ministries in improving accountability in state-owned entities is noted. However, there is room for further improvement through regular and active interaction with the entities. It has been noted that it becomes challenging for entities to prepare annual accounts when these have not been done for some time resulting in a backlog. Line ministries can encourage entities to prepare and submit draft financial statements for audit annually.

### 3.8 Reference to comments

The comments provided by entities following the audit have been incorporated in this report.

We provided a full copy of the report with request for comment to Ministry of Public Enterprises.

We also provided extracts of the report with request for comment to entities referred to in the report. Copies of standard letters issued are in **Appendix D**.

As at 13 December 2017, we received responses from a number of entities. The responses are also in **Appendix D**. Comments received subsequently would be provided to the Standing Committee on Public Accounts when this report is discussed.

## 4.0 Context

### 4.1 Legislative framework

The following legislation establishes the financial accountability frameworks and legislative time frames to complete financial statements audits for state-owned entities.

Entity Type	Legislative Framework	Legislative Timeframe
Government Commercial Companies, Commercial Statutory Authorities, Re-organized Entities	<ul style="list-style-type: none"> <li>Public Enterprises Act 1996</li> <li>Finance Management Act 2004</li> </ul>	30 <sup>th</sup> April
Statutory Authorities	<ul style="list-style-type: none"> <li>Legislation establishing entity and related regulations</li> <li>Finance Management Act 2004</li> <li>Finance Management (Amendment) Act 2016</li> </ul>	<ul style="list-style-type: none"> <li>3-6 months following end of financial year</li> <li>Not specified/ as soon as practicable</li> </ul>

The respective legislative frameworks indicate the minimum requirements for financial accountability and reporting such as:

- Good governance
- Financial management and performance
- Entity's performance against corporate intent or plan
- Financial reporting
- Annual reports

### 4.2 Government Commercial Companies & Commercial Statutory Authorities (GCCs/CSAs)

Each year, GCCs and CSAs are required to present the Annual Reports containing:

- Operations of the company or authority and those of subsidiaries during the financial year.
- Audited consolidated financial statements in case of those which have subsidiaries.
- Auditor's report on the financial statements.
- Contain such information as may be necessary to show the financial performance of the company or authority and its subsidiaries, including comparison of its performance with its statement of corporate intent

The Minister responsible for Public Enterprises is required to lay before Parliament the statement of corporate intent of company or entity for that year together with the annual report and audited financial statements for preceding financial year.

### 4.3 Statutory Authorities

Each year, statutory authorities are required by the legislation governing their operations to submit an annual report containing the audited financial statements and the audit report on the financial statements which are tabled in Parliament by the Minister responsible for the authority.

The audited financial statements are used by a broad range of users such as parliamentarians, non-governmental organisations, donor agencies, employees, suppliers, lenders and the general public.

The Auditor-General's audit opinion on these financial statements gives assurance to the users that the financial statements are accurate and can be relied upon.

## 5.0 Types of agencies

A number of government entities have been reorganized to be:

- More efficient and productive;
- More accountable;
- better organized; and
- provide good return on investment.

### **Government Commercial Companies**

The primary objective of every government company is to operate as a successful business, be profitable and efficient compared to businesses in the private sector.

### **Commercial Statutory Authorities**

Statutory Authorities have been transformed into commercial statutory authorities so that they operate along commercial lines but also undertake non-commercial activities.

### **Re-organized entities**

These government departments or state-owned entities are declared as Re-organized Entities and allows the Minister for Public Enterprises to reorganize that particular entity and enables the state as owner, to provide strategic direction to entities by setting financial and non-financial performance targets and non-commercial obligations.

### **Majority-owned entities**

Companies where 51% or more shares are owned by Government.

Expectation is that these companies will operate commercially and optimize returns to Government.

### **Statutory Authorities**

Statutory Authorities are established as body corporate by their specific legislation. They are required to deliver various goods and services to customers. In most cases, government grants are paid to statutory authorities for their operations, capital expenditures or special projects.

## 6.0 Audit Opinion results

Table A summarizes the audit opinions we issued on the 2015 financial statements for state-owned entities as at 31 October 2017.

**Table A**  
**Audit opinions issued by OAG for 2015 financial year**

Entity type	Unmodified opinions	Modified opinions	Disclaimer of opinion
Government Commercial Companies	3	2	0
Commercial Statutory Authorities	2	1	0
Re-organized entities	0	2	0
Majority-owned entities	2	0	0
Other entities	2	0	0
Statutory Authorities	14	0	1
<b>Total</b>	<b>23</b>	<b>5</b>	<b>1</b>

**Appendix B** lists the state-owned entities and the audit opinions which were issued on their financial statements.

## 6.1 Modified audit opinions

Audit opinions were modified (qualified) due to the following reasons:

### Fiji Broadcasting Corporation Limited (FBCL)

International Financial Reporting Standard/International Accounting Standard (IAS) 20.3 *“Accounting for Government Grants and Disclosure of Government Assistance”* defines government grants as assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

The government grants received by FBCL meet the definition of a grant in that they constitute government assistance provided to enable FBCL to broadcast in the outer stations and local programmes.

By following the Government’s circular requiring FBCL to treat the government grant received as a capital contribution, FBCL did not in comply with the International Accounting Standard.

However on 16 March 2016, Ministry of Public Enterprises advised all state-owned entities to account for the grants as required by the standards. FBCL has agreed to effect the requirement of the IAS in the 2016 financial statements.

### Post Fiji Limited (PFL)

Included in the cash and cash equivalents balance is the Remittance between Post Office (RBPO) accounts of \$772,243 which is a clearing account for cash transfers between Post Masters. The company did not carry out reconciliations of this account with Post Masters cash account. Therefore it was not possible to perform alternative audit procedures to test its accuracy, completeness and existence due to the nature of the account. Consequently, our audit was not able to determine whether cash and cash equivalents of \$4,875,508 were fairly stated in the financial statements.

PFL has agreed to prepare thorough reconciliations and introduce more stringent controls in the management of the accounts.

### Public Rental Board (PRB)

Included in government equity under the Statement of Changes in Equity is government grant totaling \$16,295,950. This is a departure from IAS 20 *“Accounting for Government Grants and Disclosure of Government Assistance”* which requires government grants provided for the purchase or construction of assets to be recognised initially as deferred income and then recognized in profit or loss as other income on a systematic basis in the same period that the expenses are recognized.

PRB has agreed to make the required adjustments in the 2016 financial statements.

### Maritime Safety Authority of Fiji (MSAF)

MSAF in accordance with a circular issued by the Ministry of Public Enterprises on Cabinet Decision No. 357 of 2012, accounted for all government grants received from 1 January 2011 as capital contributions. This is a departure from the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) *Section 24 – Government Grants* which requires government grants to be recognised in profit or loss as income when grant proceeds are receivable or when performance conditions are met.

MSAF has indicated that the required adjustments would be made in the 2016 financial statements.

### Water Authority of Fiji (WAF)

- Included in financial statements of the Authority as revenue are water and sewerage charges of \$32,410,653 and Trade Receivables of water and sewerage charges amounting \$10,228,694. Receipts from these charges are government revenue which is deposited directly in the consolidated fund account of government. International Accounting Standards (IAS) 18 has set two criteria which need to be met for revenue recognition. One of the criteria requires that economic benefit associated with the item of revenue should flow to the entity.

Thus, the Authority has not met the recognition criteria for recording these charges as revenue. Consequently, revenue and receivable are not fairly stated in the Statement of Comprehensive Income and Statement of Financial Position, respectively.

WAF has defended its position stating that it has an arrangement with the government, in its capacity as the Authority's shareholder, to pay the remittances from its customers into the consolidated fund account. The Authority's view is that this should be treated as either a loan to the government or a distribution to the government (as the sole shareholder of the Authority).

- Opening balance of Property, Plant and Equipment amounting to \$1,888,909,608 for the year ended 31 December 2010 was not subject to valuation at the time of the transfer to Water Authority of Fiji. The valuation of these assets was carried out in 2006. Consequently, it was not possible to confirm the valuation of the opening balance of property plant and equipment when it was transferred in 2010.

WAF has proposed for an asset valuation exercise to be carried out in 2016. In addition, management has assigned a team to manage the physical verification exercise of WAF assets and including tagging of items in all regions.

## 6.2 Emphasis of Matter

Audit opinions were modified with additional emphasis made in some audit reports while some had only emphasis of matters noted in the audit reports. This was the case in respect of the following entities:

### Public Rental Board

A long-term loan of \$9 million was borrowed by government from the EXIM Bank of China in 2010 to finance the construction of the Raiwai Housing Project. A grace period of five years has been provided on principal repayment. However, interest is payable together with commitment and management fees during the grace period. The Public Rental Board has not reconciled its records with that of the Ministry of Economy to take into account interest already paid by the government.

PRB management has indicated that it will hold discussion with Ministry of Economy to reconcile the borrowings and interest in 2016.

### Maritime Safety Authority of Fiji

- The financial statements of the Authority states that it is exempted from income tax under Section 55 of the Maritime and Safety Authority of Fiji Act 2009 for the first three years commencing 1 January 2011. Consequently, the tax exemption period should cease from 1 January 2014. The Authority did not maintain appropriate documentary evidence to support its continuous tax exemption status.

MSAF has advised that follow-up correspondences have been made in consultation with the line Ministry and Fiji Revenue and Customs Service which will be pursued further.

- The Authority invested a sum of \$163,385 for the purchase and installation of a Ships System Database Software in 2015. The development of the software was incomplete. In the absence of the databases and required features, the new Ships System Database Software does not support the core function of Marine Investigation, Compliance and Enforcement.

MSAF management has advised that a full review of the software will be undertaken against the scope of works and the vendor will be notified of all variances. Furthermore, the vendor will be instructed to carry out the incomplete tasks at the earliest with his own costs.

### Water Authority of Fiji

- Internal controls in the maintenance and issue of inventories need to be strengthened to avoid possible leakages.
- Project monitoring system and its documentation needs to be improved to further enhance efficiency and effectiveness in delivery of project works.

WAF Management has noted the internal control issues highlighted. In respect of project management, it has stated that the re-structure of the former Project Management Unit (PMU) to the Planning, Design and Construction Unit (PDC) in 2016 is a strategic move by the WAF to improve its overall efficiency and effectiveness of project management culture, project delivery, and reporting. The overall strategy is centered round WAF's project delivery cycle or process delivery process from project initiation right through to project closure.

WAF is currently finalizing its Project Delivery Framework (PDF) which replaces the old 2011 Project manual and the 2014 CAPEX manual.

### Land Transport Authority (LTA)

- Leasehold land are not held in the name of the Authority. The buildings on the land have been incorporated in the books of account of the Authority on the principal assumption that the titles of the land will be registered under the Land Transport Authority in the future.

LTA has noted comments from OAG and has taken necessary action. Their Legal team has been advised to obtain copies of lease documents from Lands Department which is currently in process. Thereafter, leasehold land would be amortised.

- Transactions relating to national road safety and funded through donor funds from 2011 to 2014 have not been accounted for in the financial statements of the Authority since the dissolution of the National Roads Safety Council in 2010 by way of LTA Decree No. 41 of 2010.

While the Authority has accounted for transactions for 2015, transactions for prior years is yet to be reflected in its financial statements.

### Sugar Industry Tribunal

Attention of the Tribunal was drawn to a sum of \$328,360 owed by Fiji Sugar Cooperation (FSC) for funds utilized by the Tribunal to finance the Near Infrared Project (NIR) which is part of the Cane Quality Project administered by Fiji Sugar Cooperation. The Tribunal utilized operating government grant to fund the project without prior approval from Ministry of Sugar.

The Tribunal has explained that it had overlooked on the need to get an approval from Ministry of Sugar when the Office had started administration of the GIS and NIR Project in 2013. The stakeholders met and decided that Tribunal's office will administer the two projects but no authority letter from Ministry of Sugar was obtained.

The Tribunal has advised that reimbursements totaling \$269,539 have been received from the Fiji Sugar Corporation in July 2017.

### Fijian Elections Office

Section 9 of the Electoral Act 2014 establishes the Fijian Elections Office as an independent office. The Fijian Election Office restructure of its financial management system is yet to be fully implemented to produce financial statements which are compliant with the International Financial Reporting Standards for Small and Medium Entities. Hence the Office has been preparing its annual financial statements on cash basis of accounting.

The Fijian Elections Office advised that it was working with the supplier of the new financial management system and would be able to provide the financial statement report as a statutory entity once the systems is implemented in August 2016.

### Fiji Higher Education Commission

The Commission collected and disclosed revenue from registration fees, annual fees and renewal of registration fees totaling \$48,850 which was deposited in the consolidated fund account of the Government. The Commission did not carry out a comprehensive survey of the institutes registered with it in 2015.

Therefore, the Commission was not in a position to determine if all institutes operating in Fiji in 2015 were registered and paid their registration fees.

## 6.3 Disclaimer of Opinion

### National Substance Abuse Advisory Council

The audit of the financial statements of the National Substance Abuse Advisory Council for the year ended 31 December 2015 resulted in the issue of a Disclaimer of Opinion.

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

The Council has agreed to improve internal controls and adopt the required financial reporting framework in 2016.

## 6.4 Other Significant Matters

The following significant matters were brought to the attention of respective entity's management. It is likely that these issues may have an impact on the operations of the entities in future, if necessary action is not taken to address them.

### 6.4.1 Airports Fiji Limited

#### Long outstanding work in progress items

Audit review of the Work in Progress (WIP) account revealed that certain items which were first included in WIP in 2013 and prior years and have not been transferred to property, plant and equipment subsequently. The major item, amounting to \$997,870 is in relation to the Nausori airport upgrade which is entirely dependent on the successful transfer of the land title to AFL.

Another major item of \$199,050 sitting in WIP is in relation to the new Savusavu terminal building. This amount was paid upfront to the contractor to start work on the project. However, no work has been done on the project to date.

AFL management has noted the audit findings and has agreed to evaluate and take necessary steps to address the issues.

#### Accounting for assets - Nadi International Airport Modernization Project

The Nadi International Airport is currently undergoing significant renovations, which commenced in October 2014. However, the company did not record disposal or write off of any items of property plant and equipment that became obsolete as a result of this project.

AFL Management indicated that they have performed an assessment of buildings, and plant and equipment which need to be disposed as a result of the demolition of the terminal building in April 2016. The total written down value of the assets to be disposed of at the end of the project was assessed by management to be \$18,069,612. Out of this \$10,339,655 was recorded as loss on demolition of terminal assets for the year ended 31 December 2015. These assets were also removed from the fixed asset register.

#### Assets with zero written down values

Included in the fixed asset register are assets with an original cost amounting to \$25 million which have been fully depreciated (zero written down values). Majority of these assets relate to plant and equipment which are still being used in the company's operations. This suggests that management's initial estimate of the useful life of these assets may not have been correct or had not been revised to take account of a revision in the estimated useful lives.

AFL Management has indicated that it has noted the comments and will see that pending issues are resolved diligently.

#### Fixed Assets Verification

Audit review of the Fixed Assets Register (FAR) noted that it is not structured in a way that would enable the company to easily identify assets belonging to a specific section of the airport by location.

Therefore the company should carry out a full asset verification exercise to identify the assets which are actually in use and assets which need to be disposed.

AFL management have maintained that the assets are sorted by asset number, cost centre, category, location and group which assists in identification. However it was agreed that an asset verification process would also be carried out.

## 6.4.2 Post Fiji Limited

### Anomalies in business engagement with an International Mail Logistic Company

Our audit noted that a mail logistics company based in Australia used the logo of Post Fiji Limited on its correspondence for their business dealings with various postal agencies around the world

Consequently, the International Postal Agencies recognised Post Fiji Limited as the sender of all the international mails sent by the logistics company. Audit further noted that Post Fiji Limited is invoiced by the International Postal Agencies around the world who do business with the logistic company. In addition, under the Universal Postal Union Agreement, Post Fiji has a legal obligation to pay the International Postal Agencies and thus honor this agreement by paying the invoice amount.

To recover its costs, Post Fiji Limited invoices the logistic company for the amount it pays plus a percentage mark-up.

We carried out a review of the above arrangement and noted the following anomalies:

- There was no agreement between Post Fiji Limited and the mail logistic company for the use of company's logo;
- There was no Board resolution on the approval of use of company's logo by the mail logistic company; and
- As at 31 December 2015, the logistic company owed Post Fiji Limited a sum of \$4,637,730.37 or 44% of the company's total receivable balance. In addition, the sum of \$3,501,005.21 owed by this company has been outstanding for more than 120 days.

In absence of a contract agreement and board approval, Post Fiji Limited is faced with significant reputation risk should the mail logistic company fail operate lawfully and ethically. In addition, Post Fiji Limited is exposed to costs for which recoverability is uncertain.

Post Fiji Limited has explained that it is currently verifying the issues that have been raised to ascertain the legitimacy of their claims and will respond back to the logistic company once these checks are done. In addition, the logistic company has ceased using Post Fiji Limited as from March 2016 for this business after it took a more aggressive approach towards their debt collection.

However, Post Fiji Limited will continue to pursue the outstanding debt with the logistic company.

### Insufficient number of Board Members

Sufficient number of board members with the required mix of skills, expertise and knowledge will provide the skills and experience necessary for the Board of Post Fiji Limited to operate efficiently and effectively and ensure effective decision-making and oversight.

The audit noted that currently the company's Board is currently comprised of only two members which is not sufficient for good corporate governance.

There is a high possibility that not having sufficient number of board members is preventing the Board from effectively exercising its roles and responsibilities.

Post Fiji Limited management has informed that the Board Chairman has also highlighted to the Ministry for the size of the board to be increased.

### 6.4.3 Fiji Electricity Authority

Property, plant and equipment form the most significant component of the Authority's statement of financial position with an aggregate written down value of \$1,029,748,000 as at 31 December 2015.

Our review of the Authority's fixed assets schedules/registers indicated that physical verification of all property, plant and equipment was not carried out during the year. Also, reports on verifications performed at certain locations were not available for audit review and verification.

FEA management has agreed to undertake physical verification of fixed assets via an asset count and tagging of these assets.

#### 6.4.4 Fiji Broadcasting Corporation Limited

##### Impairment Assessment of Plant and Equipment

As per the requirements of International Financial Reporting Standards (IFRSs), assets should be assessed for indicators of impairment. If the indicators exist, an assessment should be undertaken to determine if the value of the asset is impaired.

Our audit noted that FBCL did not carry out an assessment for impairment of its plant and equipment in 2015. There was no documentation of impairment that had been prepared to support the carrying value of the Corporation's network equipment.

We further noted that the digitization of network is expected to occur by 2020 and management changed the depreciation rates relating to analog network equipment from 20% to 6.67% to ensure that these assets are fully depreciated by 2020. However, later management re-evaluated these assets and identified an adjustment of \$78,927 in the current period to ensure that the assets are fully depreciated at 6.67% by 2020.

FBCL management has advised that planning works and first phase of testing for the digital TV project is now complete. This project is managed by Ministry of Communications through Walesi Ltd which will also take over all the transmission works of all broadcasters including FBC for an annual management fee. Following this, all faults as well as transmission and repairs and maintenance works will be handled by Walesi Ltd.

After thorough assessment of fixed assets, list of equipment that will be transferred from FBCL to Walesi Ltd at an agreed price has been presented to the board of FBCL and the project management team hired by Walesi Ltd. A decision on this transfer is expected to be made soon.

The Corporation has further indicated that analog equipment will still be used simultaneously as a backup until digital is fully functional and used up to the switch over time.

#### 6.4.5 Fiji Roads Authority

##### Discrepancies in accounting of fixed assets

Property, plant and equipment was valued (WDV) at \$8.7 billion as at 31 December 2015.

Our audit noted that the Authority does not carry out reconciliations to reconcile the written-down value of donated assets to the amortized value of deferred income. Consequently, deferred income reconciliation recorded for donated assets are not adjusted on a timely basis for revaluation and disposal of donated assets.

In addition to the above, the Fixed Asset Register (FAR) has not been updated to record the revaluation performed for property, plant and equipment.

FRA management while noting the audit issues has advised that it is in the process of getting a new ERP system and asset management system which will enable recording of fixed assets in an automated system instead of recording the FRA assets in MS Excel version.

#### 6.4.6 Copra Millers of Fiji Limited (CMFL)

##### Fixed assets not properly accounted

Our review of property, plant and equipment revealed the following anomalies:

- Property, plant and equipment were not properly grouped into classes of assets. For instance, laptops, fax machines, and computers are office equipment but were classified and recorded under Furniture and Fittings;
- Impairment assessment of property, plant and equipment was not carried out. A number of assets had negative written down values in the Fixed Assets Register; and
- Major renovations and alterations to existing buildings were separately recorded instead of being added to the cost of existing assets;

CMFL management has agreed to take appropriate action to address the audit issues.

### 6.4.7 Maritime Safety Authority of Fiji

#### Underutilization of capital grants/no board

Our audit noted that capital grants disbursed by Government for various purposes such as construction of light houses and purchase of lanterns were underutilized in 2015. Of the \$3 million received, only 15% was utilized as at 31 December 2015 leaving a balance of \$2.5 million as unutilized. In addition, a board is yet to be appointed to manage the affairs of the Authority.

MSAF management indicated that in 2015 it underwent a transitional period in the appointment of the MSAF Board and changes in management.

Minor capital works less than \$50,000 were undertaken whilst MSAF was in consultation with the Ministry of Infrastructure and Transport for the appointment of the MSAF Board. Major capital works were put on hold and have been carried forward into the new financial year in 2016 before Government's directive of the new financial year from June 2016 to May 2017.

The Permanent Secretary for the Ministry of Infrastructure and Transport has taken over the responsibility to act in the absence of MSAF Board and approve the relevant projects. This has resulted in commencement of pending projects and utilization of funds in 2016/2017.

#### Marine Spill Pollution Advisory Committee not established

Section 155 of the Maritime Transport Decree 2013 establishes the Marine Spill Pollution Advisory Committee, to give advice to the Authority on the following matters-

- (a) the National Marine Spill Response Strategy;
- (b) the fixing of oil pollution levies imposed under this Decree;
- (c) the use of the National Oil Pollution Pool; and
- (d) Any other matters related to marine spills that the Minister may from time to time specify by notice in writing to the committee.

The Committee shall consist of a Chairperson, the Chief Executive Officer, and such other persons, appointed by the Minister.<sup>3</sup>

The Authority collects environmental levy for the purpose of generating fund for the provision of containment equipment and response and training to react to any incidents of actual or potential threat to the marine environment. As at 31 December 2015, more than \$1.5 million has been deposited in the Environmental Levy bank account and \$4 million invested as term deposits.

Our audit noted that the Marine Spill Pollution Advisory Committee has not been established as required by the Marine Transport Decree and the Marine (Pollution Levy) Regulation. In the absence of the Marine Spill Pollution Advisory Committee, environment/pollution levy collected will remain unutilized.

MSAF has advised that the process to appoint the Marine Spill Pollution Advisory Committee is in consultation with the Ministry of Infrastructure and Transport.

In terms of the utilization of the Pollution Levy, any utilization of the funds has been accordance to Section 201 of the Maritime Transport Decree 2013 [MTD].

<sup>3</sup> Marine (Pollution Levy) Regulations 2014 Section 156

The Chief Executive Officer and Permanent Secretary responsible for Transport will continue to provide professional and technical advice to the Hon Minister in consultation when the need arises to utilize funds from the Pollution Levy as specified in the MTD.

## 6.4.8 Public Rental Board

### Rental flats not insured

In determining the rent charged for the Board flats, the costs related to its construction, maintenance, insurance, interest on capital and administration costs are included. As at 31 December 2015, net book value of building (flats) given on rent and community halls totaled \$4.69 million.

Our audit noted that some rental properties and community halls were not insured due to the inability of the Board to cater for the insurance premiums.

PRB management advised that the matter has been discussed with the Board of Directors. In 2014, the Board approved a resolution to insure all new constructions for fire going forward. This has been done at Raiwai and will be rolled out to other new projects currently in progress at Kalabu, Savusavu and Simla which is expected to commence construction later in 2016.

The Board of Directors also approved a resolution not to insure old properties given the expensive insurance premium and there being no incidence of fire in the past few years

### Review of Property, Plant and Equipment

Our audit noted the following anomalies in property, plant and equipment:

- There was no evidence to indicate that the Board carried out an assessment for impairment of its assets. Assets totaling \$8.15 million had zero written down value recorded in the Fixed Asset Register although these assets were still used for Board's activities; and
- Buildings (Raiwai Project 1997) valued at \$142,744 was recorded under property, plant and equipment although the buildings have been demolished.

PRB management has agreed that annual review of the property, plant and equipment would be carried out annually for impairment assessment

## 6.4.9 Water Authority of Fiji

### High provision for water and sewerage rates debtors

It is important that the Authority exhaust all avenues for collection of water and sewerage rates prior to writing off the bad debts.

Our audit noted that the Authority's provision for rates debtors is 70% of the total water and sewerage rates debtors which is significant and indicates that the Authority may not be in a position to recover the debts from its customers. Refer to table below for details.

Account	2015 \$	2014 \$	Change \$
Gross Trade receivables	34,297,130	32,424,030	1,873,100
Provision for doubtful debts	24,068,436	22,391,604	1,676,832

Eventually these debts could become bad resulting in write-offs and eventual loss of revenue to government.

WAF management has advised that the following measures have been put into place to avoid accumulation of debts for water and sewerage charges:

- Establishment of a special Debt Management Team to focus on recovery of large arrears. The team will identify debtor issues, establish contact with the debtor and discuss available repayment avenue to resolve the issues;
- A new process is in place whereby all disputing customers are required to clear all their debts whilst investigation is undertaken. In the event the customer's claim are valid, an appropriate credit would be passed to customer's account;
- Disconnection of meters for accounts in arrears is now scheduled more promptly as disconnection is the most effective way to enforce payment of debt;
- Accounts with large debt balances have been allowed to make payment arrangements to ease the financial burden. Accounts with balance over \$100 will be allowed to make payment arrangements. Failure to adhere to the agreed repayment schedule will result in disconnection;
- WAF plans to purchase 16,000 new meters in 2017 to replace faulty meters. This will reduce the incidents of estimate bills, incorrect estimate billing and refusal to pay estimates. Meter replacement will be an ongoing program as meters are expected to have a useful life of about 15 years;
- Proper identification and contact information will be obtained from customers and uploaded on the system to facilitate debt follow-up;
- WAF has established a new billing system GNTREK to facilitate efficient billing of customers, better monitoring of debts and follow-up on arrears;
- For new customers registered in the new billing system the TIN number is used as the primary identity. Hence, customers relocating to new residence, the meters are plugged off from the former site and arrears is moved to the new account in the new location; and
- Lease agreements to be formalised between WAF and landowners whereby WAF would pay lease rentals to landowners for water source utilized whilst landowners would be required to pay water rates. Alternatively, WAF and landowners can agree to provision of certain quantity of free water. However, the terms and conditions should be clearly specified in the formal agreement.

### Authority's plant and equipment not insured

Our audit noted that significant assets included as part of property, plant and equipment and in particular forming part of the Authority's water and distribution equipment were not insured.

In absence of insurance cover on the significant PPE there is increased risk of loss of Authority's cash flow for restoration works resulting from any natural disasters.

WAF management has advised that from 2013 to 2014, the Authority's ISR- material policy did not fully cover assets, the sum insured was \$4.1m on specific locations even though the carrying amount of WAF's assets for the same period was approximately \$1.8b.

In addition, the standard provisions of the ISR cover includes a general average clause that is not beneficial to WAF as it takes into account the ratio of sum insured against the true value of the assets covered. Hence, any claims lodged on loss incurred on covered assets would have been far less than the real costs of loss incurred under the policy. This cover was amended since 2015 as insurer required an updated valuation to be done on WAF's assets.

In 2017, a valuation has been requested by the Board to be done on WAF's critical assets to facilitate necessary cover.

#### 6.4.10 Fiji Development Bank (FDB)

##### Allocation of provision on loan accounts

Our review of the provision for loan accounts indicated that the bank maintains a sum of \$16.9million as an “unallocated specific account” to cover under provision in specific account balance which is consistent from prior year. As a result, excess provision was noted which was adjusted.

Excess provision to account balances may lead to potential understatement of loans and advances balances.

FDB management have indicated that the bank follows RBF provisioning guidelines. However, the bank has agreed to consider re-allocating provision from the unallocated general ledger to specific accounts.

##### Customer credit risk rating did not agree to loan risk grades

Our audit noted that the Customer Credit Risk rating of a large number of loan accounts did not agree to the loan risk grade.

Incorrect Customer Credit Risk rating and loan risk grades can lead to incorrect provisioning of loan accounts.

FDB management have indicated that they are currently working on automation to address the issue and will try to implement this at the earliest.

##### Deficiencies in loans and advances process control

Our audit indicated that outdated valuation reports were maintained in loan files and a number of loan application forms were not placed in the file.

FDB management while agreeing with the audit finding have indicated that they would continue to strengthen compliance initiative as part of its audit compliance culture.

#### 6.4.11 Fiji Development Bank Nominees Ltd

##### Management services provided without valid contract

Our audit noted that FDB Nominees Ltd (FDBNL) has been providing management services to Fiji Investment Corporation Limited (FICL) since August 2013 without a valid contract.

In addition, a sum of \$373,750 which was owed by FICL under a contract it had with FDB Nominees Ltd for the period 2010 to August 2013 was yet to be paid.

FDBNL management has advised that since the expiry of the Management Agreement, it has been managing FICL in good faith and also that company is owing it debt. FDBNL has also reviewed and submitted a revised Management Agreement to Ministry of Industry, Trade and Tourism on 14 April 2015. No formal response has been received since.

#### 6.4.12 Housing Authority of Fiji

##### No policy on inventory provisioning

There is no formal policy or guidelines on the calculation of provisions for inventory by the Authority.

Housing Authority management has indicated it will submit a draft policy to the Board for approval.

### 6.4.13 Film Fiji

#### Assets with zero written-down values

Our audit noted that majority of office equipment used by the Film Fiji have been fully depreciated and have zero written down values in the Fixed Assets Register. The useful lives of these assets were not re-assessed as at 31 December 2015.

Film Fiji management has indicated that policies relating to Property, Plant and Equipment would be reviewed to ensure compliance with the relevant legislation and accounting standards.

#### 6.4.14 Sugar Industry Tribunal

##### Issues relating to fixed assets

Our audit revealed that the following issues highlighted in prior years were yet to be addressed:

- Fully depreciated with zero written down value are still in use by the Tribunal. Useful lives of these assets have not been revised to ensure proper accounting of the assets; and
- Annual survey of fixed assets has not been carried out to determine their physical existence and use.

The Tribunal has agreed to take corrective action on the issues highlighted.

#### 6.4.15 Fiji Higher Education Commission

##### General control deficiencies

Our audit noted control deficiencies in the following areas:

- Processing of payments
- Procurement of goods and services
- Processing of bonus payments and salary increments to staffs
- Processing of payroll and accountable advances
- Cash receipting and banking

The Commission has agreed to take appropriate corrective action to address the anomalies.

## 7.0 Assessment of Internal Controls

### 7.1 Auditing internal controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

### 7.2 Internal controls

Internal controls are categorized against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

*Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.*

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analyzing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

*Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.*

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technology environment.

*Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.*

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

*Examples of issues which would fall under this category are reporting to boards and line ministries of entities on matters relating to internal controls*

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

*Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.*

A deficiency occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A significant deficiency is a deficiency that either or alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

The following table outlines the rating we have used to assess internal controls:

Rating	Internal control assessment
• Effective	No deficiencies identified in internal controls
• Generally effective	Deficiencies identified in internal controls
• Ineffective	Significant deficiencies identified in internal controls

### 7.3 Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the number of audit adjustments made to the first draft of financial statements and the impact these adjustments had on the operating results or net assets of the entity subject to our audit.

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required
● Generally effective	Adjustments on operating results/net assets were less than five percent
● Ineffective	Adjustments on operating results/net assets were more than five percent

### 7.4 Timeliness of draft financial statements for entities

To assess the timeliness of draft acceptable financial statements, we have compared the date the draft financial statements were received for audit after allowing for at least 30 days before the legislative deadlines for our audit.

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received within 60 days before legislative deadline
● Generally effective	Acceptable draft financial statements received within 30 days before legislative deadline
● Ineffective	Acceptable draft financial statements received less than 30 days before legislative deadline

## 8.0 Results summary

The following table summarizes our assessment of controls and the 2015 financial statement preparing processes across the entities which were audited.

Entity	Internal controls					Financial Statement Preparation	
	CE	RA	CA	IC	MA	T	Q
<b>Government Commercial Companies</b>							
1. Airports Fiji Limited	●	●	●	●	●	●	●
2. Fiji Broadcasting Corporation Limited	●	●	●	●	●	●	●
3. Fiji Public Trustee Corporation Limited	●	●	●	●	●	●	●
4. Post Fiji Limited	●	●	●	●	●	●	●
5. Unit Trust of Fiji (Management) Limited	●	●	●	●	●	●	●
<b>Commercial Statutory Authorities</b>							
1. Fiji Electricity Authority	●	●	●	●	●	●	●
2. Public Rental Board	●	●	●	●	●	●	●
3. Housing Authority	●	●	●	●	●	●	●
<b>Re-organized entities</b>							
1. Maritime Safety Authority of Fiji	●	●	●	●	●	●	●
2. Water Authority of Fiji	●	●	●	●	●	●	●
<b>Majority-owned entities</b>							
1. Copra Millers of Fiji Limited	●	●	●	●	●	●	●
2. Pacific Fishing Company Limited	●	●	●	●	●	●	●
<b>Other entities</b>							
1. Fiji Development Bank Nominees Limited	●	●	●	●	●	●	●
2. Fiji Development Bank	●	●	●	●	●	●	●
<b>Statutory Authorities</b>							
1. Fiji Roads Authority	●	●	●	●	●	●	●
2. Land Transport Authority	●	●	●	●	●	●	●
3. Fiji Revenue & Customs Service	●	●	●	●	●	●	●
4. Fiji Sports Council	●	●	●	●	●	●	●
5. Civil Aviation Authority of Fiji	●	●	●	●	●	●	●
6. Fiji Independent Commission against Corruption*	●	●	●	●	●	●	●
7. Fijian Competition & Commerce Commission	●	●	●	●	●	●	●
8. Sugar Industry Tribunal	●	●	●	●	●	●	●
9. Investment Fiji	●	●	●	●	●	●	●
10. Film Fiji	●	●	●	●	●	●	●
11. Consumer Council of Fiji	●	●	●	●	●	●	●
12. National Substance Abuse Advisory Council	●	●	●	●	●	●	●

Entity	Internal controls					Financial Statement Preparation	
13. Fiji National Sports Commission	★	★	★	★	★	★	★
14. Fijian Elections Office*	★	★	★	★	★	★	★
15. Fiji Higher Education Commission	★	★	★	★	★	★	★

CE=Control Environment      RA=Risk Assessment      CA=Control Activities  
 IC=Information and Communication Control      MA=Monitoring Activities  
 T=Timeliness of draft financial statements      Q=Quality of draft financial statements  
 \* Independent Commissions

## Appendix A: Audits not complete as at 31 October 2017

Entity	Year Last Audited				Comments
	Prior 2011	2012	2013	2014	
<b>Government Commercial Companies<sup>4</sup></b>					
1. Rewa Rice Limited			✓		2014-2015 audit being finalized
2. Viti Corporation Limited	✓				Amended draft financial statements for 2007-2011 resubmitted 27/10/17. Audits are being finalized.
3. Yaqara Pastoral Limited				✓	2015 audit is in progress. However, progress of the audit is hindered by the delay in the provision of required accounting records by the company.
4. Food Processors Fiji Limited	✓				2009 accounts yet to be received
<b>Commercial Statutory Authorities</b>					
1. Fiji Meat Industry Board				✓	2015 & 2016 audits being finalized
<b>Re-organized entities</b>					
1. Biosecurity Authority of Fiji		✓			BAF is yet to resubmit the amended 2013 financial statements for finalization and 2014-2015 financial statements for audit.
<b>Statutory Authorities</b>					
1. Tourism Fiji			✓		The 2014 Draft FS received on 01/08/17 and the audit is being finalized.
2. National Fire Authority			✓		2014 accounts yet to be received
3. Agricultural Marketing Authority	✓				2010 accounts yet to be received

<sup>4</sup> Assets Fiji Limited declared as Re-organized Enterprise with effect from 13/11/2015

Entity	Year Last Audited				Comments
	Prior 2011	2012	2013	2014	
4. I-Taukei Affairs Board	✓				2003-2004 audit being finalized
5. Fiji Servicemen's After-care Fund				✓	2015 accounts yet to be received.
6. Real Estate Agents Board		✓			2013-2015 accounts yet to be received
7. Fiji Rights Commission	✓				2008 – 2015 accounts yet to be received
8. Independent Legal Services Commission			✓		2014-2015 audit being finalized
9. Telecommunication Authority of Fiji				✓	2015 accounts yet to be received
10. Fiji Arts Council	✓				2004 – 2015 accounts yet to be received
11. Fiji Medical & Dental Secretariat				✓	2015 account received on 26/9/17
12. National Food & Nutrition Centre				✓	2015 account received on 29/9/17
13. Fiji National Council for Disabled Persons				✓	2016 account received on 5/9/17

## Appendix B: Audit Opinion Results

The following tables present the results of our audit of 2015 financial statement for state-owned entities. The results have been summarized into government commercial companies, commercial statutory entities, re-organized entities, majority-owned and other entities, and statutory authorities.

### Government Commercial Companies

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Airports Fiji Limited	30 April 2016	20 June 2016	Unmodified
2. Fiji Broadcasting Corporation Limited	30 April 2016	6 May 2016	Modified
3. Fiji Public Trustee Corporation Limited	30 April 2016	26 April 2016	Unmodified
4. Post Fiji Limited	30 April 2016	18 May 2016	Modified
5. Unit Trust of Fiji (Management) Limited	30 April 2016	6 May 2016	Unmodified

### Commercial Statutory Authorities

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Fiji Electricity Authority	30 April 2016	29 April 2016	Unmodified
2. Public Rental Board	30 April 2016	4 July 2016	Modified
3. Housing Authority	30 April 2016	30 December 2016	Unmodified

### Re-organized Entities

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Maritime Safety Authority of Fiji	30 April 2016	1 June 2017	Modified
2. Water Authority of Fiji	30 June 2016	26 September 2017	Modified

### Majority-owned Entities

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Copra Millers of Fiji Limited	30 April 2016	28 May 2016	Unmodified
2. Pacific Fishing Company Limited	30 April 2016	19 May 2016	Unmodified

## Other Entities

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Fiji Development Bank Nominees Limited	31 October 2015	27 October 2015	Unmodified
2. Fiji Development Bank	31 October 2015	2 November 2015	Unmodified

## Statutory Authorities

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Fiji Roads Authority	30 April 2016	24 January 2017	Unmodified
2. Land Transport Authority	31 May 2016	20 December 2016	Unmodified
3. Fiji Revenue & Customs Service	30 April 2016	5 May 2016	Unmodified
4. Fiji Sports Council	30 June 2016	21 December 2016	Unmodified
5. Civil Aviation Authority of Fiji	30 June 2016	20 July 2016	Unmodified
6. Fiji Independent Commission against Corruption	31 March 2016	12 April 2016	Unmodified
7. Fijian Competition & Commerce Commission	30 April 2016	24 May 2016	Unmodified
8. Sugar Industry Tribunal	As soon as possible after end of financial year	19 May 2017	Unmodified
9. Investment Fiji	30 June 2016	10 May 2016	Unmodified
10. Film Fiji	30 June 2016	1 May 2017	Unmodified
11. Consumer Council of Fiji	As soon as possible after end of financial year	20 June 2016	Unmodified
12. National Substance Abuse Advisory Council	As soon as possible after end of financial year	21 October 2016	Disclaimer of Opinion
13. Fiji National Sports Commission	No later than end of next financial year	23 June 2016	Unmodified
14. Fijian Elections Office	As soon as possible after end of financial year		Unmodified

15. Fiji Higher Education Commission	30 June 2016	5 July 2017	Unmodified
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## Appendix C: Entities not subject to audit by the Auditor-General

Entity	Audit requirement	Audited by/Comments
1. Fiji Pine Limited	As per Companies Act	-
2. Fiji Sugar Corporation	As per Companies Act	Chartered Accounting firm, BDO appointed auditor
3. Fiji Airways	As per Companies Act	Chartered Accounting firm, PWC appointed auditor
4. Air Terminal Services	As per Companies Act	-
5. Fiji Ships & Heavy Industries Ltd	Auditor-General	<ul style="list-style-type: none"> <li>Auditor-General last audited 2014 financial statements.</li> <li>Declared as Re-organized Enterprise with effect from 13 November 2015</li> </ul>
6. Fiji Ports Corporation Limited	Auditor-General	<ul style="list-style-type: none"> <li>Auditor-General last audited 2014 financial statements.</li> <li>Declared as Re-organized Enterprise with effect from 13 November 2015</li> </ul>
7. Fiji Hardwood Corporation Limited	Auditor-General	<ul style="list-style-type: none"> <li>FHCL 2008 financial statements audited by OAG.</li> <li>On 21 March 2016, FHCL Board appointed CA firm Ernst &amp; Young to audit the financial statements for 2009-2016.</li> </ul>
8. National Centre Micro-Finance	Auditor-General or any other independent auditor appointed by the Board	<ul style="list-style-type: none"> <li>Aliz Pacific appointed as auditors for 2010-2015 financial statements.</li> </ul>
9. National Trust of Fiji	Auditor-General or such other auditor approved in that behalf by the Minister responsible for finance.	<p>Auditor appointed by Trust as follows:</p> <ul style="list-style-type: none"> <li>2006-2007 RP Singh &amp; Company</li> <li>2008-2009 HN Pande &amp; Company</li> <li>2011-2013 I Naiveli &amp; Company</li> </ul>

Entity	Audit requirement	Audited by/Comments
		<ul style="list-style-type: none"> <li>• 2014-2016 HN Pande &amp; Company</li> </ul>
10. Fiji Museum	Auditor appointed by the Minister of Education under Fiji Museum Act.	<ul style="list-style-type: none"> <li>• Ernst &amp; Young appointed as auditor for 2005-2009 financial statements</li> <li>• 2010-2015 financial statements yet to be audited</li> </ul>
11. Tertiary Scholarship and Loans Board	<p>In accordance with the Audit Act (Cap. 70) and the Financial Management Act 2004;</p> <p>(b) by an independent auditor appointed by the Minister; or</p> <p>(c) by an independent auditor as so directed by the Minister for Finance.</p>	<ul style="list-style-type: none"> <li>• KPMG appointed as auditors for 2014-2017 financial statements.</li> </ul>

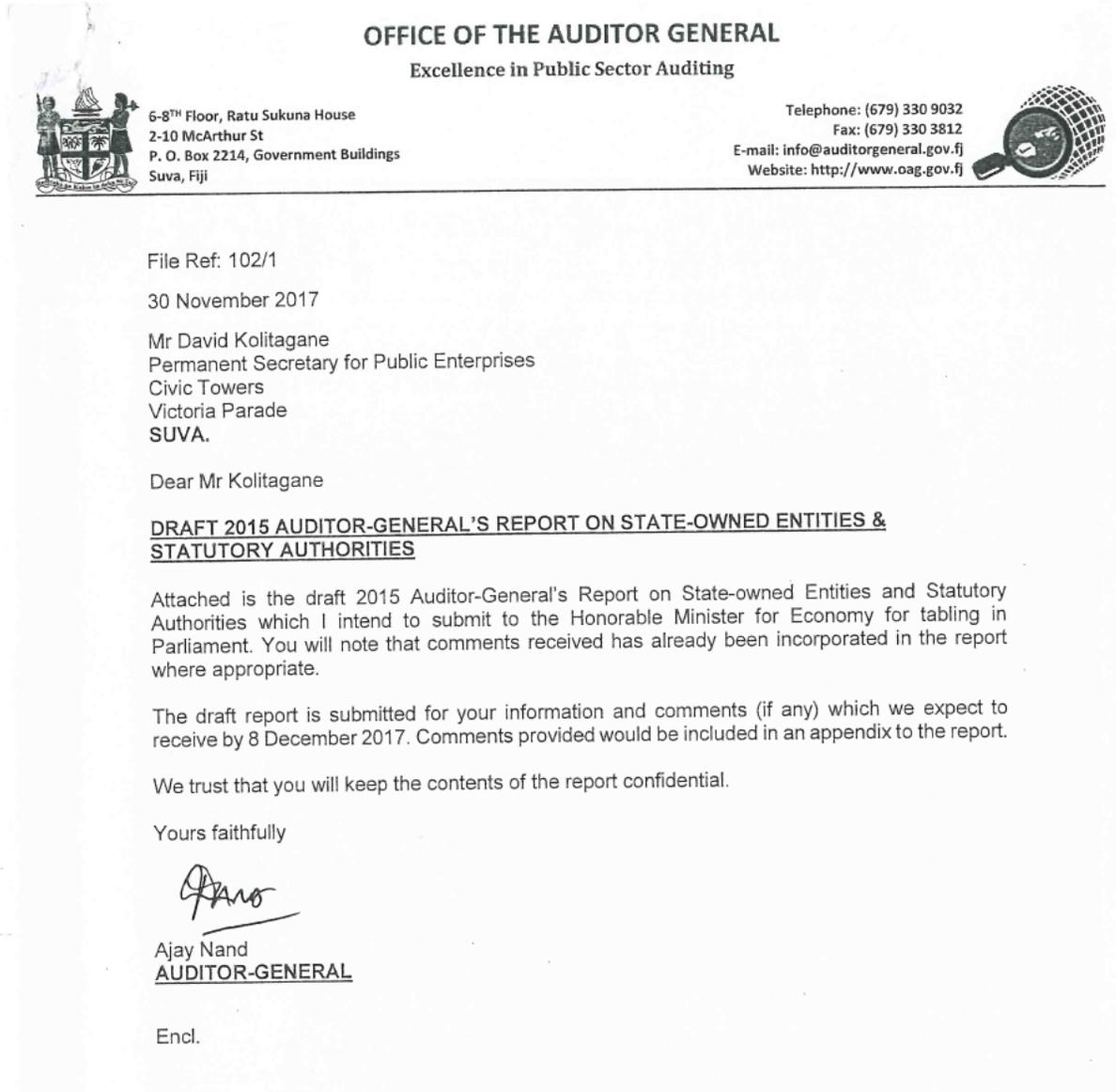
## Appendix D: Responses from entities

We provided a copy of this report to the Permanent Secretary for Public Enterprises for comments. In addition, we provided sections of the report to the following:

Entity	Line Ministry
1. Agriculture Marketing Authority	Ministry of Agriculture
2. Fiji Arts Council	Ministry of Education
3. Fiji Higher Education Commission	Ministry of Education
4. Human Rights & Anti-Discrimination Commission	Attorney General's Office
5. Fiji Medical & Dental Secretariat	Ministry of Health
6. Fiji National Council for Disabled Persons	Ministry of Social Welfare, Women & Poverty Alleviation
7. Fiji Servicemen's After-care Fund	Ministry of Economy
8. Fijian Elections Office	Independent
9. Film Fiji	Ministry of Industry ,Trade and Tourism
10. Independent Legal Services Commission	Attorney General's Office
11. I-Taukei Affairs Board	Ministry of i-Taukei Affairs
12. Land Transport Authority	Ministry of Infrastructure and Transport
13. National Fire Authority National Fire Authority	Ministry of Local Government, Housing & Environment
14. National Food & Nutrition Centre	Ministry of Education
15. National Substance Abuse Advisory Council	Ministry of Education
16. Real Estate Agents Board	Ministry of Industry , Trade and Tourism
17. Sugar Industry Tribunal	Ministry of Sugar
18. Telecommunication Authority of Fiji	Ministry of Communications and Information Technology
19. Tourism Fiji	Ministry of Industry ,Trade and Tourism

The heads of these agencies are responsible for the accuracy, fairness, and balance of their comments.

Sample letters sent



**OFFICE OF THE AUDITOR GENERAL**

Excellence in Public Sector Auditing



6-8<sup>th</sup> Floor, Ratu Sukuna House  
2-10 McArthur St  
P. O. Box 2214, Government Buildings  
Suva, Fiji

Telephone: (679) 330 9032  
Fax: (679) 330 3812  
E-mail: [info@auditorgeneral.gov.fj](mailto:info@auditorgeneral.gov.fj)  
Website: <http://www.oag.gov.fj>



File: 1296

**INCONFIDENCE**

30 November 2017

Mr Setareki Tale  
The Executive Chairman  
Agricultural Marketing Authority  
PO Box 3504  
**NAUSORI**

Dear Mr. Tale

**EXTRACT FROM DRAFT 2015 AUDITOR-GENERAL'S REPORT ON STATE-OWNED ENTITIES & STATUTORY AUTHORITIES**

Attached is an extract from the draft 2015 Auditor-General's Report on State-owned Entities and Statutory Authorities for Agricultural Marketing Authority which I intend to submit to the Honorable Minister for Economy for tabling in Parliament. You will note that comments received has already been incorporated in the report where appropriate.

The extract from the draft report is submitted for your information and comments (if any) which we expect to receive by 8 December 2017. Comments provided would be included in an appendix to the report.

Comments from the line Ministry (copied) will also be appreciated.

We trust that you will keep the contents of the report confidential.

Yours faithfully

Ajay Nand  
**AUDITOR-GENERAL**

Encl.  
cc. The Permanent Secretary Ministry of Agriculture

**INCONFIDENCE**

Responses from entities



**Fiji Medical & Dental Secretariat**

1 Brown St, Suva | P O Box 18914, Suva | Ph. +679 3303647 | www.fijimdc.com

8 December 2017

**MR AJAY NAND**  
Auditor General  
Office of the Auditor General  
8th floor Ratu Sukuna House  
Suva



- HAND DELIVERY -

- CONFIDENTIAL & PRIVILEGED -

Dear Mr Nand

**RE: EXTRACT FROM DRAFT 2015 AUDITOR-GENERAL'S REPORT ON STATE-OWNED ENTITIES & STATUTORY AUTHORITIES**

- [1] I refer to your correspondence of 30 November 2017 on the above matter and appreciate the opportunity to respond.
- [2] The Fiji Medical & Dental Secretariat was established under the Medical and Dental Practitioner Act 2010. The Act came into force on 1 March 2010.
- [3] In 2010 there were limited financial activities as the Secretariat was being set up.
- [4] The Auditor General's Office has audited our Accounts since 2010 to 2014. Attached please find letters to this effect for your ease of reference.
- [5] We were ready with our 2015 accounts early this year. But our Accountant had a difficult pregnancy and came back from leave in June. Since then we have asked your good office to Audit us from 2015 onwards.
- [6] As you would know that we are a very small office comprising of one Accounts person only. We could not secure the services of another Accountant during her leave.
- [7] Your office has scheduled our 2015 audit for February 2018 and thereon we will endeavour to audit the 2016 and 2017 books as well.
- [8] I do apologise for any inconvenience caused and reassure you that getting the Accounts audited is one of our major priorities.

Sincerely

Dharmesh B Prasad [db@fijimdc.com](mailto:db@fijimdc.com)  
CHIEF EXECUTIVE OFFICER & REGISTRAR

Enc.

cc Mr Philip Davies – Permanent Secretary for Health & Medical Services

## TELECOMMUNICATIONS AUTHORITY OF FIJI

Level 1, 76 Gordon Street, Suva. P.O Box 13413, Suva, Fiji Island  
Phone: (679) 3310105 Fax: (679) 3310110 [www.taf.org.fj](http://www.taf.org.fj) email: [contact@taf.org.fj](mailto:contact@taf.org.fj)

8 December 2017

The Auditor General  
6<sup>th</sup>-8<sup>th</sup> Floor Ratu Sukuna House  
2-10 McArthur Street  
P.O Box 2214 Government Buildings  
Suva



Dear Sir,

**RE: Response on your report on Telecommunications Authority of Fiji**

1. We refer to and thank you for your letter dated 30<sup>th</sup> November 2017.
2. We wish to report that TAF has submitted its 2015 and 2016 financial report to your office on 23/11/2017.

Yours sincerely



Tevita Navila  
*for Telecommunications Authority of Fiji*



## Fiji Higher Education Commission

Level 1 Red Cross Building | 22 Garrie Street | Suva | Postal: P. O. Box 2583, Government Buildings, Suva  
Phone: 3100031/7730084/8358165 | Email: fhcc@fhcc.org.fj | Website: www.fhcc.org.fj

*'Building together on educated and globally competitive Fiji'*

07 December 2017

Auditor General  
Office of the Auditor General  
P O Box 2214  
Government Buildings  
**SUVA**



**Attention: Abele Saunivalu**

Dear Sir,

**Re: EXTRACT FROM DRAFT 2015 AUDITOR GENERAL'S REPORT ON STATE-OWNED ENTITIES & STATUORY AUTHORITIES**

We write to acknowledge the receipt of your letter dated 30 November 2017 (File Ref: 1359) with reference to the abovementioned subject. Please find below our comments corresponding with respective to the points of the draft auditor's report to the Parliament highlighted in your abovementioned letter:

**6.2 of the draft report**

The commission is in the process of developing a register of all listed institution with applicable fees and their due date. This will enable us to monitor the collection of fees from the institution.

**6.4 of the draft report**

The Commission has approved its very first finance policy on 26<sup>th</sup> October 2017, in efforts address the internal control deficiencies noted during the audit process.

If you have any queries, please feel free to contact us on [linda.aumua@fhcc.org.fj](mailto:linda.aumua@fhcc.org.fj)

Yours faithfully

Mrs Linda Aumua  
Director



7 December 2017

The Auditor General

P O Box 2214

Government Buildings

Suva

Dear Sir,



**Extract from Draft Auditor General Report on State Owned Entities and Statutory Authorities .**

Your letter of 30 November 2017 refers.

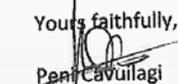
We refer to your letter referenced above and our visit to your office early this year and wish to inform that we have now updated all the accounts from 2004 – and up to July 2016 the end of the government mini financial year of 2016 (ie 1/1/16 -31/7/16)

Our meeting at your Office on the 21 of February 2017 with your team members Ms Finau and Mohammed Moshin, we discussed on the issue of waving the audit for the period 2004 – 2014 in view of the unavailability of sources documents when the Office was relocated as well as a change in leadership. Since this was not possible, we were advised by your team to search for other means such as the Bank statements and prepare our financial statements with it in order to formalize the accounts so that the audit proper can commence from 2015

Sir, for your information we were able to locate bank statements and proceeded to update accounts from 2004 till July 2016 which is now complete and attached. As stated above the source documents that we were able to update include the period 2015 to July 2016 and are now ready for inspection.

We are now ready to discuss with you on how we can proceed with the conduct of Audit for the Fiji Arts Council for the year 2004 – July 2016. Following our discussions, we assume that this could have some bearing on your comment to the Minister of Economy as stated in your letter referred to above.

We look forward to hearing from you soon.

Yours faithfully,  
  
Peni Cavuilagi

**Director Fiji Arts Council**

CC: Permanent Secretary for Education Heritage and Arts  
Director Department of Heritage and Arts

T +679 331 1754 F +679 331 1962 E [fijiartscouncil@connect.com.fj](mailto:fijiartscouncil@connect.com.fj)  
LEVEL ONE The Fiji Centre for the Arts PO Box 2432 Government Buildings Suva

CC: Permanent Secretary for Education Heritage and Arts  
Director Department of Heritage and Arts

**Attachment**

1. Fiji Arts Council – Financial statements for year ended 31/12/2004
2. Fiji Arts Council – Financial statements for year ended 31/12/2005
3. Fiji Arts Council – Financial statements for year ended 31/12/2006
4. Fiji Arts Council – Financial statements for year ended 31/12/2007
5. Fiji Arts Council – Financial statements for year ended 31/12/2008
6. Fiji Arts Council – Financial statements for year ended 31/12/2009
7. Fiji Arts Council – Financial statements for year ended 31/12/2010
8. Fiji Arts Council – Financial statements for year ended 31/12/2011
9. Fiji Arts Council – Financial statements for year ended 31/12/2012
10. Fiji Arts Council – Financial statements for year ended 31/12/2013
11. Fiji Arts Council – Financial statements for year ended 31/12/2014
12. Fiji Arts Council – Financial statements for year ended 31/12/2015
13. Fiji Arts Council – Financial statements for year ended 31/12/2016
14. Fiji Arts Council – Financial Reports 2004- 2009
15. Fiji Arts Council – Financial Reports 2010-2016.



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**Ministry of Public Enterprises**

Level 4 Civic Tower  
Victoria Parade, Suva, Fiji  
PO Box 2278, Government  
Buildings, Suva, Fiji

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Phone: +679 331 5577  
Fax: +679 330 2060

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11 December 2017

Ref: 1.1.25

Mr. Ajay Nand  
The Auditor General  
Office of the Auditor General  
PO Box 2214  
Government Buildings  
Suva, FIJI

Dear Mr. Nand

**DRAFT 2015 AUDITOR GENERAL'S REPORT ON STATE-OWNED ENTITIES  
& STATUTORY AUTHORITIES**

Reference is made to your letter of 30 November on the above subject.  
As per your request, please find below our comments on the report:

- 1.) **Page 10 (Footnote 1):** Office of the Auditor General (OAG) to consider rephrasing this statement – "**Auditor – General no longer auditor for Fiji Hardwood Corporation Ltd**". FHCL directly outsourced the audit for 2009 to 2016 financials to external audit firms, and should be liaising with OAG for future audits.
- 2.) **Page 26: Insufficient Number of Board Members for Post Fiji-** This issue has been sorted out by the Ministry as the Post Fiji Board now has 4 Directors (including the Chairman).
- 3.) Audit issues for State-Owned Enterprises (SOE) have been raised directly with the management and responses are recorded in the reports. Some SOE management have acknowledged and agreed to address the issues raised.

Please do not hesitate to contact us if you need additional information.

Thank you.

Sincerely

David Kolutagane  
**Permanent Secretary**



# SUGAR INDUSTRY TRIBUNAL

Tribunal  
Tribunal Accountant  
Industrial Commissioner

Shalend Ram Krishna (LL.B, GDLP, Notary Public) Phone :6666900/6666920  
David Veremo, DIP ED (COM), BA, CA Fax :6663520  
Timothy Brown, M.B.A, B.A - USP

8 December 2017

The Auditor General  
Office of the Auditor General  
6<sup>th</sup> – 8<sup>th</sup> Floor  
Ratu Sukuna House  
P O Box 2214  
Government Buildings  
**SUVA**

Dear Sir

**RE: EXTRACT FROM DRAFT 2015 AUDITOR-GENERAL'S REPORT ON  
STATE-OWNED ENTITIES & STATUTORY AUTHORITIES**

We refer to your letter dated 30<sup>th</sup> November 2017 which was received in our office on 7<sup>th</sup> December 2017. We request that for the 6.2 "Emphasis of Matters", the Sugar Industry Tribunal's response should be as follows:

*The Tribunal explained that the Near Infrared Project (NIR) was a collaboration between Government, the Fiji Sugar Corporation, the Sugar Cane Growers Council and the Sugar Industry Tribunal.*

*The Government allocated the sum of \$4.4 million dollars in 2013 for the purchase of assets. The Government advises the Industry that the Operating Expenses for the Project should be borne by the Industry. The Sugar Industry funding had to be drawn down from the Fiji Sugar Corporation as it was part of the Industry cost. In 2013 at the time of the audit a sum of \$328,360 was utilized by the Tribunal to finance the NIR Project which was administered by the Sugar Industry Tribunal on behalf of the Industry as the Fiji Sugar Corporation had not submitted any funds towards the project at that point in time.*

*The Tribunal has since received the sum totaling \$269,539 from Fiji Sugar Corporation in July 2017 and \$129,025 on 1<sup>st</sup> November 2017.*

*In view of the difficult financial position the Fiji Sugar Corporation was in and is in the Industry has decided to put the NIR Project on ice. All funds utilized by the Tribunal for this Project from its Operational budget have been reimbursed by the Fiji Sugar Corporation. All NIR Project assets have now been transferred to Fiji Sugar Corporation on the advice of the Permanent Secretary for Sugar.*

Sugar House, Walu Street, P.O.Box 5123, Lautoka, Fiji.

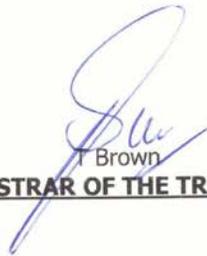
*The Tribunal's Office was not aware that it had to seek the Ministry of Sugar's approval when it used its operating budget to fund the NIR Project. At the time of audit this was pointed out by the auditors.*

*The Tribunal's Office immediately wrote to the Permanent Secretary of Sugar seeking his approval for the utilizing of funds from the Tribunal's operating budget for the NIR Project.*

*The Tribunal's office has noted the concerns raised and has since taken corrective action to ensure the same does not reoccur.*

*We agree with the comments made in 6.4.*

Yours faithfully



T. Brown

**REGISTRAR OF THE TRIBUNAL**



**Head Office**

Suite 107, Challenge Plaza, Namaka, Nadi  
P.O Box 9217, Nadi Airport, Fiji  
P: + (679) 6722433 F: + (679) 6720141  
E: [infodesk@tourismfiji.com.fj](mailto:infodesk@tourismfiji.com.fj)  
W: [www.fiji.travel](http://www.fiji.travel)

7 December 2017

Mr. Ajay Nand  
Auditor General  
Office of the Auditor General  
P O Box 2214  
Government Buildings  
SUVA

Dear Mr. Nand,

**Re: Extract from Draft 2015 Auditor-General's Report on State Owned Entities & Statutory Authorities**

Thank you for giving Tourism Fiji an opportunity to review the comments of OAG report and provide our comments as well.

Tourism Fiji has progressed in submitting Financial Reports to Office of the Auditor General to-date as follows:

**Financial Reports Submissions:**

- 2015 Financial Year report was submitted in October 2017
- 2016 Financial Year report will be submitted in December 2017

**Audits by Office of Auditor General:**

- 2014 Financial Year audit has been performed by Office of Auditor General
- 2015 & 2016 Audit has been tentatively scheduled to be completed in first quarter of 2018

Tourism Fiji is committed to completing all pending financial year annual accounts at our earliest and have been meeting your deadlines accordingly.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Matthew Stoeckel".

Matthew Stoeckel  
Chief Executive Officer





Ground Floor, Civic House, New Town Hall Road, GPO Box 18080, Suva, Fiji  
Telephone: (679) 330 6662 / (679) 773 6662 | Facsimile: (679) 331 4662 | Email: info@film-fiji.com.fj | Website: www.film-fiji.com

06 December 2017

Mr Ajay Nand  
Auditor General  
Office of the Auditor-General  
8<sup>th</sup> Floor, Sukuna House  
PO Box 2214  
Government Buildings  
SUVA



Dear Mr Nand,

Re: **DRAFT 2015 AUDITOR-GENERAL'S REPORT ON STATE-OWNED ENTITIES & STATUTORY AUTHORITIES**

We refer to your letter dated 5 December 2017 on the above and wish to submit further comments as follows:

In its meeting on 27<sup>th</sup> September 2017, the Film Fiji Board had authorized the writing off and disposal of assets which were either unserviceable or had zero book value. The list attached provides detail of these items.

Yours sincerely

-----  
Dallas Foon  
**CHIEF EXECUTIVE**

Encl.



**COMMITTEE OF MANAGEMENT**

*Fiji Servicemen's After-Care Fund*  
P.O. Box 2527 Government Buildings  
Suva, Fiji Islands

Telephone: (679) 321-1536 Fax: (679) 330-5449

---

*They shall grow not old as we who are left grow old. Age shall not weary them, Nor the years condemn.  
At the going down of the sun, and in the morning. 'We Will Remember Them'*

---

11<sup>th</sup> December 2017

File: 136/7.1

The Auditor General  
Office of the Auditor General  
6<sup>th</sup>-8<sup>th</sup> Floor, Ratu Sukuna House  
P.O. Box 2214, Government Buildings  
SUVA



Dear Sir,

Attention: Mr Moshin S. Ali

**EXTRACT FROM DRAFT 2015 AUDITOR-GENERAL'S REPORT ON STATE OWNED ENTITIES 7  
STATURORY AUTHORITIES**

We refer to your letter 425 dated 30<sup>th</sup> November 2017 regarding the above subject matter.

Our Accounting Financial System (AFS) is on cash basis but the requirement was for us to prepare our 2015 account to be in compliance with IFRS for SMEs. This hindered our effort in submitting the account on time. The 2015 account was prepared and ready for auditing in due time but was still on cash basis. Our effort to engage the service of a qualified related professional to assist us in adopting the new system took longer than we expected. Please expect our 2015 account under the current system to be submitted shortly as agreed in our meeting on 11<sup>th</sup> December 2017.

The matter will be referred to the Committee of Management of the Fund and the Ministry of Economy for further consideration before a decision is made on the accounting system to be adapted.

Yours faithfully

  
V.T. Kotobalavu  
Secretary

CC: Permanent Secretary for Economy – Attn: Mr Pankaj

---

*A secured and protected welfare scheme that will benefit all Ex-Servicemen and their dependants in Fiji*

**Response received in the E-mail**

**Fijian Elections Office**

**From:** Mohammed Saneem

**Sent:** Tuesday, December 5, 2017 9:40 AM

**To:** Ajay Nand

**Subject:** Comments on Extract from the Draft 2015 Auditor General's Report on state-owned entities and statutory authorities

Bula Mr. Nand

Hope this email finds you well.

I acknowledge receipt of your letter of 30 November 2017 and for the sake of expediting the reply, I thought it best to email you.

My only suggested change to the paragraph is to state the name of the law to be 'Electoral Act' and not 'Electoral Decree'

Thank you very much for consulting us.

---

**Mohammed Saneem** (Mr.)

**Supervisor of Elections  
Fijian Elections Office**

## **National Fire Authority**

**From:** Mileta Seniroqa

**Sent:** Friday, December 8, 2017 3:22 PM

**To:** Auditor General - Information

**Cc:** 'Bale Tuifagalele'

**Subject:** NFA 2014 Accounts

Good afternoon Ajay

We are in receipt of your letter dated 30th November requesting for an update on the status of the above accounts.

We wish to advise that we are currently working with Ernst & Young to draft our 2014 Financial Accounts and the delay has been the need to complete the bank reconciliations, update our FAR and generate the draft TB which Ernst & Young has now received. EY plans to produce the draft 2014 financials by Friday, 15<sup>th</sup> December 2017 following which we hope that the Auditor General will be able to confirm a time for the commencement of NFA's 2014 Audit.

We hope that you will be able to confirm with us a suitable schedule to enable the early completion of the 2014 Audit of NFA's financials.

**Vinaka**

**Mileta Seniroqa (Mrs)**

**Acting Chief Executive Officer | National Fire Authority**

## Appendix E: Glossary

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives in reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws.
Accounting estimates	An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation.
Amortised	Gradually write-off the initial cost of an asset.
Assessment for impairment	Assessment done to ensure that an entity's assets are not carried at more than their recoverable amount (i.e. the higher of fair value less costs of disposal and value in use)
Audit evidence	A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Audit Memorandum	Management Letter highlighting areas where improvements can be made by an entity following an audit.
Audit strategy	The strategy that sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan
Business continuity risk	Business interruption can result from natural occurrences and accidental or deliberate criminal acts. Those interruptions can have significant financial and operational ramifications. Over time, an organization will experience an event that will result in the loss of information, access to properties (tangible or intangible), or the services of personnel. Exposure to those types of risks and the planning for business continuity is an integral part of an organization's risk management process.
Capital works	Amount capitalized to the balance sheet for contributions by an entity to major assets owned by the entity, including expenditure on: <ul style="list-style-type: none"> <li>capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally</li> </ul>

Term	Definition
	<ul style="list-style-type: none"> <li>capital expansion which extends an existing asset at the same standard to a new group of users.</li> </ul>
Consolidated fund account	The main bank account of the government where public monies are paid into for the operations of government. Trust money is not paid into this account.
Credit rating	A credit rating is an assessment of a borrower's credit worthiness. It takes into account their ability to repay a debt or their likelihood of defaulting.
Customer credit Risk	A credit risk is the risk of default on a debt that may arise from a borrower failing to make required payments.
Deferred income	Deferred income) refers to money received by an entity before it provides the related goods or services to the customer.
Deficiencies	Failing, weakness or shortcoming
Depreciation	The systematic allocation of a fixed asset's capital value as an expense over its expected useful life to take account of normal usage, obsolescence, or the passage of time.
Estimated useful lives	Estimated lifespan of a depreciable fixed asset, during which it can be expected to contribute to an entity's operations
Express an opinion	A written expression of the auditor's overall conclusion on the financial report based on audit evidence obtained.
Fraud	An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
Governance	Governance is defined as the manner in which those in vested authority uses its powers to achieve the institution's objectives, including its powers to design, implement and innovate the organization's policies, rules, systems and processes and to engage and involve its stakeholders.
Governance	The control arrangements in place at an entity that are used to govern and monitor its activities to achieve its strategic and operational goals.
Governing bodies	A body of persons or officers having ultimate control. They are mainly constituted for the purpose of administration.
Impairment	When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.

Term	Definition
International Financial Reporting Standards	Standards adopted by Fiji Institute of Accountants for financial reporting by large and medium entities in Fiji.
Loan risk grade	Rating systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose.
Management	Those with the executive responsibility for conducting an entity's operations.
Management services	Organisation and coordination of the activities of a business done by another person or entity outside the business.
Material misstatement	A significant difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Materiality	This relates to the size or nature of the item or error judged in the particular circumstances of its omission or misstatement. Information is material if its omission or misstatement could influence the economic decisions of users, taken on the basis of the financial statements.
Misstatement	A difference between the amount, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.
Other significant matters	<p>Include control weaknesses which <i>could cause</i> or <i>is causing</i> severe disruption of the process or severe adverse effect on the ability of an auditee to achieve process objectives and comply with relevant legislation.</p> <p>It is likely that these issues may have an impact on the operations of the entities in future, if necessary action is not taken to address them.</p>
Provision for loan accounts	A provision made to allow for the possibility that some debts due for payment in the future may never be paid.
Reasonable assurance	A high but not absolute level of assurance
Recognition criteria	Criterion which is used to recognise assets, liabilities, expenditure and revenue in financial statements.
Revaluation	The action of assessing the value of something again.

Term	Definition
Risks	The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action
Standards on auditing	International Standards on Auditing adopted by Fiji Institute of Accountants and applied by Office of the Auditor-General for audits carried out.
State-owned entities	Include Government Commercial Companies, Commercial Statutory Authorities, Re-Organized Entities & Statutory Authorities
Leasehold land	Real property held by a tenant (lessee) under a lease for a fixed term, after which it is returned to the owner (the lessor).
Valuation	The process of determining the fair value of an asset.
Value-adding	Financial or non-financial gains arising from improved compliance or mitigation of risks.
Work in progress	The total value of the materials and labor for unfinished projects.
Written- down value	The value of an asset after accounting for depreciation or amortization.
Zero-book values	Arises when fixed assets are fully depreciated.