OFFICE of the AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF REPUBLIC OF FIJI

2018 Audit Report on Government Commercial Companies , Commercial Statutory Authorities and Other Entities

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OFFICE of the AUDITOR GENERAL
Republic of Fiji

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File: 102

15 November 2019

The Honorable Ratu Epeli Nailatikau
Speaker of the Parliament of the Republic of Fiji
Parliament Complex
Gladstone Road
SUVA.

Dear Sir

2018 AUDIT REPORT ON GOVERNMENT COMMERCIAL COMPANIES, COMMERCIAL STATUTORY AUTHORITIES AND OTHER ENTITIES

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the 2018 Government Commercial Companies, Commercial Statutory Authorities and Other Entities

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.

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AUDITOR-GENERAL'S FOREWORD

I am pleased to present the report on the financial audits of the Government Commercial Companies and Commercial Statutory Authorities and Other Entities for the audits that were completed after 30 November 2018 following my last report (Parliamentary Paper No. 88). In addition, there are also some audit reports that were issued for backlog audits which I have discussed in a separate section of this report.

Section 56 (1) of the Public Enterprise Act 2019 and Section 152 of the 2013 Constitution provides the Auditor General the mandate to audit the accounts of the GCCs and CSA's. However, there has been few exceptions due to some entities opting to choose their own auditors other than the Auditor General. This is discussed in section 3.6 of this report.

The financial audits of few of the GCCs and CSA's is behind by more than five years as financial statements were not submitted annually to the Auditor General. All efforts are made to bring these backlog audits to current. There are also some entities which provide their financial statements in bulk which becomes a challenge to complete the audits of these entities in one financial year.

Status of the Audits

As at 31 October 2019, we have completed four GCC, two CSA and two other entities audits for 2018. In addition, we have also completed three GCCs and a CSA audit which was in backlog. A total of 12 Auditor's Reports have been issued and reported in this report. There are a number of audits which are near completion and we are making all efforts and working with the entities to have these completed as soon as possible.

Report

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting by companies, the audit opinions issued on the financial statements and the key reasons for such opinions, internal control assessments, other significant issues identified from the audits and high level recommendations aimed to strengthen financial reporting, governance and internal controls.

The issues discussed in this report require the prompt action by the respective entities to improve their financial accountability. On the same note, I would like to acknowledge the efforts already made by the entities to improve their financial reporting.

I would also like to acknowledge the assistance and cooperation rendered to my Office by the entities throughout the audit process. My Office is committed to fulfilling the task of updating all backlog audits to current and will continue to work with the entities to ensure that this is achieved.

Ajay Nand
AUDITOR-GENERAL

Date: 15/11/2019

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.

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 the respective reporting periods.

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.

The details of the Audit opinions issued is discussed in Section 3 of this report.

3.0 Results of our audits

As at 31 October 2019, we issued 12 audit opinions out of which eight related to the 2018 financial statements while four were for backlog audits of various entities.

3.1 Quality and timeliness of financial reports

The financial statements of most entities audited for 2018 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 did not issue any modified audit opinion for the audit of 2018 financial statements. However, we issued modified opinions on 3 or 75% of the financial statements in backlog for the various entities.

Unmodified opinions

We issued unmodified opinions on all or 100% of the 2018 financial statements audited for the various entities. We issued unmodified opinions on 1 or 25% for the financial statements that were in backlog 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 9 shows the strength of controls in key elements for entities for which 2018 financial statements were audited. Our assessment indicated that Control Activities and Monitoring Activities were areas 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.

Government Commercial Company	Last year audited	Audits delayed (Years)
1. Fiji Rice Limited	2017	1
2. Viti Corporation Limited	2006	11
3. Yaqara Pastoral Limited	2015	3
4. Food processes Fiji Limited	2008	10
5. Fiji Hardwood Corporation	2016	2
6. Walesi Fiji Limited	New	4
7. Fiji Investment Corporation Limited	2005	13
Reorganized Entity		
8. Biosecurity Authority of Fiji	2012	6

Audits of GCCs and Reorganized entities have not been completed primarily due to the following:

- Delay in submission of draft accounts for audits or draft accounts submitted were incomplete;
- Entities deciding to address issues raised in draft audit reports and resubmission of financial statements for audit; and
- Financial statements not submitted 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 all the 2018 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. If this matters are not addressed promptly, these matters can escalate and could be basis for modified audit report in future. The significant matters have been included in this report.

Timely preparation of quality draft annual financial statements is still 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.

There are some entities who have made huge investments but its assets are not insured.

Submission of financial statements were delayed for a number of entities due to implementation of two new accounting standards which was mandatory and came into effect commencing the financial year 1 January 2018. These two standards are *International Financial Reporting Standards (IFRS) 9* which deals with classification, presentation and disclosure of financial assets and *IFRS 15* which deals with accounting for revenue from contracts with customers which replaces previously applicable accounting standard on revenue.

The involvement of Department 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.

3.8 Recommendations

- Persons charged with governance, which in most instances are the Executive Management and Board should ensure that the financial statements are fully compliant with the applicable accounting standards and are submitted for audit in a timely manner.

- Proper consideration should be given before the change of auditors since significant audit findings for entities which are not audited by the Auditor-General are not reported to Parliament. However, the Office of the Auditor-General is finalizing guidelines to review these audits and report to Parliament.

- Entities need to consider insuring critical assets so that business continuity risk can be properly mitigated in times of disasters.

- Internal audit functions assist entities to achieve their objectives However, there are still some entities which have not established Audit Committees to which internal audit functions can report to enhance their independence. This should be dealt with as a matter of priority.

- Immediate attention should be given to develop, implement and maintain up-to-date policies for risk management, disaster recovery and business continuity .

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 2019 • Finance Management Act 2004 • Companies Act, 2015	30th April

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 annual reports of the Public Enterprises.

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

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 - 2018

The audit of Pacific Fishing Company Limited (PAFCO) for the financial year 2018 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	2018 ($)	2017 ($)
Revenue	31,864,121	33,183,538
Operating Costs:		
Raw materials and consumables used	(10,286,473)	(9,562,519)
Changes in inventories of raw materials and finished goods	401,298	1,031,896
Distribution costs	(227,203)	(373,453)
Staff and employee benefits	(9,345,329)	(8,737,381)
Other operating expenses	(12,333,212)	(12,574,257)
Depreciation and amortization Expense	(3,120,118)	(2,848952)
Finance costs	(579,410)	(88,237)
Total Operating Expenses	**(35,490,447)**	**(33,152,903)**
Total Operating (Loss)/profit	**(3,626,326)**	**30,635**
Add Other Income	3,421,106	1,795,050
Less Non-Operating Expense		
Loss on disposal of fixed assets	(2,185,364)	(8,438)
Total Non-Operating Expense	**(2,185,364)**	**(8,438)**
(Loss)/ Profit before income tax	(2,390,584)	1,817,247
Income tax credit/(expense)	381,686	(197,990)
(Loss)/ Profit for the year after tax	**(2,008,898)**	**1,619,257**
Other comprehensive income	-	-
Total comprehensive (loss)/ income for the year	**(2,008,898)**	**1,619,257**

Pacific Fishing Company (PTE) Limited recorded net loss of $2,008,898 for the financial year ending 31 December 2018 compared to a profit of $1,619,257 in 2017. The loss in 2018 is mainly attributable to the loss on disposal of the old cold storage facility from property, plant and equipment.

Pacific Fishing Company (PTE) Limited - Abridged Statement of Financial Position

Description	2018 ($)	2017 ($)
Property, plant and equipment	35,189,714	36,545,104
Intangible asset	43,560	---
Deferred tax assets	595,648	214,074
Inventories	4,445,821	5,951,803
Trade receivables	3,116,717	2,554,867

Description	2018 ($)	2017 ($)
Prepayments and other receivables	1,241,082	1,061,527
Cash on hand and at bank	284,495	907,679
Advance tax paid	374,906	---
TOTAL ASSETS	**45,291,943**	**47,235,054**
Deferred income	6,551,108	4,224,436
Borrowings	14,244,662	14,198,569
Trade and other payables	2,520,864	3,396,332
Borrowings	1,297,217	2,202,929
Income tax payable	---	374,796
Provisions	91,817	77,362
TOTAL LIABILITIES	**24,705,668**	**24,474,424**
NET ASSETS	**20,586,275**	**22,760,630**

Pacific Fishing Company (PTE) Limited recorded a decrease in net assets which decreased by $2,174,355 or 10% in 2018 compared to 2017. The decrease in net assets was also attributed to the disposal of the old cold storage facility from property, plant and equipment which was valued at $2,210,615 at the time of disposal which significantly reduced the value for property, plant and equipment.

Other Significant Matters – Pacific Fishing Company Limited

Processing plant not utilized to full potential

We noted that in 2018, the total raw fish supplied was 19,578.67 metric tonne. It was further noted that PAFCO's Plant Capacity is 130 MT per day and with a yearly average of 230 processing days this is equivalent to 30,000MT.

Root Cause/Implication

Processing plant operations is dependent on the raw fish supplied.

Recommendations

- **Company management should liaise with the customer to increase supply raw fish to operate at maximum capacity; and**

- **Company management can also evaluate other business opportunities to maximize on the production.**

Agreed Management Action

PAFCO has been considering opportunities to increase the can tuna production and is looking at new market options. One such initiative has been the production of a new product, single cooked tuna for a high end customer for the US market.

Risk Management Policy

It is imperative that for good governance the Company has in place a Risk Management Policy to ensure that all risks are identified and managed through effective processes and systems.

We noted that the Risk Management policy of the Company is still in draft form. In addition there is no evidence that risk management strategies and procedures disclosed in the financial statements is practiced

Root Cause/Implication

Delays in finalization of this policy indicates lack of capacity in drafting such an important document for approval and Implementation.

Therefore, risks may not be able to be identified and actioned in a timely manner

Recommendations

- **Company management should ensure that Risk Management Policy is prepared submitted for Board for consideration and approval.**

- **Company management should ensure that the Risk Management policies disclosed in the financial statements is aligned to the approved risk Management Policy.**

Agreed Management Action

The draft policy will be finalized and submitted to the board. The policy will be implemented as required.

The Company agreed to address these issues.

Absence of Audit Committee

The purpose of the audit committee is to provide a structured, systematic oversight of the organization's governance, risk management, and internal control practices. In addition the Committee assist the board and management by providing advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of the internal audit activities
- Financial statements and public accountability reporting

We noted that the Company does not have an Audit Committee within the Board.

Root Cause/Implication

Inadequate size of the Board.

Issues raised in Internal and External audits may not be addressed in a timely manner.

Recommendation

The Board should consider establishment of an Audit Committee as a subcommittee to assist the Board to address key audit and accounting issues affecting the Company

Agreed Management Action

The company noted the recommendation.

6.2 Fiji Airports Limited

Financial Information - 2018

The audit of Fiji Airports Limited for the financial year 2018 resulted in the issue of *unmodified opinion* (unqualified) audit opinion. However, there was a matter drawn to the management of the company as follows:

However, the Company was reminded that in complying with the Circular issued on Cabinet decision No.357 of 2012 for its accounting treatment of government grants after 1 January 2010, was not in compliance with International Accounting Standards (IAS) 20 Accounting for Government Grants and Disclosure of Government Assistance.

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

Fiji Airports Limited - Abridged Statement of Financial Performance

Description	2018 ($)	2017 ($)
Revenue	141,708,690	130,264,311
Other Income	8,168,393	8,000,140
Finance Income	2,079,478	1,877,937
Total Income	151,956,561	140,142,388
Other Expenses	30,501,873	21,407,262
Operating Expenses	20,806,557	19,143,294
Personnel Expenses	19,417,508	17,539,621
Finance Cost	2,017,741	1,865,798
Total Expenditure	**72,743,679**	**59,955,975**
Profit Before Income Tax	**79,212,882**	**80,186,413**
Income Tax Expense	**(14,672,081)**	**(15,946,426)**
Profit For The Year	**64,540,801**	**64,239,987**
Revaluation surplus on property, plant and equipment, net of deferred tax	165,802,114	-
Total Comprehensive Income for the year	**230,342,915**	**64,239,987**

Net profit increased by 0.5% or $300,814 in 2018 compared to 2017. This was mainly due to the increase in revenue generated mostly by landing and parking fees for international by 19% and domestic airports by 11%, domestic passenger service charge by 10% and rental from check-in-counter by 15%.

Fiji Airports Limited - Abridged Statement of Financial Position

Description	2018 ($)	2017 ($)
Cash on Hand and at Bank	25,139,097	55,210,940
Trade Receivables	16,414,011	17,878,683
Inventories	606,129	483,298
Other Receivables and Prepayments	5,674,166	4,612,538
Investments	32,000,000	11,000,000
Property, Plant and Equipment	460,219,184	233,790,792

Description	2018 ($)	2017 ($)
Investment Property	-	8,453,793
Right-of-use assets	7,250,534	-
Total Assets	**547,303,121**	**331,430,044**
Trade and Other Payables	9,518,475	10,961,908
Loans and Borrowings	74,379,377	81,073,156
Lease Liabilities	4,668,813	-
Employee Benefits	843,483	844,057
Deferred Income	7,344,643	11,212,372
Current Tax Liability	245,623	2,982,032
Deferred Tax Liability	43,478,751	2,875,478
Total Liabilities	**140,479,165**	**109,949,003**
Net Assets	**406,823,956**	**221,481,041**
Share Capital	92,300,180	92,300,180
Asset Revaluation Reserve	165,802,114	-
Retained Earnings	143,770,161	124,229,360
Capital Contribution	4,951,501	4,951,501

Net assets increased by $185,342,915 or 84% in 2018 compared to 2017. This was attributed to an independent valuation carried out by a registered valuer for the buildings, infrastructure, plant and equipment and motor vehicle thus increasing the value of property, plant and equipment.

In addition, there was an increase in investments made with various financial institution by $21,000,000 in 2018 compared to 2017.

Other significant matters – Fiji Airports Limited – 2018

Impact of the Non-compliance with IAS 20

During the year ended 31 December 2012, the company changed its accounting policy for government grants, including restatement of prior periods, to comply with a circular that was issued by the Ministry of Public Enterprises & Tourism on 14 March 2013.

This accounting treatment was not in compliance with International Accounting Standards (IAS) 20. In March 2016, the Directors were issued a circular from the Ministry of Public Enterprises & Tourism who confirmed that all Government grants received after 9th March 2016 need to be accounted for in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

Had the Company complied with IAS 20, the impact would result in an increase in profit by $568,502 for the financial year 2018.
We further noted that the impact increased by $312,502 or 120% in 2018 compared to 2017 which was $256,000.

Root Cause / Implications

Non – compliance with the requirements of the IAS 20.

Recommendation

The Company should correct its accounting for government grant from 2010 in order to correctly record net profit for the year ended.

Agreed Management Action

The accounting treatment of government grant policy received in the years 2010 - 2015 was based on the Ministry of Public Enterprise circular, which was not in compliance with International Accounting Standard (IAS 20).

In June 2015, FA wrote to the Ministry on the above issue and the Ministry responded in April 2016 to rescind the "Treatment of Government Grant" effective March 2016.

The Ministry issued another circular in 2016 advising that grants received after 9 March 2016 be accounted using IAS 20. FA changed its policy accordingly in compliance with IAS 20 from the 2016 financial year.

This circular however, did not state, imply or advise that the treatment of grants received in the years 2010-2015 be adjusted under IAS 20 as well. Therefore the entries remain as stipulated in the initial circular.

This can only be correctly reflected as per IAS 20 if and when the Ministry advises us.

We will be liaising further with the Ministry on your query.

Risk Management Policy

Note 27 to the financial statements of the Company states that, "The Company has exposure to the following risks:

i. Credit risk;
ii. Liquidity risk;
iii. Market risk; and
iv. Operational risk

The Company's risk management policies are documented in the Company's finance policy and procedures manual."

Although, the Company has disclosed in the financial statements that it was exposed to credit risks, liquidity risk, market risk and operational risk, we were not provided with the risk management policy nor a risk register that will identify, monitors and manage these significant risks that arises during the year.

The Minutes of the Board did not discuss of any risks that arises during the year for Board to consider.

Root Cause / Implications

In the absence of risk management policy, the Company would not be able to identify and manage risks in a timely manner.

Recommendation

Company to ensure that a Risk Management policy is in place to address and mitigate the risks and vulnerability and take a proactive action in ensuring proper risk assessments and documentation.

Agreed Management Action

Risk management is carried out by management in a proactive way.

i. *Credit Risk - Compliant with the new IFRS 9, an assessment of trade receivables, term deposits and cash and cash equivalents was done.*
ii. *Liquidity Risk - Cash flow projections are done by management and monitored monthly.*
iii. *Market Risk- Please refer note 27 of financial statements for management's assessment.*
iv. *Operational Risk - FA has a Safety and Risk Management (SRM) department that assesses and prepares Business Continuity and Disaster Recovery Plans. Finance policy also has a plan for recovering ACCPAC (GL) data in the case where the need arises.*

The management of these risks are well embedded in FAs finance culture and operations (and policies) as briefly mentioned above. Furthermore, the Board is presented with the financials, interest rate, liquidity (cash flow), internal and external debtors, creditors, operational risks, etc. at every board meeting. We held 5 board meetings in 2018. Specifically FA has one of the best balance sheets in the country. It borrows at arguably the cheapest interest rate in the country and has a very healthy cash positions.

Preparation of the Annual Statutory Accounts

We noted that the preparation of the annual statutory accounts of AFL are outsourced even though the Company has a Finance Department.

It is important that the Finance Department staffs have the necessary skills and expertise to prepare the annual statutory accounts in accordance with the International Financial Reporting Standards (IFRS).

Root Cause / Implications

A lot of reliance on professional accounting firms to prepare its annual statutory accounts.

Recommendation

The Company should consider making cost savings and promote better accountability by ensuring the annual statutory accounts are prepared by its Finance team.

Agreed Management Action

By externally engaging professional accounting firms for preparation of our annual statutory accounts, it gives us comfort that our annual statutory financial statements are in accordance with the accounting standards (IFRS) with the relevant disclosures. IFRS has implemented new standards and FA's 2018 financial statements include new disclosures for IFRS 9, 15 and 16.

Please note that we do prepare monthly management accounts but it is common practice to outsource annual financial statement preparation for larger organizations to professional accounting firms.

6.3 Copra Millers of Fiji Limited

Financial Information - 2018

The audit of the financial statements of Copra Millers of Fiji Limited for the year ended 31 December 2018 resulted in an unqualified audit opinion.

However, emphasis was drawn to the following matters:

- Company's "Notes to the Financial Statements" explains the financial risk management objectives and policies of the Company. However, the Company does not have documented Risk Management Policies in place to ensure compliance.
- Company's "Notes to the Financial Statements" discloses operation of two biofuel mills which is managed by the Company. The financial transactions for the operation of these mills are not included as part of the financial statements. Accordingly, no opinion is provided on the accuracy of the amounts reported in the Note.

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

Copra Millers of Fiji Limited - Abridged Statement of Financial Performance

Description	2018 ($)	2017 ($)
Operating Revenue	2,872,444	2,898,684
Cost of goods sold	(2,323,004)	(2,348,304)
Gross Profit	**549,440**	**550,380**
Proceeds from Insurance	---	29,350
Operating government grant	286,067	---
Other income	111,077	103,918
	946,584	**683,648**
Selling & distribution	233,085	148,543
Administrative & operating	564,789	686,049
Impairment loss – trade receivables	4,425	---
Profit\(Loss) from operations	**144,285**	**(150,944)**
Finance Cost	(53,063)	(46,980)
Profit/(loss) before income tax expense	**91,222**	**(197,924)**
Income tax credit/(expense)	(23,500)	35,631
Profit/(loss) after income tax expense	67,722	(162,293)
Total comprehensive profit/(loss) for the year	**67,222**	**(162,293)**

The Company made a profit of $67,222 in 2018 compared to a loss of $162,393 recorded in 2017. The profit was mainly due to increase in revenue which was result of the grant received from government in the form of a subsidy for whole coconut price in 2018 as added benefit to the farmers for the supply of whole coconut and raw copra.

Copra Millers of Fiji Limited - Abridged Statement of Financial Position

Description	2018 ($)	2017 ($)
Assets		
Cash on hand and at bank	1,671	10,609
Trade and other receivables	451,487	308,302
Inventories	426,309	310,962
Property, plant and equipment	6,434,755	6,091,511
Copra price stabilisation fund – Ministry of Economy	171,918	---
Deferred tax asset	139,666	163,167
Total Assets	**7,625,806**	**6,884,551**
Liabilities		
Trade and other payables	210,819	146,054
Interest bearing debt	1,187,849	848,834
Deferred grant income	1,229,979	907,976
Copra price stabilization fund – Ministry of Economy	---	52,250
Total Liabilities	**2,628,647**	**1,955,114**
Net Assets	**4,997,159**	**4,929,437**

Net assets increased by $67,722 or 1.4% in 2018 compared to 2017. While there was increase in total assets and total liabilities in 2018, increase in total assets was slightly more than the increase in total liability. Interest bearing debt increased by $339,015 in 2018 due to the increase in the use of the overdraft facility by $318,489. Property, plant and equipment increased significantly due to capital expansion at the Mill.

Other significant matters – Copra Millers of Fiji Limited - 2018

Non-disclosure of Project funds and operation in the Financial Statement

The CMFL on 15/01/18 entered in to an agreement with the Ministry of Infrastructure and Transport to operate the Rabi Biofuel Company Ltd and the Lakeba Biofuel Company Ltd.

Consequently, CMFL opened two bank accounts for Rabi and Lakeba projects.

At the end of the financial year, Rabi and Lakeba bank accounts had balances of $26,400 and $34,447, respectively.

We noted that the income and expenditures and other transactions relating to the projects were not reflected in the draft financial statements of the Company submitted for audi.t

Root cause/Implication

The lack of understanding of financial reporting could be a factor in omission of this relevant information from the financial statements.

Omission of such information will deprive readers of financial statements of significant financial information.

Recommendation

The company should adequately and properly account in the accounting system and financial statement the operation of the two project accounts. In addition, capacity development of staffs in preparation of financial reports should be undertaken.

Agreed Management Action

The company has created a new MYOB file to record the transactions and generate reports.

Negative operating cash flows

It is imperative that entities derive positive operating cash flows. This will ensure that sufficient cash is generated to keep the entity in operation and assist in the growth of the entity. This will also ensure that the entity is not dependent on external financing for its capital expansion.

The Company is unable to derive positive cash flows from its operations and relies on the overdraft facility to finance its operations.

Financial Years	Cash flows from operations
2018	($ 121, 750)
2017	($ 171,873)

Root Cause/Implication

Negative cash flows indicate that the Company is unable to manage its cash management effectively.

The company will continue to depend on external borrowings to meet the deficiency in the operating cash flow which can become a threat to business continuity.

Recommendations

The Management should:

- **review company's operating expenses and take proactive measures to eliminate unnecessary expenses; and**
- **Consider new business opportunities to improve efficiency in its business operations especially in mill operations.**

Agreed Management Action

The company states that due to the timing difference of the funds remitted to CMFL, the company forced to exceed the OD limit. It also states that the copra pricing formula is old and does not constitute of the current cost of business, CMFL requested Ministry of Agriculture for the review of the copra price formula which will cover the current operating cost and reduce CMFLs cost of production.

Undesirable current ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year.

Excluding spare parts, as it is a less liquid asset, the Company's current ratio indicated that the Company does not have capital on hand to meet its short term obligations if they were all due at once. The following table shows the Company's current ratio for 2017 and 2018 financial years which shows a decline.

Financial Years	Current Ratio
2018	$0.87:1
2017	$1.13:1

<u>Root Cause/Implication</u>

The undesirable current ratio is directly related to the cash deficiency highlighted above.

The company will continue to depend on the outside borrowings to meet its current debt and pay off creditors which can become a threat to the business continuity, if not managed properly.

<u>Recommendation</u>

Company management should review company's debt collection strategies and improve on inventory turnover for a much positive result.

<u>Agreed Management Action</u>

The company states that its debt collecting ratio is improving and currently CMFL is able to recover its receivables within 15-20 days from sales. The company adds that the timing difference of the refunds from the Ministry is contributing to unfavorable current ratio.

6.4 Fiji Development Bank

Financial Information - 2018

The audit of the Fiji Development Bank and its Subsidiary for the year ended 30 June 2018 resulted in the issue of un*modified* (unqualified) audit opinion.

Presented below is the abridged financial information of Fiji Development Bank and its Subsidiary for the year ended 30 June 2018.

Fiji Development Bank and its Subsidiary– Abridged Statement of Financial Performance

For the Year Ended	Consolidated		The Bank	
	2018 ($)	2017 ($)	2018 ($)	2017 ($)
Interest Income	32,423,538	25,369,427	32,423,538	25,369,427
Fee Income	4,248,986	3,801,367	4,248,986	3,801,367
Other Income	2,869,389	2,763,885	2,867,470	2,762,644
Total Income	**39,541,913**	**31,934,679**	**39,539,994**	**31,933,438**
Interest Expenses	9,251,202	7,411,560	9,251,202	7,411,560
Operating Expenses	13,762,521	12,364,041	13,761,253	12,363,319
Total Expenses	**23,013,723**	**19,775,601**	**23,012,455**	**19,774,879**
Operating Profit Before Allowance	**16,528,190**	**12,159,078**	**16,527,539**	**12,158,559**
Allowance for Credit Impairment	5,035,555	1,772,938	5,035,555	1,772,938
Allowance for Interest and Fees	4,080,893	2,230,872	4,080,893	2,230,872
Profit Before Tax	**7,411,742**	**8,155,268**	**7,411,091**	**8,154,749**
Tax Expense	-	-	-	-
Profit For The Year	**7,411,742**	**8,155,268**	**7,411,091**	**8,154,749**

The Bank's consolidated operating profit after tax for the year ended 30 June 2018 decreased by $743,526 or by 9%. The decrease was mostly attributable to increase in interest expenses by $1,839,642 or 25%, and increase in operating expenses by $1,398,480 or 11%

Fiji Development Bank and its Subsidiary – Abridged Statement of Financial Position

For the Year Ended	Consolidated		The Bank	
	2018 ($)	2017 ($)	2018 ($)	2017 ($)
Cash and Cash Equivalents	44,683,382	24,566,853	44,681,557	24,549,882
Investments Held to Maturity	2,049,316	2,032,397	2,000,000	2,000,000
Loans and Advances	397,529,316	354,820,471	397,529,316	354,820,471
Receivable due from Subsidiary	-	-	406,820	404,820
Other Receivables	2,837,174	2,806,063	2,463,384	2,431,512
Investment in Subsidiary	-	-	20,000	20,000
Investments	15,001	15,001	15,001	15,001
Property and Equipment	20,389,179	17,637,904	20,389,179	17,637,904
Computer Software - Intangibles	140,638	180,567	140,638	180,567
Total Assets	**467,644,006**	**402,059,256**	**467,645,895**	**402,060,157**
Accounts Payable and Accruals	3,827,098	6,077,304	3,823,650	6,072,217
Debt Securities Issued	295,078,368	237,177,512	295,078,368	237,177,512

For the Year Ended	Consolidated		The Bank	
	2018 ($)	2017 ($)	2018 ($)	2017 ($)
Other Liabilities	6,960,293	4,492,860	6,960,293	4,492,860
Employee Entitlements	767,990	1,031,309	767,990	1,031,309
Deferred Income	3,036,756	2,718,512	3,036,756	2,718,512
Total Liabilities	**309,670,505**	**251,497,497**	**309,667,057**	**251,492,410**
Net Assets	**157,973,501**	**150,561,759**	**157,978,838**	**150,567,747**
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
Accumulated Profits	86,874,357	79,462,615	86,879,694	79,468,603
Total Equity	**157,973,501**	**150,561,759**	**157,978,838**	**150,567,747**

The Bank's net consolidated assets increased by $7,411,742 or by 5% in 2018 compared to 2017. The increase was mostly attributable to increase in cash and cash equivalents by $20,116,529 or 82%, and Loans and Advances by $42,708,845 or 12%.

6.5 FDB Nominees Limited

Financial Information - 2018

The audit of FDB Nominees Limited for the financial year 2018 resulted in the issue of *unmodified opinion* (unqualified) audit opinion.

However, attention was drawn to the following:

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 has confirmed that payments of at least the receivables due in the short term, after carrying out due diligence in liaison with FDBNL.

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	2018 ($)	2017 ($)
Interest income	1,919	1,241
Total Income	**1,919**	**1,241**
Operating expenses	1,268	721
Total Expenses	**1,268**	**721**
Operating profit/(loss) before income tax	651	520
Income tax expense	---	---
Operating profit/(loss) after income tax	**651**	**520**

The Company recorded operating profit for 2018 which increased by 25% compared to the profit of $520 in 2018. The operating profit was due to increase in interest income in 2018 earned from the term deposits of the company.

FDB Nominees Limited - Abridged Statement of Financial Position

For the year ended 30 June	2018 ($)	2017 ($)
Cash	1,825	16,971
Accounts receivable	373,750	373,750
Held to maturity investment	49,315	32,397
Other receivable	42	40
Deferred tax asset	---	761
Total Assets	**424,931**	**423,919**
Amount owing to FDB	406,820	404,819
Other current liabilities	3,446	5,086
Total Liabilities	**410,266**	**409,905**
Net Assets	**14,665**	**14,014**

The Company recorded an increase in net assets which increase by $651 or by 4.6% in 2018.

6.6 Fiji Broadcasting Corporation Limited

Financial Information - 2018

The audit of the financial statements of the Fiji Broadcasting Corporation for the year ended 31 December 2018 resulted in an unqualified audit opinion.

However, a matter was drawn to management of Company in Notes to 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's decision in 2012, and from 8 March 2016 were treated as revenue based on the Cabinet's decision in 2016 to align the accounting treatment to International Financial Reporting Standards (IFRS).

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

Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Performance

Description	2018 ($)	2017 ($)
Revenue	24,800,706	22,332,621
Other operating revenue	1,376,229	999,264
Finance income	275,671	74,889
Total Income	**26,452,606**	**23,406,774**
Administration and operating expenses	17,985,569	13,120,352
Impairment loss on trade and other receivables	264	-
Marketing expenses	2,036,719	2,534,853
Finance cost	702,269	817,450
Total Expenditure	**20,724,821**	**16,472,655**
Profit Before Income Tax	**5,727,785**	**6,934,119**
Income tax expenses	991,016	183,611
Profit After Income Tax	**4,736,769**	**6,750,508**

Net profit decreased by 30% or $2,013,739 in 2018 compared to 2017. This was mainly due to the increase in expenses incurred from the administration and operating expenses like licenses and permits expenses increased by 21%, program expenses increased by 76%, and wages and salaries increased by 40% as a result of employee bonus payment.

Fiji Broadcasting Corporation Limited - Abridged Statement of Financial Position

Description	2018 ($)	2017 ($)
Cash	1,600,022	8,933,748
Trade and other receivables	2,513,574	2,116,149
Other assets	1,381,934	640,906
Investments	11,240,169	2,363,944
Property, plant and equipment	31,886,415	17,547,021
Income tax receivable and deferred tax assets	309,879	57,991
Total Assets	**48,931,993**	**31,659,759**
Trade and other payables	1,631,003	1,973,254

Description	2018 ($)	2017 ($)
Employee entitlements	287,039	162,711
Deferred income	14,673,498	19,032
Interest bearing borrowings	11,776,036	13,827,603
Deferred tax liability	697,117	546,627
Total Liabilities	**29,064,693**	**16,529,227**
Share capital	4,113,357	4,113,357
Capital contribution	18,489,696	18,489,696
Asset revaluation reserve	3,341,214	3,341,214
Accumulated losses	(6,076,967)	(10,813,735)
Total Shareholders' Equity	**19,867,300**	**15,130,532**

Net assets increased by 31% or $4,736,768 in 2018 compared to 2017. This was mainly attributed by the increase in investments made by the Corporation during the financial year and additions to property, plant and equipment.

FBCL made a total of $17.95million of capital investment in the 2018 financial year compared to a $1.8million in the 2017 financial year. Total additions to plant and equipment amounted to $16.11m, stemming substantially from gifted assets from Japan International Cooperation Agency relating to the assets from the AM transmission site in Naulu. Additions was also prevalent in other fixed asset categories such as motor vehicles ($282k), computer ($740k), furniture and fittings ($112k) and WIP ($702k).

The Corporation made an additional investment of $5.08million in term deposits during the financial year 2018.

Other Significant Matters – Fiji Broadcasting Corporation Limited

Absence of Risk Register

It is imperative to have a risk register in place. It helps organization achieve its objectives by considering what might happen which can disrupt business operations and which also documents the results of the qualitative and quantitative risk analysis and risk response planning.

Note 4 to the financial statements states that the Company is exposes to foreign exchange risk, interest rate risk and credit risk.

It was noted that the Company does not have a risk register that keeps track of the risks identified and controls put in place to manage them.

Root Cause / Implications

In the absence of risk register, the Company would not be able to keep track of the risks identified.

Recommendation

While the Risk Register may have been available it is important that it is accessible for audit review.

Agreed Management Action

The Corporation indicated that it has *finalized a Disaster Response and Recovery plan which also covers the areas of Risk management.*

Regular Board Meetings not held

Effective and accountable decision making processes for board meetings require meetings to be conducted on a regular basis, meetings to be conducted in ways that allow frank and open discussions, recording decisions, discussions and dissent, ensuring that minutes are accurate and being able to seek independent and external professional advice.

The Board had only three (3) Board meetings during the financial year 2018 indicting that regular meetings were not held.

Root Cause / Implications

Delay in the appointment of the Chair and other Board members.

Recommendation

As part of good governance and best practice requires that the Board meet regularly.

Agreed Management Action

The corporation states that the appointment of the chair and the other board member was formalized in May and as a result, we could only have the first board meeting after formal appointments.

Disclosure of the Impact of the Non-compliance with IAS 20

Note 3(k) and 23(c) to the financial statements states that, based on the Cabinet's decision in 2012, grants and / or special funding from the Government of Fiji were treated as a capital contribution and an additions to equity rather than being recognized as operating revenue of the Company. Effective from 8 March 2016 and based on the Cabinet's decision in 2016, grants and / or special funding (now referred to as Broadcast Service Fee) from the Government of Fiji, is treated as operating revenue, to align the accounting treatment in accordance with International Financial Reporting Standards (IFRS).

While the matter was raised as an emphasis of matter for the attention of Management, there have been no resolution to clarify on the capital contributions prior to 2016 in consultation with Ministry of Public Enterprise to comply with full requirements of IAS 20.

Root Cause / Implications

Non – compliance with the requirements of the IAS 20.

Recommendation

- **The Company should disclose in the notes to the financial statements of whether the non-compliance with IAS 20 had an implication to the financial statements.**
- **There should be consultations with Ministry on the way forward on disclosure of capital contribution to ensure that the company complies with IFRS.**

Agreed Management Action

The corporation did not provided any comments on this issue.

Long outstanding accruals for broadcast license fee

Included in the Company's books of account are long outstanding accruals for broadcast license fee.

From review of broadcast license fee accrual, we noted long outstanding accruals, dating back to 2014, recorded in the books of account with no subsequent payment or reversal. Total broadcast license fee accrued at year-end amounted to $121,516 (2017: $101,010).

Root Cause / Implications

Long outstanding accruals could indicate that services were not received for which no subsequent payment has been made. This may result in incorrect financial reporting of expenses, and trade payables and accruals.

Recommendation

Management should continue to monitor this accrual and determine whether it is appropriate to continue to record it as a liability.

Agreed Management Action

The Corporation indicated that this needs to be paid, however this largely depends on receipt of official invoice from TAF. Telecommunications Authority of Fiji is yet to bill FBCL for this.

6.7 Post Fiji Limited

Financial Information - 2018

The audit of Post Fiji Limited for the financial year 2018 resulted in the issue of un*modified* (unqualified) audit opinion. However, attention was drawn to the following matter:

The company is still in the process of establishing in place approved policies and standard operating procedures.

Presented below is the abridged financial information of Post Fiji Limited for the financial year 2018.

Post Fiji Limited - Abridged Statement of Financial Performance

Description	2018 ($)	Restated 2017 ($)
Revenue	9,942,565	8,971,892
Postage, Stamp and Other Sales	4,471,446	4,430,446
Rental – Postal Box and Bag	2,368,883	2,257,419
Agency Commission and Other Services	11,083,240	9,178,792
Other Operating Revenue	1,275,728	1,850,098
Finance Income	221,229	329,198
Total Income	**29,363,091**	**27,017,845**
Cost of Sales	8,263,284	6,862,860
Depreciation and Amortization Expense	1,221,896	1,181,176
Employee Benefits Expenses	8,018,159	7,949,757
Administration and Operation Expenses	8,293,536	10,100,557
Impairment expense	428,408	116,021
Selling, Marketing and Distribution Expenses	130,560	141,484
Other Operating Expenses	22,390	17,957
Total Expenditure	**26,378,233**	**26,369,812**
Profit from Operations	2,984,858	648,033
Income Tax Expenses	(655,384)	(172,389)
Profit for the Year after Income Tax	**2,329,474**	**475,644**

The Company recorded a net profit of $2.32 million in 2018 compared to a net profit of $0.47 million in 2017. This was attributed to reduction in administration and operating expenses by $1.8 million or 18%. Total income in 2018 also increased which was largely due to increases in agency commissions from international parcels by $1.9 million (21%) and sales revenue from Post Shops by $0.97 million (11%).

Post Fiji Limited – Abridged Statement of Financial Position

Description	2018 ($)	Restated 2017 ($)
Cash and Cash Equivalents	4,436,201	2,503,582
Trade and Other Receivables	7,402,286	6,768,577
Financial Assets – Held to Maturity	5,019,189	4,723,604
Inventories	5,960,795	6,439,585
Other Assets	841,717	473,741
Property, Plant and Equipment	9,417,535	9,487,528
Intangible Assets	393,260	605,793

Description	2018 ($)	Restated 2017 ($)
Deferred Tax Assets	2,324,662	2,719,110
Total Assets	**35,795,645**	**33,721,520**
Trade and Other Payables	20,152,068	19,899,559
Employee Entitlements	1,374,925	1,624,002
Deferred Income	681,558	708,332
Finance Lease – Postal Global	261,780	417,624
Current Tax Liability	207,113	283,276
Total Liabilities	**22,677,444**	**22,932,793**
Net Assets	**13,118,201**	**10,788,727**

Net assets increased by $2.32 million or 22% in 2018 compared to 2017. This was mainly due to the increase in cash and cash equivalents by $1.93 million (77%). Total liabilities remained fairly the same compared to the previous year.

Other significant matters – Post Fiji Limited - 2018

Governance and internal controls

The following governance issues were noted during the year:

- The Company is still in the process of establishing approved policies to govern some aspects of its operations and activities. For example, risk management policy, debt recovery policy, investment policy, information technology manual/policy, staff advances, excess cash holding and disaster recovery plan for postal offices and agencies.
- 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 allowances have not been updated in the existing manual.
- The annual reports for the financial years 2011 to 2017 are yet to be submitted to the Minister as required under the Section 58 of Public Enterprises Act 2019[1].
- The Internal Audit Department did not have an approved annual work plan. Moreover, the recommendations provided in the internal audit reports did not relate to improving the company's operation or strengthening internal controls.

Root Cause/Implication

Lack of capacity, governance and oversight to ensure that:

- policies/manuals are developed on all aspect of the company's operations
- annual report developed and submitted to Ministry of Public Enterprise
- approved annual work plan available for Internal Audit Department
- timely submission of draft financial statements for audit.

Recommendations

- **development of comprehensive guidance in its policies and procedures on all aspects of the company's operations;**
- **ensuring that instructions or requirements of the Public Enterprise Act are adhered to;**
- **ensuring that approved annual work plan available for Internal Audit Department; and**
- **timely submission of draft financial statements for audit.**

Agreed Management Action

The management is optimistic that the draft policies and manual will be endorsed by the Board and be implemented effective from 1 July 2019.

The company has also indicated that it is currently preparing the outstanding annual reports for submission to the Minister as required by Public Enterprises Act.

The company agreed that there was no annual work plan for the Internal Audit Department due to resignation of the internal audit manager as such there was a need for capacity enrichment in the internal audit section.

6.8 Energy Fiji Limited

Financial Information – 2018

The audit of the financial statements of the Energy Limited for the year ended 31 December 2018 resulted in an unqualified audit opinion.

Presented below is the abridged financial information of Energy Fiji Limited for the financial year 2018.

Energy Fiji Limited - Abridged Statement of Financial Performance

Description	2018 ($'000)	2017 ($'000)
Revenue – electricity sales	349,497	340,223
Other operating revenue	12,660	10,933
Finance income and unrealized foreign exchange gain	2,578	2,191
Total Revenue	**364,735**	**353,347**
Personnel costs	23,669	23,912
Fuel costs	130,357	121,873
Electricity purchases	23,003	18,546
Lease and rent expenses	1,761	1,731
Depreciation and amortization	41,196	39,627
Other operating expenses	52,593	50,007
Finance costs and unrealized foreign exchange loss	12,355	13,482
Total Expenses	**284,934**	**269,178**
Profit before Income Tax	**79,801**	**84,169**
Income tax expense	15,886	16,779
Profit after Income Tax	**63,915**	**67,390**
Other comprehensive income (cash flow hedges)	10,204	-
Total Comprehensive Income for the year	**53,711**	**67,390**

Net profit after tax decreased by 5% or $3.475 million in 2018 compared to 2017. This was mainly due to the increase in expenses incurred from fuel costs, and electricity purchases.

Energy Fiji Limited - Abridged Statement of Financial Position

Description	2018 ($'000)	2017 ($'000)
Cash on hand and at bank	154,580	98,349
Short term deposits	39,953	60,000
Receivables and prepayments	59,513	38,612
Derivative financial asset	1,313	-
Inventories	43,038	37,646
Property, plant and equipment	1,079,992	1,054,898
Intangible assets	1,604	2,001
Current and deferred tax assets	1,397	198
Total Assets	**1,381,390**	**1,291,704**
Trade and other payables	126,882	121,501
Derivative financial liability	9,394	-
Employee benefit liability	3,109	2,942
Interest bearing borrowings	277,519	297,566
Deferred income	104,370	65,292

Description	2018 ($'000)	2017 ($'000)
Current and deferred tax liabilities	55,033	53,122
Total Liabilities	**576,307**	**540,423**
Share capital	750,000	-
Retained profits	65,287	656,082
Capital contribution	-	95,199
Hedging reserves	(10,204)	-
Total Capital	**805,083**	**751,281**

Net assets increased by 7% or $53.802 million in 2018 compared to 2017. This was mainly attributed by the increase in cash on hand and at bank, property, plant and equipment, and receivables and prepayments balance.

Other significant matters – Energy Fiji Limited - 2018

Internal Use of Electricity

Review of VAT returns lodged with Fiji Revenue and Customs Service (FRCS) during audit noted that the Company has declared internal sale of electricity amounting to $5,442,607 in the VAT returns under total taxable supplies and it has claimed VAT on internal electricity expense pertaining to $5,442,607.

Although, there were no VAT implications, the taxable supplies and VAT claims were incorrectly disclosed in the VAT returns.

Furthermore, it was noted that the Company has incorrectly recorded internal sales of electricity and corresponding electricity expense amounting to $293,596 relating to electricity usage in its customer service outlets.

Root Cause / Implications

- Total taxable supplies and VAT claims are not accurately reflected in the VAT returns lodged with FRCS.
- Electricity revenue and electricity expense may not be accurately reflected in the financial statements.

Recommendation

The Company should consider recording the accurate cost of internal electricity usage as part of its electricity expenses.

Agreed Management Action

The Authority indicated that it will try to consider recording the accurate cost of internal electricity usage as part of its electricity expenses from 2019 onwards.

Debit Balances in Trade Creditors Ageing

Our review of the trade creditors ageing as at 31 December 2018, noted that there were trade creditors with debit balances in different age categories totaling to approximately $10m.

Based on our review and discussions with the management, these debit balances were mainly as a result of unallocated payments to respective invoices of suppliers.

Maintaining effective control over allocation of payments is important in order to reduce the risk of disputes, discrepancies and reduce the risk of overpayments / double payments.

Root Cause / Implications

Unallocated payments to invoices of suppliers and will distort creditors ageing. Hence there is a high risk of ageing analysis not being presented fairly.

Recommendation

Necessary measures should be put in place to maintain more effective control over processing and allocation of payments.

Agreed Management Action

The Authority have indicated that they will be meeting with the Navision Financial Management System Service provider, Eclipse to investigate why this debit balance is not offsetting the credit balance in the Age Creditors Trial Balance and whether any improvements can be made to this report.

Credit balances in Trade Receivables Ageing

Our review of the trade receivables ageing as at 31 December 2018 noted that there were trade receivables with credit balances of approximately $6m.

Based on our review and discussions with the management, these credit balances were mainly as a result of unallocated receipts from customers, overpayments and payments made by unidentified customers.

Root Cause / Implications

Increased risk of trade receivables analysis not being presented fairly.

Recommendations

- **The Company should thoroughly review and investigate these credit balances in trade receivables ageing to ensure these are legitimate receipts; and**
- **More effective control over processing and allocation of receipts shall be implemented in order to clear off timing differences / identify and allocate receipts to customer invoices.**

Agreed Management Action

The Authority have indicated that it will continue monitoring the credit balance refund monthly and intends to keep the credit balance under control and at a minimum level where possible. These balances are monitored for clearance on a monthly basis.

7.0 Abridged Financial Information and Other Significant Matter(s) – Backlog Audits

In the following sections, we provide the abridged financial information and significant audit findings for GCCs and CSAs that are in backlog.

7.1 Housing Authority of Fiji

Financial Information - 2017

The audit of Housing Authority of Fiji for the financial year 2017 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

Description	2017 ($)'000	2016 ($)'000
Interest Income	7,396	7,259
Interest Expense	(4,479)	(4,562)
Net Interest Income	2,917	2,697
Other Operating Income	9,807	18,685
Total Revenue	**12,724**	**21,382**
Staff Costs	4,732	4,620
Bad & Doubtful Debts	245	790
Depreciation of Property, Plant and Equipment	511	520
Amortisation of Intangible Asset	260	259
Cost of Sales	2,978	11,262
Other Operating Expenses	2,297	2,457
Total Expenditure	**11,023**	**19,909**
Other Comprehensive Income		
Revaluation surplus on land and building	2,954	-
Total Comprehensive Income for the year after Tax	**4,655**	**1,473**

The total comprehensive income increased by $3.181m or 216% in 2017 compared to 2016 which was largely attributed to the increase in value of land and buildings from the revaluation the Authority carried out for financial year 2017.

Housing Authority of Fiji - Abridged Statement of Financial Position

Description	2017 ($)'000	2016 ($)'000
Cash & Cash Equivalents	1,823	2,323
Loans and Advances	90,033	86,173
Inventories	38,404	31,019
Land held for future development	3,262	3,755
Property, Plant & Equipment	10446	7,515
Other Assets	4,986	4,286
Held to maturity investments	28,400	41,950
Intangible Assets	161	406
Total Assets	**177,515**	**177,427**
Borrowings	100,962	102,055
Trade and other Payables	21,044	16,928
Employee Benefit Liability	532	511
Provisions	25	25
Total Liabilities	**122,563**	**119,519**
Net Assets	**54,952**	**57,908**

The Authority's net assets decreased by $2,956m or 5% in 2017 compared to 2016. The decrease in net assets was largely attributed to increase in Trade and other payables which was due to increase in Government grant received in advance of $3,942m in 2017 compared to 2016.

Other significant matters – Housing Authority of Fiji - 2017

Inventory provisioning and valuation

At year end, the carrying value of unsold lots and developed properties are assessed and a provision for write-down is created where the net realizable value is determined to be less than the carrying value. [2]

From our review of inventory account, we noted the following:

a) There is no formal policy on provisioning of inventory; and

b) Valuation on land held for sale was not performed every two years.

We noted that timely valuation of various land lots in the Western and Northern division have not been carried out.

Root Cause/Implication

It appears from the findings that due consideration was not given for the formulation and implementation of a provisioning policy.

a) Increased risk of inadequate inventory provisioning.

b) No clear guidelines for inventory provisioning and therefore possibility that value of provision is subjective.

c) Increased risk of inventory not recorded at correct realizable values.

Recommendations

- **The Authority should develop a policy to act as a guide in assessing provision for inventory; and**
- **The Authority should carry out valuation on land lots on regular intervals.**

Agreed Management's Action

The Authority has indicated that a policy has been reviewed and approved in 2018. Additionally, Provision is around $0.5 million to facilitate reduction in cost when the lots are sold at reduced price compared to cost.

[2] Note 1.4(o), Notes to the financial statements

7.2 Fiji Rice Limited

Financial Information - 2016

The audit of the financial statements of Fiji Rice Limited for the year ended 31 July 2016 resulted in a qualified audit opinion. The qualification issues were as follows:

1. Included in the cash at bank balance of $90,997 is unidentified deposits with a credit balance of $15,641. I was not provided with necessary supporting documents to ascertain the accuracy of this amount. Consequently, I am unable to determine if cash at bank balance is accurately stated in the financial statements.

2. Included in the Trade creditors and accruals balance of $366,008 is an amount of $31,855 and VAT payable of $146,245. I was not provided with the supporting documents and reconciliations of these balances to ascertain its accuracy. Consequently, I am unable to determine if Trade creditors and accruals is fairly stated in the financial statements.

3. The Company has reported nil provision for employee entitlements in the financial statements. I was not provided with the necessary supporting documents to ascertain employee entitlements. Consequently, I am unable to determine if any adjustments is required in the statement of income statement and statement of financial position in relation to employee entitlements.

4. There is an unreconciled variance of $10,971 in Trade Receivables between the general ledger and the subsidiary ledger. Consequently, I am unable to determine if Trade and Other Receivables is accurately stated in the financial statements.

5. Included in the Borrowings of $6,758,548 is Advance from Shareholders amounting to $4,825,382. I was not provided with the written confirmation of the Loan balance. Additionally it has been disclosed in Note 12 that shareholders have agreed in principal to convert $4,825,382 as grant to the Company. However, I was not provided with any written supporting document on the status of this conversion as at 31 July 2016. As such, I am unable to satisfy myself on the accuracy and completeness of the borrowings and the related disclosure as disclosed in the financial statement.

6. The Company did not provide supporting schedules for computation of income tax to support the Income Tax expenses of $72,344. As a result, I unable to satisfy myself on the accuracy and completeness of the income tax expense and if any adjustment is required for the related income tax payable, deferred tax asset and deferred tax liability in the statement of financial position.

7. The Company changed its financial year from 31 December to 31 July. I was not informed of the change prior to 31 July 2016 and therefore could not attend the stock take for the period ended 31 July 2016. As a result, we were unable to verify the existence of inventory at balance date. I was also unable to ascertain the existence of the inventory through alternative audit procedures. Consequently, I am unable to ascertain the accuracy of the inventory of $319,057 reported in the statement of financial position.

In addition, emphasis was drawn on the following matter:

There is an overall excess of liabilities over assets of $4,673,478 (2015: $4,398,398) as at 31 July 2016.

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

Fiji Rice Limited - Abridged Statement of Financial Performance

Description	2016 (7 months) ($)	2015 (12 months) ($)
Operating revenue	315,374	688,795
Cost of goods sold	(367,028)	(723,331)
Gross loss	**(51,654)**	**(34,536)**
Other revenue	533,217	161,080
Administrative & operating	(349,123)	(445,235)
Profit\(Loss) from operations	**132,440**	**(318,691)**
Income tax (expense)/credit	(26,488)	---
Profit/(loss) after income tax expense	105,952	(318,691)
Total comprehensive profit/(loss) for the year	**105,952**	**(318,691)**

Consistent with the changes in the financial year of Government, the Company changed its financial year from 31 December to 31 July. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a 12-month period. Thus the significant variances with the comparative balances.

Fiji Rice Limited - Abridged Statement of Financial Position

Description	2016 (7 months) ($)	2015 (12 months) ($)
Assets		
Cash on hand and at bank	90,997	703,675
Trade and other receivables	406,170	225,739
Inventories	319,057	81,308
Property, plant and equipment	1,634,585	1,403,202
Total Assets	**2,450,809**	**2,413,924**
Liabilities		
Trade and other payables	366,008	86,940
Borrowings	6,758,548	6,725,382
Total Liabilities	**7,124,556**	**6,812,322**
Net Assets	**(4,673,747)**	**(4,398,398)**

Other significant matters – Fiji Rice Limited - 2016

Corporate governance

Review of the effectiveness of corporate governance revealed the following:

- Absence of risk management and a risk management policy.

- Absence of a disaster recovery plan.
- The Company does not have a Disaster Recovery Plan in place
- There was no business plan prepared by the Company for the specific operations and work plans of the business. The Company only follows the general corporate plan.

Root cause/Implication

The audit finding indicates that company has capacity issues in developing the required governance documents.

In the absence of a risk management policy, the company may not be able to identify and manage risks in a timely manner. In the absence of relevant policies and procedures and business plan, the Company will not have a clear sense of direction in line with government policies and plans. Additionally, the company will not be able to achieve their goals in a timely manner.

Recommendations

- **Management should ensure that risk management policy is in place and risks are identified and measures are in place in mitigating the risks; and**
- **that a Disaster Recovery Plan is prepared and implemented**

Agreed Management Action

The company has hired an Internal Auditor to review the company policies and maintain all policy and procedures.

Anomalies in Procurement process for 3 phase wiring and new mill

For the Financial year as at 31/07/2016, the company procured two items through tender:

- the engagement of Contractor for 3-phase wiring; and
- the purchase of new mill at Dreketi from a supplier.

It was noted that the company did not have a tender policy at the time of the procurement. In the review of the purchase of the new mill, we were unable to correctly establish how the tender was opened and deliberated and awarded.

While the final decision was made by the Board of Directors based on Management's assessment, the we could not verify any documentation on the recommendations and due diligence made by the Fiji embassies overseas, the suppliers visit and tender assessment. In addition, we were not able to obtain any procurement plan and project plan for the purchase of mill.

Root cause/Implication

The Company does not have any comprehensive documented policies and procedures in place to guide staffs.

In absence of a tender policy, there is a high risk of diversion from the best practice of procurement through tender.

This can subsequently result in high risk of collusion and fraudulent activities.

Recommendation

The Company should ensure that a proper and comprehensive Tender Policy is developed and followed.

Agreed Management Action

The Management accepted the recommendation and has hired an Internal Auditor to review the Finance Policy of Fiji Rice Limited and the Tender Policy is one of them.

Overstatement of trade and other payables

We noted a variance of $698.60 between the payables listing and the financial statements. Additionally, there were no supporting documents available for the balance of $31,855.15 disclosed as trade creditors and accruals and accrued expenses in the financial statements as at 31/07/2016.

Root Cause/Implication

Lack of proper reconciliation and review is the likely cause of this anomaly.

The above anomalies increases risk of significant misstatements in the financial statement

Recommendation

The Company should ensure that all account balances are supported with adequate source documents, listings and reconciliations

Agreed Management Action

The Company maintains the Creditors Listing and it's presented on a monthly board meeting to the Director's and agrees that some balances are from prior years. Management will prepare write off paper to the board for all balances without proper documentation.

Financial Information - 2017

The audit of the financial statements of Fiji Rice Limited for the year ended 31 July 2017 resulted in a qualified audit opinion. The qualification issues were as follows:

1. Included in the cash at bank balance of $458,737 is unidentified deposits with a credit balance of $15,641. I was not provided with necessary supporting documents to ascertain the accuracy of this amount. Consequently, I am unable to determine if cash at bank balance is accurately stated in the financial statements.

2. Included in the Trade creditors and accruals balance of $248,614 is an amount of $31,855 and VAT payable of $84,095. I was not provided with the supporting documents and reconciliations of these balances to ascertain its accuracy. Consequently, I am unable to determine if Trade creditors and accruals is fairly stated in the financial statements.

3. The Company has reported nil provision for employee entitlements in the financial statements. I was not provided with the necessary supporting documents to ascertain employee entitlements. Consequently, I am unable to determine if any adjustments is required in the statement of income statement and statement of financial position in relation to employee entitlements.

4. There is an unreconciled variance of $9,440 in Trade Receivables between the general ledger and the subsidiary ledger. Consequently, I am unable to determine if Trade and Other Receivables is fairly stated in the financial statements.

5. Included in the Borrowings of $7,006,000 is Advance from Shareholders amounting to $4,825,382. I was not provided with the written confirmation of the Loan balance. Additionally it has been disclosed in Note 12 that shareholders have agreed in principal to convert $4,825,382 as grant to the Company. However, I was not provided with any written supporting document on the status of this conversion as at 31 July 2017. As such, I am unable to satisfy myself on the accuracy and completeness of the borrowings and the related disclosure as disclosed in the financial statement.

6. The Company did not provide supporting schedules for computation of income tax to support the Income Tax expenses of $72,344. As a result, I unable to satisfy myself on the accuracy and completeness of the income tax expense and if any adjustment is required for the related income tax payable in the statement of financial position.

7. The Company changed its financial year from 31 December to 31 July. We were not able to attend the stock take for the financial year ended 31 July 2017. As a result, we were unable to verify the existence of inventory at balance date. I was also unable to ascertain the existence of the inventory through alternative audit procedures. Consequently, I am unable to ascertain the accuracy of the inventory of $404,261 reported in the statement of financial position.

In addition, emphasis was drawn on the following matter:

There is an overall excess of liabilities over assets of $4,384,371 (2016: $4,673,748) as at 31 July 2017

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

Fiji Rice Limited - Abridged Statement of Financial Performance

Description	2017 (12 months) ($)	2016 (7 months) ($)
Operating Revenue	731,105	315,374
Cost of goods sold	(839,002)	(367,028)
Gross loss	**(107,897)**	**(51,654)**
Other revenue	1,012,934	533,217
Administrative & operating	(543,316)	(349,123)
Profit\(Loss) from operations	**361,721**	**132,440**
Income tax (expense)/credit	(72,344)	(26,488)
Profit/(loss) after income tax expense	289,377	105,952
Total comprehensive profit/(loss) for the year	**289,377**	**105,952**

Consistent with the changes in the financial year of Government, the Company changed its financial year from 31 December to 31 July. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2017 is for a 12-month period. Thus the significant variances with the comparative balances.

Fiji Rice Limited - Abridged Statement of Financial Position

Description	2017 (12 months) ($)	2016 (7 months) ($)
Assets		
Cash on hand and at bank	458,737	90,997
Trade and other receivables	154,224	406,170
Inventories	404,261	319,057
Property, plant and equipment	1,996,194	1,634,585
Total Assets	**3,013,416**	**2,450,809**
Liabilities		
Trade and other payables	260,966	366,008
Borrowings	7,006,000	6,758,548
Grant received in advanced	130,821	
Total Liabilities	**7,397,787**	**7,124,556**
Net Assets	**(4,384,371)**	**(4,673,747)**

Property, plant and equipment increased by $361,609 or 22% due to purchase of new mill in 2017.

An increase in borrowings in 2017 by $247,452 is due to the interest borrowing loan from FDB for the purchase of new mill in Dreketi.

7.3 Yaqara Pastoral Company Limited

Financial Information - 2015

The audit of the Yaqara Pastoral Company Limited for the year ended 31 December 2015 resulted in the issue of *modified* (disclaimer of opinion) audit opinion. The basis for disclaimer of opinion was as follows:

1. Subsequent to year end on 21 November 2017, the company's main office at Yaqara was completely burnt down. This main office contained all the accounting records which was destroyed in the fire. While performing the audit for the year 31 December 2015, source documents were not available. Accordingly, I cannot and do not express an opinion as to whether balances has been properly recorded in the books of accounts at year end.

2. I draw attention to Note 11 of the financial statements, which records biological assets at a total value of $3,781,727. I did not observe the counting of physical livestock at the end of the year. Hence, I was unable to satisfy myself by alternate means concerning livestock held at 31 December 2015. Since biological assets enter into the determination of the financial performance and cash flows, I was unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows. Furthermore, source document was not available to confirm pricing and weight of livestock used in determining fair value of biological asset recorded in the books of account at year end.

3. I draw attention to Note 10 of the financial statements, which records inventories at a total value of $55,901. I did not observe the counting of physical inventories at the end of the year. Hence, I was unable to satisfy myself by alternate means concerning inventories held at 31 December 2015. Since inventories enter into the determination of the financial performance and cash flows, I was unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows. Furthermore, source document was not available to confirm inventory costing used in determining value of inventories recorded in the books of account at year end.

Presented below is the abridged financial information of Yaqara Pastoral Company Limited for the year ended 31 December 2015.

Yaqara Pastoral Company Limited – Abridged Statement of Financial Performance

For the Year Ended	2015 ($)	2014 ($)
Revenue from Operations	919,009	926,044
Cost of Sales	432,862	83,796
GROSS PROFIT	**1,351,871**	**1,009,840**
Other Operating Income	3,246,823	2,986,281
NET TRADING RESULT	**4,598,694**	**3,996,121**
Administrative Expenses	896,956	1,055,539
Selling and Distribution Expenses	667	608
Operating Expenses	61,948	69,732
TOTAL EXPENDITURE	**959,571**	**1,125,879**
OPERATING PROFIT	**3,639,123**	**2,870,242**
Finance Costs	1,082	1,286

For the Year Ended	2015 ($)	2014 ($)
PROFIT BEFORE INCOME TAX	**3,638,041**	**2,868,956**
Income Tax Expense	765,835	577,417
PROFIT AFTER INCOME TAX	**2,872,206**	**2,291,539**

Profit after tax increased by 25% or $580,667 in 2015 compared to 2014. The increase was mainly due to the increase in royalty income received during the financial year 2015 by 9% or $270,715 and decrease in expenses incurred during the financial year 2015. Decrease in expenses was mainly attributed by the decrease in doubtful debts by 100% or $166,263.

Yaqara Pastoral Company Limited – Abridged Statement of Financial Position

At period end	2015 ($)	2014 ($)
Cash on Hand and at Bank	4,253,829	1,433,251
Trade Receivables	268,724	301,508
Other Debtors and Prepayments	99,375	33,895
Advance Tax	1,379,950	1,191,362
Biological Assets	3,781,727	3,305,331
Held to Maturity Investments	1,885,612	2,476,818
Inventories	55,901	53,166
Property, Plant and Equipment	1,436,929	1,519,305
Deferred Tax Assets	46,359	47,362
TOTAL ASSETS	**13,208,406**	**10,361,998**
Creditors and Accruals	193,378	229,641
Employee Benefits Liability	38,134	27,669
Provision for Dividend	1,594,623	1,594,623
TOTAL LIABILITIES	**1,826,135**	**1,851,933**
NET ASSETS	**11,382,271**	**8,510,065**
Share Capital	1,191,846	1,191,846
Retained Earnings	10,190,425	7,318,219
TOTAL EQUITY	**11,382,271**	**8,510,065**

Net assets increased by 34% or $2,872,206 in 2015 compared to 2014. The increase was mainly due to the increase in cash balance by 197% or $2,820,578 in 2015. The increase in cash balance were mainly attributed by the increase in royalty income received during the year 2015 and the 100% decrease in dividend payment. No payment of dividend was made during the financial year 2015 compared to the dividend payments of $4,348,377 in 2014.

Other significant Matters – Yaqara Pastoral Company Limited

Accounting Records

On 21st November 2017, the company's main office at Yaqara was completely burnt down. This main office contained all the accounting records which was destroyed in the fire. The following issues were noted in the absence of source documents:

- We have not been able to perform audit procedures to confirm whether all cash transaction was appropriately recorded in the books of account;

- We could not ascertain that lodgements of $93.70 recorded in the 30 November 2015 bank reconciliation were deposited on 4-Dec-15 (Total Deposit $4,717.50) given that banking summaries were not available to substantiate;
- We could not ascertain that lodgements of $13,771.25 recorded in the 31 December 2015 bank reconciliation were deposited on 5-Jan-16 (Total Deposit $2,900) and 8-Jan-16 (Total Deposit $15,721) given that banking summaries were not available to substantiate;
- Term deposit certificate for ANZ and Westpac was not available. We could not confirm whether amount of $667,846 recognized as held to maturity investment in the books of account at year end is correct. Also, interest receivable calculation could not be performed;
- Receipts and invoices for customers were not available for our audit. Hence, we are unable to confirm on the existence of all invoices and receipts for the 2015 period;
- Inventory costing could not be performed in the absence of vendor invoices;
- Purchase order cut off testing could not be performed in the absence of LPO books;
- In the absence of insurance policy, total sum paid for insurance has been allocated between prepayment and expenses based on last year's schedule. Risk exists that any modification performed in the current year is not appropriately captured by the method used;
- Average weights recorded by management for livestock could not be confirmed given that Yard Delivery Dockets were not available to get the live weights of animals. These Yard Delivery Dockets are prepared for all sales;
- Average price recorded by management for livestock could not be confirmed given that market price (dressed weight as per price list) were not available;
- Current year addition of $91,490 to property, plant and equipment could not be substantiated in the absence of invoices, statement and payment vouchers;
- Proceeds of $8,500 recognised on disposal of motor vehicle could not be confirmed in the absence of supporting;
- Current year creditors could not be confirmed in the absence of invoice, statement and payment vouchers;
- Unrecorded liabilities search could not be performed in the absence of subsequent payment vouchers, statement and invoice;
- Net utilization of $29,624 in deposit income advance account could not be justified in the absence of supporting;
- Annual leave register recording individual staffs leave at year end was not available; and
- We could not confirm whether revenue and expenses are correctly stated at year end in the books of account.

Root Cause/Implication

The destruction of documents have provided limitation to the scope of the audit.

Recommendation

Management should ensure storage of company records are in a safe and secure location as it is a statutory requirement to maintain proper records for the last seven years.

Agreed Management Action

Management stated that fire on 21st November 2017 was a very unfortunate event. However, if the audit was carried out earlier records would have been provided.

Old Creditors

Audit of creditors listing revealed that old debts are being carried forward in the accounts at year end. Some dues are as far back as 2010 such as owing to a law firm.

Root Cause/Implication

There is a risk of overstatement of liabilities.

Recommendation

Management should identify those creditors that will not be paid and amount be reversed in the accounts.

Agreed Management Action

Old creditors like amount owed to a law firm (2010) have been brought to the attention of the Board, but I believe the nature of the obligations required certain clarifications from/by management. These will be raised with the current Board and the appropriate actions for considering them as obligations no longer due will be taken.

Bank Lodgements

Amount of $1,150 recorded as lodgments in the bank reconciliations is being carried forward prior to 2015. Amount was yet to be credited to bank till our date of testing.

Root Cause/Implication

There is lack of proper reconciliation and follow up with the bank. Risk exists that the amount won't be recovered to bank.

Recommendation

Management should investigate this long overdue credit not banked.

Agreed Management Action

The outstanding lodgment of $1,150 related to a debt of former accounts officer. This was the cause of his demise and termination of his employment with company, however, recovery will be made immediately by management as he has been re-employed.

Maintain proper aging of accounts receivable balances

An error was noted in the ageing of accounts receivable balances. Specifically, sale of $9,239 to Fiji Meats Limited was incorrectly classified under the current and 30 day category, instead of 60 day category.

Root Cause/Implication

Debtors ageing maybe distorted.

Recommendations

- **Management should review the accounts receivable ageing report after it is prepared to ensure accuracy of the report.**

- **Management should review the causes for the sale amount being improperly presented in the ageing report and take appropriate actions to amend their processes and systems.**

Agreed Management Action

While there may have been a slight glitch in the allocation of the Fiji Meats Debt of $9,239, the recovery of the receivable was duly made. However, management will ensure the issue is resolved after the ageing application available in MYOB is appropriately rectified by an MYOB specialist.

Accounts receivable listing

The main objective of investment in Accounting Software is to make accounting processes more effective and efficient.

The Company is using MYOB version 12 which is not able to generate an aged accounts receivable listing and as a result they prepare an aged debtors listing in Microsoft excel.

Root Cause/Implication

Ageing could be distorted if changes are not incorporated on a timely basis.

Recommendation

Ageing functionality in debtor's module should be corrected to ensure aged listing can be generated accurately.

Agreed Management Action

Accounts receivable MYOB generated ageing listing is noted and is being currently addressed by management comment above.

Annual Returns not lodged

YPCL has not lodged its annual return for the financial year ended 31/12/06 till 31/12/15. This is in breach of Section 127 of the Companies Act.

Root Cause/Implication

The Company is exposed to penalties for non-lodgement of annual returns and is not compliant with the Companies Act.

Recommendation

The Company should ensure that its annual returns are lodged with the Registrar of Companies annually to avoid penalties being charged to the company.

Agreed Management Action

The outstanding returns are noted and management is taking the necessary steps to liaise with the Registrar of Companies on the lodgments of these returns and the way forward with the new format of company returns and the relevant statutory requirements.

8.0 Assessment of Internal Controls

8.1 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.

8.2 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

8.3 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

8.4 Timeliness of draft financial statements for entities

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

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

9.0 Results summary

9.1 Audit Opinion Results

Table A summarizes the audit opinions we issued for audit of the Government Commercial Companies, Commercial Statutory Authorities and Other Entities for financial year 2018 as at 31 October 2019.

Table A
Audit opinions issued by OAG for 2018 financial year

Entity	Number of opinion issued	Unmodified opinions	Modified opinions	Disclaimer of opinion
Government Commercial Company	5	5	-	-
Commercial Statutory Authority	1	1	-	-
Other Entities	2	2	-	-

9.2 Unmodified opinions

All GCC's, CSA's and Other Entities were issued an unmodified audit report for the 2018 financial statements meaning that material misstatements were not noted following our audit.

Appendix B lists the entities and the audit opinions which were issued for the financial statements for financial year ending 2018.

9.3 Internal Controls and Financial Statements Preparing Process Result

The following table summarizes our assessment of controls and the 2018 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. Post Fiji Limited	🟡	🟡	🔴	🟡	🟡	🔴	🟡
4. Copra Millers of Fiji Limited	🟡	🔴	🟡	🟢	🟡	🟢	🟡
5. Pacific Fishing Company Limited	🟡	🟢	🟡	🟢	🟡	🟡	🔴
Commercial Statutory Authority							
6. Energy Fiji Limited	🟡	🟡	🟡	🟡	🟡	🟡	🟢
Other Entities							
7. FDB Nominees Limited	🟢	🟢	🟢	🟢	🟢	🟡	🟡
8. 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 completed as at 31 October 2019

Entity	Year Last Audited				Comments
	Prior 2014	2015	2016	2017	
Government Commercial Companies					
1. Fiji Rice Limited				✓	Financial statements for year ending 31 July 2018 and 2019 financial statements received on 20/9/19 for auditing.
2. Viti Corporation Limited	✓				Audited financial statements for 2007 issued for signing 21/11/18. 2008 – 2016 Financials received on 21 August 2019.
3. Yaqara Pastoral Limited		✓			2016 and 2017 audit conduct completed and is being finalized
4. Food Processors Fiji Limited	✓				2009 accounts yet to be received
5. Fiji Hardwood Cooperation			✓		2017 accounts audit in progress.
6. Walesi Fiji Limited					2015 and 2016 financial statements received on 10/5/19 and 2017 and 2018 received on 10/7/19 received. Audit is scheduled for November 2019.
7. Fiji Public Trustees Corporation Limited				✓	2018 audit is being finalized.
8. Fiji Investment Corporation Limited	✓				2006 – 2018 draft financial statements not submitted for audit.

Entity	Year Last Audited				Comments
	Prior 2014	**2015**	**2016**	**2017**	
9. Unit Trust Management Limited				✓	2018 accounts yet to be received.
Commercial Statutory Authorities					
1. Housing Authority				✓	2018 accounts received on 21/10/19. Audit to commence soon.
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 2018 financial statement for state-owned entities. The results have been summarized into government commercial companies, commercial statutory entities and other entities.

Government Commercial Companies

Entity	Legislative time frame	Date audit report signed	Audit opinion type
1. Airports Fiji Limited	30 April 2019	20 May 2019	Unqualified
2. Fiji Broadcasting Corporation Limited	30 April 2019	3 June 2019	Unqualified
3. Copra Millers of Fiji Limited	30 April 2019	20 August 2019	Unqualified
4. Pacific Fishing Company Limited	30 April 2019	19 September 2019	Unqualified
5. Post Fiji Limited	30 April 2019	29 July 2019	Unqualified

Commercial Statutory Authorities

Entity	Legislative time frame	Date audit report signed	Audit opinion type
6. Energy Fiji Limited	30 April 2019	24 May 2019	Unqualified

Other Entities

Entity	Legislative time frame	Date audit report signed	Audit opinion type
7. FDB Nominees Limited	31 October 2018	23 November 2018	Unqualified
8. Fiji Development Bank	31 October 2018	12 December 2018	Unqualified

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, Ernst & Young
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 Committee	Committee of the board of directors responsible for the oversight of the internal audit function, external audits and general financial reporting and disclosures.
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

Term	Definition
	• capital expansion which extends an existing asset at the same standard to a new group of users.
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.
Disaster recovery plan	Is a plan that describes how work can be resumed quickly and effectively after a disaster
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.
Governing bodies	A body of persons or officers having ultimate control. Th 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.
Internal Audit	Is an independent, objective assurance and consulting activity designed to add value to and improve business processes and organization operations.

Term	Definition
International Financial Reporting Standards	Standards adopted by Fiji Institute of Accountants for financial reporting by large and medium entities in Fiji.
Loan risk grade	Rating systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose.
Management	Those with the executive responsibility for conducting an 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 amounts, 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.
Operating cash flow	Cash flow provided by operations and is a measure of amount of cash generated by a company's normal business operations
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 recognize assets, liabilities, expenditure and revenue in financial statements.
Revaluation	The action of assessing the value of something again.

Term	Definition
Risks	The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action
Risk Management Policy	Provides method of identifying, assessing, controlling, monitoring and reporting existing and potential risks faced by an entity.
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.

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