OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF REPUBLIC OF FIJI

2016/2017 Audit Report on Government Commercial Companies and Commercial Statutory Authorities

PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 88 OF 2019

OFFICE of the AUDITOR GENERAL
Republic of Fiji

OFFICE OF THE AUDITOR-GENERAL – REPUBLIC OF FIJI

Location	: Level 8, Ratu Sukuna House
	2-10 MacArthur Street
	Suva, Fiji
P. O Box	: 2214, Government Buildings
	Suva, Fiji
Telephone	: (679) 330 9032
E-mail	: info@auditorgeneral.gov.fj
Website	: www.oag.gov.fj

OUR VISION

Excellence in Public Sector Auditing

OUR MISSION

- To provide world-class, independent and objective value-adding audit services
- To provide a working environment which allows our people to excel

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing

6-8TH 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
Website: http://www.oag.gov.fj

File: 102

14 June 2019

The Honorable Ratu Epeli Nailatikau
Speaker of the Parliament of the Republic of Fiji
Government Buildings
Constitution Avenue
SUVA

Dear Sir

AUDIT REPORT ON GOVERNMEMNT COMMERCIAL COMPANIES AND COMMERCIAL STATUTORY AUTHORITIES FOR 2016/2017

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on Government Commercial Companies and Commercial Statutory Authorities for 2016/2017.

A copy of the report has been submitted to the Minister for Economy who as required under section 152(14) of the Constitution shall 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

AUDITOR-GENERAL FIJI

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.

Table of Content

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 2016 and 2017 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 2016 and 2017.

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 30 November 2018, we issued 21 audit opinions out of which 11 related to the 2016 financial statements while 10 were on the 2017 financial statements of 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

Modified opinions

We issued modified opinions on 1 or 9% of the 2016 financial statements completed for the various entities.

Unmodified opinions

We issued unmodified opinions on 10 or 91% of the 2016 financial statements audited for the various entities. For the audits undertaken on the 2017 financial year, we issued unmodified opinions on 10 or all of the 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.

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 64 shows the strength of controls in key elements for entities for which 2016 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

Audit of eight Government Commercial Companies, Commercial Statutory Authorities and Re-organized entities have been delayed. 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***.

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 2016 and 2017 financial statements audited which reflects very positively on the entities. However, close attention should be given to address matters which have been reported as high risk in management letters. The significant matters have been included in this report.

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 Ministry of Public Enterprises 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. Therefore, those charged with governance in state-owned entities should be directed to prepare and submit draft financial statements for audit annually.

Ajay Nand
AUDITOR-GENERAL

Date: 14/06/2019

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	• Public Enterprises Act 1996 • Finance Management Act 2004	30th April
Statutory Authorities	• Legislation establishing entity and related regulations • Finance Management Act 2004 • Finance Management (Amendment) Act 2016	• 3-6 months following end of financial year • Not specified/ as soon as practicable

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.

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.

6.0 Abridged Financial Information and Other Significant Matter(s)

For each GCCs and CSAs, abridge financial statements are presented. The abridged statement of financial performance reflects revenue, expenses and net income while the abridge statement of financial position presents the authorities assets and liabilities.

In addition, for each GCCs and CSAs, any significant matter(s) noted during the course of audit were brought to the attention of respective authority'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.

In the following sections, we provide the abridged financial information and significant audit findings for each GCCs and CSAs.

6.1 Pacific Fishing Company Limited

Financial Information - 2016

The audit of Pacific Fishing Company Limited (PAFCO) for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of PAFCO.

PAFCO - Abridged Statement of Financial Performance

Year ended 31 December	2016 ($)	2015 ($)
Sales	32,170,087	31,317,974
Other Income	1,694,936	1,140,024
TOTAL INCOME	**33,865,023**	**32,457,998**
Raw materials and consumables used	8,262,988	8,210,996
Changes in inventories of raw materials and finished goods	(110,110)	333,516
Distribution costs	350,152	376,358
Staff and employee benefits	9,093,428	8,716,230
Depreciation and amortisation expense	2,765,934	1,700,196
Finance costs	103,576	162,419
Other operating expense	10,834,716	11,274,716
TOTAL EXPENDITURE	**31,300,684**	**30,774,431**
OPERATING PROFIT BEFORE INCOME TAX	2,564,339	1,683,567
Income tax expense	(730,474)	(362,693)
NET PROFIT AFTER INCOME TAX	**1,833,865**	**1,320,874**

The company's net profit increased by $512,991 or 39% in 2016 compared to the amount reported in 2015. This was mostly attributed to the increase in sales by $852,113 or 3%.

PAFCO - Abridged Statement of Financial Position

As at 31 December	2016 ($)	2015 ($)
Cash at bank and on hand	1,932,341	1,205,776
Trade receivables	1,718,910	2,759,747
Inventories	2,042,050	2,387,481
Prepayments and other receivables	1,845,139	1,248,651
Property, plant and equipment	35,388,074	33,428,505
Deferred tax asset	37,267	660,178
TOTAL ASSETS	**42,963,781**	**41,690,338**
Interest bearing borrowings	14,975,011	13,952,995
Deferred tax liability	107,563	---
Trade and other payables	2,187,366	3,596,894
Provisions	61,237	74,590
Deferred income	4,491,232	4,758,352
TOTAL LIABILITIES	**21,822,409**	**22,382,831**
NET ASSETS	**21,141,372**	**19,307,507**

Net assets of the Company increased by $1,833,865 or 9.5% in 2016 compared to 2015. This was mainly attributed by increase in cash at bank and increase in value of property, plant and equipment.

Other significant matters – PAFCO 2016

Anti- Fraud Program

It is a good practice to establish an anti-fraud program to have Management, Internal Audit and the Board jointly plan, implement, monitor, and take action on evolving risks of fraud. In addition, it is a good practice to have an employee awareness program. The Company does not have an anti-fraud and employee awareness program in place.

The company agreed to develop an anti-fraud program and create staff awareness on fraud detecting and reporting.

Financial Information - 2017

The audit of Pacific Fishing Company Limited (PAFCO) for the financial year 2017 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of PAFCO.

PAFCO - Abridged Statement of Financial Performance

Description	2017 ($)	2016 ($)
Sales	33,183,538	32,170,087
Other Income	1,795,050	1,694,936
Total Income	**34,978,588**	**33,865,023**
Raw materials and consumables used	9,562,519	8,262,988
Changes in inventories of raw materials and finished goods	(1,031,896)	(110,110)
Distribution costs	373,453	350,152
Staff and employee benefits	8,737,381	9,093,428
Depreciation and amortisation expense	2,848,952	2,765,934
Finance costs	88,237	103,576
Other operating expense	12,582,659	10,834,716
Total Expenditure	**33,161,305**	**31,300,684**
Operating profit before tax	**1,817,283**	**2,564,339**
Income tax expense	(197,990)	(730,474)
Net profit after tax	**1,619,293**	**1,833,865**

The company's net profit decreased by $214,572 or 12% in 2017 compared to the amount reported in 2016. This was mostly attributed to the increase in freight and cartage expense in which increased by $387,741 in 2017.

PAFCO - Abridged Statement of Financial Position

Description	2017 ($)	2016 ($)
Cash at bank and on hand	907,679	1,932,341
Trade receivables	2,554,867	1,718,910
Inventories	5,951,803	2,042,050
Prepayments and other receivables	1,061,527	1,845,139
Property, plant and equipment	36,545,104	35,388,074
Deferred tax asset	214,074	37,267
Total Assets	**47,235,054**	**42,963,781**
Interest bearing borrowings	16,401,498	14,975,011

Description	2017 ($)	2016 ($)
Deferred tax liability	374,796	107,563
Trade and other payables	3,396,332	2,187,366
Provisions	77,362	61,237
Deferred income	4,224,436	4,491,232
Total liabilities	**24,474,424**	**21,822,409**
Net Assets	**22,760,630**	**21,141,372**

Net assets of the Company increased by $1,619,258 or 7.7% in 2017 compared to 2016. This was mainly attributed by increase in inventories which increased by $3,909,753 in 2017. This was due to increase in raw materials as result of large quantity of raw fish supplied to the company in the month of December.

Other significant matters – 2017

Inadequate documentation to support monthly consultancy payment

The company pays monthly consultancy fees to a staff of a major customer who manages the maintenance of the Company. It was noted that this consultancy payment is deducted from the invoice sent to the customer by PAFCO for loin processing fees. However, an agreement between PAFCO and the customer in relation to this arrangement was not provided for our review.

The company agreed with the audit finding and informed that the Board will liaise with customer to have an agreement which outlines the terms and conditions of consultancy payments.

Provision of motor vehicle to employee of the customer

PAFCO provides a vehicle to a General Manager who is the employee of its major customer who is based at PAFCO's office. We further noted that PAFCO pays for the fuel and maintenance of the vehicle. However, it was noted this arrangement is not documented through an agreement.

The company has indicated that a formal agreement outlining all the company's obligation to the Customer will be put into place will be put into place.

Lack of internal orders for stock movement

Movement of inventory is recorded when purchased finished goods or raw materials are received in stores. Production department requests raw material from stores department. Finished goods leave for warehouse for sale at Levuka /Suva. It is imperative that an internal request document is used to request for inventory items from stores.

There was no internal request document requirement to request inventory items from stores. Instead a verbal request is made whenever items are required by individual departments. While stock cards are maintained for inventory movement, we are of the view that this is not sufficient as there is no trail for the authorization of the stock requested.

The company assured that an internal request document will be used when requesting inventory items from the stores.

Review of finance manual

The following current financial practices are not documented in the finance manual of the company:

- instructions on recording of overseas and local sales;
- instructions on the reviewing of the payroll reconciliations;
- no indication that the Accountant shall approve payment vouchers and purchase requisitions in the absence of the Financial Controller; and
- clear instructions of a journal voucher system.

The company agreed to review the finance manual.

Absence of Disaster Recovery Plan

Disaster recovery plan involves a set of policies, guidelines and procedures to enable the recovery or continuation of technology infrastructure and systems following a natural disaster.

The company did not have an approved Disaster Recovery/Data Recovery Plan.

The company agreed with the audit finding and advised expert advice would be obtained to develop this document.

Policy on Bonus Payout

Establishing and implementing bonus policy will result in a more accurate estimate of the provisions and improve periodic financial reporting by providing management with a consistent method of performing the review of bonus provisions. In addition, the policy will ensure consistent application of rewards to staffs.

The company did not have a documented bonus policy in place to guide them in awarding bonus to staff.

The Company agreed to include bonus payout policy in the job evaluation exercise.

6.2 Airports Fiji Limited

Financial Information - 2016

The audit of Airports Fiji Limited for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Airports Fiji Limited.

Airports Fiji Limited - Abridged Statement of Financial Performance

Year Ended 31 December	2016 ($)	2015 ($)
Revenue		
Navigation charges	29,349,031	24,175,441
Concessions	30,079,278	18,533,359
Landing and parking fees	21,638,659	18,206,578
Airport security/development fee	15,501,047	12,572,586
Departure tax share	7,157,730	6,485,374
Rental	5,227,512	4,249,148
Domestic passenger service charge	1,468,823	1,353,511
Other income	7,632,531	6,976,674
Total Revenue	**118,054,611**	**92,552,671**
Expenditure		
Administrative expenses	20,474,312	19,700,202
Operating expenses	14,174,228	10,705,752
Personnel expenses	16,195,860	15,476,617
Finance expenses	1,350,310	625,847
Loss on demolition of old assets due to Nadi Airport Modernization Project	3,702,157	14,210,651
Total Expenditure	**55,896,867**	**60,719,069**
Profit before tax	62,157,744	31,833,602
Income tax expense	12,691,421	6,719,800
Net Profit for the Year	**49,466,323**	**25,113,802**

The net profit recorded in 2016 increased by $24.4 million or 97% compared to 2015. The increase in net profit was largely due to increase in concession revenue and revenue generated from navigation services provided by the company.

Airports Fiji Limited - Abridged Statement of Financial Position

As at 31 December	2016 ($)	2015 ($)
Cash and cash equivalents	16,345,000	17,997,002
Term deposits	57,700,246	42,161,600
Trade receivables	13,516,678	12,697,168
Other current assets	5,215,146	3,097,933
Property, plant and equipment	200,384,246	168,381,765
Investment property	8,709,302	8,969,645
Total Assets	**301,870,618**	**253,305,113**
Trade and other payables	9,755,310	6,063,776
Bank overdraft	1,744,399	3,869,201
Other current liabilities	10,809,468	1,895,049
Borrowings	62,352,370	42,495,659

As at 31 December	2016 ($)	2015 ($)
Deferred tax liability	3,347,962	3,927,360
Other non-current liabilities	11,212,372	11,881,794
Total Liabilities	**99,221,881**	**70,132,839**
Net Assets	202,648,737	183,172,274

The company recorded significant increase in net assets by $19.5 million or 10.6% in 2016 compared to 2015. The increase in net assets was mainly due to significant increase in funds held as term deposits and increase in value of property, plant and equipment due to Nadi Airport Modernization Project.

Other significant matters – Airports Fiji Limited - 2016

Depreciation rates for property plant and equipment

The following were noted in relation to depreciation of property, plant and equipment:

- Buildings are currently depreciated over a period of 40 years which is the tax depreciation rate. Comparing this depreciation rate to the frequency of renovations and upgrades at the Airport would indicate that 40 years is too long period over which to depreciate these items; and
- AFL presently depreciates most infrastructure assets over 13 years which, in comparison to other airports would appear to be short period. Depreciation rates for certain classes of infrastructure used by similar entities compared with the rates used by AFL are as follows:

Table 1.1: Comparison of Depreciation Rates

Asset Category	Similar Entities[1] Depreciation Rates %	AFL Depreciation Rates %
Aero pavements	4.50	7.7
Roads and car parks	4.49	7.7
Other infrastructure	9.25	7.7
Airport lighting	6.00	7.7
Line marking and asphalting	11.00	7.7
Runways, taxiways and aprons	1 – 17	7.7

AFL informed us that it plans to engage an independent consultant to review the fixed asset register to determine the expected useful life and value in use. Depreciation rates will be based on this evaluation exercise. The scope will also involve getting the fixed assets register in a structured layout and proper classification of additions for NATMP project. While AFL has capacity internally to carry out this exercise, it prefers an independent assessment to get an objective outcome in compliance to IFRS.

Zero written-down-value assets

Included in the fixed asset register are assets with an original cost amounting to $25 million with a zero written down value (WDV).

It was noted that majority of these assets relate to plant and equipment which we understand are still being used in the company's operating activities. If the assets are still in use, this suggests that management's initial estimate of the useful life of these assets may not have been correct or had not

[1] The depreciation rates of other Airports are compared against the rates used by AFL

been revised to take account of a revision in the estimated useful lives. The company intends resolve the issue together with the issue of review of fixed assets.

Financial Information - 2017

The audit of Airports Fiji Limited for the financial year 2017 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Airports Fiji Limited.

Airports Fiji Limited - Abridged Statement of Financial Performance

Description	2017 ($)	2016 ($)
Revenue	130,264,311	111,216,194
Other Income	8,000,140	4,907,329
Finance Income	1,877,937	1,931,088
Total Income	**140,142,388**	**118,054,611**
Other Expenses	21,407,262	20,474,312
Operating Expenses	19,143,294	14,174,228
Personnel Expenses	17,539,621	16,195,860
Loss on Demolition of Old Terminal Assets Due	---	3,702,157
Finance Cost	1,865,798	1,350,310
Total Expenditure	**59,955,975**	**55,896,867**
Profit Before Income Tax	**80,186,413**	**62,157,744**
Income Tax Expense	15,946,426	12,691,421
Net Profit For The Year	**64,239,987**	**49,466,323**

Net profit substantially increased by 30% or $14.7 million in 2017 compared to 2016. This was mainly due to the increase in revenue generated by air navigation charges, concessions, landing and parking fees international, terminal navigation aid charges, and rental offices and warehouses.

Airports Fiji Limited - Abridged Statement of Financial Position

Description	2017 ($)	2016 ($)
Cash on Hand and at Bank	55,210,940	16,345,000
Trade Receivables	18,125,039	13,516,678
Inventories	483,298	758,282
Other Receivables and Prepayments	4,612,538	4,456,864
Term Deposits	11,000,000	57,700,246
Property, Plant and Equipment	233,790,792	200,384,246
Investment Property	8,453,793	8,709,302
Total Assets	**331,676,400**	**301,870,618**
Bank Overdraft	---	1,744,399
Trade and Other Payables	10,961,908	9,755,310
Loans and Borrowings	81,073,156	65,736,875
Employee Benefits	844,057	756,061
Deferred Income	11,212,372	11,881,794
Current Tax Liability	2,982,032	5,999,480
Deferred Tax Liability	2,875,478	3,347,962
Total Liabilities	**109,949,003**	**99,221,881**
Net Assets	**221,727,397**	**202,648,737**

Net assets increased by $19.07 million or 9% in 2017 compared to 2016. This was mainly attributed by the increase in cash on hand and at bank, trade receivables and property, plant and equipment.

Other significant matters – Airports Fiji Limited – 2017

Impairment Assessment and Useful Lives of Plant and Equipment

There was no evidence to support that the management has carried out the impairment assessment, review of the depreciation rates and assessed the remaining economic useful lives of individual major classes of infrastructure and equipment in a structured manner progressively, and provided for consideration and review by the directors.

Furthermore, as per *paragraph 43 of IAS 16 – Property Plant and Equipment*, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The company agreed to continuously review the carrying value, residual value and useful economic life of infrastructure and equipment, to ensure that the depreciation is reasonable and adequate, and any impairment adjustment is made on a timely/progressive basis.

Accordingly, the company also agreed to consider depreciating significant components of individual major assets based on the expected useful lives of their major components (taking into consideration the requirement for major replacements of different components of these major assets), instead of uniformly applying a single depreciation rate to the entire asset.

VAT Reconciliation and Taxable Supplies Incorrectly Declared in VAT Returns

In addition, we noted that Statement of VAT Account (SVA) to VAT account reconciliation is not carried out by management on a monthly basis.

From our review of monthly lodged VAT returns, we noted that "total taxable supplies" includes sales income and other credits such as loan drawdowns and term deposits withdrawn. Further, these credits forming part of total taxable supplies are then subtracted from "zero rated supplies".

Credits such as loan drawdowns and term deposits are not subject to VAT and are not zero-rated supplies. Accordingly, these should not be included in the VAT returns as part of taxable supplies and subsequently deducted as zero-rated supplies.

The company agreed that the taxable and zero rated supplies were incorrectly stated on the VAT returns.

6.3 Fiji Public Trustee Corporation Limited

Financial Information - 2016

The audit of Fiji Public Trustee Corporation Limited for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Fiji Public Trustee Corporation Limited.

Fiji Public Trustee Corporation Limited - Abridged Statement of Financial Performance

Year ended 31 December	2016 ($)	2015 ($)
Fees	639,025	635,250
Interest Income	568,634	512,650
Other Revenue	24,105	21,470
Total Income	**1,231,764**	**1,169,370**
General and Administration Expenses	223,314	187,793
Selling Expenses	17,300	20,232
Staff and Employee Costs	547,024	483,424
Total Expenditure	**787,638**	**691,449**
Operating Profit Before Income Tax	444,126	477,921
Income Tax Expense	80,411	88,526
Net Operating Profit After Tax	**363,715**	**389,395**
Other comprehensive income	22,730	21,334
Net Profit for the Year	**386,445**	**410,729**

The Corporation recorded a decrease in net profit by 6% in 2016 compared to the previous year. Although there was growth in total income recorded, it was not significant enough to cover the increase in total expenditures.

Fiji Public Trustee Corporation Limited - Abridged Statement of Financial Position

As at 31 December	2016 ($)	2015 ($)
Cash and Cash Equivalents	282,934	499,425
Trade and Other Receivables	433,251	490,027
Other Current Assets	80,522	229,493
Deferred Tax Asset	---	4,059
Financial Assets	6,145,358	6,872,603
Property, Plant and Equipment	1,933,675	1,891,581
Total Assets	**8,875,740**	**9,987,188**
Trade Payables & provisions	64,436	60,410
Dividend Payable	---	1,500,000
Total Liabilities	**64,436**	**1,560,410**
Net Assets	**8,811,304**	**8,426,778**

Total assets decreased as a result of reductions in cash at bank, and financial assets, however, net assets increased by 5% in 2016 compared to 2015, which was due mainly from the Corporation not recording dividend payable as at 31 December 2016.

Other significant matters – Fiji Public Trustee Corporation Limited - 2016

Provisions for Trust Claims and Investment impairment not reviewed

A review of the Corporations Trust Company general ledger revealed provision for investment impairment of $5,034,075 as at 31 December 2016.

We noted that the Corporation has not carried out any review of the opening balances set aside since 2006 and has not developed any guidance on the basis of determining the provision amount at the end of the financial year or setting aside the provision for investment impairment amount at the end of the financial year.

The company noted the recommendation for the review of the provisions of Trust Claims opening balance and together with the review of the provisions for Investment impairment opening balance is noted.

Financial Information - 2017

The audit of Fiji Public Trustee Corporation Limited for the financial year 2017 resulted in the issue of *unmodified opinion* (unqualified) audit opinion. However, attention was drawn to Note 15 of the financial statements which included assets and liabilities of the Trust and Estate under management. As in previous years, the Trust and Estate financial statements are not presented separately from the Corporation's financial statements.

Presented below is the abridged financial information of Fiji Public Trustee Corporation Limited for financial year 2017.

Fiji Public Trustee Corporation Limited - Abridged Statement of Financial Performance

Year ended 31 December	2017 ($)	2016 ($)
Fees	592,446	639,025
Interest Income	578,633	568,634
Other Revenue	28,682	24,105
Total Income	**1,199,761**	**1,231,764**
General and Administration Expenses	280,979	223,314
Selling Expenses	26,811	17,300
Staff and Employee Costs	579,987	547,024
Total Expenditure	**887,777**	**787,638**
Operating Profit Before Income Tax	311,984	444,126
Income Tax Expense	52,461	80,411
Net Operating Profit After Tax	**259,523**	**363,715**
Other comprehensive income	196,402	22,730
NET PROFIT FOR THE YEAR	**455,925**	**386,445**

The net profit for the year increased by $69,480 or 18% compared to the previous year. This was mainly attributed to substantial increase of other comprehensive income from unrealised gain on market valuations of financial assets at year end.

Fiji Public Trustee Corporation Limited - Abridged Statement of Financial Position

As at 31 December	2017 ($)	2016 ($)
Cash and Cash Equivalents	456,747	282,934
Trade and Other Receivables	469,048	433,251
Other Current Assets	120,808	80,522
Financial Assets	12,410,943	6,145,358
Property, Plant and Equipment	1,881,646	1,933,675
Total Assets	**15,339,192**	**8,875,740**
Trade Payables & provisions	118,327	64,436
Dividend Payable	500,000	---
Total Liabilities	**618,327**	**64,436**
NET ASSETS	**14,720,865**	**8,811,304**

The Corporation's net asset increased by $5.9 million or 67% in 2017 compared to 2016. This was mainly attributed to the increase in financial assets as a result of investments held in trust in 2017.

In 2017, upon the review of the provisions in Trust, it was assessed that the provision for investment impairment and part of the provision for trust claims be withdrawn, which was part of the surplus funds from establishment. The decision is based on audit recommendation to comply with International Financial Reporting Standards and verification conducted by the consultants followed by a formal Board resolution.

Other significant matters – Fiji Public Trustee Corporation Limited – 2017

Absence of Business Continuity and Disaster Recovery Plans

It is a best practice to have a Business Continuity and Disaster Recovery Plan. The Corporation does not have a documented business continuity and disaster recovery plan in place.

The Corporation advised that the development of Business Continuity and Disaster Recovery Plans were work in progress.

Absence of Internal Audit Function

The audit noted that the Corporation does not have an internal audit function although Finance Manual requires that internal audits and checks are done on a monthly basis.

The Corporation advised that the formulating a Risk Governance Framework was in process which will also cover the internal audit function if applicable.

6.4 Unit Trust of Fiji (Management) Limited

Financial Information - 2016

The audit of Unit Trust of Fiji (Management) Limited for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Unit Trust of Fiji (Management) Limited for the financial year 2016.

Unit Trust of Fiji (Management) Limited - Abridged Statement of Financial Performance

Year Ended 31 December	2016 ($)	2015 ($)
Operating Revenue	2,145,032	1,832,749
Other Operating Income	78,669	57,891
Total Operating Revenue	**2,223,701**	**1,890,640**
Personnel Expenses	582,110	518,815
Other Operating Expenses	823,190	681,741
Depreciation and Amortization	78,827	87,823
Total Operating Expenditure	**1,484,127**	**1,288,379**
Profit before Income Tax	**739,574**	**602,261**
Income tax expenses	154,071	130,819
Net profit for the year	**585,503**	**471,442**

UTOF recorded a net profit of $585,503 in 2016, an increase of $114,061 or 24% compared to 2015. The increase in net profit was mainly due to the increase in management fee which is based on the total value of the Unit Trust of Fiji deposited property. As at 31 December 2016, the company was entitled to 1.5% of the total deposited property.

Unit Trust of Fiji (Management) Limited - Abridged Statement of Financial Position

As at 31 December	2016 ($)	2015 ($)
Cash at Bank and on Hand	1,820,141	1,730,290
Investment – Held to Maturity	59,045	59,045
Receivables	282,899	180,807
Future Income Tax Benefit	1,726	---
Plant and Equipment	209,788	244,892
Intangible Assets	---	41
Total Assets	**2,373,599**	**2,215,075**
Creditors and Accruals	274,643	308,251
Provisions	85,977	79,501
Income Tax Payable	29,601	60,410
Deferred Tax Liability	---	1,655
Total Liabilities	**390,221**	**449,817**
Net Assets	**1,983,378**	**1,765,258**

Net assets increased by $218,120 or 12% in 2016. This was mainly due to increases in holding of cash at bank by $89,851 or 5% and receivables by $102,092 or 56% in 2016. The increase in cash at bank and receivable was mainly due to increase in management fees.

Unit Trust of Fiji (Management) Limited

Financial Information - 2017

The audit of Unit Trust of Fiji (Management) Limited for the financial year 2017 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Unit Trust of Fiji (Management) Limited for the financial year 2017.

Unit Trust of Fiji (Management) Limited - Abridged Statement of Financial Performance

Year Ended 31 December	2017 ($)	2016 ($)
Operating Revenue	2,632,031	2,145,032
Other Operating Income	45,716	78,669
Total Operating Revenue	**2,677,747**	**2,223,701**
Personnel Expenses	767,966	582,110
Other Operating Expenses	806,332	823,190
Depreciation and Amortization	75,613	78,827
Total Operating Expenditure	**1,649,911**	**1,484,127**
Profit before Income Tax	**1,027,836**	**739,574**
Income tax expenses	203,503	154,071
Net profit for the year	**824,333**	**585,503**

UTOF recorded a net profit of $824,333 in 2017, an increase of $238,830 or 41% compared to 2015. The increase in net profit was mainly due to the increase in management fee which is based on the total value of the Unit Trust of Fiji deposited property. As at 31 December 2017, the company was entitled to 1.5% of the total deposited property.

Unit Trust of Fiji (Management) Limited - Abridged Statement of Financial Position

As at 31 December	2017 ($)	2016 ($)
Cash at Bank and on Hand	1,311,092	1,820,141
Investment – Held to Maturity	99,045	59,045
Receivables	558,002	282,899
Future Income Tax Benefit	3,059	1,726
Plant and Equipment	253,957	209,788
Intangible Assets	7,377	---
Advance to Fiji Wai Limited	1,239,186	---
Total Assets	**3,471,718**	**2,373,599**
Creditors and Accruals	362,343	274,643
Provisions	96,877	85,977
Income Tax Payable	204,787	29,601
Total Liabilities	**664,007**	**390,221**
Net Assets	**2,807,711**	**1,983,378**

The increase in total assets by $1,098,119 in 2017 compared to 2016 was mainly due to the advance given to Fiji Wai Limited. Unit Trust of Fiji (Management) Limited has 1% share in Fiji Wai Limited.

6.5 Copra Millers of Fiji Limited

Financial Information - 2016

The audit of Copra Millers of Fiji Limited for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion. However, without qualifying the accounts, attention was drawn on the following matters:

- The Company did not have a Risk Management Policy in place.
- The Company did not have a policy for classification of spare parts when purchased. All spare parts are transferred to property, plant and equipment from inventory upon issue for use.

Presented below is the abridged financial information of Copra Millers of Fiji Limited.

Copra Millers of Fiji Limited - Abridged Statement of Financial Performance

As at 31 December	2016 ($)	Restated 2015 ($)
Operating Revenue	2,630,383	3,640,789
Cost of Goods Sold	(2,475,165)	(3,317,034)
Gross Profit	**155,218**	**323,755**
Other Income	130,512	207,669
Total Gross Profit	**285,730**	**531,424**
Selling and Distribution	(94,695)	(126,440)
Administrative and Operating	(530,662)	(671,100)
Loss from Operations	(339,627)	(266,116)
Finance Cost	(20,544)	(20,237)
Loss before income tax expenses	**(360,171)**	**(286,353)**
Income tax expense	(98,672)	51,600
Net Loss for the year after Income Tax	**(458,843)**	**(234,753)**

Total operating revenue decreased by a little over $1 million or 28% in 2016 compared to the 2015 financial year. The decrease was mainly due to the reduction in the sale of oil and coconut meal as a direct result of low copra supply.

Both cost of goods sold and total expenditures decreased in 2016 by $841,869 or 25% and $171,876 or 21% respectively. The decrease were mainly due to decline in expenditure incurred for salaries & wages, FNPF expenses, Copra Truck expenses, purchases of copra and coconut oil, and factory costs.

The decline in operating revenue resulted in the increase in net deficit by $224,090 or 95% in 2016 compared to 2015.

Copra Millers of Fiji Limited - Abridged Statement of Financial Position

As at 31 December	2016 ($)	Re-stated 2015 ($)
Cash and term deposit	66,965	289,143
Trade & other receivables	124,321	252,103
Inventories	375,216	325,566

As at 31 December	2016 ($)	Re-stated 2015 ($)
Property, plant & equipment – noncurrent	6,134,699	5,479,680
Other non–current assets	127,536	226,207
Total Assets	**6,828,737**	**6,572,699**
Trade and other payables	311,672	84,976
Interest bearing borrowing	589,101	198,677
Other non-current liabilities	2,073	3,453
Deferred Grant income - non-current assets	834,161	735,020
Total Liabilities	**1,737,007**	**1,022,126**
Net Assets	**5,091,730**	**5,550,573**

Total assets increased by $256,038 or 4% in 2016 compared to the 2015 financial year. The increase in total assets resulted mainly from the increase in property, plant and equipment. The Company constructed a plant for Virgin Coconut Oil during the 2016 financial year.

Total liabilities increased by $714,881 or 70% in 2016 compared to the 2015 financial year. The increase in total liabilities was a result of the increase in trade and other payables, interest bearing borrowing and deferred grant income. The Company took additional loans during the financial year and received capital grant for its Virgin Coconut Oil Project.

Other significant matters – Copra Millers of Fiji Limited - 2016

Absence of risk management policy

A risk management policy statement expresses an organization's commitment to risk management and clarifies its general direction or intention.

Although the company had disclosed in the financial statements that its activities expose it to a various financial risks, the audit noted that it did not have a risk management policy in place. This contradicted the financial risk management disclosures made by the company in the 2016 financial statements.

While the company agreed with the audit finding, it argued that the management addresses the risks in staff and board meetings.

Financial Information - 2017

The audit of the financial statements of Copra Millers of Fiji Limited for the year ended 31 December 2017 resulted in an unqualified audit opinion.

Presented below is the abridged financial information of Copra Millers of Fiji Limited.

Copra Millers of Fiji Limited - Abridged Statement of Financial Performance

Description	2017 ($)	2016 ($)
Operating Revenue	2,898,684	2,630,383
Cost of goods sold	(2,348,304)	(2,475,165)
Gross Profit	**550,380**	**155,218**
Proceeds from Insurance	29,350	---

Description	2017 ($)	2016 ($)
Other income	103,918	130,512
	683,648	**285,730**
Selling & distribution	148,543	94,695
Administrative & operating	686,049	530,663
Loss from operations	**(150,944)**	**(339,628)**
Finance Cost	(46,980)	(20,544)
Loss before income tax expense	**(197,924)**	**(360,172)**
Income tax credit/(expense)	35,631	(98,673)
Loss after income tax expense	(162,293)	(458,845)
Total comprehensive loss for the year	**(162,293)**	**(458,845)**

The Company's net loss decreased by $296,552 or 65% in 2017 compared to the amount reported in 2016. This was mainly due to increase in operating revenue which increased by $268,301 or by 10% in 2017. This increase was due to increase in overseas sales and coconut meal which improved in 2017 compared to 2016.

Copra Millers of Fiji Limited - Abridged Statement of Financial Position

Description	2017 ($)	2016 ($)
Assets		
Cash on hand and at bank	10,609	66,965
Trade and other receivables	308,302	187,680
Inventories	310,962	375,216
Property, plant and equipment	6,091,511	6,071,340
Deferred tax asset	163,167	127,536
Total Assets	**6,884,551**	**6,828,737**
Liabilities		
Trade and other payables	146,054	311,672
Interest bearing debt	848,834	589,101
Deferred grant income	907,976	834,161
Copra price stabilization fund – Ministry of Economy	52,250	2,073
Total Liabilities	**1,955,114**	**1,737,007**
Net Assets	**4,929,437**	**5,091,730**

Net assets decreased by $162,293 or 3% in 2017 compared to 2016. This was mainly attributed to increase in interest bearing debt which increased by $259,733 in 2017 due to the new loan taken for mill upgrade and construction of coconut shed.

Other significant matters – Copra Millers of Fiji Limited - 2017

Exceeding of Bank Overdraft Limit

The Company has a bank overdraft limit of $125,000 with the Bank of South Pacific.

The company has exceeded its bank overdraft limit for the Suva account on various occasions during the year.

The findings indicate that the company is unable to generate sufficient cash to meet its operating expenditure.

The company agreed with the audit finding. It was further stated that the cash flow issue would be resolved as CMFL is now receiving $500,000 as operating grant from government. The company has made arrangement to increase overdraft limit from $250,000 to $400,000 in view of more local sales with payment terms of 30 days.

Lack of supporting documents for other receivables

Supporting documents for clearing account number 1-1131 amounting to $12,246, disclosed as other receivables in the financial statements were not provided for audit verification.

The company agreed with the audit finding and assured that it would maintain all records for future verification and correspondence.

Inventory obsolescence

The company did not take any actions to identify obsolete spare part inventory during the period. In addition, the company did not maintain an aged inventory listing for spare parts.

The company agreed to prepare the aged listing of the spare parts as recommended.

6.6 Fiji Development Bank

Financial Information - 2016

The audit of Fiji Development Bank for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Fiji Development Bank.

Fiji Development Bank - Abridged Statement of Financial Performance

For the year ended 30 June	Consolidated 2016 ($)	Consolidated 2015 ($)	The Bank 2016 ($)	The Bank 2015 ($)
Income				
Interest from Loans	23,854,646	24,241,576	23,854,646	24,241,082
Fees	3,576,481	3,280,088	3,576,481	3,280,088
Other Income	7,267,062	3,728,066	7,266,238	3,702,170
Total Income	**34,698,189**	**31,249,730**	**34,697,365**	**31,223,340**
Expenses				
Interest and Other Borrowings Expenses	6,525,024	5,376,158	6,525,024	5,376,158
Operating Expenses	12,291,253	11,980,752	12,289,081	11,904,075
Total Expenses	**18,816,277**	**17,356,910**	**18,814,105**	**17,280,233**
Operating profit before allowances	**15,881,912**	**13,892,820**	**15,883,260**	**13,943,107**
Allowances for Credit Impairment	6,929,397	5,815,476	6,929,397	5,815,476
Allowance for Interest and Fees	1,648,571	1,987,725	1,648,571	1,987,725
Operating profit before income tax expense	**7,303,944**	**6,089,619**	**7,305,292**	**6,139,906**
Income Tax Expense	---	---	---	---
Other Comprehensive Income	2,513,217	---	2,513,217	---
Operating profit after income tax	**9,817,161**	**6,089,619**	**9,818,509**	**6,139,906**

The Bank's consolidated operating profit after tax for the year ended 30 June 2016 increased by $3,727,542 or by 61%. The increase was mainly attributed by the recovery of bad debts totaling $3,593,159 in 2016.

Fiji Development Bank - Abridged Statement of Financial Position

As at 30 June	Consolidated 2016 ($)	Consolidated 2015 ($)	The Bank 2016 ($)	The Bank 2015 ($)
Assets				
Cash and Cash Equivalents	56,566,428	49,596,669	56,549,281	49,579,398
Loans and Advances	294,844,851	291,628,618	294,844,851	291,628,618
Investment in Subsidiary	---	---	20,000	20,000
Investments	15,001	15,001	15,001	15,001
Investment Held to Maturity	2,030,650	2,029,850	2,000,000	2,000,000
Property, Plant and Equipment	17,795,839	16,011,849	17,795,839	16,011,849
Intangibles	211,438	45,949	211,438	45,949
Other Debtors	3,440,924	2,504,217	3,065,409	2,127,543
Receivable due from Subsidiary	---	---	404,820	401,359
Total Assets	**374,905,131**	**361,832,153**	**374,906,639**	**361,829,717**

As at 30 June	Consolidated 2016 ($)	Consolidated 2015 ($)	The Bank 2016 ($)	The Bank 2015 ($)
Liabilities				
Accounts Payable and Accruals	3,037,338	2,124,833	3,032,339	2,117,238
Debt Securities	220,918,643	217,818,631	220,918,643	217,818,631
Other Liabilities	4,656,379	5,474,755	4,656,379	5,474,755
Employee Entitlements	1,471,177	1,810,117	1,471,177	1,810,117
Deferred Income	2,415,103	2,014,487	2,415,103	2,014,487
Total Liabilities	**232,498,640**	**229,242,823**	**232,493,641**	**229,235,228**
Net Assets	**142,406,491**	**132,589,330**	**142,412,998**	**132,594,489**

The Bank's net consolidated assets increased by $9,817,161 or by 7% in 2016 compared to 2015. The increase was mostly attributable to increase in holding of cash at bank and cash equivalent in 2016, which increased by $6,969,759.

Other significant matters – Fiji Development Bank - 2016

Revaluation of Property

During the 2016 financial year, there was one instance where the assumption by the Bank's valuer was that the land lease for the Nadi Property would be extended, and as a result a revaluation gain was recorded. However, at year end, the lease was not extended, and an impairment loss of $494,782 was recognised.

The Bank noted the audit recommendation and further stated that the Bank will be mindful of the remaining lease term when taking up any future revaluations.

Security margin percentages being utilized deferring from the Bank's Lending manual

Our review of the loan files noted instances whereby the shares of a Company other than Fijian Holdings Limited and Unit Trust of Fiji were assigned a security margin of 80%. The bank may be exposed to inadequate security risk in the above case, if the account becomes non-performing.

The bank agreed with the audit recommendation to comply with the loan security requirements in the bank's Lending Manual and reassess and update the security margin guidance in the manual to reflect the current market, if considered appropriate.

Financial Information - 2017

The audit of Fiji Development Bank for the financial year 2017 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Fiji Development Bank.

Fiji Development Bank - Abridged Statement of Comprehensive Income

For the year ended 30 June	Consolidated 2017 ($)	Consolidated 2016 ($)	The Bank 2017 ($)	The Bank 2016 ($)
Income				
Interest from Loans	25,369,427	23,854,646	25,369,427	23,854,646

For the year ended 30 June	Consolidated 2017 ($)	Consolidated 2016 ($)	The Bank 2017 ($)	The Bank 2016 ($)
Fees	3,801,367	3,576,481	3,801,367	3,576,481
Other Income	2,763,885	7,267,062	2,762,644	7,266,238
Total Income	**31,934,679**	**34,698,189**	**31,933,438**	**34,697,365**
Expenses				
Interest and Other Borrowings Expenses	7,411,560	6,525,024	7,411,560	6,525,024
Operating Expenses	12,364,041	12,291,253	12,363,319	12,289,081
Total Expenses	**19,775,601**	**18,816,277**	**19,774,879**	**18,814,105**
Operating profit before allowances	**12,159,078**	**15,881,912**	**12,158,559**	**15,883,260**
Allowances for Credit Impairment	1,772,938	6,929,397	1,772,938	6,929,397
Allowance for Interest and Fees	2,230,872	1,648,571	2,230,872	1,648,571
Operating profit before income tax expense	**8,155,268**	**7,303,944**	**8,154,749**	**7,305,292**
Income Tax Expense	---	---	---	---
Other Comprehensive Income	---	2,513,217	---	2,513,217
Operating profit after income tax	**8,155,268**	**9,817,161**	**8,154,749**	**9,818,509**

The Bank's consolidated operating profit before tax for the year ended 30 June 2017 increased by $851,324 or by 12%. The increase was mostly attributable to decline in allowances for credit impairment by $5,156,459 or 74%. This was mostly because lesser accounts was considered to be impaired in 2017 compared to 2016.

Fiji Development Bank - Abridged Statement of Financial Position

As at 30 June	Consolidated 2017 ($)	Consolidated 2016 ($)	The Bank 2017 ($)	The Bank 2016 ($)
Assets				
Cash and Cash Equivalents	24,566,853	56,566,428	24,549,882	56,549,281
Loans and Advances	354,820,471	294,844,851	354,820,471	294,844,851
Investment in Subsidiary	----	---	20,000	20,000
Investments	15,001	15,001	15,001	15,001
Investment Held to Maturity	2,032,397	2,030,650	2,000,000	2,000,000
Property, Plant and Equipment	17,637,904	17,795,839	17,637,904	17,795,839
Intangibles	180,567	211,438	180,567	211,438
Other Debtors	2,806,063	3,440,924	2,431,512	3,065,409
Receivable due from Subsidiary	---	---	404,820	404,820
Total Assets	**402,059,256**	**374,905,131**	**402,060,157**	**374,906,639**
Liabilities				
Accounts Payable and Accruals	6,077,304	3,037,338	6,072,217	3,032,339
Debt Securities	237,177,512	220,918,643	237,177,512	220,918,643
Other Liabilities	4,492,860	4,656,379	4,492,860	4,656,379
Employee Entitlements	1,031,309	1,471,177	1,031,309	1,471,177
Deferred Income	2,718,512	2,415,103	2,718,512	2,415,103
Total Liabilities	**251,497,497**	**232,498,640**	**251,492,410**	**232,493,641**
Net Assets	**150,561,759**	**142,406,491**	**150,567,747**	**142,412,998**
Equity				
Capital	56,050,636	56,050,636	56,050,636	56,050,636
Reserves	15,048,508	15,048,508	15,048,508	15,048,508

As at 30 June	Consolidated		The Bank	
	2017 ($)	2016 ($)	2017 ($)	2016 ($)
Accumulated Fund	79,462,615	71,307,347	79,468,603	71,313,854
Total Equity	**150,561,759**	**142,406,491**	**150,567,747**	**142,412,998**

The Bank's net consolidated assets increased by $8,155,268 or 5.7% in 2017 compared to 2016. The increase was mostly attributable to increase in loans and advances which increased significantly by $60 million or by 20% in 2017.

Other significant matters – Fiji Development Bank - 2017

Inconsistency of loan data recorded in Bank Management System (BMS)

We noted from the testing of new loans that there were instances whereby details as per the loan contract did not match the details loaded in the BMS system. Our enquiries with management and review of the loan files did not note variation letters for the anomalies.

The above issue has a pervasive effect on loan accounts and diminishes the accuracy of data which the management relies on to compute interest calculations, arrears, loan grading, suspension of interest and provisions. It may undermine any economic decision made by management based on incorrect loan data.

The bank explained that prior to October 2016, all Loans Officers and Administration Officers were allowed to do data entry on BMS irrespective of which Centre/Branch they were based in. This resulted in a number of data entry discrepancies. A new unit namely the Credit Administration Unit was then set up to centralize the data entry and documentation process and to eliminate such data entry discrepancies. This unit was set up in October 2016 and has been in operation for around 9 months.

The Bank is also looking at streamlining its processes to assist the unit in performing data validation at entry level thus enhancing data integrity.

Loan account reviews not conducted in conformity with lending policy requirements

The Lending policy of the Bank specifically outlines the requirements and frequency of conducting loan account reviews.

However, we noted from review of loan accounts that the credit reviews of the respective loans were outdated and not reviewed in conformity to the policy.

Loan reviews not done result in latest client information not being used to assess the client recoverability of its debts, which will impact the grading and calculating of suspense interest.

The bank informed us that the respective Centre Managers would be reminded of their responsibility to ensure that timely loan reviews are carried out as part of loan management and supervision.

Lack of issue of variation advices

Our testing of restructured loans noted that in 10 instances out of 40 samples tested, variation advices were not sent to the respective customers however, BMS had been updated for the variation at the date of testing.

In the absences of a formal variation letter with the customer may open up the Bank to dispute if the customer does not agree with the variation that has been made to the account.

The bank concurred that this is in breach of loan policy and procedure. The bank informed that the management is going to enforce this important issue as this forms part of the loan contract. Centre Managers are responsible for this and is part of Branch portfolio management, and monitored by their respective Regional Managers.

6.7 FDB Nominees Limited

Financial Information - 2016

The audit of FDB Nominees Limited for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of FDB Nominees Limited.

FDB Nominees Limited - Abridged Statement of Financial Performance

For the year ended 30 June	2016 ($)	2015 ($)
Interest from Loans	824	494
Total Income	**824**	**494**
Operating expenses	2,171	76,677
Total Expenses	**2,171**	**76,677**
Operating (loss)/profit before provisions	(1,347)	(76,183)
Operating (loss)/profit before income tax	(1,347)	(76,183)
Income tax expense	---	---
Operating loss after income tax	**(1,347)**	**(76,183)**

The Company recorded operating loss after tax of $1,347 for 2016 compared to a loss of $76,183 in 2015. The decline in loss was the result of nil employee cost in 2016 compared to $68,273 in 2015.

FDB Nominees Limited - Abridged Statement of Financial Position

For the year ended 30 June	2016 ($)	2015 ($)
Cash	17,147	17,271
Accounts receivable	373,750	373,750
Held to maturity investment	30,650	29,850
Other receivable	547	522
Deferred tax asset	1,218	2,402
Total Assets	**423,312**	**423,795**
Amount owing to FDB	402,305	392,245
Other current liabilities	7,513	16,709
Total Liabilities	**409,818**	**408,954**
Net Assets	**13,494**	**14,841**

The Company recorded a decrease in the net assets by $1,347 or 9% in 2016. The slight decrease in net asset was due to the increase in the amount owed to Fiji Development Bank.

Financial Information - 2017

The audit of FDB Nominees Limited for the financial year 2017 resulted in the issue of *unmodified opinion* (unqualified) audit opinion. However, attention was drawn to the statement of Financial Position and in the notes to the financial statements shows receivable amounting to $373,750 which relates to management fees due from Fiji Investment Corporation Limited (FICL). The Management of FICL is currently undertaking due diligence on FDBNL's operation to substantiate their claims.

Presented below is the abridged financial information of FDB Nominees Limited.

FDB Nominees Limited - Abridged Statement of Financial Performance

For the year ended 30 June	2017 ($)	2016 ($)
Interest income	1,241	824
Total Income	**1,241**	**824**
Operating expenses	721	2,171
Total Expenses	**721**	**2,171**
Operating profit/(loss) before income tax	520	(1,347)
Income tax expense	---	---
Operating profit/(loss) after income tax	**520**	**(1,347)**

The Company recorded operating profit for 2017 compared to operating loss of $1,347 in 2016. The operating profit was due to increase in interest income in 2017 which increased by $417 in 2017 compared to 2016.

FDB Nominees Limited - Abridged Statement of Financial Position

For the year ended 30 June	2017 ($)	2016 ($)
Cash	16,971	17,147
Accounts receivable	373,750	373,750
Held to maturity investment	32,397	30,650
Other receivable	40	547
Deferred tax asset	761	1,218
Total Assets	**423,919**	**423,312**
Amount owing to FDB	404,819	402,305
Other current liabilities	5,086	7,513
Total Liabilities	**409,905**	**409,818**
Net Assets	**14,014**	**13,494**

The Company recorded an increase in net assets which increase by $520 or by 4% in 2017.

6.8 Housing Authority of Fiji

Financial Information - 2016

The audit of Housing Authority of Fiji for the financial year 2016 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Housing Authority of Fiji.

Housing Authority of Fiji - Abridged Statement of Financial Performance

Year Ended 31 December	2016 ($)'000	2015 ($)'000
Interest Income	7,259	7,640
Interest Expense	(4,562)	(4,644)
Net Interest Income	2,697	2,996
Other Operating Income	18,685	24,755
Total Revenue	**21,382**	**27,751**
Staff Costs	4,620	4,829
Bad & Doubtful Debts	790	40
Depreciation of Property, Plant and Equipment	520	607
Amortisation of Intangible Asset	260	244
Cost of Sales	11,262	17,169
Other Operating Expenses	2,457	2,628
Total Expenditure	**19,909**	**25,517**
Total Comprehensive Income for the year after Tax	**1,473**	**2,234**

The total comprehensive income after tax decreased by $761,000 or 34.1% in 2016 compared to 2015 which was largely attributed by decrease in interest income.

Housing Authority of Fiji - Abridged Statement of Financial Position

As at 31 December	2016 ($)'000	2015 ($)'000
Cash & Cash Equivalents	2,323	3,170
Loans and Advances	86,173	79,745
Inventories	31,019	36,008
Land held for future development	3,755	2,022
Property, Plant & Equipment	7,515	7,909
Investment Property	---	994
Other Assets	4,286	4,673
Held to maturity investments	41,950	49,450
Intangible Assets	406	663
Total Assets	**177,427**	**184,634**
Borrowings	102,055	112,184
Trade and other Payables	16,928	15,290
Employee Benefit Liability	511	546
Provisions	25	179
Total Liabilities	**119,519**	**128,199**
Net Assets	**57,908**	**56,435**

The Authority's net asset increased by $1,473,000 or 2.6% in 2016 compared to 2015. The increase in net assets was largely attributed by increase in land held for future development and decrease in total liabilities.

Other significant matters – Housing Authority of Fiji - 2016

Methodology of calculating impairment of loans and advances

The Authority has made specific and collective provision for doubtful debts taking into account the risk of non-recovery of each category of accounts. Provision is calculated based on the shortfall between the security value for an account in arrears and the loan balance after deducting any suspended interest. The age of arrears determine the level of provisioning against the shortfall in security value and the carrying amount after adjusting for suspended interest.

While the method is in accordance with Reserve Bank of Fiji guidelines, the method is inconsistent with International Financial Reporting Standards, the framework on which the financial statements are prepared.

The current practice of the Authority in calculating provision for doubtful debts is not in accordance with *International Accounting Standard 39 (IAS 39), Financial Instruments: Recognition and Measurement.*

The Authority noted the audit finding and agreed to review its policy in accordance with statutory requirements and compliance.

Review of risk grading and annual provisioning

The loan provisioning is based entirely on arrears Days Past Due ("DPD") of the loan account. Even though DPD calculations are correct, the Authority is in breach of part 5 of its Credit Management Policy, which states that "...at least 60% by value of all loans and advances will be assessed on an annual basis. All significant loan accounts should be assessed individually, at least annually."

The Authority agreed to implement an 'ACCOUNT REVIEW CHECKLIST' to be filled and placed in customer files when the Account Collectors review each account. Also, a target would be set to review 60% or more accounts by value of all.

6.9 Fiji Broadcasting Corporation Limited

Financial Information - 2016

The audit of Fiji Broadcasting Corporation Limited for the financial year 2016 resulted in the issue of *modified opinion* (qualified) audit opinion. The qualification issue was related to the following:

The company accounted for all government grants received from 1 January 2016 to 7 March 2016 as a capital contribution. This is a departure from IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" which requires government grants provided to compensate the Company for expenses incurred to be recognized in profit or loss as other income on a systematic basis in the same period that the expenses are recognized. The Company's records indicate that, had the Company complied with IAS 20 the impact would be to increase other income by $2,075,785 and reduce capital contribution by $2,075,785 for the current year and increase retained earnings by $16,413,911 and reduce capital contribution by $16,413,911 for prior years.

Presented below is the abridged financial information of Fiji Broadcasting Corporation Limited.

Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Performance

Items	2016 ($)	2015 ($)
Income from Advertising, Programs and Special Events	19,202,108	8,174,598
Other Income	418,925	359,479
Total Income	**19,621,033**	**8,534,077**
Administration and Other Operating Expenses	12,272,541	10,101,865
Marketing Expenses	2,163,728	777,685
Finance Costs	921,995	1,016,285
Total Expenditure	**15,358,264**	**11,895,835**
Operating profit/(loss) before income tax	**4,262,769**	**(3,361,758)**
Income tax expense	---	---
Net Profit/(loss) for the year after income tax	**4,262,769**	**(3,361,758)**

The corporation made a net profit of $4,262,769 in 2016 compared to a net loss in 2015. The profit was due to recognition of public service B=broadcast revenue of $9,201,615 recorded in 2016 compared to nil in 2015. This relates to Government assistance to the corporation to provide broadcasting services to the public which is not charged by the corporation.

Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Position

As at 31 December	2016 ($)	Restated 2015 ($)
Cash and Cash Equivalent	6,205,105	866,072
Trade and Other Receivables	1,836,608	1,759,363
Held to Maturity Investment	360,606	355,815
Other Current Assets	694,191	727,127
Property, Plant & Equipment	17,938,361	17,428,331
Total Assets	**27,034,871**	**21,136,708**
Trade & Other Payable	2,383,751	1,010,139
Interest Bearing Borrowings	1,966,321	1,817,005

As at 31 December	2016 ($)	Restated 2015 ($)
Other Current Liabilities	167,151	138,603
Interest Bearing Borrowings	13,792,862	15,764,729
Deferred Income	19,032	39,032
Deferred Tax Liability	835,303	835,303
Total Liabilities	**19,164,420**	**19,604,811**
Net Assets	**7,870,451**	**1,531,897**

The corporation's net assets increased by $6,338,554 or 413.7% in 2016 compared to 2015. The increase was mainly due to the increase in cash and cash equivalent by $5,339,033 or by 616.46% in 2016 compared to 2015. This was mainly attributable to special funding received from the Government of $9,201,615 for public service broadcast.

Other significant matters – Fiji Broadcasting Corporation Limited - 2016

Absence of a risk register

It is imperative that a risk register is maintained by the Corporation to list all the risk that is identified. This can assist management in mitigating those risks. However, the Corporation does not maintain a risk register.

The company agreed to maintain a risk register.

Financial Information - 2017

The audit of Fiji Broadcasting Corporation Limited for the financial year 2017 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

However, attention was drawn to Note 3(l) of the financial statements which states that grants and/or special funding from Government up to 7 March 2016 were treated as capital contribution in accordance with Cabinet Decision No. 357 of 2012.

Presented below is the abridged financial information of Fiji Broadcasting Corporation Limited.

Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Performance

Description	2017 ($)	2016 ($)
Operating revenue	22,332,621	19,202,108
Other revenue	1,074,153	418,925
Total Revenue	**23,406,774**	**19,621,033**
Administrative and Operating Expenses	13,120,352	12,272,541
Marketing Expenses	2,534,853	2,163,728
Finance costs	817,450	921,995
Total Expenditure	**16,472,655**	**15,358,264**
Profit before income tax	**6,934,119**	**4,262,769**
Income tax expense	183,611	180,147
Profit after income tax	**6,750,508**	**4,082,622**

The increase in net profit after income tax by $2.7 million or 65% in 2017 compared to 2016 was largely due to increase in government grant for public service broadcast by $2.1 million. There was also increases in advertising revenue from radio and television.

Other income increased by $655,228 which was largely due to the insurance proceeds for towers destroyed by Tropical Cyclone Winston and sale of towers to Telecommunication Fiji Ltd in 2017.

Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Position

Description	2017 ($)	2016 ($)
Cash and cash equivalent	5,486,265	6,776,564
Trade and other receivable	95,893	77,585
Held to maturity term deposit	436,961	156,222
Other current assets	29,241,863	28,424,228
Property, plant and equipment	35,260,982	35,434,599
Deferred tax asset		
Total Assets	**31,659,759**	**27,068,266**
Trade and other payable	1,973,254	2,383,751
Interest bearing borrowings	13,827,603	15,759,183
Other current liabilities	162,711	167,151
Deferred tax liabilities	546,627	546,627
Deferred income	19,032	19,032
Total Liabilities	**16,529,227**	**22,717,336**
Net Assets	**15,130,532**	**8,380,024**

Net assets decreased by $6.7 million or 80% in 2017 compared to 2016 mainly due to the increase in held to maturity investments by $2 million, increase in cash at bank by $2.7 million and decline in interest bearing borrowing by $1.9 million.

Other significant matters – Fiji Broadcasting Corporation Limited - 2017

Incorrect Capitalisation of Work In Progress Items

Included in the Fixed Assets Register (FAR) were various capital expenditures that were effectively work-in-progress at year-end.

Electrical works on the Outside Broadcast Van were still underway at balance date. However, cost of the van, associated design and equipment costs, and freight charges were capitalized as motor vehicle and plant and equipment respectively.

Depreciation on some of the items commenced from the date payment was made, although the Outside Broadcast Van as a unit was not in its required condition to be used at balance date. According to *International Accounting Standard 16: Property, Plant and Equipment*, "depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management".

The company agreed to review the Fixed Asset Register (FAR) and reflect changes in the financial statements of the current (2018) financial year.

Inadequate provision for doubtful debts

At year-end, receivable from a debtor amounting to $23,981 was deemed doubtful. From the total balance, $17,207 related to interest accumulated on outstanding balance. FBCL recorded only the initial invoice value as doubtful which totaled $6,774. This resulted in understatement of provision for doubtful debts by $17,207

The company agreed to include provisions on interest accumulated in the 2018 financial reports.

Incorrect treatment of staff receivables

Included in trade and other receivables were negative staff debtors of $10,864.

The negative balance originated from incorrect entries processed in the general ledger to record staff debtors and deductions.

The company agreed to review staff debtor's account and make necessary adjustments in 2018 financial reports.

6.10 Post Fiji Limited

Financial Information - 2016

The audit of Post Fiji Limited for the financial year 2016 resulted in the issue of un*modified* (unqualified) audit opinion.

Presented below is the abridged financial information of Post Fiji Limited for the financial year 2016.

Post Fiji Limited - Abridged Statement of Financial Performance

Description	2016 ($)	2015 ($)
Sales Revenue	7,594,582	7,644,754
Postage, Stamp and Other sales	4,450,375	4,622,578
Rental – Postal box and Bag	2,231,045	2,120,730
Agency Commission and Other Services	10,352,731	10,322,393
Other Operating Revenue	2,024,414	1,434,620
Finance Income	301,036	178,062
Total Income	**26,954,183**	**26,323,137**
Cost of Sales	5,938,471	5,499,867
Depreciation and Amortization Expenses	1,090,191	1,105,320
Employee Benefits Expense	7,930,029	7,663,581
Administration and Operating Expenses	12,717,576	9,692,290
Selling, Marketing and Distribution Expenses	119,218	269,767
Other Operating Expenses	15,913	15,423
Total Expenditure	**27,811,398**	**24,246,248**
Operating profit/ (loss) before income tax	**(857,215)**	**2,076,889**
Income Tax Expense	121,452	437,966
Net Loss/(profit) for the year after Income Tax	**(735,763)**	**1,638,923**

The Company recorded a net loss after income tax of $735,763 in 2016 compared to a net profit of $1,638,923 in 2015, a change of $2,374,686 or 144%. The net loss after income tax was largely due to an increase in administration and operating expenses which was the result of an increase in doubtful debts by $2,728,393 in 2016.

Post Fiji Limited - Abridged Statement of Financial Position

Description	2016 ($)	2015 ($)
Cash and Cash Equivalent	2,810,074	4,875,508
Trade and Other Receivables	9,009,851	10,826,485
Other Current Assets	12,272,906	10,335,871
Property, Plant & Equipment	9,735,509	9,532,789
Other Non-Current Asset	2,408,012	2,115,938
Total Assets	**36,236,352**	**37,686,591**
Trade and Other Payable	17,583,757	18,086,256
Other Current Liabilities	826,080	992,553
Trade and Other Payables	2,991,569	2,951,592
Other Non-Current Liabilities	1,252,774	1,338,255
Total Liabilities	**22,654,180**	**23,368,656**
Net Assets	**13,582,172**	**14,317,935**

Net assets decreased by $735,763 or 5% in 2016 compared to 2015. The decrease is mainly attributable to significant decline in trade and other receivables which decreased by $1,816,634 in 2016 which was mostly attributable to increase in provision for doubtful debts by $$2,728,393.

Other significant matters – Post Fiji Limited - 2016

Absence of risk management policy

A risk management policy statement expresses an organization's commitment to risk management and clarifies its general direction or intention. We noted that the Company does not have a risk management policy in place.

The Company agreed to incorporate the risk management policy into the Finance Manual.

Internal audit

From our review of the work of the internal audit function in the company, it was noted that there was no internal audit carried out to review the effectiveness of the internal controls, systems and processes of the company in 2016.

The Company agreed to ensure that the internal audit work should also include looking at the effectiveness of internal controls.

Assessment for Impairment on property, plant and equipment not carried out

The company did not carry out an assessment for impairment for its property, plant and equipment. There were some assets which were damaged during Tropical Cyclone Winston and by fire but were not subject to impairment assessment.

The Company agreed and noted the audit recommendation regarding the impairment of assets.

Anomalies noted in the procurement process

In 2016 three new overseas suppliers were engaged by Post Fiji Limited for the supply of stationeries.

Our review of the overseas purchases noted the following:

- Although purchases from the suppliers were over $100,000, agreements or contracts were not drawn between the company and the suppliers;
- No documentary evidence was provided to audit to substantiate how these suppliers were selected; and
- Advance payments were made to these suppliers amounted to $901,636.77 (FJD).

The company explained that most stationery stock items were procured from a major local supplier for years. As part of its overall strategy and to improve profitability and competitiveness, the company undertook the initiative to identify overseas suppliers for stationery at much lower prices. However, the company agreed to manage the risks associated with procurements without contract and advance payments.

Anomalies in staff advances

Cash advance to staffs are normally for short term period and are generally paid in an accounting period. In most cases this is paid through salary deductions.

Our review of staff advances noted the following:

- There has been no movement in the staff advance – salary account of $40,384.92 from prior year;
- Staff advance account reconciliations were not provided;
- Listing of the staff advance – salary account was not provided; and
- There was no documented policy on staff advance.

The company agreed with the audit recommendation to perform monthly reconciliation and maintain an updated staff advance listing.

Financial Information - 2017

The audit of Post Fiji Limited for the financial year 2017 resulted in the issue of un*modified* (unqualified) audit opinion. However, attention was drawn to the following matter:

There are lack of documented policies and standard operating procedures in place which can lead to inconsistencies in practices by employees thus providing the opportunity for fraud.

Presented below is the abridged financial information of Post Fiji Limited for the financial year 2017.

Post Fiji Limited - Abridged Statement of Financial Performance

Description	2017 ($)	Restated 2016 ($)
Revenue	8,971,892	7,594,582
Postage, Stamp and Other Sales	4,430,446	4,450,375
Rental – Postal Box and Bag	2,257,419	2,231,045
Agency Commission and Other Services	9,178,792	10,352,731
Other Operating Revenue	1,850,098	2,024,414
Finance Income	329,198	301,036
Total Income	**27,017,845**	**26,954,183**
Cost of Sales	6,862,860	5,938,471
Depreciation and Amortization Expense	1,181,176	1,090,191
Employee Benefits Expenses	7,949,757	8,008,874
Administration and Operation Expenses	10,216,578	12,762,334
Selling, Marketing and Distribution Expenses	141,484	119,218
Other Operating Expenses	17,957	15,913
Total Expenditure	**26,369,812**	**27,935,001**
Profit/ (loss) from Operations	648,033	(980,818)
Income Tax Expenses	(172,389)	137,912
Profit/(loss) for the Year after Income Tax	**475,644**	**(842,906)**

The Company recorded a net profit of $475,644 in 2017 compared to a net loss of $842,906 in 2016. This was mainly attributed to the decrease in administration and operating expenses by $2,545,756 (19%) and increase in sales revenue by $1,377,310 (18%).

Post Fiji Limited - Abridged Statement of Financial Position

Description	2017 ($)	Restated 2016 ($)
Cash and Cash Equivalents	2,503,582	2,741,702
Trade and Other Receivables	9,851,379	9,009,851
Financial Assets – Held to Maturity	4,723,604	5,271,187
Inventories	6,439,585	5,640,000
Other Assets	473,741	1,246,452
Property, Plant and Equipment	9,487,528	9,735,509
Intangible Assets	605,793	837,994
Deferred Tax Assets	2,102,550	2,098,846
Total Assets	**36,187,762**	**36,581,541**
Trade and Other Payables	19,899,559	20,785,326
Employee Entitlements	1,624,002	1,428,768
Deferred Income	708,332	735,106
Finance Lease – Postal Global	417,624	607,375
Current Tax Liability	283,276	245,641
Total Liabilities	**22,932,793**	**23,802,216**
Net Assets	**13,254,969**	**12,779,325**

Net assets increased by $475,644 or 4% in 2017 compared to 2016. This was mainly due to the decrease in trade and other payables by $885,767 (4%) and finance lease – postal global by $189,751 (31%).

Other significant matters – Post Fiji Limited - 2017

Absence of Policy and Guidelines

Although employees are aware of the practices of carrying out their particular tasks, these processes and procedures of accounting and operations are not documented.

In addition, the Company does not have policies to govern some aspects of its operations and activities. For example, debt recovery policy, investment policy, risk management policy and disaster recovery plan for postal offices and agencies.

The company agreed with audit recommendation to establish policies and document the processes and procedures for accounting and operations.

Outdated Corporate Instructions Manual

The Company's corporate instructions manual was developed in 1998 and was last revised in 2003. Consequently, numerous policies, processes and procedures applied currently including amendments to leave entitlements and payment of allowances are not updated in the existing manual.

The company agreed with audit recommendation to review and update the Corporate Instructions Manual.

Absence of Evidence to Confirm Approval of the 2017 Budget by the Board

There was no evidence to indicate that the 2017 budget was deliberated and approved by the Board.

The company agreed with the recommendation that the annual budgets should be submitted for the Board's deliberation and endorsement, which should be documented.

Significant Long Outstanding Local Debtors

A balance of $754,012.49 or 25% of the total local debtors was long outstanding or 90 days old and over, out of which 20% or $147,721.43 was provided for doubtful debts.

Management was in the process of implementing stringent debt recovery policy where debts will be closely monitored.

Ineffective Controls over Management of Inventory

Our review of the inventory account and related records revealed the following anomalies:

- Reconciliation were not performed to monitor requests made by the offline stations against their sales to ensure that increases in requests for each item correlates with sales. Moreover, current stock on hand is not monitored when a request is made from the offline Post Shops.

- The Company did not have documented policy/procedures in place to govern the management of inventories. For instance, the process to be followed when accounting for offline stores stock requests, cash accounts or monthly stock reconciliation for all stations.

The company indicated that it was in the process of reviewing inventory management controls.

Absence of Valid and Proper Rental Agreements

There were no valid and proper agreements in place for crown lease rental and the rental space for the Government Building Post Office. Accordingly, rent totalling $79,879 for the crown lease and government building post office have not been settled since 2009.

The company indicated that some contracts had expired but rental space still used through mutual agreement.

Absence of Valid and Proper Written Agreements with the Billpay Vendors

There were no valid and proper agreements between the Company and the Billpay vendors.

Rights and obligations of the Company and the Vendors are not clearly outlined thus increasing the risk of uncertainty in an event of dispute.

The company stated that in most cases there is continuity of the Bill Pay Services based on mutual agreement.

Back to School Credit not properly managed

The Company offers credit facility for "Back to School" (BTS). As at 31/12/17, the Company recorded a total of $92,898.13 of BTS receivable, and made a provision for doubtful debts of $75,088.45 or 81% of the amount.

We noted that proper screening were not done consistently and completely for BTS credit customers. For instance, forms had incomplete details such as EDP/ FNPF numbers, and fortnightly deductions; no evidence of vetting done by authorised officer; applications were not supported with identification cards; and agreements were not witnessed.

The company does not have documented policies / procedures in place to govern the credit facility offers for BTS.

The company stated that it will pursue further recovery action with individual customers. Furthermore, management will ensure that proper vetting is done before any credit is approved in future.

Incorrect disclosures of losses and shortages as receivables

A number of accounts were incorrectly recorded and classified as receivables in the financial statements, as there were uncertainty that the amount will be received by the Company through insurance claims. Shortages and losses are subject to the outcome of police investigations and as such contingent assets should have been more appropriate disclosure. Details of the accounts are provided below.

2017

- Shortage money order - $1,298,795.07
- Shortage cash account - $412,402.12
- Losses Post Office's & Postal Agencies - $1,251,373.85
- Voter Service Payments - $82,451.55
- GSF Grant – 255,777.11

The company had allocated full provision as there were uncertainty that these funds will be received. However, the company will reassess and reconsider the audit recommendations to comply with the International Financial Reporting Standards.

No Policy and Guideline for holding of Excess Cash d for Postmasters cash account

The Post Offices have been allowed to maintain a certain limit of cash due to nature of operations of the company. Any excess over the authorised limit should either be banked or transferred to the Headquarters through Remittance between Post Offices (RBPO). If the Post Offices need to maintain excess cash, approval should be sought from the Headquarters.

The excess limit is approved after taking into consideration the need for a certain level of excess cash. However, there is no guideline on which approval for holding excess cash is based.

The company agreed to review and update its Corporate Instructions Manual to suit the current business environment. This will be incorporated with the risk management policy with strict timeline.

Anomalies in Business Engagement with an international mail logistic company

Post Fiji Ltd engaged the services of an international mail logistic company that offers cross border solutions for international mail shipments, and ceased the engagement in March 2016.

As at 31 December 2017, the total amount owed to Post Fiji Ltd by the international mail logistics company totalled $9,789,291.

Our audit revealed the following anomalies:

- There was no written agreement between Post Fiji Limited and the international mail logistic company;
- Approval of Board was not obtained for the use of Post Fiji Limited's logo by the company;

The company stated that necessary action will be undertaken to recover the outstanding amount through legal action.

6.11 Energy Fiji Limited

Financial Information – 2016

The audit of Energy Fiji Limited for the financial year 2016 resulted in the issue of un*modified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Energy Fiji Limited for the financial year 2016.

Energy Fiji Limited - Abridged Statement of Financial Performance

Year Ended 31 December	2016 ($'000)	2015 ($'000)
Revenue		
Operating revenue –electricity sales	317,835	311,989
Other operating income	10,550	9,877
Total Revenue	**328,385**	**321,866**
Expenditure		
Personnel expenses	21,723	19,975
Fuel costs	89,849	140,704
Lease and rent expenses	12,262	16,894
Electricity purchases	1,620	1,567
Depreciation	39,268	37,714
Amortisation of intangible assets	112	180
Other operating expenses	48,041	48,924
Total Expenditure	**212,875**	**265,958**
Profit before Finance Costs & Income Tax	**115,510**	**55,908**
Finance costs	10,791	10,554
Operating profit before restoration cost and income tax	**104,719**	**45,354**
Cyclone restoration costs	30,066	-
Profit before income tax	**74,653**	**45,354**
Income tax expense	15,055	5,664
Net profit for the year after income tax	**59,598**	**39,690**

EFL recorded net profit of $59.6 million in 2016, an increase of $19.9 million or 51% compared to 2015. The increase was mostly attributable to substantial decrease in fuel cost which declined by $50.9 million or 37% in 2015 compared to 2014.

Energy Fiji Limited - Abridged Statement of Financial Position

As at 31 December	2016 $'000	2015 $'000
Cash and cash equivalents	119,466	57,343
Held to maturity financial assets	-	12,468
Receivables and prepayments	36,459	39,587
Other current assets	32,362	29,874
Property, plant and equipment	1,035,332	1,030,530
Other non-current assets	157	2,009
Total Assets	**1,223,776**	**1,171,811**
Interest bearing borrowings	319,459	340,629
Deferred tax liabilities	45,344	40,718
Other current liabilities	38,410	51,753
Other non-current liabilities	114,256	91,537
Total Liabilities	**517,469**	**524,637**
Net Assets	**706,307**	**647,174**

Net assets increased by $59.1 million or 10% in 2016 compared to 2015. The increase was mostly attributable to increase in holding of cash and cash equivalent of $62.1 million compared to 2015.

Other significant matters – Energy Fiji Limited – 2016

Management of Fuel/Hydro/Windmill Mix

EFL uses hydro, thermal and wind power as energy sources for generation of power in the Country.

We were informed by EFL personnel that it makes decision on the generation mix that is economical and sustainable. This is based on Hydro Dam level, fuel prices and predicted weather forecast.

However, we believes that it is not possible for EFL to determine power generation from various sources. Hence we were not able to generate the contribution of non-fossil energy to the Authority's revenue base and how the Authority was able to measure effectiveness of these sources. In addition, documented procedures were not able to determine how and when the various fuel combinations were used for different scenarios.

The recommendations made were noted by EFL and explained by stating that the mix hydro, thermal and wind power stations is recognized as one of the most complex systems to control because of seasonal nature of water and wind availability. The dispatch plan is prepared weekly by the FEA System Control Department and send to the Management Team for its decision on the generation mix. This plan is based on the weather forecast provided by the Meteorological Office. The aim of the dispatch plan is to minimize spill from any of the reservoirs and to maximize the head in order to maximize energy production.

Internal Audit – Tropical Cyclone Winston Restoration Works

It is imperative that Internal Audit team is prepared to take responsibility of reviewing the processes and procedures of any significant unplanned capital and revenue expenditures. This becomes important because in crisis time there is a high risk of non-compliance with required procurement procedures.

Whilst the scope of internal audit review covers the core business processes of the Authority on a rotational basis, no specific review had been carried out for Tropical Cyclone Winston Restoration works during the year amounting to approximately $31m.

EFL argued that its Internal Audit team was engaged to carry out audits on payroll, stores and stock.

Financial Information - 2017

The audit of Energy Fiji Limited for the financial year 2017 resulted in the issue of un*modified opinion* (unqualified) audit opinion.

Presented below is the abridged financial information of Energy Fiji Limited for the financial year 2017.

Energy Fiji Limited - Abridged Statement of Financial Performance

Year Ended 31 December	2017 ($'000))	2016 ($'000)
Revenue		
Operating revenue –electricity sales	340,223	317,835
Other operating income	10,933	10,550
Total Revenue	**351,156**	**328,385**
Expenditure		
Personnel expenses	23,912	21,723
Fuel costs	121,873	89,849
Lease and rent expenses	18,546	12,262
Electricity purchases	17,31	1,620
Depreciation	39,496	39,268
Amortisation of intangible assets	131	112
Other operating expenses	48,940	48,041
Total Expenditure	**254,629**	**212,875**
Profit before Finance Costs & Income Tax	**96,527**	**115,510**
Finance costs	11,291	10,791
Operating profit before restoration cost and income tax	**85,236**	**104,719**
Cyclone restoration costs	1,067	30,066
Profit before income tax	**84,169**	**74,653**
Income tax expense	16,779	15,055
Net profit for the year after income tax	**67,390**	**59,598**

EFL recorded net profit of $67.4 million in 2017, an increase of $7.8 million or 13% compared to 2016. The increase was mostly attributable to decrease in cyclone restoration cost which declined substantially in 2017 by $29 million. This was because most of the restoration work was carried out in 2016.

Energy Fiji Limited - Abridged Statement of Financial Position

As at 31 December	2017 $'000	2016 $'000
Cash and cash equivalents	158,345	119,466
Held to maturity financial assets	-	-
Receivables and prepayments	38,612	36,459
Other current assets	37,646	32,362
Property, plant and equipment	1,056,899	1,035,332
Other non-current assets	198	157
Total Assets	**1,291,700**	**1,223,776**
Interest bearing borrowings	297,566	319,459
Deferred tax liabilities	50,066	45,344
Other current liabilities	28,081	38,410
Other non-current liabilities	164,710	114,256
Total Liabilities	**540,423**	**517,469**
Net Assets	**751,277**	**706,307**
Retained profits	656,082	611,132
Capital contribution	95,199	95,175
Total Capital and Reserves	**751,281**	**706,307**

Net assets increased by $44.97 million or 6% in 2017 compared to 2016. The increase was mostly attributable to increase in intangible asset which increase by $1.3 million in 2017 due to upgrade of the Company's billing system software amounting to $1,462 million.

Other significant matters – Energy Fiji Limited - 2017

Impairment Assessment and Useful Lives of Plant and Equipment

EFL should continuously review the carrying value, residual value and useful economic life of plant and equipment, ensuring the depreciation is reasonable and adequate, and also ensuring any impairment adjustment is made on a timely/progressive basis.

As per *paragraph 43 of IAS 16 – Property Plant and Equipment*, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The Authority needs to undertake a formal process with reasonable documentation for:

- Impairment analysis of plant and equipment.
- Review of the residual value and estimated useful lives of plant and equipment (mainly wind mill, power generating assets and capital spares).

Our review of useful lives and impairment assessment of EFL's property, plant and equipment revealed the following anomalies:

- There was no evidence to support that the management carried out the impairment assessment, review of the depreciation rates and assessed the remaining economic useful lives of individual major classes of plant and equipment in a structured manner progressively, and provided for consideration and review by the Directors.

- EFL has not considered depreciating significant components of individual major assets such as dams, windfarms, power plants based on the expected useful lives of their major components (taking into consideration the requirement for major replacements/overhauls of different components of these major assets), instead of uniformly applying a single depreciation rate to the entire asset.

EFL agreed and noted the recommendations made by audit.

Rights over Assets Resulting from Rural Electrification Schemes

We noted that EFL has been recording capital assets generated from Rural Electrification Schemes as part of its property, plant and equipment in the books of account over the years.

It was difficult for EFL to justify the rights over certain capital assets generated from Rural Electrification Schemes and there is a lack of audit evidence on the rights over the assets in the absence of proper formal documented arrangement with Ministry of Public Enterprises.

EFL noted the audit recommendations and further informed that the issued will be discuss with the relevant Ministry to either include the rights over the assets in the individual contract for Rural Electrifications or obtain a letter from the Minister.

Assets with Zero Written down Values

EFL carries approximately $113m assets in its register with zero written down value.

Based on the discussions with the management, we understand that certain assets with zero written down value are still in use. However, it appears that EFL has not recently carried out a proper exercise to check whether these assets with zero written down values are in use or partially needs to be removed from the Fixed Asset Register.

EFL agreed to commence with the exercise in 2018 to physically identify the assets that have zero book value. Assets that are no longer in use, will be removed from the Fixed Asset Register and those that are still in use and deriving a benefit to EFL will be revalued and assigned an revised depreciation rates based on the assessed remaining life of the asset.

Insurance of the Authority's Power Infrastructure System

We noted that significant assets included as part of property, plant and equipment and in particular forming part of the Authority's Power Infrastructure System (overhead lines) are not insured. The absence of the insurance cover has been disclosed by the management in the financial statements.

However, there is an increased risk of loss to EFL for damages as a result of assets not being insured. This matter was highlighted in previous years audit but necessary action is yet to be taken by the Management.

EFL indicated of doing its level best to get these assets insured. However in terms of cost benefit analysis, the cost of coverage will be substantial and not economically viable if matched against the benefit.

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 is 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 to 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 out 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 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 2016 financial statement preparing processes across the entities which were audited.

Entity	Internal controls					Financial Statement Preparation	
Government Commercial Companies	**CE**	**RA**	**CA**	**IC**	**MA**	**T**	**Q**
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	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Commercial Statutory Authorities							
6. Energy Fiji Limited	🟢	🟡	🟡	🟢	🟢	🟢	🟢
7. Housing Authority	🟢	🟢	🟡	🟢	🟢	🟡	🟢
Majority- owned entities							
8. Copra Millers of Fiji Limited	🟢	🟢	🟡	🟢	🟢	🟡	🟡
9. Pacific Fishing Company Limited	🟢	🟡	🟡	🟢	🟢	🟢	🟢
Other entities							
10. FDB Nominees Limited	🟢	🟢	🟡	🟢	🟢	🟢	🟢
11. Fiji Development Bank	🟢	🟡	🟡	🟢	🟢	🟢	🟢

The following table summarizes our assessment of controls and the 2017 financial statement preparing processes across the entities which were audited.

Entity	Internal controls					Financial Statement Preparation	
Government Commercial Companies	**CE**	**RA**	**CA**	**IC**	**MA**	**T**	**Q**
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	🟢	🟢	🟢	🟢	🟢	🔴	🔴
Commercial Statutory Authorities							
6. Energy Fiji Limited	🟢	🟡	🟡	🟢	🟢	🟡	🟢
Majority- owned entities							
7. Copra Millers of Fiji Limited	🟢	🟢	🟡	🟢	🟢	🔴	🟡
8. Pacific Fishing Company Limited	🟢	🟡	🟡	🟢	🟢	🟡	🟢
Other entities							
9. FDB Nominees Limited	🟢	🟢	🟡	🟢	🟢	🟡	🟢
10. Fiji Development Bank	🟢	🟡	🟡	🟢	🟢	🟡	🟢

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

Appendix A: Audits not complete as at 30 November 2018

Entity	Year Last Audited				Comments
	Prior 2013	2014	2015	2016	
Government Commercial Companies					
1. Fiji Rice Limited			✓		2016-2017 audit being finalized.
2. Viti Corporation Limited	✓				Audited financial statements for 2007 issued for signing 21/11/18. 2008 – 2016 to be submitted for audit.
3. Yaqara Pastoral Limited			✓		2015 audit finalized on 07 June 2019. 2016 draft accounts yet to be submitted.
4. Food Processors Fiji Limited	✓				2009 accounts yet to be received
5. Fiji Hardwood Cooperation				✓	2017 audit in progress.
Commercial Statutory Authorities					
1. Fiji Meat Industry Board				✓	2017 audit was finalized after 30 November 2018. Draft accounts for 2018 yet to be submitted for audit.
2. Housing Authority				✓	2017 audited accounts were sent for signing on 18/04/19
Re-organized entities					
1. Biosecurity Authority of Fiji	✓				Audit for 2013 – 2016 in progress.

Appendix B: Audit Opinion Results

The following tables present the results of our audit of 2016 and 2017 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 (FY 2016)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Airports Fiji Limited	30 April 2017	10 May 2017	Unmodified opinion
2. Fiji Broadcasting Corporation Limited	30 April 2017	26 May 2017	Modified opinion
3. Fiji Public Trustee Corporation Limited	30 April 2017	26 May 2017	Unmodified opinion
4. Post Fiji Limited	30 April 2017	28 September 2017	Unmodified opinion
5. Unit Trust of Fiji (Management) Limited	30 April 2017	13 April 2017	Unmodified opinion

Commercial Statutory Authorities (FY 2016)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
6. Energy Fiji Limited	30 April 2017	09 May 2017	Unmodified opinion
7. Housing Authority	30 April 2017	02 August 2017	Unmodified opinion

Majority-owned Entities (FY 2016)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
8. Copra Millers of Fiji Limited	30 April 2017	06 April 2018	Unmodified opinion with EOM
9. Pacific Fishing Company Limited	30 April 2017	28 April 2017	Unmodified opinion

Other Entities (FY 2016)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
10. FDB Nominees Limited	31 October 2016	28 September 2016	Unmodified opinion
11. Fiji Development Bank	31 October 2016	01 November 2016	Unmodified opinion

Government Commercial Companies (FY 2017)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Airports Fiji Limited	30 April 2018	04 June 2018	Unmodified opinion

Entity	Legislative time frame	Date audit report signed	Audit opinion type
2. Fiji Broadcasting Corporation Limited	30 April 2018	21 June 2018	Unmodified opinion with EOM
3. Fiji Public Trustee Corporation Limited	30 April 2018	08 May 2018	Unmodified opinion with EOM
4. Post Fiji Limited	30 April 2018	13 November 2018	Unmodified opinion with EOM
5. Unit Trust of Fiji (Management) Limited	30 April 2018	14 August 2018	Unmodified opinion

Commercial Statutory Authorities (FY 2017)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
6. Energy Fiji Limited	30 April 2018	24 May 2018	Unmodified opinion

Majority-owned Entities (FY 2017)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
7. Copra Millers of Fiji Limited	30 April 2018	13 November 2018	Unmodified opinion
8. Pacific Fishing Company Limited	30 April 2018	08 May 2018	Unmodified opinion

Other Entities (FY 2017)

Entity	Legislative time frame	Date audit report signed	Audit opinion type
9. FDB Nominees Limited	31 October 2017	12 October 2017	Unmodified opinion with EOM
10. Fiji Development Bank	31 October 2017	27 October 2017	Unmodified opinion

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	• Auditor-General last audited 2014 financial statements. • Declared as Re-organized Enterprise with effect from 13 November 2015
6. Fiji Ports Corporation Limited	Auditor-General	• Auditor-General last audited 2014 financial statements. • Declared as Re-organized Enterprise with effect from 13 November 2015

Appendix D: 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: • capital renewal of existing assets that returns the service potential or the life of the asset to that which it had originally • capital expansion which extends an existing asset at the same standard to a new group of users.

Term	Definition
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 ar 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.
International Financial Reporting Standards	Standards adopted by Fiji Institute of Accountants for financial reporting by large and medium entities in Fiji.

Term	Definition
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 enti 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	Include control weaknesses which *could cause* or *is causing* severe disruption of the process or severe adverse effect 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.
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.
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

Term	Definition
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.

OFFICE of the AUDITOR GENERAL
Republic of Fiji

www.oag.gov.fj