MINISTRY OF ECONOMY

P.O Box 2212, Government Buildings, Suva, Fiji; Tele: (679) 3307011, Fax: (679) 3308654
Website: www.economy.gov.fj Email: EconomyInformation@economy.gov.fj
Ro Lalabalavu House, 370 Victoria Parade, Suva

Ref: 9.7.1 **Date: 29 May 2020**

MTC
Please note + facilitate as appropriat
Thanks
04/06/2

RECEIVED
04 JUN 2020

Mrs Viniana Namosimalua
Acting Secretary-General to Parliament
Parliament of the Republic of Fiji
P O Box 2352
Government Building
SUVA

Dear Madam,

Re: <u>Response to Tabled Committee Report</u>

1. Reference is made to your 25 February 2020 letter on the above mentioned subject.

2. The Ministry hereby provides its response to the Standing Committee on Public Accounts on the following:

    a. Parliamentary Paper 05 of 2020 – *"Review of the 2016/2017 Audit Report on Statutory Authorities", and*

    b. Parliamentary Paper 08 of 2020 – *"Review of the 2016/2017 Audit Report on Government Commercial Companies and Commercial Statutory Authorities".*

3. The reports attached herein include responses to:

    a. Parliamentary Paper 05 of 2020 from the following Statutory Authorities:
        i. Public Rental Board;
        ii. Fiji Meats Industry Board: and
        iii. Fiji Revenue and Customs Service

    b. Parliamentary Paper 08 of 2020 from Government Commercial Companies and Commercial Statutory Authorities:
        i. Airports Fiji Limited;
        ii. Fiji Broadcasting Corporation Limited;
        iii. Fiji Public Trustee Corporation Limited;
        iv. Post Fiji Limited;
        v. Unit Trust of Fiji (Management) Limited;
        vi. Energy Fiji Limited;
        vii. Housing Authority;
        viii. Copra Millers of Fiji Limited;
        ix. Pacific Fishing Company Limited; and
        x. Fiji Development Bank

4. We look forward to the Standing Committee's consideration of these responses.

Yours Sincerely

Makereta Konrote
PERMANENT SECRETARY

RESPONSE TO STANDING COMMITTEE ON PUBLIC ACCOUNTS

REVIEW OF THE 2016/2017 AUDIT REPORT ON GOVERNMENT COMMERCIAL COMPANIES AND COMMERCIAL STATUTORY AUTHORITIES

A. GOVERNMENT COMMERCIAL COMPANIES

1. AIRPORTS FIJI LIMITED T/A FIJI AIRPORTS

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
HIGHLIGHTS The Committee noted in the audit report that the Airports Fiji Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**. The Committee was informed that FA (Fiji Airports) has been recognized by Airports Council International (ACI) for very good overall cost competitiveness and cost management in the region both in terms of operating expenditure and capital expenditure. It was noted that the report benchmarked FA's per passenger cost being only 53% of the Pacific and World Average. The report stated that Fiji Airports has paid $175m in dividends to its shareholders over the last six years. It was also noted that FA had paid $14.91m in dividends in its entire history compared to previous years and also mention that FA is currently the highest dividend paying State Owned Enterprise in Fiji. The Committee also found that FA has a strong balance sheet as recorded, $350.6million increased in total assets from $197.4million in 2013 to $548million in 2018. It was noted that this was attributed to both to the successful cost efficient infrastructure upgrades that have given good "value-for-money" investments to FA and the lapse of time increasing values of assets. Also noted that FA engaged Beca Erasito for a revaluation exercise which was taken into FA books in 2018. The Committee was informed that the total shareholder's fund grew from $167.6million in 2013 to $406million in 2018, which increases by $237.9m or 142% and this was amount after the $145million paid out in dividend to Government until 2018. 1) **In terms of its current ratio:** the Committee was informed that this	PPOB RESPONSES

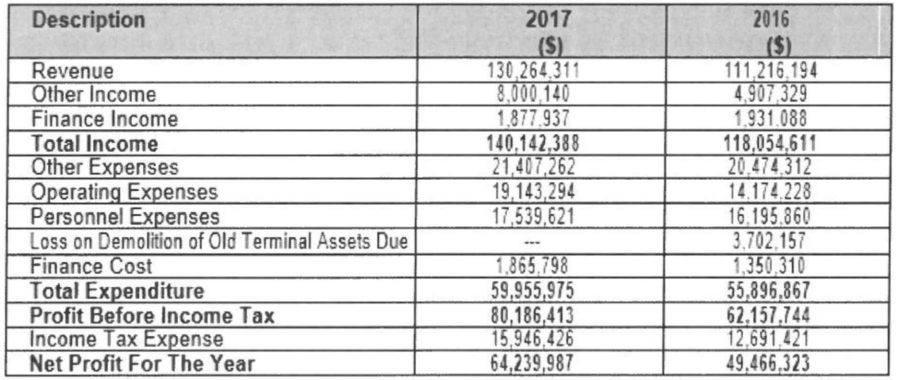
COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS

RESPONSES

measures a company's ability to pay short-term obligations or those due within one year. It also tells how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables. It was further noted that if the ratio is below 1, it raises a warning sign as to whether the company is able to pay its short term obligations when due. FA's current ratio is 3.44 in both 2018 and 2017 and shows that FA has three times the ability to pay its current short term obligations.

2) **In terms of its debt to equity ratio:** the Committee was also informed that this measures the degree to which a company is financing its operations through debt versus wholly-owned funds. A ratio of greater than 100% shows that the company is effectively owned more by creditors and financiers instead of shareholders. It was noted that FA's ratio is 35% and has only 35% external debt funding compared to shareholder's equity.

Airports Fiji Limited - Abridged Statement of Financial Performance



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

The Committee noted that in 2017, Airports Fiji Limited recorded a substantial increase in its net profit by $14.7million (30%) compared to 2016. It was found that this resulted by the increase in revenue generated by air navigation charges, concessions, landing and parking fees international, terminal navigation aid charges and rental offices and warehouses.

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS

Airports Fiji Limited - Abridged Statement of Financial Position

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

It was noted in the report that in 2017 the Net Assets was increased by $19.07million (9%) in 2017 compared to 2016. This was attributed by the increase in cash on hand and at bank, trade receivable and property, plant and equipment.

OTHER SIGNIFCANT MATTERS

The Committee found on other significant matters of the audits that impairment assessment and *useful Lives of Plant and Equipment*; and *VAT Reconciliation and Taxable Supplies* are incorrectly declared in VAT returns and this has been highlighted as an audit issue.

RESPONSES

All the audit issues noted for Fiji Airports has been resolved and this has been confirmed by the Office of the Auditor General. The following was undertaken by Fiji Airports relating to the two audit issues:

1. **Impairment Assessment and Useful Lives of Plant and Equipment:**
    - In September 2017, Fiji Airports Board approved Erasito Beca Consultants Ltd (Erasito Beca) to complete a revaluation of buildings, infrastructure, and plant & equipment assets for financial reporting purposes.
    - The valuation by Erasito Beca also revalued annual

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	depreciation (and rates). This was derived by Erasito Beca considering the age and condition of the asset and the final valuation report was received on 31 May 2018. • FA then carried out the reconciliation of assets as per the valuation report against individual assets in the asset register and engaged Ernst & Young (EY) to review and propose the required accounting entries to be taken up in the books for revaluation, disposals, and assets addition. The accounting entries were taken up as at 1 January 2018. • In summary, FA's assets were revalued upwards by $207M. The large increase in value was reflective of the various developments and upgrades of its assets over the last decade. • Audit issues relating to assets have been resolved through this asset revaluation. **2. VAT Reconciliation and Taxable Supplies Incorrectly Declared in VAT Returns:** • Whilst this had no effect on the vat payable or vat refunds, there were several transactions such as term deposit and loan drawdown appearing in the vat sales report as it was being receipted in the finance receipting system. • This was rectified and such items are being segregated at receipt entry level.

2. FIJI BROADCASTING CORPORATION LIMITED (FBC)

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td>
HIGHLIGHTS
<p>The Committee noted in the audit report that the Fiji Broadcasting Corporation Limited's 2016 and 2017 financial reports were issued with an unmodified (unqualified) audit opinion.</p>
<p>It was noted that in 2016, FBC recorded a net profit of $4,262,769 in comparison with the net loss in 2015. The profit due to recognition of public service B=broadcast revenue of $9,201,615 recorded in 2016 compared to nil in 2015. The Committee was informed that it relates to Government assistance to the corporation to provide broadcasting services to the public which not charged by the corporation.</p>
<p><i>Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Performance</i></p>
<table>
<tr><th>Description</th><th>2017
($)</th><th>2016
($)</th></tr>
<tr><td>Operating revenue</td><td>22,332,621</td><td>19,202,108</td></tr>
<tr><td>Other revenue</td><td>1,074,153</td><td>418,925</td></tr>
<tr><td>Total Revenue</td><td>23,406,774</td><td>19,621,033</td></tr>
<tr><td>Administrative and Operating Expenses</td><td>13,120,352</td><td>12,272,541</td></tr>
<tr><td>Marketing Expenses</td><td>2,534,853</td><td>2,163,728</td></tr>
<tr><td>Finance costs</td><td>817,450</td><td>921,995</td></tr>
<tr><td>Total Expenditure</td><td>16,472,655</td><td>15,358,264</td></tr>
<tr><td>Profit before income tax</td><td>6,934,119</td><td>4,262,769</td></tr>
<tr><td>Income tax expense</td><td>183,611</td><td>180,147</td></tr>
<tr><td>Profit after income tax</td><td>6,750,508</td><td>4,082,622</td></tr>
</table>
<p>The Committee noted that in 2016 the FBC's net assets were increased by $6,338,554 (413.7%) compared to 2015. It was noted that the increase was resulted from the increase in cash and cash equivalent by $5,339,033 (616.46%) in 2016 compared to 2015. The Committee in the report that this was mainly results from the Government of $9,201,615 for public service broadcast.</p>
<p>The Committee noted that there was a reduction in net assets of $6.7million</p>
</td><td>
<p>The Qualification (modified opinion) of 2016 Financial statements was due to the departure from IAS 20 <i>"Accounting for Government Grants and Disclosure of Government Assistance"</i> which requires government grants provided to compensate the Company for expenses incurred to be recognized in profit or loss as other income on a systematic basis in the same period that the expenses are recognized.</p>
<p>Based on the Cabinet's decision in 2012, grants and / or special funding from the Government of Fiji, as the shareholder, were treated as a capital contribution. As such, grants and/ or special - funding by the Government of Fiji were treated as additions to equity rather than being recognized as operating revenue of the Company. The company recorded government grants as part of equity for the period 1st January 2016 to 7th March 2016 amounting to $2,075,785.</p>
<p>From 8 March 2016 and based on the Cabinet's decision in 2016, any recent grants and / or special funding from the Government of Fiji, as the shareholder, is treated as operating revenue. This is to align the accounting treatment for all State Owned Entities (SOEs) in accordance with International Financial Reporting Standards (IFRS). As such, grants and/ or special funding by the Government of Fiji received after 8 March 2016 have been recognized in the statement of comprehensive income as operating revenue.</p>
<p>Hence, such amendments in Cabinet's decision has led to an impact in the audit opinion for FBC's 2016 financial statements.</p>
</td></tr>
</table>

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td>
<p>(80%) in 2017 compared to 2016 which was mainly resulted from the increase in held to maturity investments by $2million, increase in cash at bank by $2.7million and decline in interest bearing borrowing by $1.9million.</p>
<p><i>Fiji Broadcasting Corporation Limited- Abridged Statement of Financial Position</i></p>
<table>
<tr><th>Description</th><th>2017 ($)</th><th>2016 ($)</th></tr>
<tr><td>Cash and cash equivalent</td><td>5,486,265</td><td>6,776,564</td></tr>
<tr><td>Trade and other receivable</td><td>95,893</td><td>77,585</td></tr>
<tr><td>Held to maturity term deposit</td><td>436,961</td><td>156,222</td></tr>
<tr><td>Other current assets</td><td>29,241,863</td><td>28,424,228</td></tr>
<tr><td>Property, plant and equipment</td><td>35,260,982</td><td>35,434,599</td></tr>
<tr><td>Deferred tax asset</td><td></td><td></td></tr>
<tr><td>Total Assets</td><td>31,659,759</td><td>27,068,266</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Trade and other payable</td><td>1,973,254</td><td>2,383,751</td></tr>
<tr><td>Interest bearing borrowings</td><td>13,827,603</td><td>15,759,183</td></tr>
<tr><td>Other current liabilities</td><td>162,711</td><td>167,151</td></tr>
<tr><td>Deferred tax liabilities</td><td>546,627</td><td>546,627</td></tr>
<tr><td>Deferred income</td><td>19,032</td><td>19,032</td></tr>
<tr><td>Total Liabilities</td><td>16,529,227</td><td>22,717,336</td></tr>
<tr><td>Net Assets</td><td>15,130,532</td><td>8,380,024</td></tr>
</table>
<p>The Committee noted in the audit of Fiji Broadcasting Corporation Limited 2017 financial statements that in its Note 3(1) stated that all grants and special funding from Government up to 7 March 2016 were treated as capital contribution in accordance with Cabinet Decision No. 357 of 2012.</p>
<p>It was noted that the increase in net profit after income tax by $2.7million (65%) in 2017 compared to 2016 was largely resulted from the increase in government grant for public service broadcast by $2.1million and the increased in advertising revenue from radio and television.</p>
</td><td></td></tr>
<tr><td>OTHER SIGNIFICANT MATTERS:</td><td></td></tr>
<tr><td>(i) Absence of a risk register</td><td>A draft version-(working document) was provided to the auditors on site in 2016 and the same has been approved and updated on regular basis.</td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	The Company now maintains the risk register for all potential risks. For instance, risk associated with business interruption, market developments, cyber incidents, natural catastrophes, changes in legislation and regulation, fire & explosion, political risks, loss of reputation or brand value, new technologies, theft, fraud & corruption, human error, failure of utilities and machinery breakdown etc.
(ii) Incorrect Capitalisation of Work in Progress items	FBC records all ongoing projects under Work In Progress class of Property, plant and equipment. Audit noted errors in capitalisation of work in progress items i.e. the outside broadcast van capitalised as Motor Vehicle. While the net impact of incorrect capitalisation on the statement of financial position is nil, error in capitalisation leads to incorrect financial reporting. The Fixed Asset Register (FAR) was reviewed and changes were reflected in the 2018 financial statements.
(iii) Inadequate provision for doubtful debts	This relates to a particular debtor –National Computers T/A 786 Supermarket. Debtor defaulted paying account arrears plus 5% interest per month which has accumulated since August 2015. FBCL had filed a recovery claim with the Magistrate Court and the company lawyers are handling this legal matter. Legal correspondence between the company lawyer and the court was provided to the auditors. Audit noted that interest accumulated (i.e. $17,207) on the outstanding balance be also provided for as doubtful debts. While FBC has recorded only the invoice value as doubtful which totalled $6,774. Management has considered the auditor's recommendation and provisions on interest accumulated in were recorded in the 2018 financial statements.

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
(iv) Incorrect treatment of staff receivables	FBC has correctly recorded staff receivables and has subsequently made deductions from staff payroll to recover debt owed to the company. However, FBC is yet to recognise income arising from staff accounts such as sale of merchandise, auction revenue, gym revenue, concert ticket sales revenue etc. These were facilitated through staff deductions and is yet to be allocated to the Company's revenue accounts (Total amount: $10,864). Management agreed with the auditor's recommendation to review staff debtor's account and necessary adjustments were made in the 2018 financial statements.

3. FIJI PUBLIC TRUSTEE CORPORATION (FPTCL)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

HIGHLIGHTS

The Committee noted in the audit report that the Fiji Public Trustee Corporation's 2016 and 2017 financial reports were issued with an unmodified (unqualified) audit opinion.

The Committee noted that the Corporation recorded a decrease in net profit by 6% in 2016 compared to 2015. Also noted, although the Corporation recorded a growth in its total income, however it was not enough to cover the increase its total expenditures.

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

However, in 2017 attention was drawn to Note 15 of the financial statements which included assets and liabilities of the Trust and Estate under management. The Committee noted that in previous years, the Trust and Estate financial statements are not presented separately from the Corporation's financial statements.

FPTCL – Abridged Statements of Financial Performance

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

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS

RESPONSES

It was also noted that the net profit for the year 2017 increased by $69,480 (18%) compared to 2016 which resulted to the substantial increases of other comprehensive income from un realized gain on market valuations of financial assets at the end of the year.

Fiji Public Trustee Corporation Limited – Abridged Statement of financial Position

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

The Committee was informed that in 2017 the Corporation's net asset increased by $5.9million (67%) compared to 2016. The increase was resulted from the increase in financial assets as a result of investments held in trust in 2017.

Workforce and Human Resources:

The Committee found out that from 2016 -2017 the workforce stood at 21 staff members in total which inclusive of 3 Managers and the Chief Executive Officer. In terms of gender composition, the Committee noted that 55% of staff are females and 45% are males.

Services Provided to the People of Fiji:

The services that are provided to the people of Fiji included the **Estate Administration Services** and the **Trustee Services.**

1) **Estates Administration Services**: The Committee noted that the service

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
involves collating a person's assets, paying their debts, and distributing the assets to beneficiaries in accordance to the terms of their Will upon death. The Committee was informed that without a Will the distribution is done in accordance with the Succession Probate Admin. Act. The Committee was informed that in 2017, the Corporation opened 56 estates which were valued at $4.5 million and also finalized 108 estates which were valued at $2.1million. The Corporation's fees and charges are as gazette. **Trustee Services**: The Committee was informed that a trust is a relationship based on confidence between the person creating a trust, a Trustee and a Beneficiary. In 2016, the Corporation was Trustees for 9,108 clients with a value of $15.8M. **OTHER SIGNIFCANT MATTERS:**	
(i) Provisions for Trust Claims and Investment impairment was not reviewed	The review of Trust Claims and investment impairment was carried out in 2017 with the assistance of Accounting Firm, Ernest & Young. It was assessed that the provision for investment impairment and part of the provision for trust claims be withdrawn and added to capital reserves.
(ii) Absence of Business continuity and disaster recovery plans	The Corporation is currently working on the 1st phase of the Business Continuity Plan, which is the digitization of approximately 1.2 million documents and over 50 processes within the Corporation. A system back-up service agreement has been signed with Telecom Fiji Limited. A full proof Business Continuity Plan & Disaster Recovery Plan is expected to be completed in 2020.
(iii) Absence of internal audit function	In 2018 the Corporation engaged KPMG to carry out internal audit for three major cycles.

4. POST FIJI LIMITED (PFL)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

HIGHLIGHTS

Financial Performance

The Committee noted in the audit report that Post Fiji Limited's 2016 and 2017 financial reports were issued with an **unmodified (unqualified) audit opinion**.

The Committee was informed that the Company recorded a net loss in 2016 after income tax of $735,763 compared to a net profit of $1,638,923 in 2015. It has a variance of $2,374,686 (144%). It was noted that the net loss after income tax was largely due to an increase in administration and operating expenses of the Company and this resulted to an increase in doubtful debts by $2,728,393.

Post Fiji Limited – Abridged Statement of Financial Performance

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

In 2017, the Company recorded a net profit of $475,644 compared to a net loss of $842,906 in 2016. The Committee noted that the net profit was resulted of

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td>
<p>the reduction in the administration and operating expenses by $2,545,756 (19%) and the rise in sales revenue by $1,377,310 (18%).</p>
<p><i>Post Fiji Limited – Abridged Statement of Financial Position</i></p>
<table>
<tr><th>Description</th><th>2017
($)</th><th>Restated
2016
($)</th></tr>
<tr><td>Cash and Cash Equivalents</td><td>2,503,582</td><td>2,741,702</td></tr>
<tr><td>Trade and Other Receivables</td><td>9,851,379</td><td>9,009,851</td></tr>
<tr><td>Financial Assets – Held to Maturity</td><td>4,723,604</td><td>5,271,187</td></tr>
<tr><td>Inventories</td><td>6,439,585</td><td>5,640,000</td></tr>
<tr><td>Other Assets</td><td>473,741</td><td>1,246,452</td></tr>
<tr><td>Property, Plant and Equipment</td><td>9,487,528</td><td>9,735,509</td></tr>
<tr><td>Intangible Assets</td><td>605,793</td><td>837,994</td></tr>
<tr><td>Deferred Tax Assets</td><td>2,102,550</td><td>2,098,846</td></tr>
<tr><td>Total Assets</td><td>36,187,762</td><td>36,581,541</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Trade and Other Payables</td><td>19,899,559</td><td>20,785,326</td></tr>
<tr><td>Employee Entitlements</td><td>1,624,002</td><td>1,428,768</td></tr>
<tr><td>Deferred Income</td><td>708,332</td><td>735,106</td></tr>
<tr><td>Finance Lease – Postal Global</td><td>417,624</td><td>607,375</td></tr>
<tr><td>Current Tax Liability</td><td>283,276</td><td>245,641</td></tr>
<tr><td>Total Liabilities</td><td>22,932,793</td><td>23,802,216</td></tr>
<tr><td>Net Assets</td><td>13,254,969</td><td>12,779,325</td></tr>
</table>
<p>It was recorded that net assets were increased by $475,644 (4%) in 2017 compared to 2016. This was resulted on the reduction in trade and other payables by $885,767 (4%) and finance lease – postal global by $189,751 (31%).</p>
<p>OTHER SIGNIFCANT MATTERS:</p>
</td><td></td></tr>
<tr><td>(i) Absence of risk management policy</td><td>
<p>Management is working on designing and implementing the risk management policy and is expected to be completed by third quarter of 2020</p>
<p>However, the company has already implemented risk register in 2019.</p>
</td></tr>
<tr><td>(ii) Absence of Internal audit function</td><td>Currently the Audit Department is providing recommendation on the processes and procedures. Since the new Internal Audit Manager has joined the organisation in 2019 proper planning of</td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	internal audit function is carried out. In addition, recommendation is provided to respective heads of departments to implement corrective measures regarding process and procedures with strict deadlines. The report is also forwarded to the Chief Executive Officer and the Board for their review.
(iii) Assessment for Impairment on property, plant and equipment not carried out	PFL has carried out a fixed assets review in 2019 in regards to damaged assets. The adjustment to the fixed asset register will be done in 2020 upon approval from the Board.
(iv) Anomalies noted in the procurement process	PFL has been purchasing stationery stock items from a major local supplier for many years now. As part of our overall strategy and to improve profitability and competiveness, PFL is undertaking the initiative to identify the overseas suppliers who sell these products so PFL can purchase directly from them at a lower cost. Hence, the above suppliers were identified and their pricing for the items are significantly lower than the local suppliers. PFL assures that there is no collusion with the suppliers and the Letter of Credit (LC's) used to undertake this overseas purchaser is not a risk to PFL because the items are supplied by supplier before our bank account gets debited. An updated Procurement Policy has also been drafted and is pending approval from the Board.
(v) Anomalies in staff advances	The staff advances balance has been written-off with approval from the Board in 2019. The practice of staff advances has been ceased and this policy will be incorporated in the Finance Policy.
(vi) Absence of policy and guidelines	Audit, Finance, Human Resources and Corporate Subcommittees was formed in 2018 where policies and guidelines were discussed

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	and realigned. Finance policy has already been drafted and is yet to be presented to the Board for approval.
(vii) Outdated Corporate Instructions Manual (CIM)	Whilst the CIM has not been revised in its totality, the company replaces old procedures with new procedures on a need-to basis. For example, Circular 02/2018: *Review of New Allowance.* However, management with HR and Corporate Subcommittee will address this issue and work on various amendments to the CIM.
(viii) Absence of Evidence to Confirm Approval of the 2017 Budget by the Board	Management will ensure that Board endorsement as documentary evidence is obtained and referenced for all future budget discussions and moving forward will ensure that budgets are discussed and approved by the Board.
(ix) Significant long outstanding local debtors	Debt recovery has been incorporated in the finance policy. Management has implemented a stringent debt recovery policy where debts are closely monitored. Currently, local and overseas debt is below $ 100,000 which is well under normal credit requirements.
(x) Ineffective controls over management of inventory	Management has drafted the policies on inventory controls including all necessary policy and procedures. One of the major component of inventory is school text book. Based on normal requirement, PFL purchased stock worth of $500,000. However, Ministry of Education policy decision to change the text book contents, caused major deterioration in the condition of text books in the warehouse. Some of the obsolete stocks have been sold in 2019 however, bulk of the obsolete stock relates to the text books which were purchased for sale however, the Government later announced the initiative of giving free text

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	books to schools.
(xi) Absence of valid and proper Rental Agreements	In most cases, there is continuity of services based on mutual agreement however, PFL management is working on renewing all rental agreements by June 2020. Currently, management is working on rectifying and correcting all agreements to be up-to-date.
(xii) Absence of Valid and Proper Written Agreements with Bill pay Vendors	In most cases, there is continuity of Bill Pay services based on mutual agreement however, management is working on renewing all agreements. PFL is making standard agreement clause with standard rates to all bill pay vendors, to avoid any ambiguity.
(xiii) Back to School Credit not properly managed	Management has put in stringent controls and have revised back to school credit application form. Debt Recovery Policy is incorporated in the Finance policy which is in draft form. Management will also ensure proper vetting process is done before any credit is approved.
(xiv) Incorrect disclosures of losses and shortages as receivables	Proper classification of Shortage money order and shortage of cash accounts has been done in the 2018 financial statements. However for Quality Service Fund (QSF) grant, part of Voter Service Payment and losses will be reclassified in 2020 financials.
(xv) No policy and guidelines for holding excess cash for Postmasters cash account	PFL will review and update the policy to suit the current business environment. This will be incorporated in the Risk Policy.

5. UNIT TRUST OF FIJI (UTOF)

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td>HIGHLIGHTS

The Committee noted in the audit report that the unit Trust of Fiji's 2016 and 2017 financial reports were issued with an unmodified (unqualified) audit opinion.

In 2016, UTOF recorded a net profit of $585,503, increase of $114,061 (24%) compared to 2015. This was resulted from the rise in management fee which was based on the total value of the Unit Trust of Fiji deposited property. It was noted that as at 31 December 2016, UTOF was entitled to 1.5% of the total deposited property.

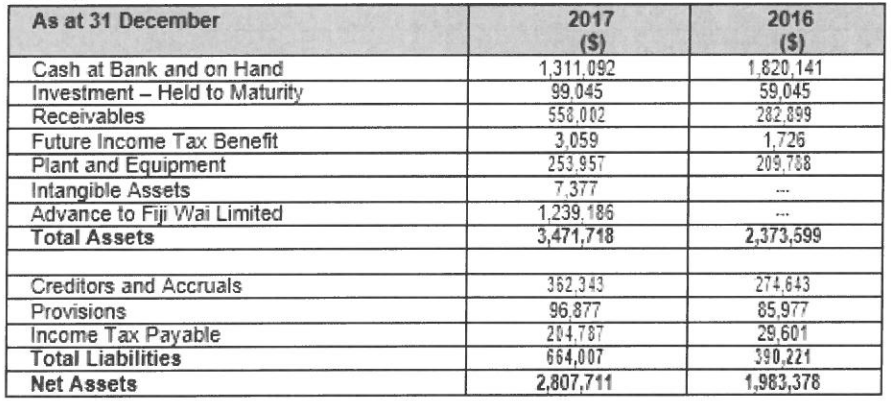
It was recorded that the net assets increased by $218,120 (12%) in 2016 which was resulted from the rise in holding of cash at bank by $89,851 (5%) and receivables by $102,092 (56%) in 2016. The increase in cash at bank and receivables were recorded as a result of the increase in management fees.

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

Further in 2017, UTOF again recorded a net profit of $824,333, this was an increase of $238, 830 (41%) compared to 2016. The increase in net profit was mainly due to the increase in management fee which is based on the total value of the Unit Trust of Fiji deposited property.</td><td>The highlights are generally the financial performance and position of UTOFML for the years 2016 and 2017.</td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

Abridged Statement of Financial Position



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

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

QUESTIONS: Section 6.4 – page 37

Financial Information – 2017

i. **For the benefit of the Committee, please provide a brief background on the functions of the Unit Trust of Fiji (Management) Ltd.**	Unit Trust of Fiji "UTOF or the Fund" is a Unit Trust or Managed Investment Scheme in Fiji's Capital Markets and was established on 25th April 1978. It has been mandated to be the investment vehicle in providing equal investment opportunities to Fijians for personal wealth management and financial empowerment. The Companies Act 2015, Part 28, clause 324 (1) requires a Managed Investment Scheme (MIS) to have the "Manager" (Unit Trust of Fiji (Management) Limited, UTOFML) and a separate and independent company, "The Trustee" (Unit Trust of Fiji (Trustee Company) Limited, UTOFTCL) to act as custodian of the assets of UTOF and protect the interest of the unit holders through conducting necessary due diligence.

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	Unit Trust of Fiji (Management) Limited ("The Manager") is licensed by the Reserve Bank of Fiji to conduct and carry out the business of managing UTOF. The Manager has been operating the affairs of UTOF since 25th April 1978.
ii. What does this advance relate to? Why is there a significant advance given when Unit Trust of Fiji (Management) Ltd has only 1% share in Fiji Wai Ltd?	The advance provided to Fiji Wai Limited is for the costs pertaining to Naseyani Water Bottling Project in Ra. In the earlier years, the costs were reimbursed by Unit Trust of Fiji (Trustee Company) Limited until the year 2017 where the costs incurred by UTOFML were re-classified as "receivable" so that it could be recovered once the project is completed. By virtue of company requirements then, there were two shareholders required therefore we had allocated 99% shareholding to Unit Trust of Fiji and 1% to UTOFML. UTOFML generally incurs all the investment costs until the project or investment is materialized.
iii. How and when is Unit Trust of Fiji (Management) Ltd expecting to recover this advance and what commitment has Fiji Wai Limited shown to pay?	UTOFML will recover its advance once the project is completed and water bottling project is fully operational. The advance shall be cleared from the cash flow of Fiji Wai Limited over a period or paid by the potential equity partner or cleared from the debt funding which Fiji Wai Limited will undertake for the completion of the project. The other alternative we are considering is for Unit Trust of Fiji to clear the advance and convert the debt to equity in Fiji Wai Limited. Fiji Wai Limited is dependent on the project funding either by way of debt, equity or both.
iv. From the financial year 2017, how much has been paid by Fiji Wai Ltd?	No payment has been received by UTOFML from Fiji Wai Limited.

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
Please provide to the Committee the evidences for this.	
v. **Does the legislation governing Unit Trust of Fiji (Management) Ltd allows investing into such activity?**	The legislation requires UTOFML to identify investments, incur investment associated costs and implement the investment for and on behalf of the unit holders. In this case, all the expenses pertaining to the water bottling project was reclassified from expenses to "receivables" to ensure that the expenses are recovered once the project is implemented and commenced.
2017 Timeliness of draft Financial Statements The Committee notes that the draft financial statements were submitted for audit late (less than 30 days before legislative deadline). What were the reasons for the delay in submission and what mechanisms does the entity has to ensure that draft financial statements are submitted to OAG on time?	The delay was mainly due to the time taken by the Finance Team in finalizing the financial statements. The company has employed additional resources to ensure that there are adequate personnel to complete and finalize the accounts for audit in a timely manner.
2017 Quality of Draft Financial Statements by Entities The Committee notes that the extent of audit adjustments made to the draft financial statements indicates the effectiveness of the Company's internal review processes before the Accounts are submitted for audit. What has the Company done to strengthen the internal review processes before the Accounts are submitted for audit to avoid undertaking substantial audit adjustments to rectify errors or misstatements?	The company ensures that the financial statements are fully reviewed by the Manager Finance before it is submitted to the auditor. We had some challenges in the ensuing years as well in respect to key financial resources however, we managed to recruit additional resources to ensure that the financials are completed and audited in a timely manner.

6. ENERGY FIJI LIMITED (EFL)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
HIGHLIGHTS **Financial Performance** The Committee noted in the audit report that the Energy Fiji Limited's 2016 and 2017 financial reports were issued with an unmodified (unqualified) audit opinion. In 2016, EFL recorded a net profit of $59.6 million which was an increase of $19.9million (51%) compared to 2015. The increase was resulted in the reduction in fuel cost which were declined by $50.9million (37%) in 2015 compared to 2014. The Committee noted that EFL recorded an increase in its net assets by $59.1 million (10%) in 2016 compared to 2015 which was resulted from the increase in the holding of cash and equivalent of $62.1million compared to 2015. ***Energy Fiji Limited - Abridged Statement of Financial Performance***	**RESPONSES ARE AS FOLLOWS**

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS

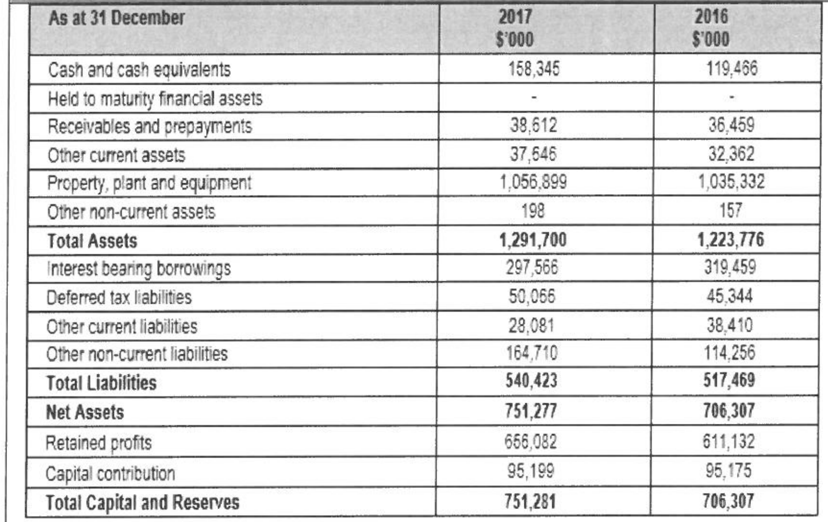
RESPONSES

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

In 2017, EFL recorded a net profit of $67.4 million, an increase of $7.8million (13%) compared to 2016. It was noted that the increase was resulted from the reduction in cyclone restoration cost which declined substantially in 2017 by $29million, as noted that most of the restoration works were carried out in 2016.

Energy Fiji Limited - Abridged Statement of Financial Position

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES



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

It was recorded that the net assets increased by $44.97million (6%) in 2017 compared to 2016 and this was resulted of the increased in intangible asset by $1.3million in 2017 for the upgrade purpose of the Company's billing system software amounting to $1,462million.

The Committee found in the audit reports the following significant matters:

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
i. **Management of Fuel/Hydro/Windmill mix**	**The recommendations by the Office of the Auditor General is noted.** The mix power is recognised as one of the most complex systems to control because of the seasonal nature of water and wind availability. The dispatch plan is prepared weekly by the EFL System Control Department and sent to the Management Team for its decision on the generation mix. This plan is based on the weather forecast provided by the Meteorological Office. The aim of the dispatch plan is to minimise spill from any of the reservoirs and ensure that Wailoa power station is available to meet the peak demand on a daily basis. The planned level of generation from Wailoa and Wainikasou hydro stations is based on the water available in the dams. To some extent these stations may need

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td></td><td>to reduce their outputs in the off-peak hours owing to the unexpected or higher than planned output from Nadarivatu hydro station.

For Nadarivatu, when rainfall is low, its dispatch can be planned ahead. However, if heavy rain starts in the catchment it is essential that the station starts operating at full load before the water starts to spill at the Weir.

The current Generation Strategy for the Vitilevu Integrated System (VLIS) is Wailoa (maximum) + Wainikasau hydro stations, Butoni Wind Mill, thermal Fuel stations using HFO (first) and then IDO and other diesel power stations.
Generation mix is discussed at the EFL management level during the dispatch meetings on a weekly basis.

The major contributor to the mix is hydro and the strategic mix is decided by the EFL Management Team. The decision is made on the generation mix that is economical and sustainable taking into account the following:

(i) Hydro Dam Level at Monasavu
(ii) Fuel Prices
Predicted Weather Forecast</td></tr>
<tr><td>(ii) Impairment assessment and useful lives of plant and equipment</td><td>EFL – Asset Impairment Assessment As at 31st December 2019
a) Background
The Fiji Electricity Authority was established, incorporated and constituted under the provisions of the Electricity Act of 1966 and began operating from 1 August 1966. The powers, functions and duties of the Authority under the Electricity Act are for the basic purpose of providing and maintaining a power supply that is financially viable, economically sound and consistent with the required standards of safety, security and quality.
A uniform tariff rate is charged for electricity used by each consumer group. The tariffs are implemented according to determination by Fijian Competition & Consumer Commission and are designed to meet specified targets while achieving a reasonable rate of return for the Shareholders. The Authority is entrusted with enforcing the Electricity Act and regulations, setting standards, examining and registering electricians, and is empowered to approve and license suppliers to serve certain areas. The Authority is also governed by the requirements under the</td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

Public Enterprises Act 1996 for the financial year 2016-2017.

EFL supplies electricity to the four main islands of Fiji, namely Vitilevu, Vanualevu, Ovalau and Taveuni where the electricity supply started in 2017. In Viti Levu power is supplied from a mixture of hydro, bio mass owned by IPPS (FSC, Tropik Woods & Nabou Green Energy Limited which commenced supply from July 2017, wind and thermal energy. Similarly, power in Vanua Levu is supplied from a small mini hydro, bio mass owned by IPP (FSC – which supply power for less than six months in a year) and power supplied from thermal energy. The Ovalau power system is predominantly supplied from diesel generators.

EFL has only one product in electricity, and its costs associated with this product are common to all business segments. The Authority's power generation, transmission, distribution and retailing assets operates on a vertically integrated system and are heavily independent. Therefore it is not practical to carry out impairment assessment of each individual component as each component is essential in ensuring that power is evacuated successfully to the end users.

b) Impairment Assessment of EFL Key Assets

1. Monasavu Hydro

The Monasavu Hydro was commissioned by EFL in 1984. This asset is a key strategic asset of EFL, critical in meeting at least around 50% of the total Viti Levu demand on a daily basis. The performance of the Monasavu Hydro in terms of energy generated for the period 2007 to 2017 is tabulated below:

Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Units Generated Wailoa Hydro Mwh	462,986	436,081	382,963	424,818	466,765	420,195	314,341	320,875	384,451	381,527	399,500

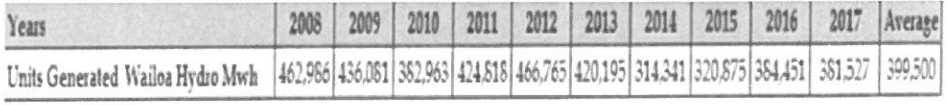
The annual long term average energy produced from the Monasavu hydro is 400,000Mwh (Mega-watt hour) per annum. For the period 2007 to 2017 it has performed above this long term average by producing an average of 499,500Mwh of energy per annum over a 10 year average. In the years 2014 to 2017 the energy generated was lower than the long term which adversely affected the hydrology in Monasavu for the two consecutive years. Given the consistent performance of the

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

Monasavu Hydro Scheme over the years producing reasonable amount of energy to meet 50% of the total base load for Viti Levu, we can conclude that the Monasavu hydro Scheme as at 31 December 2019 is $107,154,515.64. It must be noted that exercise started in 2013 and is expected to be completed in 2020 at an estimated cost of close to $100M. The objective of this exercise is to secure that the Monasavu Hydro scheme continues to be operational in the medium and long term.

2. **Nadarivatu Hydro**

The Nadarivatu Hydro Scheme was commissioned by EFL in 2012. This investment is part of EFL's long term objectives of trying to produce 90% of its energy requirement through renewable sources by 2025. The performance of the Nadarivatu Hydro Scheme since its inception in 2012 is tabulated below:



Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average
Units Generated Wailoa Hydro Mwh	462,986	436,061	382,963	424,818	466,765	420,195	314,341	320,875	384,451	381,527	399,500

The long term average generation of the Nadarivatu Hydro Scheme is 100,000Mwh per annum. In its first full year of operation it came very close to achieving this long term average by recording a total generation 98,600Mwh in 2013. The generation output for 2014 and 2015 were affected by the El-Nino weather pattern which brought with it a prolonged spell of dry weather with limited rainfall at Nadarivatu. EFL's daily dispatch strategy to cater for the Maximum Demand for Viti Levu includes the energy generated by the Nadarivatu Hydro.

To achieve this daily peak load for Viti Levu. Despite the low energy generated over the last three years which is due to reasons outside of EFL's control, the Nadarivatu Hydro still performed and contributed to the daily energy requirements for Viti Levu. In this regards, the hydro Schemes has not suffered any impairment. The Written Down Value (WDV) of the Nadarivatu Hydro Scheme as at 31 December 2019 is $269,372,854.99.

3. Wainikasou/Nagado/Wainiqeu/Somosomo Mini Hydro Schemes

The Wainikasou, Nagado, Wainiqeu and Somosomo Hydro Schemes are mini Hydros that supplement the total generation requirements for Viti Levu, Vanua

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS

RESPONSES

Levu and Taveuni respectively. The Nagado and Wainikasou Hydro Schemes are located in Viti Levu while the Waniqeu mini hydro is located at Savusavu in Vanua Levu. The Somosomo Hydro came into EFL grid from January 2017 and is located in Taveuni.

The performance of three Mini Hydros over the last 10 years is tabulated below:

Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Units Generated Wainiqeu Hydro Mwh	688	63	898	1,968	1,027	2,056	983	834	718	448
Units Generated Wainikasou Hydro Mwh	18,420	16,058	19,238	19,404	18,721	5,935	15,027	19,895	21,258	20,912
Units Generated Nagado Hydro Mwh	12,996	7,990	10,520	10,279	8,856	611	3,080	11,357	3,296	-
Units Generated Somosomo Hydro Mwh										2,227

There was nil generation from Nagado Hydro since it is going through major repairs and the generation is likely to commence again sometime in 2018. The other three Mini Hydros performed well in 2017. In this regard, the Hydro Scheme has not suffered any impairment as at end of December 2019. The WDV of the above three mini hydro's are tabulated below:

Mini Hydro	WDV as at 31 December 2019
Wainiqeu Hydro	$1,615,139.52
Wainikasou Hydro	$5,469,284.15
Nagado Hydro	$5,958,968.59
Somosomo Hydro	$13,633,789.93

4. Butoni Wind Farm

EFL has only one wind farm which is located at Butoni in Sigatoka. The wind farm was introduced as a means for EFL to achieve a diversified portfolio of renewable energy. The performance of the wind farm over the last 10 years is tabulated below:

Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Unit Generated from Butoni Wind Farm	4,604	7,211	6,420	4,977	6,809	5,348	4,269	5,674	3,632	2,083

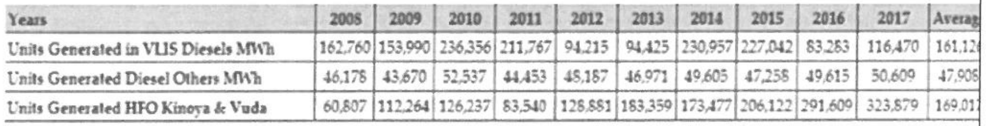
The long term average generation from the wind farm is around 5,000Mwh. The wind farm has contributed consistently to the total energy requirement for Viti Levu in order to meet the ever growing demand of electricity particularly the daily peak load. It has produced energy consistently over the last 10 years on an intermittent basis as and when winds are available at the wind farm. Based on the

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

above trend, we could draw the conclusion that the Butoni Wind farm has not suffered any impairment. The WDV of the wind farm as at 31 December 2019 is $12,900,017.37.

5. Thermal Power Plants

EFL has a combination of Heavy Fuel Oil (HFO) and Industrial Diesel Oil (IDO) Generators. Generators in all the power stations around the country are operational to meet the peak demand for Viti Levu, Vanua Levu, Ovalau and Taveuni respectively. We do not have any generator that is idled and cannot be used due to extreme wear and tear. The Ovalau power station is predominantly diesel. Vanua Levu has a small mini hydro but substantial volume of energy is generated via diesel to meet the peak demand for Vanua Levu. Viti Levu has a mixture of HFO and IDO generators to supplement energy generated from its portfolios of renewable energy particularly the Monasavu and Nadarivatu hydro's. The table below shows the performance of the IDO and HFO generators in generating energy required for the reliability and security of power supply throughout Fiji.



Years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Averag
Units Generated in VLIS Diesels MWh	162,760	153,990	236,356	211,767	94,215	94,425	230,957	227,042	83,283	116,470	161,12
Units Generated Diesel Others MWh	46,178	43,670	52,537	44,453	48,187	46,971	49,605	47,258	49,615	50,609	47,90
Units Generated HFO Kinoya & Vuda	60,807	112,264	126,237	83,540	128,881	183,359	173,477	206,122	291,609	323,879	169,01

As at balance day, none of the diesel generators had suffered any assets impairment. The WDV of each thermal power station is tabulated as follows:

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

Location	WDV as at 31 Dec 2019
Navutu	184,849.97
Rakiraki	341,460.64
Sigatoka	7,604,347.75
Labasa	3,058,050.83
Labasa	1,405,505.13
Savusavu	326,067.53
Suva	354,010.01
Kinoya	19,978,246.23
Korovou	242,412.29
Deuba	984,313.80
Nadi	4,062,691.79
Qeleloa	2,328,616.55
Nakobalevu	10,304.31
Rokobili	9,764,667.95
New Kinoya HFO 35MW	59,200,808.03
Taveuni	998,797.77
Vuda	10,979,721.76
New 1 x 10MW Vuda	21,094,243.76
Wailoa	124,407.46
Total	**$143,043,523.56**

These diesel power stations are critical in meeting the daily peak demand of the three islands namely Viti Levu, Ovalau and Taveuni to ensure the economic security for Fiji. Also in the event of the unavailability of the hydros from Monasavu and Nadarivatu due to circumstances beyond the control of the EFL such as cyclones or flash floods, these diesel power plants play an important role in supplementing the power requirements for Viti Levu.

6. Transmission & Distribution (T & D) Assets

Transmission and Distribution assets have a WDV of $295.06M as at end of December 2019. These assets are common to all generating assets discussed above. Transmission and Distribution assets form an integral part of the EFL power system. Therefore the test for impairment for the T & D assets from a power system point of view is very straight forward in the sense that if the transmission/distribution power supply to customers will be significantly impacted. Given the high demand placed on electricity as an economic product and also essential for day-to-day social and economic prosperity. EFL is entrusted with the responsibility of ensuring the reliability and security of power supply to its

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS | **RESPONSES**

customers. All transmission and distribution assets undergo conditional monitoring and preventing maintenance on regularly assets. Therefore, we draw the conclusion that there is no indication of the impairment on the transmission and distribution assets of EFL as power generated at each generation sources are required to be evacuated to the customers and the load centers on daily basis.

7. Other Factors for Consideration

There are basically two factors that are outside of EFL's control that affect EFL's business significantly. One is the global fuel prices which is dictated by world economics and GEO-politics and the second being the unpredictable changing weather pattern which tend to affect the performance of EFL's hydros.

8. Overall Performance of EFL Since Tariff Reform in 2010

The table below shows the overall performance of EFL since the tariff reform in 2010 where EFL was granted a tariff increase of around 60% from 25c/u (VEP) to 39.4c/u (VEP). The company has been recording reasonable profits with the exception of 2014 when the EFL business was badly affected by an El-Nino weather pattern causing a prolonged spell of dry weather forcing to implement its contingency plan of procuring and installing additional diesel generation capacity to supplement the low water level at the Monasavu Hydro Scheme. This resulted in EFL burning substantial amount of diesel to the tune of around $180M, which is an all-time high for the industry.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Audited	Unaudited
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
PBT	13.1	52.4	61.8	41	1.1	45.4	74.6	84.1	79.8	$79.3
PAT	8.4	51.9	75.3	32.6	1	36.3	59.6	67.4	63.9	$63.4

The profitability recorded by EFL over the 10 year period above indicated that all the generating, transmission, distribution and retailing assets performed according to standard and delivered positive results for EFL. Further, beside the profitability the electrical ensured a reliable and security of power supply to whole of Fiji.

(iii) Rights over assets resulting from Rural Electrification Schemes

2017 Action Plan

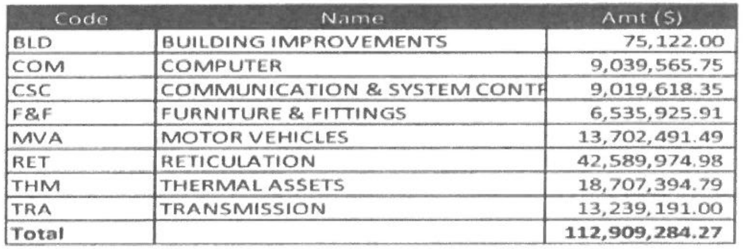
EFL will write to the Ministry of Infrastructure to grant EFL the rights over the assets relating to the Rural Electrifications. If possible, incorporate a clause on the

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td></td><td>rights over the assets in the formal Rural Electrification Contracts between EFL and the Ministry of Infrastructure and Transport.

Follow up Comments as at 31 December 2019:

We are still awaiting confirmation from the Ministry of Infrastructure and Transport who is liaising with the Ministry of Economy to accommodate this requirement of the right over assets for rural electrification schemes be transferred to EFL under the Rural Electrification Agreement for each rural electrification schemes.

EFL perceives that the funding for the rural electrification schemes by Government is in the form of a grant. Therefore, for any grant funding, the asset is owned and maintained by the recipient of the grant, in this case EFL. Further, EFL treats the Rural Electrification funding as a capital grant for accounting purposes which has been audited and approved by the auditors.</td></tr>
<tr><td>(iv) Assets with zero written down values</td><td>Comments noted.
This recommendation was brought to the attention of FEA after the Audit work was completed. However, FEA did carryout a review of the assets with zero WDV. The high level report extracted from the Fixed Assets Register (FAR) did show that assets worth $13M has zero WDV. We have taken the recommendation on board and will commence with this exercise in 2018 to physically identify the assets that have zero book value. Assets that are no longer in use, will be removed from the FAR and those that are still in use and deriving a benefit to the Authority will be revalued and assigned an appropriate depreciation rates based on the assessed remaining life of the asset. The table below summarises the assets with zero WDV.


<table><tr><th>Code</th><th>Name</th><th>Amt ($)</th></tr><tr><td>BLD</td><td>BUILDING IMPROVEMENTS</td><td>75,122.00</td></tr><tr><td>COM</td><td>COMPUTER</td><td>9,039,565.75</td></tr><tr><td>CSC</td><td>COMMUNICATION & SYSTEM CONT</td><td>9,019,618.35</td></tr><tr><td>F&F</td><td>FURNITURE & FITTINGS</td><td>6,535,925.91</td></tr><tr><td>MVA</td><td>MOTOR VEHICLES</td><td>13,702,491.49</td></tr><tr><td>RET</td><td>RETICULATION</td><td>42,589,974.98</td></tr><tr><td>THM</td><td>THERMAL ASSETS</td><td>18,707,394.79</td></tr><tr><td>TRA</td><td>TRANSMISSION</td><td>13,239,191.00</td></tr><tr><td>Total</td><td></td><td>112,909,284.27</td></tr></table></td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	2017 Action Plan EFL commenced with the verification of these ZERO WDV assets in 2018. The exercise to reassess the depreciation for these assets was parked aside due to the EFL Divestment exercise. The EFL Management has agreed that they will engage the services of an energy consultant from abroad who will carry out the review of the depreciation rates or useful life for these specialized assets and will make recommendations to EFL Board for its adoption and implementation. EFL will prioritise and will plan accordingly to have this work done in 2019/2020. **Follow up Comments as at 31 December 2019:** The EFL management had agreed that they will engage the services of an energy consultant from abroad who will carry out the review of the depreciation rates or useful life for these specialized assets and will make recommendation to EFL Board for its adoption and implementation. EFL will prioritise and will plan accordingly to have this work done once the divestment exercise is completed where Government is intending to sell 49% of its shares in EFL. We could not make any changes to the deprecation rates while the company is undergoing divestment/sale of shares as this could potentially distort the historical results and likewise the enterprise valuation of the company.
	2017 Management Comments All significant assets of FEA which include the Dams, Power Stations, Substations and other Buildings are adequately insured. The only asset that is not insured is the Transmission lines and the power poles together with its fixtures and fittings. FEA had approached both the on-shore (QBE) and off-shore insurers (AIG) to provide insurance cover on these assets, previously and also approached Lloyds of London (current insurer) last year however none of these insurers have been keen on this, due to the high risk exposure. Even if any insurer does agree to provide an insurance cover on this, the premium on this insurance cover will be substantial given the fact that these assets are in the open and exposed to daily adverse weather conditions. FEA is doing its level best to get these assets insured, however in terms of cost

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	benefit analysis, the cost of coverage will be substantial and not economically viable if matched against the benefit. For example, the cost to repair damages incurred on power lines and poles as a result of TC Winston is around $32M. So for the insurance company to put in place an insurance cover for power lines and poles based on the experience (cost) with TC Winston the premiums could exorbitant for a year and could be more than $32M. Currently EFL's insurance premium to cover all assets excluding power lines and poles is around $7M. The affordable averaged electricity tariff rate of 37.4 c/u (VEP) is based on an insurance premium cost of around $7M. Imagine what will be the electricity tariff rate if it has to adjust to cover the power lines and poles? **Follow up Comments as at 31 December 2019:** International Insurance Company generally do not provide insurance cover over the transmission lines and poles since these assets are considered high risks as they are venerable to natural disasters. In EFL's tariff submission to the FCCC in April 2019, we had recommended 1 c/u initial submission for self-insurance, however, FCCC instead approved a self-insurance clause as part of the tariff methodology, which caters against losses as a result of natural disasters. The above mentioned self-insurance clause is outlined below: **Self-Insurance** I. To mitigate the adverse impact of natural disasters such as cyclones and drought and the subsequent provision of electricity services, the regulated entity shall hold reserves as a self-insurance fund. II. Submissions for extra-ordinary events to address natural disasters can be made by the regulated entity for an ad-hoc review for temporary relief through tariff adjustments.

7. HOUSING AUTHORITY (HA)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS

RESPONSES

HIGHLIGHTS

The Committee noted in the audit report that the Housing Authority's 2015 and 2016 financial reports were issued with an unmodified (unqualified) audit opinion.

Abridged Statement of Financial Performance

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

Housing Authority recorded a total comprehensive income tax reduction by $761,000 (34.1%) in 2016 compared to 2015 which was largely resulted by the reduction in interest income.

Abridged Statement of Financial Position

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

The Committee was informed that the net asset in 2016 increased by $1,473,000 (2.6%) compared to 2015. It was noted that the increase in net assets was the result of the increase in land held for future development and also the reduction in liabilities.
</td><td></td></tr>
<tr><td>OTHER SIGNIFICANT MATTERS</td><td></td></tr>
<tr><td>(i) Methodology of calculating impairment of loans and advances</td><td>Housing Authority's methodology of calculating impairment and loans and advances is based on the Reserve Bank of Fiji (RBF) guidelines for loan classification & provisioning for impaired assets (Banking supervision policy statement No: 3 revised 2009.)

The computation takes into account the days past due (DPD) which is classified in the different basket from Risk grade A to E.

The collateral or security is assessed periodically to ensure that debt is within valuation.

The Authority has adopted IFRS 9 from 2018.</td></tr>
<tr><td>(ii) Review of risk grading and annual provisioning</td><td>The provision for impairment is reviewed monthly by the Authority in compliance with RBF requirement is further reviewed by the external auditors whilst IAS 39 is still under review by</td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	IASB. The Authority has adopted IFRS 9 replacing IAS 39 from 2018 whilst HA provisioning relaces the RBF criteria. HA is fully complying with international accounting standard hence, review of risk grading and annual provisioning is fully compliant.

8. COPRA MILLERS FIJI LIMITED (CMFL)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
HIGHLIGHTS The Committee noted in the audit report that the Copra Millers of Fiji Limited's 2016 and 2017 financial reports were issued with an unmodified (unqualified) audit opinion. It was noted that the total operating revenue in 2016 has declined by more than $1million or 28% compared to the 2015 financial year. The decline was the result of the reduction in sales of oil and coconut meal as a direct result of low copra supply. The audit found that both cost of goods sold and total expenditure were decreased in 2016 by $841,869 (25%) and $171,876 (21%) which was resulted from the decline in expenditure incurred for salaries & wages, FNPF expenses, Copra Truck expenses, purchases of copra and coconut oil, factory costs. It was noted that the decline in operating revenue has resulted in the increase in net deficit by $224,090 (95%) in 2016 compared to 2015. The Committee noted that in 2016 the total assets of the Company has increased by $256,038 (4%) compared to the 2015 financial year. The increase was noted which resulted from the increase in property, plant and equipment. This was the result of the construction of a plant for Virgin Coconut Oil during the 2016 financial year. It was recorded that the Company's total liabilities increased by $714,881 (70%) in 2016 compared to the 2015 financial year. The increase in total liabilities was a result of the increase in trade and other payables, interest bearing borrowing and deferred grant income. The Company took additional loans during the financial year and received capital grant for its Virgin Coconut Oil Project.	

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

Abridged Statement of Financial Performance

Description	2017 ($)	2016 ($)
Operating Revenue	2,898,684	2,630,383
Cost of goods sold	(2,348,304)	(2,475,165)
Gross Profit	**550,380**	**155,218**
Proceeds from Insurance	29,350	---
Description	**2017 ($)**	**2016 ($)**
Other income	103,918	130,512
	683,648	**285,730**

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

In 2017, the Company recorded a reduction in its net loss by $296,552 (65%) in 2017 compared to the amount reported in 2016. The Committee noted that it was mainly due to increase in operating revenue which increased by $268,301 or by $268,301 (10%) in 2017. The increase was resulted from the increase in overseas sales and coconut meal which improved in 2017 compared to 2016.

Abridged Statement of Financial Position

Description	2017 ($)	2016 ($)
Assets		
Cash on hand and at bank	10,609	66,965
Trade and other receivables	308,302	187,680
Inventories	310,962	375,216
Property, plant and equipment	6,091,511	6,071,340
Deferred tax asset	163,167	127,536
Total Assets	**6,884,551**	**6,828,737**
Liabilities		
Trade and other payables	146,054	311,672
Interest bearing debt	848,834	569,101
Deferred grant income	907,976	834,161
Copra price stabilization fund – Ministry of Economy	52,250	2,073
Total Liabilities	**1,955,114**	**1,737,007**
Net Assets	**4,929,437**	**5,091,730**

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
The Committee noted that in 2017 the net assets decreased by $162,293 (3%) in 2017 compared to 2016 which were resulted from the increase in interest bearing debt which increased by $259,733 in 2017 due to the new loan taken for mill upgrade and construction of coconut shed.	
OTHER SIGNIFICANT MATTERS	
(i) Absence of risk management policy	Copra Millers Fiji Limited (CMFL) has received the Risk Management Policy from KPMG. The Risk Management Policy was presented by KPMG to Board and Management on Friday 13/03/20 for review and consideration.
(ii) Exceeding of bank overdraft limit	The Bank Overdraft is exceeded on numerous occasions due to delay in receiving the refund for Producers and Millers Share which is paid from the Government's Copra Purchase Stabilization Fund. The Copra Price has been below the minimum support price of $1,000. During these situations, CMFL pays farmers a minimum guaranteed price of $1,000 per tonne of Copra and claims the balance from the Government. The claim is processed in 3 to 4 months period which leads to Overdraft of $400,000 exceeding at times. Bank Overdraft Position as at 30 April 2020: Balance of ($269,300.26). As at 31 March 2020 – Producers & Millers Share receivable: Dec'19 55,989.01 Jan'20 25,269.86 Feb'20 80,813.98 Mar'20 91,033.00 **Total due** **253,105.85**

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
(iii) Lack of supporting documents for other receivables	The company agrees to the issue. The company will ensure to keep all records for future verification and correspondence.
(iv) Inventory obsolescence	The company agrees to the issue raised. CMFL shall prepare the aged listing of the spare parts as recommended by the audit team. Issue was resolved in the 2018 financial statements.
Questions - Section 6.5 – Page 38	
Question 1: Does the Company have a Risk Management Policy and a policy on the classification of spare parts? If so, please present a copy of the Policy to the Committee.	As highlighted in Section 1 in page 3, CMFL now has a risk management policy in place. However, the Company does not have a policy on classification of spare parts. Copy of Risk Management Policy is attached.
Question 2: Why did the entity exceed the bank overdraft on numerous occasions?	The Bank Overdraft is exceeded on numerous occasions due to delay in receiving the refund for Producers and Millers Share which is paid from the Government's Copra Purchase Stabilization Fund. The Copra Price has been below the minimum support price of $1,000. During these situations, CMFL pays farmers a minimum guaranteed price of $1,000 per tonne of Copra and claims the balance from the Government. The claim is processed in 3 to 4 months period which leads to Overdraft of $400,000 exceeding at times. Bank Overdraft Position as at 30 April 2020: Credit Balance of (269,300.26). As at 31 March 2020 – Producers & Millers Share receivable: Dec'19 55,989.01 Jan'20 25,269.86 Feb'20 80,813.98

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td></td><td>
<table>
<tr><td>Mar'20</td><td>91,033.00</td></tr>
<tr><td>Total due</td><td>253,105.85</td></tr>
</table>
</td></tr>
<tr><td>Question 3:

Please advise whether the Government grant provided has improved the financial position of the entity?</td><td>
<table>
<tr><th></th><th colspan="4">Profit & Loss Figures for the past 4 years</th></tr>
<tr><th></th><th>Audited 2019</th><th>Audited 2018</th><th>Audited 2017</th><th>Audited 2016</th></tr>
<tr><td>Government Grant Income</td><td>644,097</td><td>286,067</td><td>-</td><td>-</td></tr>
<tr><td>Profit/Loss With Government Grant</td><td>28,094</td><td>67,722</td><td>(162,293)</td><td>(458,843)</td></tr>
<tr><td>Profit/Loss Without Government Grant</td><td>(616,003)</td><td>(218,345)</td><td>NA</td><td>NA</td></tr>
</table>
<p>The financial performance of the company is improving with Government Support. The Government grant provided helps the company to purchase raw materials at higher price which is attracting new coconut farmers.</p>
<p>Due to sudden increase in price of short term crops like Yaqona, most of the farmers had lost interest in the Coconut industry.</p>
<p>Copra supply has also stabilized after effects TC Winston in 2016.</p>
<p>Further improvement is forecasted for 2020-2022 with majority focus to sell Coconut Oil locally and nearby Australia and NZ thus get a higher price and save on freight with short distance.</p>
</td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
Question 4: Can the entity be sustainable without Government Grant?	No, the entity cannot be self-sufficient as CMFL is a price taker in overseas market. If CMFL were able to cover all costs by selling Oil overseas, then CMFL would have been self-sustainable. However, crude oil world market fluctuates and there is no guaranteed margin and CMFL is not able to cover their operational costs. In addition, the current copra pricing formula is also outdated therefore, CMFL does not have 100% recovery of cost components. However, diversification plans are underway with the introduction of new Edible Coconut Oil in the local market from May 2020. CMFL IS gradually shifting focus to local market which offers a guaranteed and higher margin.

9. PACIFIC FISHING COMPANY LIMITED (PAFCO)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

HIGHLIGHTS

The Committee noted in the audit report that Pacific Fishing Company Limited's 2016 and 2017 financial reports were issued with an unmodified (unqualified) audit opinion.

The audit noted that in 2016 PAFCO recorded an increase in its net profit by $512, 991 (39%) compared to the amount reported in 2015 as this was resulted from the increase in sales by $852,113 (3%).

The Committee found that PAFCO's net assets in 2016 has increased by $1,833,865 (9.5%) compared to the 2015 figure and this was resulted from the increase in cash at bank and value of property, plant and equipment.

Abridged Statement of Financial Performance

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

The Committee was informed that there was a reduction in PAFCO's net profit for the 2017 financial year by $214,572 (12%) compared to the amount reported in 2016 as noted in the audit report that this was mainly resulted from the increased in freight and cartage expenses by $387,741 in 2017.

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

Abridged Statement of Financial Position

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

Interest bearing borrowings	16,401,498	14,975,011
Description	**2017 ($)**	**2016 ($)**
Deferred tax liability	374,796	107,563
Trade and other payables	3,396,332	2,187,366
Provisions	77,362	61,237
Deferred income	4,224,436	4,491,232
Total liabilities	**24,474,424**	**21,822,409**
Net Assets	**22,760,630**	**21,141,372**

In 2017, PAFCO recorded an increased in its net assets by $1,619,258 (7.7%) in 2017 compared to 2016. This was mainly attributed from the increase in raw materials which resulted in large quantity of raw fish supplied to the company in the month of December.

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
OTHER SIGNIFICANT MATTERS	
(i) Inadequate documentation for support monthly consultancy payment	The monthly consultancy is a fee deducted by Bumble Bee from the Loin payments to PAFCO. This fee is for the services provided to PAFCO by a technician who is employed by Bumble Bee and is based at the factory in Levuka. The technician looks after the plant maintenance and is a qualified engineer with experience working in other Tuna plants. The consultancy fee is part payment by PAFCO for the technician's services. Bumble Bee pays the balance of the fee to the consultant from their account.
(ii) Provision of motor vehicle to employee of the customer	As part of the old processing agreement, Bumble Bee's General Manager Operations based at the factory in Levuka was entitled

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	to a vehicle provided by PAFCO. This provision is not part of the new processing agreement and the vehicle has been withdrawn.
(iii) Lack of internal orders for stock movement	This has been corrected and a process is now in place for all movement of finished goods. In this case, canned Tuna being sold from the gate was moved from the warehouse to the gate for sales with an e-mail or a phone request but now this is done using an internal order.
(iv) Review of financial manual	The Finance Manual is currently under review. PAFCO's internal auditors, Ernst & Young, are carrying out the review of the finance manual. This is expected to be completed by mid-2020.
(v) Absence of Disaster Recovery Plan	PAFCO has a documented a crisis Management Policy. This policy has relevant responses and measures in place to assist the company during any unexpected events and disasters. A copy of the policy document is attached.
(vi) Policy on Bonus Payout	The policy on bonus payment will be part of the Finance Manual, the new policy will be effective when the updated Finance Manual is completed and implemented.

10. FIJI DEVELOPMENT BANK (FDB)

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
HIGHLIGHTS	

Financial Performance

The Committee noted in the audit report that the Fiji Development Bank's 2016 and 2017 financial reports were issued with an unmodified (unqualified) audit opinion.

In 2016, FDB recorded an increase in its consolidated operating profit after tax for the year ended 30 June 2016 by $3,727,542 (61%). The increase was resulted from the recovery of bad debts with a total amount of $3,593,159 in 2016.

Further, the Committee noted that also in 2016 FDB recorded an increase in net consolidated assets by $9,817,161 (7%) when compared to the 2015 figure and as noted in the report that this was resulted from the increased in holding of cash at bank and cash equivalent in 2016 by $6,969,759.

Fiji Development Bank - Abridged Statement of Comprehensive Income

For the year ended 30 June	Consolidated		The Bank	
	2017 ($)	2016 ($)	2017 ($)	2016 ($)
Income				
Interest from Loans	25,369,427	23,854,646	25,369,427	23,854,646
For the year ended 30 June	Consolidated		The Bank	
	2017 ($)	2016 ($)	2017 ($)	2016 ($)
Fees	3,801,367	3,576,481	3,801,367	3,576,481
Other Income	2,763,885	7,267,062	2,762,644	7,266,238
Total Income	**31,934,679**	**34,698,189**	**31,933,438**	**34,697,365**
Expenses				
Interest and Other	7,411,560	6,525,024	7,411,560	6,525,024
Operating Expenses	12,364,041	12,291,253	12,363,319	12,289,081
Total Expenses	**19,775,601**	**18,816,277**	**19,774,879**	**18,814,105**
Operating profit before allowances	**12,159,078**	**15,881,912**	**12,158,559**	**15,883,260**

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

expense				
Income Tax Expense	---	---	---	---
Other Comprehensive Income	---	2,513,217	---	2,513,217
Operating profit after income tax	8,155,268	9,817,161	8,154,749	9,818,509

Allowances for Credit Impairment	1,772,938	6,929,397	1,772,938	6,929,397
Allowance for Interest and Fees	2,230,872	1,648,571	2,230,872	1,648,571
Operating profit before income tax	**8,155,268**	**7,303,944**	**8,154,749**	**7,305,292**

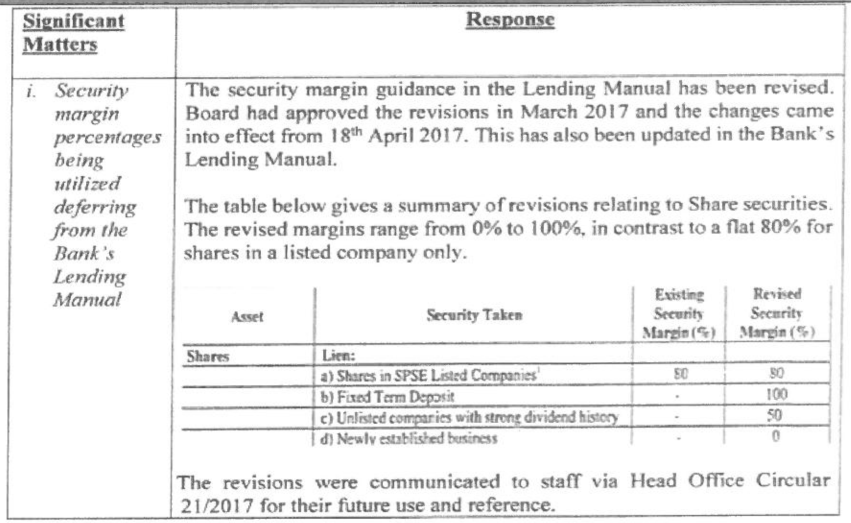
Further, in 2017 the Bank recorded an increase in its consolidated operating profit before tax for the year ended 30 June 2017 by $851,324 (12%) compared to the 2016 figure which resulted from the decline in allowances for credit impairment by $5,156,459 (74%) as noted that the most contributing factor because lesser accounts was considered to be impaired in 2017 compared to the 2016 financial period.

Fiji Development Bank – Abridged Statement of Financial Position

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

The Committee found that FDB's net consolidated assets increased by

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
$8,155,268 (5.7%) in 2017 compared to 2016 as noted in the report that this was resulted from the increase in loans and advances increases significantly by $60million (20%) in 2017. The Committee found in the audit reports the following significant matters:	
OTHER SIGNIFICANT MATTERS	
(i) Issue of the revaluation of property	This case specifically relates to the Fiji Development Bank's Nadi property. The Bank's valuer had assumed that the land lease would be extended and as a result, a revaluation increase was recorded. It should also be noted that when the valuation was done, the Bank still had a valid lease over the Nadi property. However, upon expiry of lease, TLTB and the Landowners advised that the lease will not be renewed any further. The Bank held several rounds of discussions with the landowners and TLTB to renew the lease as it was a commercial building. However, a positive outcome did not eventuate. Due to the negative outcome, the Bank recorded an impairment loss on its Nadi property. The Bank is now mindful of the remaining lease term whilst undertaking any property revaluations.
(ii) Security margin percentages being utilized deferring from the Bank's lending manual.	The security margin guidance in the Lending Manual has been revised. Board had approved the revisions in March 2017 and the changes came into effect from 18th April 2017. This has also been updated in the Bank's Lending Manual. The table below gives a summary of revisions to Share securities. The revised margins range from 0% to 100%, in contrast to a flat 80% for shares in a listed company only.

<table>
<tr><th>COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS</th><th>RESPONSES</th></tr>
<tr><td></td><td>

<table>
<tr><th>Significant Matters</th><th>Response</th></tr>
<tr><td>i. Security margin percentages being utilized deferring from the Bank's Lending Manual</td><td>The security margin guidance in the Lending Manual has been revised. Board had approved the revisions in March 2017 and the changes came into effect from 18th April 2017. This has also been updated in the Bank's Lending Manual.

The table below gives a summary of revisions relating to Share securities. The revised margins range from 0% to 100%, in contrast to a flat 80% for shares in a listed company only.

<table>
<tr><th>Asset</th><th>Security Taken</th><th>Existing Security Margin (%)</th><th>Revised Security Margin (%)</th></tr>
<tr><td>Shares</td><td>Lien:</td><td></td><td></td></tr>
<tr><td></td><td>a) Shares in SPSE Listed Companies[1]</td><td>80</td><td>80</td></tr>
<tr><td></td><td>b) Fixed Term Deposit</td><td>-</td><td>100</td></tr>
<tr><td></td><td>c) Unlisted companies with strong dividend history</td><td>-</td><td>50</td></tr>
<tr><td></td><td>d) Newly established business</td><td>-</td><td>0</td></tr>
</table>

The revisions were communicated to staff via Head Office Circular 21/2017 for their future use and reference.</td></tr>
</table>
</td></tr>
<tr><td>(iii) Inconsistency of loan data recorded in Bank Management System (BMS)</td><td>The Bank has now restructured the process of data entry on BMS. Managers or the approving officers are required to check the file before approving any BMS entry to minimize the data entry errors. In addition to this, a 2nd day check is also done with the End of Day reports. The purpose of this check is to immediately pick and correct any errors if the approving officer had missed it at the first place.

In addition, the Bank's Enterprise Risk Management Department conducts file reviews for first disbursements to ensure non-compliance issues are highlighted and resolved in a timely manner.

The revisions were communicated to staff via Head Office Circular 21/2017 for their future use and reference.</td></tr>
<tr><td>(iv) Loan account reviews not concluded in conformity with lending policy requirements</td><td>The Bank now uses various loan review procedures and few general principles for reviewing of the loan portfolio.

These include:

1. Mandatory and Annual reviews to be conducted on all loan</td></tr>
</table>

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES

accounts:

Loan Grade	Mandatory Review	Annual Review
A - D	1	1
E	1	1
F	2	1
G	12	1
H	Daily Supervision	
I	Write-off cases	

(Fiji Development Bank: Volume 3-General Lending Guidelines)

2. From the beginning of financial year 2019/2020 to date, the percentage of account reviews completed is 96%. Refer table below which shows the data for February 2020 with 100% reviews completed. When Portfolio Officers are on leave, some reviews are not completed hence, this gets completed in the following month.

BRANCH	February			TOTAL REVIEWS		
	Due	Comp	%	Due	Comp	%
LAUTOKA	75	75	100%	702	697	99%
NADI	93	93	100%	789	787	100%
SIGATOKA	104	92	88%	806	636	79%
BA	143	120	84%	1108	897	81%
RAKIRAKI	78	60	77%	653	596	91%
WESTERN	**526**	**471**	**92%**	4058	3613	**89%**
LABASA	259	238	92%	3016	2834	94%
SAVUSAVU	90	98	109%	1331	1451	109%
TAVEUNI	65	70	108%	878	922	105%
SEAQAQA	105	113	108%	1017	1006	99%
NABOUWALU	36	37	103%	524	487	93%
NORTHERN	**573**	**601**	**105%**	6766	6700	**99%**
SUVA	293	307	105%	2523	2473	98%
SUVA PRIME	27	27	100%	131	129	98%
NAUSORI	120	133	111%	1081	951	88%
CENTRAL	**440**	**467**	106%	11025	10740	**97%**
BANK	**1539**	**1539**	**100%**	21849	21053	**96%**

The Bank has also been conducting a refresher training to all lending staff on existing policies and procedures for loan process appraisal and processing. The three phases of the training conducted are; Project Appraisal Module 1, Project Monitoring and Supervision, and Loan

COMMITTEE RECOMMENDATIONS/AUDIT FINDINGS	RESPONSES
	Recovery Procedures (this phase of training is currently on hold due to COVD-19 situation)
(v) Lack of issue of variation advices	The Bank now gives customers 30 days' notice before any variation of the terms and conditions which affects fees and charges and the liabilities or obligations of customers takes effect. For all other variation, the Bank gives customers reasonable notice before such variation takes effect. This issue was resolved hence, it was removed from the 2018 audit report.