STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the 2017-2018 Audit Report on Statutory Authorities

PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRPERSON'S FOREWORD

This report follows the Report of the Auditor General of the Republic of Fiji – 2017-2018 Audit Report on Statutory Authorities. The 2017- 2018 Audit Report on Statutory Authorities covered the audits of 13 entities. The Auditor General issued 12 audit opinions out of which 8 were related to the 2017 financial statements while 4 were on the 2018 financial statements for the various entities.

It is important to note that the audits that were carried out on the 2017 financial year were issued with unmodified (unqualified) opinions on 5 or 62.5% of the financial statements audited for the various entities while the audit opinion of 3 authorities were modified. However, the audits that were undertaken on the 2018 financial year were issued with unmodified opinions on all or 100% of the financial statements audited for the various entities.

The Committee noted some of the significant matters that need to be brought to the attention of the House for consideration and these include the Governance issues which includes lack of Risk Management Policies, Disaster Recovery and Business Continuity Plans in most of the entities.

It is also important to note that more than 50% of the Statutory Authorities audits were delayed for the 2017 and 2018 financial year. This is primarily due to the following reasons which includes:

- Delay in submission of draft accounts for audits or draft accounts submitted were incomplete;
- Delay in provision of management comments;
- Delay in returning the signed audited financial statements for issue of audit opinion;
- Relevant information/records not provided for audit on a timely basis; and
- Authorities deciding to address issues raised in draft audit reports and resubmission of financial statements for audit.
- Delay in finalization of the audits by the Office of the Auditor General. This normally happens when the audit staffs are assigned to a different audit while waiting for the clients to furnish information and accounting records for finalisation of the audit.

The Committee strongly encourages the Heads of those Statutory Authorities to take responsibility for the audit issues identified in the audit and take necessary actions to address them. The clarifications provided to the Committee revealed that Authorities have taken the Auditor-General's recommendation positively and are taking necessary measures and strategies to resolve those significant matters that were highlighted.

Overall, I thank the Executives of these Statutory Authorities for provided its written responses to the audit issues that were raised and measures that are in place, and the Staff of the Office of the Auditor General for provided technical clarifications on those issues.

I also wish to extend my appreciation to all the Honourable Members of the Committee who were part of the successful compilation of this bipartisan report namely Hon. Joseph Nand, Hon. Virendra Lal, Hon. Aseri Radrodro and Hon. Ro Teimumu Kepa.

Hon. Alvick Avhikrit Maharaj
Chairperson

COMMITTEE MEMBERS

Hon. Alvick Avhikrit Maharaj
(Chairperson MP)

Hon. Joseph Nitya Nand
(Deputy Chairperson MP)

Hon. Aseri Masivou Radrodro
(Opposition MP)

Hon. Ro Teimumu Kepa
(Opposition MP)

Hon. Virendra Lal
(Government MP)

INTRODUCTION

The 2017-2018 Audit Report on Statutory Authorities was tabled in Parliament during the November 2019 sitting and referred to the Standing Committee on Public Accounts, for its scrutiny.

Standing Order 109 (2) (d) allows Standing Committee on Public Accounts to examine the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that the committee sees fit to review.

Standing Order 110(1)(c) authorises the Standing Committee to *scrutinise the government departments with responsibility within the committee's subject area, including by investigating, inquiring into, and making recommendations relating to any aspect of such a department's administration, legislation or proposed legislative program, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation.*

COMMITTEE PROCEDURE

The Novel Coronavirus Disease renamed as COVID-19 was declared by the World Health Organisation as a global pandemic on 11 March 2020. The Parliament of the Republic of Fiji therefore undertook necessary health precautionary measures to control the spread of the new virus strand outbreak.

In view of the above, Standing Order 112 (1) (b) provides powers to the Standing Committee on Public Accounts to compel the production of documents or other materials or information as required for its proceedings and deliberations.

The Committee resolved that the following entities identified in the audit report shall provide a substantive written submissions to the Committee as follows:

1. Land Transport Authority
2. Fiji Teacher’s Registration Authority
3. Fiji Higher Education Commission
4. Fiji Meats Industry Board
5. Public Rental Board
6. Fiji Roads Authority
7. Fiji National Sports Commission
8. Investment Fiji
9. Fiji Sports Council
10. Water Authority of Fiji
11. Fiji Medical & Dental Authority
12. Centre for Appropriate Technology and Development
13. National Fire Authority

BACKGROUND

Annual financial statements are prepared by the statutory authorities. It is important for the management to ensure that the preparation and fair presentation of the financial statements are in accordance with International Financial Reporting Standards and requirements of applicable laws and regulations. The 2017-2018 Audit Report on Statutory Authorities covered audit for 13 entities. The Auditor General issued 12 audit opinions out of which 8 were related to the 2017 financial statements while 4 were on the 2018 financial statements for the various entities.

The audits that were carried out on the 2017 financial year were issued with unmodified (unqualified) opinions on 5 or 62.5% of the financial statements audited for the various entities while the audit opinion of 3 authorities were modified. However, the audits that were undertaken on the 2018 financial year were issued with unmodified opinions on all or 100% of the financial statements audited for the various entities.

The Committee noted some of the significant matters that need to be brought to the attention of the House for consideration and these include the Governance issues which includes lack of Risk Management Policies, Disaster Recovery and Business Continuity Plans in most of the authorities.

It is also important to note that more than 50% of the Statutory Authority's audits were delayed for the 2017 and 2018 financial year. This is primarily due to the following:

- Delay in submission of draft accounts for audits or draft accounts submitted were incomplete;
- Delay in provision of management comments;
- Delay in returning the signed audited financial statements for issue of audit opinion;
- Relevant information/records not provided for audit on a timely basis; and
- Authorities deciding to address issues raised in draft audit reports and resubmission of financial statements for audit.
- Delay in finalization of the audits by the Office of the Auditor General. This normally happens when the audit staffs are assigned to a different audit while waiting for the clients to furnish information and accounting records for finalisation of the audit.

The Auditor General has highlighted some common findings which include control weaknesses which could cause or is causing severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

The Audit Report also highlights that about half of statutory authorities are yet to be audited due to the following reasons:

- Delay in submission of draft accounts for audits or draft accounts submitted were incomplete;
- Delay in provision of management comments;
- Delay in returning the signed audited financial statements for issues of audit opinion;
- Relevant information/records not provided for audit on a timely basis; and
- Authorities deciding to address issues raised in draft audit reports and resubmission of financial statements for audit.

Abridge financial statements are presented in the Audit Report for each statutory authority. The abridged statements of financial performance reflects revenue, expense and net income while the abridge statements of financial position presents the authorities assets and liabilities.

GENERAL RECOMMENDATIONS

The Committee after reviewing the audit report and the responses from relevant entities in relation to the audit issues that were raised, it recommends that:

1. ***The line Ministry should implement stringent measures to ensure timely submission of draft accounts to be audited by Auditor General, and for timely preparation and submission of Annual Reports to Parliament;***

2. ***The Committee notes that the draft accounts submitted were incomplete and strongly recommends that this should be tagged to CEO's key performance indicators. CEO's to ensure that timely and complete draft accounts are submitted to Auditor General for audit purpose;***

3. ***The Committee notes that these entities are now dealing with large amounts of money through Government grants and strongly recommend that suitably well trained personnel to be recruited to manage the operational and financial affairs of the organisation;***

4. ***The line Ministry should setup an Internal Audit team to continuously review and report directly to the line Minister;***

5. ***The entities with significant audit matters highlighted should be addressed before the next audit;***

6. ***The Committee notes that the entities are late in implementing the policies and the risk management and disaster recovery plans, therefore the Committee recommends that entities develop and implement this at its earliest;*** *and*

7. ***The Committee recommends that a performance audit be conducted on the entities highlighted in this audit report.***

COMMITTEE FINDINGS

1. LAND TRANSPORT AUTHORITY

Audit Opinion

The audit of Land Transport Authority for the financial year 2017 resulted in the issuance of modified (qualified) audit opinion. The qualification was as follows:

- Included in the Property, Plant and Equipment balance is leasehold land amounting to $3,595,000 for which titles are not registered in the name of the Authority. Therefore, the Office of the Auditor General was satisfied with the ownership of the leasehold land recorded in the financial statements of the Authority.

- The Authority has disclosed in the financial statements as part of its notes, contingent liability amounting to $55,859,759. Based on the current financial position of the Authority, it may be difficult to meet the payment for damages if the judgment is not in favor of the Authority.

Land Transport Authority - Abridged Statement of Financial Performance

Description	2017 (12 months) ($)	2016 (7 months) ($)
Grant received	19,322,198	3,511,301
Other Income	2,749,570	1,094,551
Total Revenue	**22,071,768**	**9,858,203**
Administration expenses	11,859,262	6,116,913
Operating expense	6,890,897	3,882,322
Total Expenditure	**19,947,861**	**10,789,959**
Net Profit/ (loss) for the period	**2,123,907**	**(931,756)**

Consistent with the changes in the financial year of Government, the Authority has changed its financial year from 31 December to 31 July.

Land Transport Authority - Abridged Statement of Financial Position

Description	2017 (12 months) ($)	2016 (7 months) ($)
Cash and cash equivalents	8,185,511	1,968,488
Receivables	248,126	342,416
Inventories	763,505	781,167
Property, plant and equipment	15,225,135	14,527,018
Total Assets	**24,422,277**	**17,619,089**
Creditors and other accruals	1,476,482	1,419,712
Owing to Government consolidated account	26,322	336,705
Capital Grant	14,898,261	9,404,790
Provisions	931,132	1,118,706
Finance Lease Liability	262, 846	635,850
Total Liabilities	**17,595,043**	**12,915,763**
Net Assets	**6,827,234**	**4,703,326**

Other Significant Matters – Land Transport Authority

Governance issues

The Board meeting minutes for the financial year 2016 was not maintained. In addition, numerous control deficiencies were noted from the internal audit review conducted by a Chartered Accounting Firm. However, some of these issues were also noted in the audit. Hence, it is likely that recommendations in internal audit reports were not fully implemented on a timely basis. Additionally, the Finance Manual is outdated and does not reflect the current process practiced by the Authority.

Root Cause/Implication

The anomalies indicate that proper procedures are not being followed for keeping of minutes of board meeting, addressing risk issues highlighted in internal audit reports and updating of the Finance Manual. The above issues if not rectified can lead to a poor culture of governance in the Authority.

Committee Comments/Recommendation:

The Committee noted the audit issues that were identified and recommends that LTA provide regular training to staff to maintain efficiency.

2. FIJI TEACHER'S REGISTRATION AUTHORITY

Audit Opinion

The audit of Fiji Teacher's Registration Authority for the financial year 2017 resulted in the issuance of the unmodified (unqualified) audit opinion.

Fiji Teacher's Registration Authority - Abridged Statement of Financial Performance

Description	12 Months Period Ended 31 July 2017	13 Months Period Ended 31 July 2016
	($)	($)
Government grant	370,398	394,969
Other Income	962	---
Amortization	20,252	17,317
Total Income	**391,612**	**412,286**
Depreciation expense	20,252	17,317
Employee benefit expense	300,391	299,384
Administrative expenses	52,203	88,409
Interest expenses	4,624	4,239
Total Expenditure	**377,470**	**409,349**
Net Surplus for the year	**14,142**	**2,937**

The Authority recorded a net surplus of $14,142 compared to a net surplus of $2,937 in 2016, an increase of $11,205 or 382%. The increase in net surplus was mainly due to a decrease in administration expenses by $36,206 due to decrease in printing & stationery expenses and computer expenses compared to 2016.

Fiji Teacher's Registration Authority - Abridged Statement of Financial Position

Description	12 Months Period Ended	13 Months Period Ended
	31 July 2017 ($)	31 July 2016 ($)
Cash and cash equivalents	76,783	58,724
Prepayment and other assets	133	140
Property, plant and equipment	66,757	83,840
Total Assets	**143,673**	**142,704**
Trade payable and other accruals	7,802	2,500
Deferred revenue	66,757	83,840
Obligations under finance lease	33,547	44,427
Employee entitlement	18,488	9,000
Total Liabilities	**126,594**	**139,767**
Net Assets	**17,079**	**2,937**

The increase in net assets by $14,142 was due to the increase in net surplus recorded for the year ended 31 July 2017 compared to 2016.

Other Significant Matters – Fiji Teacher's Registration Authority

Annual Returns not submitted to FTRA

Section 46 of the FTRA Act 2008 requires that, the employer or a persons authorized by the employer must, on or before June each year, provide the Authority with a return in the prescribed form of all persons teaching at the schools as at 1st May that year.

The Office of the Auditor General noted that FTRA did not receive a return as stipulated in the Act on 1 June 2016, 1 June 2017 and 1 June 2018. As a result, the Authority is not able to reconcile the number of teachers registered with the Authority against the number of teachers teaching in the respective schools in Fiji.

Root Cause/Implication

There may be cases of unregistered teachers teaching in schools which lead to revenue leakage for the government. Hence, it was not possible to ascertain the completeness of the registration fees of $197,381 disclosed in note 1.2(h) of the financial statements.

Committee Comments/Recommendation:

The Committee have noted the issue and response from FTRA and further recommends that FTRA Management team work with Ministry of Education officials to resolve this issue.

Absence of Risk Management Policy

It is imperative that for good governance the Company has in place a Risk Management Policy. This will ensure that all risks are identified and managed through effective processes and systems. This will ensure that business operations are not affected and disrupted.

Review of the Authority's Corporate Governance revealed that there is no risk management policy in place.

Root Cause/Implication

It appears that the Authority does not have capacity to develop the policy. The absence of Risk Management Policy can be attributable to absence of proper governance structure as the Authority has indicated that FTRA Board was not in place.

Annual Report not Prepared

The Authority has yet to submit the 2016-2017 Annual reports to the Minister contrary to the Act. Section 47 of the FTRA Act 2008 which states that the Authority is to submit an annual report to the Minister by 30 March the following year on its activities for the last financial year.

Root Cause/Implication

Absence of a board and CEO made it difficult to get the annual report submitted to the Minister. This increases the risk of untimely decision making and non-compliance to the Act, making the report losing its relevance.

3. FIJI HIGHER EDUCATION COMMISSION

The audit of Fiji Higher Education Commission for the twelve months ended 31 July 2017 resulted in the issuance of an unmodified (unqualified) audit opinion. Presented below is the abridged financial information of Fiji Higher Education Commission for the year ended 31 July 2017

Fiji Higher Education Commission – Abridged Statement of Financial Performance

Description	2017 (12 Months) ($)	2016 (7 Months) ($)
Government Grant	1,472,604	841,424
MFAT grant	100,000	---
Release of deferred income	620,572	42,229
Conference collection	8,786	147,198
Other Income- Reimbursements from Technical College of Fiji	46,381	---
Other refunds	3,030	20,122
Total Operating Income	**2,251,373**	**1,050,973**
Depreciation and amortization expense	-67,680	-37,302
Salaries and employee costs	-1,381,925	-696,143
Operating expenses	-787,128	-615,604
Total Operating Expenses	**-2,236,733**	**-1,349,049**
Profit/loss for the year	**14,640**	**-298,076**

The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2017 is for a 12 month period. Thus, the significant variances with the comparative balances.

Government grants received from Ministry of Education, Heritage and Arts are encouraged in the statements of the comprehensive income and where there is reasonable assurance that they will be received and that the Commission will comply with the conditions attached to them. Government grants related to assets including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or deducting the grant in arriving at the carrying amount of the asset and in the case of the entity it is treated as deferred income.

The Commission had signed a five year $7,328,947 agreement with Ministry of Foreign Affairs and Trade (MFAT) of New Zealand on 27th June 2016 to improve the Higher Education Sector and Commission's internal capabilities. In the MFAT project funding, a variation was made to allocate $220,000 as diminishing assistance towards management remuneration for three years. This variation was approved and signed off by MFAT Development Manager and FHEC Board Chairperson on 26 November 2016 and $100,000 was released to FHEC in the 2016/2017 financial year.

Fiji Higher Education Commission – Abridged Statement of Financial Position

Description	2017 (12 Months) ($)	2016 (7 Months) ($)
Cash and cash equivalents	1,839,802	2,306,490
Other debtors, deposits and prepayments	89,631	37,118
Property plant and equipment	258,757	233,946
Intangible assets	182,439	166,610
Total Assets	**2,370,629**	**2,744,164**
Trade payables and accruals	122,658	82,826
Provisional Tax	14,193	6,012
Provision for annual leave	32,328	26,799
Deferred Income	1,869,174	2,310,891
Total Liabilities	**2,038,353**	**2,426,528**
Net Assets	**332,276**	**317,636**

The Commission's net asset increased by $14,640 or 4.6% in 2017 compared to 2016. This was due to decrease in deferred income by $441,717 or 19.1% when compared to 2016.

Other Significant Matters – Fiji Higher Education Commission

Delay in Finalization of the Financial Statements

At the end of the financial year the Commission shall submit an annual report which must include an audited financial report to the Minister on or before 30 April the following year.

The audit of the financial statements of the Fiji Higher Education Commission for the year ended 31 July 2017 was finalized after the above deadline due to the following reasons:

- The Commission submitted its draft financial statements four times.

Root Cause/Implication

The non-inclusion of audit adjustments for 2016 in the draft accounts of 2017 and lack of relevant notes and disclosures in the draft financial statements of 2017 led to re-submission of the 2017 financial statements.

The high number of resubmitted financial statements will eventually delay the finalization of the audit. This also implies that the Commission may be lacking depth in financial reporting.

Committee Comments/Recommendation:

The Committee noted the issue that was raised and recommends that FHEC conducts an ongoing in-house training on financial reporting to its staff.

4. FIJI MEATS INDUSTRY BOARD

Financial Information – 2017

The audit of Fiji Meats Industry Board for the financial year 2017 resulted in the issues of modified (qualified) audit opinion. The qualifications were as follows:

- As at the date of audit opinion, the Board held title of 74 acres of state land. Property, plant and equipment include Lease hold improvement with a written down value of $342,770. The Board has only booked the land area on which capital improvement has been made. The remaining land area is yet to be valued and included in the Fixed Assets Register of the Board.
- The Board recorded fully depreciated property, plant and equipment with cost totaling of $2,272,273 that were still held for use. The useful life of these property, plant and equipment has not been charged for the assets during the year.

Fiji Meats Industry Board – Abridged Statement of Financial Performance

Description	2017 ($)	2016 ($)
Operating Revenue	3,373,303	3,235,586
Release of deferred income	73,600	73,600
Other income	170,762	46,096
Total Revenue	**3,617,665**	**3,355,282**
Changes in Inventories – finished goods	766,267	853,035
Raw Materials and Consumables used	283,544	221,753
Staff Cost	977,784	974,330
Depreciation	258,726	299,776
Other Operating Expenses	1,144,280	1,065,627
Finance Cost	68,900	67,987
Total Expenses	**3,499,501**	**3,482,508**
Net (Loss)/Profit from Operations	**118,164**	**-127,226**
Other comprehensive Income	900,000	---
Total Comprehensive (Loss)/Income	**1,018,164**	**-127,226**

The company recorded a net profit in 2017 compared to a loss recorded in 2016. This was largely due to the sale of three acres of leasehold land to the Fiji Police Force for the construction of Nakasi Police Station.

Fiji Meats Industry Board – Abridged Statement of Financial Position

Description	2017 ($)	2016 ($)
Cash	780,292	39,099
Investments	201,957	201,957
Trade and Other Receivables	648,435	408,791
Prepayments	12,838	14,272
Inventory	92,344	67,174
Property, Plant & Equipment	1,640,509	1,873,805
Total Assets	**3,376,375**	**2,605,098**
Trade Creditors and Payables	178,141	197,424
Deferred Income	287,500	361,100

Description	2017	2016
	($)	($)
Interest Bearing Borrowings	759,338	913,342
Total Liabilities	**1,224,979**	**1,471,866**
Net Assets	**2,151,396**	**1,133,232**

The increase in net assets in 2017 compared to the balance in 2016 was largely due to the increase in cash at bank and increase in account receivables. The increase was due to sale of land to Fiji Police Force for the construction of Nakasi Police Station.

A sum of $654,750 was received in cash while $245,250 was booked as accounts receivable (final payment to be received from Fiji Police Force) for the sale of land.

Other Significant Matters – Fiji Meats Industry Board

Anomalies in Recording to Property, Plant and Equipment

Disposal of assets shall only take place when the fixed assets has ceased to function or is considered to be outdated and not usable or worthwhile to repair. If the fixed assets can be sold or traded in then this should be carried out after seeking the approval of the Chief Executive Officer.

Audit review of the Boards Fixed Assets Register (FAR) revealed the following:

1. The Board held title of 74 acres of state land. Property, Plant and Equipment (PPE) includes Leasehold Improvement with a written down value of $342,770. The Board has only booked the land area on which capital improvements has been made. The remaining land area is yet to be valued and included in the Fixed Assets Register of the Board.

2. The Board recorded fully depreciated property, plant and equipment with cost totalling $2,272,273 that was still held for use. The useful life of these property, plant and equipment has not been reviewed annually. As a result, depreciation expense has not been charged on the assets during the year.

Root cause/Implication

The useful life of the property, plant and equipment has not been reviewed annually. As a result, depreciation expense has not been charged on the assets during the year. In addition, the Board has not booked the value of the 74 acres of state land as a result the total value of leasehold is understated.

Absence of Risk Management Framework

Risk management framework would provide a platform to identify various risks affecting the Board, management of the risks, develop appropriate internal control to mitigate the risks and continuous monitoring of risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

Audit review of the Board's corporate governance systems revealed that there is no risk management framework in place. As a result, the Board does not have written policies, procedures or guidelines to manage risk associated with the following:

- Fraud control and anti-corruption
- Disaster recovery and business continuity
- Assessment of potential conflict of interest
- Human resource
- Code of ethics.

Root cause/Implication

The Board does not have processes in place to put into effect the implementation of a risk management framework. In absence of a risk management framework, the Board may find difficulty in identifying, analyzing and responding to risk factors in the meat industry and in the best interests of the Board.

Committee Comments/ Recommendation:

The Board to put in place written policies, procedures or guidelines to better manage the associated risks.

5. PUBLIC RENTAL BOARD

Financial Information – 2017

The audit of Public Rental Board for the financial year 2017 resulted in the issue of unmodified (unqualified) audit opinion. However, attention was drawn to the Statement of Financial Position which includes Interest Bearing Debt disclosing a Housing Authority bond amounting to $1,014,712. Government had settled this loan and the Board is obliged to reimburse the same to Government. The Board recorded the same amount in its financial statements. However, the Ministry of Economy was yet to confirm the correctness of the amount booked by the Board.

Public Rental Board – Abridged Statement of Financial Performance

Description	2017 ($)	2016 ($)
Rental Revenue	3,921,080	3,882,818
Operating Revenue	239,806	878,045
Total Operating Income	**4,160,886**	**4,760,863**
Amortization & Depreciation	798,129	733,631
Staff Costs	1,121,369	983,479
Other Operating Expenses	1,064,270	1,149,394
Finance Cost	325,914	144,854
Total Expenditure	**3,309,682**	**3,011,358**
Net Profit for the year	**851,204**	**1,749,505**

Net profit decreased by 51% or $898,301 in 2017 compared to 2016. This was mainly due to the decrease in operating revenue due to reduction in foreign exchange gain which was recorded in 2016. Additionally, an increase was noted in total expenditure, specifically, staff costs due to the payment of performance bonus to staff.

Public Rental Board – Abridged Statement of Financial Position

Description	2017 ($)	2016 ($)
Cash	2,425,336	2,436,265
Investments	2,948,092	3,145,893
Rent Receivables	77,809	99,500
Other Assets	77,563	38,730
Property, Plant & Equipment	33,345,856	32,136,657
Total Assets	**38,874,656**	**37,857,045**
Trade payables & accruals	1,585,342	2,199,296
Deferred Revenue	1,932,096	694,571
Borrowings	10,859,960	11,353,679
Employee Entitlements	148,393	111,838
Total Liabilities	**14,525,791**	**14,359,384**
Net Assets	**24,348,865**	**23,497,661**

Net assets increased by $851,204 or 4% in 2017 compared to 2016. This was mainly attributed to increase in property, plant and equipment which increased as there were some additions and the capitalization of repairs and maintenance to the properties of the Board. In addition, trade payables and accruals declined significantly which was due to decline in trade creditors and accruals by $701,172 as the Board cleared most liabilities in 2017 compared to 2016.

Other significant matters – Public Rental Board 2017

Absence of Audit Committee

The functions of the Audit Committee includes performing regular reviews of monthly management accounts subject to Board Members scrutiny and the annual accounts subject to external audit and review by the Minister for presenting in Parliament. The Auditor-General noted that the Board has not established an Audit Committee.

Root Cause/Implication

In the absence of an Audit Committee, audit and accounting issues raised through internal and external audit may not be effectively resolved.

Committee Comments/Recommendation:

The Committee strongly recommends that an audit committee be appointed to regularly look at audit and accounting issues.

Anomalies in Processing and Allocating of PRB Flats

Public Rental Board (PRB) was established in 1989 under the Housing (Amendment) Decree No. 12. The Board was established to provide affordable rental flats for low income earners on a transitional basis without incurring a loss.

PRB assists applicants who are workers who need rental housing assistance and qualify under criteria as follows:

1) Applicant must be married or single or worker and the sole breadwinner of a family.
2) Applicant shall be employed full time earning weekly gross income (WGI) of $80 to $317. PRB will not accept applications below the WGI of $80 income.

It was noted that the Auditors were unable to determine if the applicants were the breadwinners of the household due to absence of sufficient information in the application form.

Root Cause/Implication

There is no provision in the application form for the applicants to disclose other sources of income. It also appears that comprehensive survey of the Household income is not carried out.

There is a high risk that flats may be allocated to tenants who are not low income earners.

Absence of Risk Management Policy

It is imperative that for good governance the Company has in place a Risk Management Policy. This will ensure that all risks are identified and managed through effective processes and systems. This will ensure that business operations are not affected and disrupted. The Auditor-General noted that the Board did not have a Risk Management Policy.

Root Cause/Implication

The delay in developing and implementing the Risk Management Policy could indicate that the Board may not have necessary capacity to develop a Risk Management Policy. In the absence of a Risk Management Policy, the

Board may not be carrying out its risk assessment and formulating strategies to address the risks that may exist. In addition, when the risks are not identified and addressed in a timely manner this may cause disruption in business operation.

Committee Comments/Recommendation:

The PRB must implement the policy that have been developed to minimize the risks.

Long Outstanding rent receivable

Rent is due, charged and payable every week on Saturdays. Tenants who fail to pay rent for 4 consecutive weeks or accumulate arrears equivalent to 4 weeks shall be issued with a reminder. It was noted that 40.4% of the debtors had balances totaling $43,432 which were outstanding for more than four months.

Root/Cause/Implication

The audit findings indicated that debt collection process is either not very effective or consistent which results in outstanding balances. Significant receivables will affect cash inflow from the Board's main stream of revenue which will affect the ability of the Board to pay off its recurring expenditures and more importantly its debts.

Committee Comments/Recommendation:

The PRB should review its current collection strategy and make necessary arrangements with tenants.

Financial Information – 2018

The audit of Public Rental Board for the financial year 2018 resulted in the issue of unmodified (unqualified) audit opinion. However, attention was drawn to the following:

- Statement of Financial Position includes a credit balance in receivables amounting to $465,295.
- Stated in notes of the financial statements are the financial risk management objectives and policies of the Board. The Board's Risk Management Policies are yet to be implemented.

Public Rental Board – Abridged Statement of Financial Performance

Description	2018 ($)	2017 ($)
Rental Revenue	4,093,335	3,921,080
Operating Revenue	**119,092**	**239,806**
Total Operating Income	**4,212,427**	**4,160,886**
Amortization & Depreciation	762,748	798,129
Staff Costs	1,173,923	1,121,369
Other Operating Expenses	1,494,427	1,064,270
Finance Cost	16,557	325,914
Total Expenditure	**3,447,655**	**3,309,682**
Net Profit for the year	**764,772**	**851,204**

Net profit decreased by 10% or $86,432 in 2018 compared to 2017. This was mainly due to the increase in total expenditure which is directly the result of increases in insurance, repairs and maintenance and the expected credit loss arising from the adoption of the new accounting standard IFRS-9 Financial Assets.

Additionally, personnel expenses increased due to the increase in pay rates as a result of the Job Evaluation Exercise carried out by the Board. Rental revenue has increased by $172,255 which indicates the general improvement in rental collection strategies of the Board.

Public Rental Board –Abridged Statement of Financial Position

Description	2018 ($)	2017 ($)
Cash	2,516,896	2,425,336
Investments	4,760,638	2,948,092
Rent Receivables	47,886	77,809
Other Assets	174,610	77,563
Property, Plant & Equipment	33,278,344	33,345,856
Total Assets	**40,778,374**	**38,874,656**
Trade Payables & Accruals	1,279,037	1,585,342
Deferred Revenue	4,184,569	1,932,096
Borrowings	10,174,081	10,859,960
Employee Entitlements	312,923	148,393
Total Liabilities	**15,950,610**	**14,525,791**
Net Assets	**24,827,764**	**24,348,865**

Net assets increased by $478,899 or 2% in 2018 compared to 2017. This was mainly attributed to the increase in deferred revenue as the result of the capital grant received for the Simla Housing Development Project.

Other Significant Matters – Public Rental Board

2018 Use of Government Grant funds for Investment Purpose

The Government grant under the agreement is for the Simla Housing Development Project and must only be utilized for the purpose it is provided for.

The Board, on 16th July 2018 received government grant of $2,225,533 for the Simla Housing Project and was deposited into a separate BSP Simla Housing Project 2016 Bank account. The Simla Housing Project is currently work in progress.

The Auditors noted that in December 2018, a sum of $2million was transferred from this account for the purpose of investment in term deposits. It was noted that a sum of $1,000,000 was invested in term deposit with an overseas based bank at an interest rate of 4.5% for three months.

The findings of the audit noted that the Board did not obtained approval from the Ministry of Housing to invest the grant funds. In addition, the investment was only approved by the Acting General Manager of the Board.

Committee Comments/Recommendation:
The Government grant should solely be used for the intended purpose that is Simla Housing Development Project and approvals should be sought from relevant authorities for the use of Government grant. All developments through Government grants should be well monitored by the line Ministry.

6. FIJI ROADS AUTHORITY

Financial Information – 2017

The audit of Fiji Roads Authority for the year ended 31 July 2017 resulted in the issue of modified (Qualified) audit opinion. The qualification was due to:

- The Authority has not brought to account the amount of payable and contribution receivable to and from the Municipal Councils amounting to $22,328,520 and $34,429,613, respectively in the Statement of Financial Position. These amounts have been disclosed as contingent Assets and Contingent Liabilities in the notes of the financial statements. In 2012, the Authority have entered into Memorandum of Agreement with the Municipal Councils whereby the Councils were delegated work by the Authority to be carried out for which the Authority would reimburse the costs to the councils. It was also agreed that the Councils will pay the Authority an annual contribution for Council roads maintained by the Authority.

Fiji Roads Authority – Abridged Statement of Financial Performance

At period end	2017 (12 months) 31 July ($)	2016 (7 months) 31 July ($)
Grants and Contributions	15,854,174	10,136,746
Amortization of Deferred Income	152,874,640	103,584,724
Other Income	1,999,193	227,202
Total Income	**170,728,007**	**113,948,672**
Employee Related Expenses	7,796,814	2,035,661
Maintenance	100,988,152	51,761,478
Depreciation and Amortization	144,801,194	73,502,382
Other Operating Expenses	12,041,630	10,854,906
Total Operating Expenditure	**265,627,790**	**138,154,427**
Deficit for the year/period	**-94,899,783**	**-24,205,755**

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

Fiji Roads Authority – Abridged Statement of Financial Position

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

At period end	2017 (12 months) 31 July ($)	2016 (7 months) 31 July ($)
Property, Plant and Equipment	8,874,136,356	8,802,947,890
Intangible Assets	185,952	36,623
Total Assets	**9,062,881,828**	**9,046,305,337**
Payables	91,617,988	79,130,077
Provision	42,305,872	43,840,142
Deferred Income	753,065,186	662,790,518
Total liabilities	**886,989,046**	**785,760,737**
Net Assets	**8,175,892,782**	**8,260,544,600**

Other significant matters – Fiji Roads Authority Redundancy Liability Account

It is imperative that adequate and complete records are maintained for all account balances. It was noted that the Auditors were not provided with a complete list of staff which makes up the total balance of the redundancy liability account amounting to $1,803,399.

Root Cause/Implication

The Authority was unable to obtain details of redundancy liability account from the Department of National Roads in 2012 when the Authority was established.

In absence of the listing, the Authority will find difficulty in making payments to the staff.

Committee Comments/Recommendation:

FRA should strengthen its human resource policy in regards to employment terms and conditions including redundancy issues.

Variance in Deferred Revenue Balance between General ledger and Subsidiary Listing

There should be nil variance between the general ledger of deferred grant income and written down value of assets in the fixed assets schedule for donated assets or assets purchased through capital grant.

The auditors noted that there is un-reconciled variance between general ledger of deferred grant revenue and the subsidiary listing. Refer to Table for details.

Account	General ledger ($)	WDV of Assets in FAR ($)	Variance ($)
Deferred Grant Income	753,065,188	921,523,548	168,458,361

Root Cause/Implication

The OAG were informed that the Authority adopted deferred income approach from 2013 and the variance could be the grant income received for capital projects prior to 2013 which was recorded as contributed equity. However, there is no reconciliation to support the variance.

Due to the variance, there is risk of incorrect financial reporting of deferred grant income in the financial statements.

Committee Comments/Recommendation:

FRA should adhere to proper accounting procedures as per the Financial Management Act 2004.

7. FIJI NATIONAL SPORTS COMMISSION

Financial Information – 2018

The audit of Fiji National Sports Commission for the financial year 2018 resulted in the issue of unmodified opinion (unqualified) audit opinion. Presented below is the abridged financial information of Fiji National Sports Commission for the financial year 2018.

Fiji National Sports Commission - Abridged Statement of Comprehensive Income

Description	2018 ($)	2017 ($)
Operating Revenue	9,687,518	6,434,203
Other Operating revenue	101,393	100,899
Total Revenue	**9,788,911**	**6,535,102**
Expenses		
Sports Grant Expenses	7,532,720	4,764,848
International Coaches Salary expenses	1,260,409	860,409
Personal Expenses	543,090	446,447
Operating Expenses	286,435	283,604
Other Expenses	133,186	131,616
Total Expenses	**9,755,840**	**6,486,924**
Net Profit	**33,071**	**48,178**

Total revenue of the Commission increased by 50% or $3.25 million in 2018 due to increase in sporting grant received by the Commission. Total expenditure also increased by 50% or $3.26 million in 2018 compared to 2017 due to increase in sports grants and International Coaches salary in 2017 compared to 2016.

Fiji National Sports Commission - Abridged Statement of Financial Position

Description	2018 ($)	2017 ($)
Cash and Cash Equivalents	705,504	752,177
Other Current Assets	12,846	15,563
Property Plant & equipment	171,001	282,034
Total Assets	**889,351**	**1,049,774**
Trade and Other Payables	130,320	126,223
Employee Entitlements	27,982	23,069
Deferred Revenue	391,675	583,469
Finance Lease Liability	-	10,710
Total Liabilities	**549,977**	**743,471**
NET ASSETS	**339,374**	**306,303**

Net assets increased by $33,071 or 11% in 2018 compared to 2017. This was mainly attributed to decrease in liabilities due to the decrease in deferred revenue. This was mainly because of the grants utilized in 2018 which were held in 2017.

Other Significant Matters – Fiji National Sports Commission

Finance Manual Not Updated

The Fiji National Sports Commission's Finance accounting policy and procedure manual was developed in 2016.

The OAG noted that some policies and procedures currently practiced are not updated in the existing Finance Manual. Refer below for details.

Current practices not documented in the Finance Manual

Finance Manual: Areas to consider including in the Finance Manual
There is no specific provisions for the following matters; Finance Manual • appropriate control procedures for raising, approvals and posting of general journals; • review of depreciation, residual value and useful life of assets in accordance to IFRS for SME s17 & s10; • appropriate control procedures for the payroll process and; • Non-updating of bank accounts sections of the manual for new accounts opened. Human Resource Manual • Appropriate control procedures for the resignation process.

Root Cause/Implication

The Manager Finance revealed that it was an oversight by the Commission to include the mentioned procedures in the Finance Manual.

The variation between the documented finance accounting procedures and the accounting procedures implemented may create confusion amongst staffs and result in inconsistent application of financial management procedures and processes.

Absence of Governance Policies

It is imperative that for good governance the Company has in place a Risk Management Policy. This will ensure that all risks are identified and managed through effective processes and systems. This will ensure that business operations are not affected and disrupted. Disaster Recovery Plan is a systematic process of recovering loss of data and information in an event of a disaster. The Commission did not have in place a Risk Management Policy and Disaster Recovery Plan.

Root Cause/Implication

- The delay in developing these policies indicates that the Commission may not have the capacity to develop the two policies.
- The Commission may not be able to effectively identify risks and appropriately manage it on a timely manner.
- Failure to have a Disaster Recovery Plan increases the risk of data loss in the event of natural disaster.

8. INVESTMENT FIJI

Financial Information – 2018

The audit of Investment Fiji for the financial year 2018 resulted in the issue of unmodified (unqualified) audit opinion. Presented below is the abridged financial information of Investment Fiji for 2018.

Investment Fiji - Abridged Statement of Financial Performance

Description	2018 (12 months) ($)	2017 (7 months) ($)
Government Grant	2,481,157	2,136,580
Registration Fees	293	286
International Business Award- Income	361,133	504,697
Other Income	65,969	4,721
Total income	**2,908,552**	**2,646,284**
Administrative Expenses	274,761	269,030
Depreciation	83,484	95,835
Operating Expenses	555,182	515,971
Amortization of Intangible Asset	9,244	---
Personnel Expenses	1,578,383	1,338,977
International Business Award- expenses	331,079	323,932
Total Expenditure	**2,832,133**	**2,543,745**
Net Surplus/(deficit) for the Year/Period	**76,419**	**102,539**

Consistent with the changes in the financial year of Government, Investment Fiji changed its financial year from 31 December to 31 July in 2017. The financial statements for the year ended 2018 reflect transactions for twelve-month period whereas the financial statements for the period ended 2017 is for 7 months. Thus, the variances with the comparative balances.

Investment Fiji - Abridged Statement of Financial Position

Description	2018 (12 months) ($)	2017 (7 months) ($)
Cash on Hand and at Bank	917,104	927,882
Receivables	104,263	283,521
Property, Plant and Equipment	348,644	675,274
Intangible Assets	455,516	---
Total Assets	**1,825,527**	**1,886,677**
Trade Creditors and Accruals	110,374	181,880
Payable to Ministry of Economy	455,000	545,023
Provisions for Employee Entitlement	106,802	82,842
Deferred Grant Income	142,202	142,202
Total Liabilities	**814,378**	**951,947**
Net Assets	**1,011,149**	**934,730**

Other Significant Matters – Investment Fiji 2017 Absence of Government Policies

It is imperative that for good governance the Company has in place a Risk Management Policy. This will ensure that all risks are identified and managed through effective processes and systems. This will ensure that business operations are not affected and disrupted. Disaster Recovery Plan is a systematic process of recovering loss of data and information in an event of a disaster.

The Auditor-General noted that Risk Management Policy and Disaster Recovery Plan was not in place.

<u>Root Cause/ Implication</u>

- The Commission may not be able to effectively identify risks and appropriately manage them on a timely manner.
- Failure to have a Disaster recovery plan increases the risk of data loss in the event of natural disaster.

9. CIVIL AVIATION AUTHORITY OF FIJI

Financial Information – 2018

The audit of the Civil Aviation Authority of Fiji for the year ended 31 December 2018 resulted in the issue of an unqualified audit opinion. Presented below is the abridged financial information of Civil Aviation Authority of Fiji for the year ended 31 December 2018.

Civil Aviation Authority of Fiji – Abridged Statement of Financial Performance

At Year End	2018 ($)	2017 ($)
Income	5,486,525	5,481,747
Other Operating Income	376,297	402,541
Total Income	**5,862,822**	**5,884,288**
Administrative Expenses	1,454,735	1,372,549
Operating Expenses	1,762,230	1,514,496
Personnel Expenses	2,995,478	2,891,100
Total Expenses	**6,212,443**	**5,778,145**
Operating (Loss)/Profit Before Net Financing Income	**(349,621)**	**106,143**
Net Financing Income	108,541	112,099
Operating (Loss)/Profit Before Tax	**(241,080)**	**218,242**
Income Tax Benefit/(Expense)	109,491	(481,483)
Net Loss After Tax	**(131,589)**	**(263,241)**
Change in Fair Value of Investments	2,226,797	1,206,182
Revaluation of Property, Plant and Equipment, net of tax	-	1,847,543
Total Comprehensive Income For the Year	**2,095,208**	**2,790,484**

The Authority incurred a net loss before tax of $241,080 in 2018 compared to the net profit before tax of $218,242 in 2017. The net loss was mainly due to the increase in expenses by 8% or $434,298 in 2018. The expenses increased as the Authority incurred expenditure of $290,626 to host the conference of the 55th Directors General of Civil Aviation Asia and Pacific Region on 22 to 26 October 2018.

In addition, travel and accommodation expenses increased by 75% or $176,165 due to travel incurred for various overseas meetings attended by staff on Water Aerodromes meeting in Maldives, ICAO Regional Workshop, inspection of Fiji Airways new aircraft Boeing B737 Max-8 acceptance in Seattle USA and other inspection and audit works.

The net loss after tax decreased by 50% or $131,652 in 2018 compared to 2017 due to the income tax benefit of $109,491 in 2018 arising from net loss during the year compared to the income tax expense of $481,483 in 2017.

Civil Aviation Authority of Fiji – Abridged Statement of Financial Position

At period end	2018 ($)	2017 ($)
Cash and Cash Equivalents	1,769,948	748,130
Trade Receivables	216,289	146,248
Income Tax Refundable	34,562	-
Other Assets	1,114,334	1,082,546

At period end	2018 ($)	2017 ($)
Investments	13,041,201	11,814,404
Property, Plant and Equipment	6,520,205	6,608,966
Intangible Assets	349,781	352,924
Total Assets	**23,046,320**	**20,753,218**
Trade and Other Payables	959,978	738,883
Income Tax Payable	-	4,669
Employee Benefits	168,600	95,620
Deferred Income Tax Liability	501,825	592,757
Total Liabilities	**1,630,403**	**1,431,929**
Net Assets	**21,415,917**	**19,321,289**

Net assets increased by 11% or $2,094,628 in 2018 compared to 2017. The increase was mainly due to the increase in cash and cash equivalents by 137% or $1,021,818, and increase in investments by 10% or $1,226,797.

The Authority cashed $1,000,000 of its term deposits held with HFC bank resulting in increased cash as at 31 December 2018. In addition, the value of investment at Unit Trust of Fiji increased by $2,226,797 as the market price per unit at 31 December 2018 increased to $2.38 compared to $1.90 per unit at 31 December 2017.

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

In the following section, we provide the abridged financial information and significant audit findings for each statutory authority which are in the backlog.

10. FIJI SPORTS COUNCIL

Financial Information – 2016

The audit of the financial statements for the year ended 31 July 2016 resulted in an unqualified audit opinion. Presented below is the abridged financial information of Fiji Sports Council's for 2016.

Fiji Sports Council - Abridged Statement of Financial Performance

Year period/year ended 31 July/December	2016 (7 months) ($)	2015 (12 months) ($)
Revenue		
Operating Revenue	552,855	2,513,078
Other Operating Revenue	1,992,566	2,167,999
Total Revenue	**2,545,421**	**4,681,077**
Expenditure		
Administrative Expenses	229,921	218,826
Depreciation	3,897,962	4,747,808
Personnel Expenses	1,103,388	1,655,003
Interest Expenses	173,747	342,795
Total Expenses	**5,405,018**	**6,964,432**
Net Deficit/Surplus	**(2,859,597)**	**(2,283,355)**
Other Comprehensive Income	**---**	85,990,133
TOTAL Comprehensive (loss)/Income	**(2,859,597)**	**83,706,788**

Consistent with the changes in the financial year of Government, Fiji Sports Council changed its financial year from 31 December to 31 July in 2016. The financial statements for the year ended 2016 reflect transactions for 7-month period whereas the financial statements for the period ended 2015 is for 12 months. Thus, the variances with the comparative balances.

Fiji Sports Council - Abridged Statement of Financial Position

As at 31 July/December	2016 (7 months) ($)	2015 (12 months) ($)
Assets		
Current Assets	1,859,786	2,030,760
Other receivables	242,274	-
Property, Plant & Equipment	149,836,294	152,004,613
Total Assets	**151,938,354**	**154,035,373**
Liabilities		
Current Liabilities	4,341,727	5,342,021
Non-current liabilities	65,072,125	63,309,253
Total Liabilities	**69,413,852**	**68,651,274**
Net Assets	**82,524,502**	**85,384,099**
Accumulated Funds		
Reserves	**88,315,210**	**88,315,210**
Accumulated Losses	**(5,790,708)**	**(2,931,111)**
Total Funds and Reserves	**82,524,502**	**85,384,099**

Other Significant Matters – Fiji Sports Council

<u>Lack of Controls in recording of facility Hire and concession Income</u>

It is imperative that effective and adequate internal control is in place to ensure that cash received by the Council is properly received, banked and recorded in the financial statements. It is good internal control measure to implement separation of duties in areas of operations involving collection of cash to minimize the risk of misappropriation of funds.

Review of the Council's internal controls on receipting and banking of income from hiring of facilities revealed that quotations/invoices for major events conducted for more than half day were not provided.

The following anomalies were noted on receipt and banking of concession income:

- Stock sheet not signed off by the preparer and reviewer;
- No evidence of check for the accuracy of the stock sheet;
- No indication of verification performed against the stock sheet;
- No evidence of reviews and checks on daily lodgments prepared by the cashier; and
- Daily cash analysis sheets not signed off by the preparer and reviewer.

<u>Root Cause/Implication</u>

The above findings indicate that the Council staff did not follow proper procedures for internal controls mainly due to lack of guidance and supervisory checks. This increases the risk of irregularities or fraudulent activities.

<u>Absence of Receipt Book Register</u>

A register or revenue register record should also be maintained to document receipt books stock and those issued to other facilities of the Council. This will ensure adequate internal control for the custody of receipt books. It is also imperative that monthly stock take of receipt books is conducted.

The Council did not maintain an updated register for receipt books issued to other facilities. In addition, there was no evidence that monthly stock take of the receipt books was conducted.

<u>Root Cause/Implication</u>

- The above finding indicates that the Council did not follow proper procedures for safe keeping of critical documents and accounting records.
- Non-maintenance of the receipt book register can encourage fraudulent activities relating to cash.

<u>Anomalies in Receipting and Banking of Revenue Receipts</u>

All revenue collected shall be banked in the Council's' nominated bank account daily. Officers in violation of daily banking requirements specified above shall be dealt with through the appropriate disciplinary procedures.

The OAG noted the late lodgements of revenue for concessions income. Refer to Table below for details.

Receipt No.	Amount ($)	Receipt Date	Deposit Date	No. of Days Delayed
Concession Account				
62715	59.70	04/07/2016	03/08/2/016	23
62724	1,148.40			
62718	494.80			
62720	1,555.00			
62722	224.00			
62729	3,593.90			
62716	2,531.30			
62721	23.80			
62719	2,964.00			
62727	1,713.40			
62725	74.20			
62728	113.65			
62726	97.00			
63092	41.30	20/07/2016	04/08/2016	12
63096	680.35			
63097	571.40			
63095	42.10			
63094	36.15			
Total	**15,964.45**			

Root Cause/Implication

The above anomalies were a result of inadequate supervision and staffs not in compliance with the policies in the Finance manual. The above exposes the Council to high risk of fraudulent activities in relation to revenue received by the Council.

Variance between Ticket Sales Receipts and Cash Banked

Tickets and cash must be reconciled at the end of every event. If balance is not achieved, the Facility Manager and the Finance representative must be notified immediately and a full report written. The Finance Manager must investigate and if balance is not achieved, the CEO must be advised. All Gates taking revenue must be banked on the next working day. The bank deposit must reflect the name of the event.

The Auditor-General noted variance of $5,882 between the total receipts amounts for ticket sales and the cash banked during a major event match ticket presales from 18th of April to 1st of July. Refer to Table below for details.

Details of Short Deposit

Descriptions	Amount ($)
Total Receipts Issues (includes cash sales, EFTOS and direct deposit	575,340
Deposit noted in the Bank statement (includes EFTOS and direct deposit and less refunds)	569,458
Short deposit	5,882

Root Cause/Implication

The audit findings indicate that appropriate accounting procedures were not followed by staff responsible. The above anomaly increases the risk of fraudulent activities relating to cash.

Western Division Drainage Board

Financial Information – 2016

The audit of the Western Division Drainage Board for the seven months ended 31 July 2016 resulted in the issue of unmodified opinion (unqualified) audit opinion. Presented below is the abridged financial information of Western Division Drainage Board for the seven months ended 31 July 2016.

Western Division Drainage Board – Abridged Statement of Financial Performance

At period end	2016 (7 months) 31 July ($)	2015 (12 months) 31 December ($)
Grants from Government	121,078	647,710
Other Income	12,086	6,167
Total Income	**133,164**	**653,877**
Administrative Expenses	24,288	20,778
Staff Costs	41,435	72,312
Drainage Maintenance	128,210	408,318
Depreciation Expenses	106	623
Operating Expenses	17,462	28,933
Total Expenditure	**211,501**	**530,964**
(Deficit)/Surplus for the Period	**(78,337)**	**122,913**

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

Western Division Drainage Board – Abridged Statement of Financial Position

At period end	2016 (7 months) 31 July ($)	2015 (12 months) 31 December ($)
Cash	309,724	340,984
Receivables	5,506	1,699
Financial Assets – Term Deposits	-	144,251
Plant and Equipment	1,430	291
Total Assets	**316,660**	**487,225**
Creditors and Accruals	65,684	159,302
Provisions	5,088	3,698
Total Liabilities	**70,772**	**163,000**
Net Assets	**245,888**	**324,225**

11. WATER AUTHORITY OF FIJI

Financial Information – 2016

The audit of the financial statements of Water Authority of Fiji for the year ended 31 December 2016 resulted in a qualified audit opinion.

The qualification was due to the following:

- Revenue included as Note 5 in the financial statements are water and sewerage charges of
- $32,410,653 which are directly deposited in the consolidated bank account of Government. The recognition criteria for revenue recognition set by International Accounting Standards (IAS) 18 requires that economic benefit associated with the item of revenue should flow to the entity. The Authority did not meet this recognition criteria and therefore water and sewerage charges of
- $32,410,653 and its related receivables 0f $10,228,694 are not fairly stated in the financial statements.
- The opening balance of Property, Plant and Equipment amounting to $1,888,909,608 for the year ended was not subject to valuation at the time of the transfer to Water Authority of Fiji. The valuation of those assets was carried out in 2006. Consequently, the valuation of the opening balance of property, plant and equipment when it transferred in 2010 could not be confirmed.

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

Water Authority of Fiji - Abridged Statement of Financial Performance

Description	2016 ($)	2015 ($)
Operating Revenue	114,125,502	87,329,457
Other income	39,022,697	22,497,780
Total revenue	**153,148,199**	**109,827,237**
Personnel Expenses	(26,026,267)	(19,515,199)
Operating Expenses	(89,319,186)	(62,452,610)
Profit from operations before depreciation and amortization, finance income and income tax	**37,802,746**	**27,859,428**
Depreciation and Amortization	(59,288,328)	(58,300,576)
Finance income	103,454	50,315
Loss before income tax	**(21,382,128)**	**(30,390,833)**
Income tax	---	---
Loss for the period	**(21,382,128)**	**(30,390,833)**
Other comprehensive income for the year, net of income tax	---	---
Total comprehensive (loss) for the year	**(21,382,128)**	**(30,390,833)**

The Authority continued to record loss which decreased by $9,008,705 or 30% from the loss recorded in 2015. The decrease in loss recorded is a result of the increase in government grant received in 2016 which increased by $17,152,853 or 31%. Revenue collected for water and waste water charges also increased in 2016 by a total of $9,643,192 or 28%.

Water Authority of Fiji - Abridged Statement of Financial Position

Description	2016 ($)	2015 ($)
Assets		
Cash & Cash Equivalents	34,565,274	35,464,433
Trade and Other Receivables	15,694,970	12,235,959
Inventories	28,939,985	16,565,503
Held to Maturity Investments	1,000,000	5,000,193
Other Assets & Prepayments	887,838	1,513,407
Property, Plant & Equipment	1,757,340,790	1,762,534,613
Total Assets	**1,838,428,857**	**1,833,314,108**
Liabilities		
Obligation Under Finance lease	91,458	510,901
Trade & Other Payables	15,610,201	15,268,669
Provision for Employee Entitlement	775,140	683,010
Deferred revenue- Capex grant	296,841,158	231,992,329
ADB Funded grant	68,398,812	70,011,961
Total Liabilities	**381,716,769**	**318,466,870**
Net Assets	**1,456,712,088**	**1,514,847,238**

Net assets decreased by $58,135,150 or 4% in 2016 compared to 2015. The decrease was mainly attributed to increase in deferred grant balance which increased by $64,848,829 or 28% in 2016 compared to 2015. This was mainly due to not lesser capital grant utilized in 2016 compared to 2015 for project works.

Other Significant Matters – Water Authority of Fiji 2016

Unauthorised Contractors Engaged for Hiring of Vehicles and Machines

The WAF Board on 21/3/16 through decision paper no.1985 approved the tender for the hire of plant and machinery for efficient and effective delivery of services and provision of consistent water supply to 176 contractors for the Authority to engage from.

The audit noted that several contractors which were not approved by the Board were contracted for hire of plant and equipment by the Authority. From a sample reviewed during audit, we noted that a sum of $315,757 was paid to contractors which were not approved by the Board. The Authority indicated that vendors outside the approved list were selected due to unavailability of the approved vendors. However, no evidence was documented to substantiate this. Furthermore, we could not substantiate the reasonableness of the rates charged by the unauthorized contractors.

Root Cause/Implication

The anomaly indicates that the Authority has no written policy or guideline to document the reasons with supporting documents for selecting vendors other than from the approved list. In absence of any supporting documentation there is a high risk that unauthorized vendors are selected for the services. Additionally, the risk of hiring the unauthorized vendors through collusion is also very high.

- Policies should be written or amendments made in the procurement policy for the provision of selecting vendors other than from the approved list

Anomalies in Engagement of a Contractor for Hire of Gensets and Transformers

- The Board approved the following proposed rates for Gensets and Transformers from a Contractor to be effective for a duration of one year.
- FJD $5,000 VEP per week for each Genset on standby plus $75 per hour on each running time;
- Damage waiver: FJD $1,500 VEP per week.6; and
- Contract vendors must be regularly reviewed for pricing and quality of products and services. The tender committee is responsible for the approval of preferred suppliers to supply goods and services to Authority.

Review of the payments for hire of generators revealed the following anomalies:

- The Auditor-General was not provided with the contract between the Authority and the Contractor. During the review of the payment vouchers, it was evident from the email correspondences that the contract had expired.
- The Authority did not call for fresh tenders in 2016 for hiring of generators and transformers at the Waimanu Pumping Station
- The Authority re-engaged the Contractor during 2016 for the hire of generators and transformers even though the contract had expired.
- Approval was obtained from the Chief Executive Officer through email for the continual hire of generators and transformers.

Root Cause/Implication

The audit findings indicate that the Authority did not invite other contractors to bid for hiring of generators and transformers and did not obtain Board approval for the extension of the contract agreement with the Contractor.

The findings also indicated that the Authority did not monitor the expiry of the contract agreement and will not be able to obtain value for money if proper procurement procedures are not followed. This can result in cost escalations and inability to take legal actions against the contractor for non-performance due to absence of a legally binding contract agreement between the two parties.

Engagement of Unapproved Supplier for Provision of Tendered Services

Water Authority of Fiji's Policies and Procedures Procurement and Purchasing section 11 (11.2) and 11(11.3) requires that All tenders submitted and received shall be officially recorded and initialed during the tender committee meeting. At no stage may additions or alterations be made to original tender documents.

The audit review of the payment vouchers for plant hire revealed the following anomalies:

- Instances were noted where Contractor A was engaged for hire of 15,000 litres tank even though it was not an approved contractor for the provision of this service.
- WAF did not maintain adequate supporting documents to confirm that the tendered suppliers of 15,000 litre tank would not be able to provide the services requested and thus the Authority decided to engage the Contractor A.

- WAF provided a letter dated 26/08/16 from contractor requesting for addition of a 10 wheeler water cart truck with pump and tank of 15,000 litres at a rate of $180.00 VIP per hour to be included in the tender submission list. However, the tender for plant hire was already approved through Board Decision Paper 1985 on 21/03/16. The change in the scope of services was not communicated to the Board and included in the list of plant hire.
- Contractor B who is the approved contractor for the hire of water cart truck with 19,000 litres tank capacity was charging $100.00 VIP per hour which is $80.00 less than the charge rate for contractor A.

Root Cause/Implication

The finding shows that proper procurement procedures were not always followed by the Authority. There is a high risk of collusion between the Authority's employees and the Contractor.

No Proper Board Approval for Bad Debts Written Off

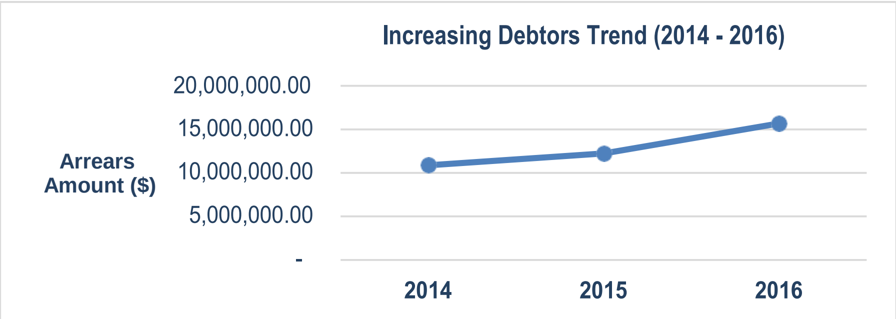
The OAG noted that there was board approval obtained for bad debts written off in 2016 amounting to $551,889.70. The Authority mentioned that the approval was given in 2012 by Cabinet for the write off of $13m. However, the approval given by the Cabinet was for water and sewage rate debtors up to year 2012 and mostly for debtors that was inherited by Water Authority of Fiji from the Water and Sewage Department. Bad debts written off in 2016 could also include debtors which would not have been part of the initial approval by the Cabinet hence Board approval should have been obtained.

Root Cause/Implication

This indicates that the Authority is not following the laid down process in the Authority's policies and procedures. In the absence of Board approval, the write-off of bad debts may not be properly authorized.

Increasing Trend of Debtors

A review of the Authority's arrears was carried out for the past three years and it was noted that there is an increasing trend in the debtors balance. Refer to graph below for details.



In addition, we noted that the Authority's provision for doubtful debts as at 31 December 2016 amounted to 75% of the gross water and sewage rate debtors. Refer below for details:

Description	Amount ($)
Gross rate and sewage debtors	37,740,884
Provision for doubtful debts	28,203,272
% of provision over debtors	75%

High provision for doubtful debts is a matter of concern as it shows that the Authority's debt recovery processes are not working well and the Government may be losing out on the revenue it is entitled to receive.

Root Cause/Implication

- While the Authority has the process in place to follow up the debt, it appears that this is not practiced effectively.
- It is possible that these may become irrecoverable and the Authority will end up writing-off substantial amount of debts.

Anomalies in Engagement of Internal Audit Services

Purchase of goods and services including capital purchase of $50,000 or more (excluding VAT) should be subject to formal tender process and required to be evaluated by the Tender Committee and approved by the Board. Tendering processes and guidelines are to be applied to:

- Ensure the best sources of goods and services;
- Determine the most competitive price and terms available;
- Explore the market for alternative options;
- Minimize the potential risk to reputation; and
- Reduce the risk of unfair purchase or conflicts of interest.

The Authority engaged an accounting firm to provide three-year risk-based Internal Audit services from 11 January 2016 to 30 December 2018 at an annual fee of $58,000 without following the tender process.

Root Cause/Implication

- The findings indicate disregard by the Authority of the Procurement and Purchasing Policy.
- The Authority was not transparent in selection of the accounting firm for internal audit which could have resulted in savings.

12. FIJI MEDICAL AND DENTAL SECRETARIAT

Financial Information – 2015

The audit of Fiji Medical and Dental Secretariat for the financial year 2015 resulted in the issue of unmodified opinion (unqualified) audit opinion. However, emphasis was provided on the following matter:

Recorded in the Statement of Financial Position is Trade Receivables of $12,781 which resulted from the issue of medical or dental practice license by the Registrar without the payment of the prescribed fee which is also a breach of section 45 of the Medical & Dental Practitioner Act 2010.

Presented below is the abridged financial information of Fiji Medical and Dental Secretariat

Fiji Medical And Dental Secretariat – Abridged Statement of Financial Performance

Description	31 December 2015 ($)	December 2014 ($)
Subscriptions	247,103	226,868
Amortization of deferred revenue	18,400	6,400
Other Income	20,871	13,519
Total Income	**286,374**	**246,787**
Administration & Operating expenses	89,369	52,524
Personnel Expenses	144,461	125,768
Total Expenditure	**233,830**	**178,292**
Surplus for the year	**52,544**	**68,495**

The Secretariat recorded a net surplus of $52,544 in 2015compared to a net surplus of $68,495 in 2014; a decrease of $15,951 or 23%. The decrease in surplus was mainly due to increase in total expenditure which increased by $55,538 or 31% when compared to 2014. The increase was mostly attributable to loss on disposal of plant and equipment of $14,014 compared to $1,441 in 2014.

Fiji Medical and Dental Secretariat – Abridged Statement of Financial Position

Description	December 2015 ($)	December 2014 ($)
Cash and cash equivalents	159,458	123,356
Held-to-maturity Investment	262,929	257,000
Trade Receivables	12,781	10,630
Other Assets	9,007	300
Plant and equipment	50,916	51,093
Total Assets	**495,091**	**442,379**
Subscriptions received in advance	3,731	4,046
Trade and other payables	25,756	14,059
Employee entitlement	12,504	6,969
Deferred Revenue	22,975	39,724
Total Liabilities	**64,966**	**64,798**
Net Assets	**430,125**	**377,581**

The increase in net assets by $52,544 or 14% was due to the net surplus of $52,544 recorded for the year ended 31 December 2015.

Other Significant Matters – Fiji Medical and Dental Secretariat Increase in Unpaid Subscriptions

- Section 45 of the Medical and Dental Practitioner Act 2010, requires every registered medical and dental practitioner who engages in medical and dental practice to hold a valid and current medical and dental license.
- A total of $12,781 subscriptions remained unpaid as at 31/12/15.This was an increase of $2,151 or 20% compared to 2014.
- The OAG noted that the amount owed by medical practitioners continues to increase yearly and the members continue to be issued their certificate for practice and serving the public.

Root Cause/Implication

The Secretariat does not have a recovery policy in place. The Secretariat follows up with reminders to the debtors. However, this can be improved. This is a non-compliance issue with the Act and increases the risk of uncertified medical services rendered to the public.

Recommendation

The Secretariat should develop and implement a debt recovery policy and take a prudent approach before issuing practicing certificates.

Agreed Management Action

- The Secretariat agreed to the recommendation provided.
- Breach of Medical & Dental Practitioner Act 2010-Section 45 (5)
- Contrary to Section 45 (5) of the Act, the audit noted that the Secretariat was renewing and issuing the Practitioners Licenses without payment of the prescribed fees.

The Auditor-General noted that the Registrar allowed Practitioners to pay subscriptions in instalments which is breach of Section 45 (5) of the Medical & Dental Practitioner Act 2010. Amount totalling of $12,781 remained outstanding in subscriptions as at 31 December 2015 while subscriptions are the major source of income for the Secretariat. We further noted that outstanding subscription from the practitioners totalled $12,781 as at 31 December 2015.

Root Cause/Implication

Issuing Licenses to practitioners without receipt of full prescribed fee is breach of Section 45 (5) of the Act which can result in loss of revenue if not collected promptly and practitioners operating on expired licenses.

Recommendations

The Secretariat should ensure that renewal of licenses are only made upon full payment of prescribed fees as required under the Act. Secretariat should develop monitoring strategies to ensure that all medical and dental practitioners are registered with the Secretariat and are operating in Fiji with valid license; and the board should consider taking appropriate action for breach of Act in renewing licenses.

Agreed Management Action

The Secretariat agreed to the recommendation of the Auditor-General.

Annual Report not prepared

Section 24 of the Medical and Dental practitioner Act 2010 states that each Council must, on or before April in each year, deliver to the Minister a report on the administration of this Act in relation to its administration of this Act in relation to its responsibilities and the work of that Council during the preceding financial year.

The OAG noted that the Secretariat -as yet to submit the 2011-2015 Annual reports to the Minister.

Root Cause/Implication

Changes in the board members over the years have made it difficult to get the annual report signed- off by the respective Board Chairman during these years.

In the absence of the annual report, the Secretariat has not been reporting on its responsibilities, activities and financial performance over the years.

Recommendations

The Secretariat should ensure that annual reports are prepared and delivered to the Minister. Agreed Management Action.

The Secretariat agreed to the recommendation of the Auditor-General.

Absence of Risk Management Policy

It is imperative that for good governance the Company has in place Risk Management Policy. This will ensure that all risks are identified and managed through effective processes and systems. This will ensure that business operations are not affected and disrupted.

The OAG noted that the Secretariat does not have a risk management framework in place.

As a result, the Secretariat does not have written policies, procedures and guidelines to manage the risks associated with the fraud control and anti-corruption, disaster recovery and business continuity plans.

Root Cause/Implication

It is possible that the Secretariat does not have the necessary capacity to develop the Risk Management Policy. As a result the Secretariat may not be able to effectively identify risks and appropriately manage them in a timely manner.

Recommendation

The Secretariat should ensure that governance and accountability function is established in consultation with its line Ministry. This will support the operations of the Secretariat by providing financial and operational risk management. A risk management framework should also be developed and continuously used.

Agreed Management Action

The Secretariat agreed to the recommendation of the Auditor-General.

13. CENTRE FOR APPROPRIATE TECHNOLOGY AND DEVELOPMENT

Financial Information – 2010

The audit of Centre for Appropriate Technology and Development ('CATD') for the financial year 2010 resulted in the issue of modified opinion (qualified) audit opinion. The qualifications were as follows:

- The Centre did not prepare and present a statement of cash flow and notes comprising a summary of accounting policies and explanatory notes for the year ended 31 December 2010, which is a departure from the requirement of the Fiji Accounting Standard 1 – Presentation of Financial Statements and Fiji Accounting Standards 7 – Cash Flow Statements.
- An unreconciled variance of $83,102 exists between the capital reserve cash at bank balance and the general ledger balance. As a result the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.
- The Centre was unable to provide receipts pertaining to income generated from seminar reimbursement, leadership and entrepreneurship and farm produce of $23,153, $136,755 and $39,633, respectively. The missing records have provided limitation to the scope of the audit to confirm the balance of these revenue disclosed in the financial statements.
- The Centre recorded work in progress of $28,288 in the Financial Statements. The Centre was unable to provide any documentations to support the work in progress balance. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.

Presented below is the abridged financial information of Centre for Appropriate Technology and Development.

CATD - Abridged Statement of Financial Performance

Description	2010 ($)	2009 ($)
Operating income	519,307	561,181
Government grant	800,000	854,365
Other income	34,230	19,402
Total Income	**1,353,537**	**1,434,948**
Depreciation	152,133	143,407
Staff costs	368,989	369,007
Other operating expenses	904,356	933,256
Interest expenses	1,479	2,148
Total Expenses	**1,426,957**	**1,447,818**
Net Deficit	**(73,420)**	**(12,870)**

The centre recorded an increase in net loss in 2010 as a result of reduction in government grant and reduction in operating income arising from leadership/entrepreneurship fees.

CATD - Abridged Statement of Financial Position

Description	2010 ($)	2009 ($)
Cash	742,617	918,363
Deposits and prepayments	4,045	4,045
Receivables	156,874	22,215
VAT receivables	148,759	134,238
Property, Plant & Equipment	4,702,693	4,742,511
Total Assets	**5,754,988**	**5,821,372**
Accounts Payable	15,573	3,184
Total Liabilities	**15,573**	**3,184**
Net Assets	**5,739,415**	**5,818,188**

The decrease in net assets in 2010 was largely due to the low cash inflow which was due to reduction in government grant and operating income.

<u>Financial Information - 2011</u>

The audit of Centre for Appropriate Technology and Development for the financial year 2011 resulted in the issue of modified opinion (disclaimer) audit opinion. The qualifications were as follows:

- The financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium – sized Entities ("IFRS for SMEs"). The Centre is yet to adopt and comply with IFRS for SMEs as required for general purpose financial statements. Accordingly, I am unable to determine the impact on the financial statements if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.

- An unreconciled variance of $83,102 exists between the capital reserve cash at bank balance and the general ledger balance in prior year. We were unable to substantiate the adjustment made during the year to reconcile the variance. As a result, the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.

- The Centre was unable to provide receipts pertaining to income generated from seminar reimbursement and leadership and entrepreneurship of $74,453 and $83,974, respectively. The missing records have provided limitation to the scope of the audit to confirm the balance of these revenue disclosed in the financial statements.

- The Centre recorded work in progress of $28,288 in the Financial Statements. The Centre was unable to provide any documentations to support the work in progress balance. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.

- The Center did not prepare and present a statement of cash flow and notes comprising a summary of accounting policies and explanatory notes for the year ended 31 December 2011.

Presented below is the abridged financial information of Centre for Appropriate Technology and Development.

CATD - Abridged Statement of Financial Performance

Description	2011 ($)	2010 ($)
Operating income	381,444	519,307
Government grant	458,890	800,000
Other income	36,443	34,230
Total Income	**876,777**	**1,353,537**
Depreciation	140,851	152,133
Staff costs	356,938	368,989
Other operating expenses	812,029	904,356
Interest expenses	1,180	1,479
Total Expenses	**1,310,998**	**1,426,957**
Net Deficit	**(434,221)**	**(73,420)**

The Centre recorded an increase in net loss in 2011 as a result of reduction in government grant received and reduction in operating income arising from leadership/entrepreneurship fees.

CTAD - Abridged Statement of Financial Position

Description	2011 ($)	2010 ($)
Cash	557,574	742,617
Deposits and prepayments	7,466	4,045
Receivables	21,953	156,874
VAT receivables	123,632	148,759
Property, Plant & Equipment	4,607,845	4,702,693
Total Assets	**5,318,470**	**5,754,988**
Accounts Payable	12,750	15,573
Total Liabilities	**12,750**	**15,573**
Net Assets	**5,305,720**	**5,739,415**

The decrease in net assets in 2010 was largely due to the low cash inflow which was due to reduction in government grant and operating income relating to leadership/entrepreneurship fees.

<u>Financial Information – 2012</u>

The audit of Centre for Appropriate Technology and Development for the financial year 2012 resulted in the issue of modified opinion (disclaimer) audit opinion. The qualifications were as follows:

- The financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium – sized Entities ("IFRS for SMEs"). The Centre is yet to adopt and comply with IFRS for SMEs as required for general purpose financial statements. Accordingly, I am unable to determine the impact on the financial statements if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.

- An unreconciled variance of $70,000 exists between the capital reserve cash at bank balance and the general ledger balance in prior year. We were unable to substantiate the adjustment made during the year to reconcile the variance. As a result, the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.
- The Centre was unable to provide receipts pertaining to income generated from farm produce amounting to $53,367. The missing records have provided limitation to the scope of the audit to confirm the balance of these revenue disclosed in the financial statements.
- The Centre was unable to provide supporting documents to the journal entries made to the cash general ledger of $228,626. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Centre recorded work in progress of $28,288 in the financial statements. The Centre was unable to provide any documentations to support the work in progress balance. As a result, the audit was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Center did not prepare and present a statement of cash flow and notes comprising a summary of accounting policies and explanatory notes for the year ended 31 December 2012.

Presented below is the abridged financial information of Centre for Appropriate Technology and Development.

CATD - Abridged Statement of Financial Performance

Description	2012 ($)	2011 ($)
Operating income	437,522	381,444
Government grant	458,690	458,890
Other income	23,478	36,443
Total Income	**919,690**	**876,777**
Depreciation	135,290	140,851
Staff costs	317,350	356,938
Other operating expenses	838,447	812,029
Interest expenses	858	1,180
Total Expenses	**1,291,945**	**1,310,998**
Net Deficit	**(372,255)**	**(434,221)**

The Centre recorded a reduction in net loss in 2012 as a result of increase in operating income relating to leadership/entrepreneurship fees and seminar reimbursements.

CATD - Abridged Statement of Financial Position

Description	2012 ($)	2011 ($)
Cash	331,345	557,574
Deposits and prepayments	12,096	7,466
Receivables	33,153	21,953
VAT receivables	144,804	123,632
Property, Plant & Equipment	4,520,062	4,607,845

Description	2012 ($)	2011 ($)
Total Assets	**5,041,460**	**5,318,470**
Accounts Payable	19,750	12,750
Mokani farm land	88,245	---
Total Liabilities	**107,995**	**12,750**
Net Assets	**4,933,465**	**5,305,720**

The decrease in net assets in 2012 was largely due to increase total liability of the centre. The Government provided capital grant of $88,245 for the upgrade of Mokani farm land in 2012. This fund remained unutilized as at balance date.

<u>Financial Information – 2013</u>

- The audit of Centre for Appropriate Technology and Development for the financial year 2013 resulted in the issue of modified opinion (disclaimer) audit opinion. The qualifications were as follows:
- The financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium – sized Entities ("IFRS for SMEs"). The Centre is yet to adopt and comply with IFRS for SMEs as required for general purpose financial statements. Accordingly, I am unable to determine the impact on the financial statements if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.
- An unreconciled variance of $70,000 exists between the capital reserve cash at bank balance and the general ledger balance in prior year. We were unable to substantiate the adjustment made during the year to reconcile the variance. As a result, the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.
- The Centre was unable to provide receipts pertaining to income generated from farm produce, grants, leadership and entrepreneurship and seminar reimbursements of $939,101. The missing records have provided limitation to the scope of the audit to confirm the balance of this revenue disclosed in the financial statements.
- The Centre was unable to provide supporting documents to the journal entries made to the cash general ledger of $40,601. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Centre recorded work in progress of $28,549 in the Financial Statements. The Centre was unable to provide any documentations to support the work in progress balance. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Center did not prepare and present a statement of cash flow and notes comprising a summary of accounting policies and explanatory notes for the year ended 31 December 2013.

Presented below is the abridged financial information of Centre for Appropriate Technology and Development.

CATD - Abridged Statement of Financial Performance

Description	2013 ($)	2012 ($)
Operating income	356,360	437,522
Government grant	656,804	458,690
Other income	33,357	23,478
Total Income	**1,046,521**	**919,690**
Depreciation	122,765	135,290
Staff costs	305,158	317,350
Other operating expenses	785,172	838,447
Interest expenses	904	858
Total Expenses	**1,213,999**	**1,291,945**
Net Deficit	**(167,478)**	**(372,255)**

The centre recorded a reduction in net deficit in 2013 compared to 2012. This was largely due to increase in government grant and reduction in operating expenditure.

CATD - Abridged Statement of Financial Position

Description	2013 ($)	2012 ($)
Cash	159,543	331,345
Deposits and prepayments	12,096	12,096
Receivables	33,153	33,153
VAT receivables	165,584	144,804
Property, Plant & Equipment	4,420,014	4,520,062
Total Assets	**4,790,390**	**5,041,460**
Accounts Payable	18,000	19,750
Mokani farm land	6,403	88,245
Total Liabilities	**24,403**	**107,995**
Net Assets	**4,765,987**	**4,933,465**

The decrease in net assets in 2013 was largely due to the low cash balance at year end which was mostly due to reduction in sale from farm produce, decrease in leadership/entrepreneurship training fees and seminar reimbursements.

Financial Information – 2014

The audit of Centre for Appropriate Technology and Development for the financial year 2014 resulted in the issue of modified opinion (disclaimer) audit opinion. The qualifications were as follows:

- The financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium – sized Entities ("IFRS for SMEs"). The Centre is yet to adopt and comply with IFRS for SMEs as required for general purpose financial statements. Accordingly, I am unable to determine the impact on the financial statements if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.

- An unreconciled variance of $70,000 exists between the capital reserve cash at bank balance and the general ledger balance in prior year. We were not able to substantiate the adjustment made during the year to reconcile the variance. As a result, the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.
- The Centre was unable to provide receipts pertaining to income generated from farm produce, grants, leadership and entrepreneurship and seminar reimbursements of $1,150,264. The missing records have provided limitation to the scope of the audit to confirm the balance of this revenue disclosed in the financial statements.
- The Centre was unable to provide supporting documents to the journal entries made to the cash general ledger of $54,881. As a result, audit was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Centre recorded work in progress of $29,845 in the Financial Statements. The Centre was unable to provide any documentations to support the work in progress balance. As a result, the audit was unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Center did not prepare and present a statement of cash flow and notes comprising a summary of accounting policies and explanatory notes for the year ended 31 December 2014.

Presented below is the abridged financial information of Centre for Appropriate Technology and Development.

CATD - Abridged Statement of Financial Performance

Description	2014 ($)	2013 ($)
Operating income	424,897	356,360
Government grant	656,513	656,804
Other income	33,678	33,357
Total Income	**1,115,088**	**1,046,521**
Depreciation	111,946	122,765
Staff costs	303,543	305,158
Other operating expenses	820,713	785,172
Interest expenses	1,219	904
Total Expenses	**1,237,421**	**1,213,999**
Net Deficit	**(122,333)**	**(167,478)**

The Centre recorded a reduction in net loss in 2014 as a result of increase in operating income arising from increase in leadership/entrepreneurship training fees and seminar reimbursements.

CATD - Abridged Statement of Financial Position

Description	2014 ($)	2013 ($)
Cash	129,720	159,543
Deposits and prepayments	12,096	12,096
Receivables	40,204	33,153
VAT receivables	179,002	165,584

Description	2014 ($)	2013 ($)
Property, Plant & Equipment	4,317,553	4,420,014
Total Assets	**4,678,575**	**4,790,390**
Accounts Payable	28,941	18,000
Mokani farm land	5,980	6,403
Total Liabilities	**34,921**	**24,403**
Net Assets	**4,643,654**	**4,765,987**

The decrease in net assets in 2014 was largely due to the low cash balance at year end and increase in accounts payable.

<u>Financial Information – 2015</u>

The audit of Centre for Appropriate Technology and Development for the financial year 2015 resulted in the issue of modified opinion (disclaimer) audit opinion. The qualifications were as follows:

- The financial statements are required to be prepared in accordance with the International Financial Reporting Standards for Small and Medium – sized Entities ("IFRS for SMEs"). The Centre is yet to adopt and comply with IFRS for SMEs as required for general purpose financial statements.
- Accordingly, I am unable to determine the impact on the financial statements if any, adjustment which may be necessary if the financial statements were prepared under IFRS for SMEs.
- An unreconciled variance of $70,000 exists between the capital reserve cash at bank balance and the general ledger balance in prior year. We were not able to substantiate the adjustment made during the year to reconcile the variance. As a result, the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.
- The Centre was unable to provide receipts pertaining to income generated from farm produce, grants, leadership and entrepreneurship and seminar reimbursements of $901,379. The missing records have provided limitation to the scope of the audit to confirm the balance of this revenue disclosed in the financial statements.
- The Centre was unable to provide supporting documents to the journal entries made to the cash general ledger of $530,062. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Centre recorded work in progress of $29,845 in of the Financial Statements. The Centre was unable to provide any documentations to support the work in progress balance. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.
- The Center did not prepare and present a statement of cash flow and notes comprising a summary of accounting policies and explanatory notes for the year ended 31 December 2015.

Presented below is the abridged financial information of Centre for Appropriate Technology and Development.

CATD - Abridged Statement of Financial Performance

Description	2015 ($)	2014 ($)
Operating income	276,473	424,897
Government grant	656,513	656,513
Other income	31,546	33,678
Total Income	**964,532**	**1,115,088**
Depreciation	91,742	111,946
Staff costs	279,669	303,543
Other operating expenses	782,026	820,713
Interest expenses	916	1,219
Total Expenses	**1,154,353**	**1,237,421**
Net Deficit	**(189,821)**	**(122,333)**

The Centre recorded an increase in net loss in 2015 as a result of reduction in operating income arising from reduction in leadership/entrepreneurship training fees and seminar reimbursements.

CATD - Abridged Statement of Financial Position

Description	2015 ($)	2014 ($)
Cash	23,316	129,720
Deposits and prepayments	12,096	12,096
Receivables	40,204	40,204
VAT receivables	187,325	179,002
Property, Plant & Equipment	4,227,681	4,317,553
Total Assets	**4,490,622**	**4,678,575**
Accounts Payable	32,000	28,941
Mokani farm land	4,789	5,980
Total Liabilities	**36,789**	**34,921**
Net Assets	**4,453,833**	**4,643,654**

The decrease in net assets in 2015 was largely due to the low cash balance at year-end which was mostly due to reduction in sale from farm produce, decrease in leadership/entrepreneurship training fees and seminar reimbursements.

Other significant matters

Non adoption of IFRS for SMEs

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

The Centre was yet to adopt and implement the requirement of the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) or International Public Sector Accounting Standards (IPSAS). The IFRS for SMEs or IPSAS has simplifications that reflect the needs of users of SME's financial statements and cost-benefit considerations.

In addition, it was noted that Statement of Cash flow was not included as part of the financial statements.

Root cause/Implication

This is due to the fact that the Center was not aware of the requirement to comply with general financial reporting framework. This also indicates that the accounting and finance personnel at the Centre are not well versed with preparation of financial statements.

Variance in capital reserve bank account

The Accounts Officer shall prepare a bank reconciliation within five days after the end of the month. The Manager Corporate Services must verify balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation before certifying it.

The OAG noted a variance of $83,102 between the cash at bank balance as per bank reconciliation and the cash at bank balance as per cash book in 2010. The variance was regularized in 2011. However, the adjustment made to regularize variance was not provided for audit verification.

Root cause/Implication

This indicates that accounting records are not maintained properly. As a result, the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.

Anomalies noted in revenue

When cash or bank cheques are received, the Revenue Collector shall immediately issue an official receipt.

It was noted that the following revenue balances were not supported with receipts and banking summary. Refer to Table 2.1 for details.

Details of unsupported revenue balances

Year	Seminar reimbursement ($)	Egg sale ($)	Leadership revenue ($)
2010	23,152.72	6,569.35	136,755
2011	74,453.19	1,407.15	83,973.55

Root cause/Implication

This is a result of improper maintenance of accounting records. The missing records have provided limitation to the scope of the audit to confirm the balance of this revenue disclosed in the financial statements.

Unsupported balances in the financial statements

The financial statements must be prepared and audited by the Auditor General. To ensure that the financial statements are prepared on time, all "end of the year" adjustments must be carried out within the first two weeks of the following financial year.

The Centre recorded work in progress of $29,845 in of the Financial Statements. The Centre was unable to provide documentations to support the work in progress balance.

Furthermore, accumulated fund includes prior year adjustment amounting to $5,353 in 2010 and $526 in 2011. Relevant supporting documents to substantiate the prior year adjustment balance were not provided.

Root cause/Implication

This is a result of improper maintenance of financial records. As a result, we were unable to verify the completeness and accuracy of the balance and also unable to determine whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of revenue and expenditure and balance sheet.

Anomalies noted in cash at bank

The Accounts Officer shall prepare bank reconciliation within five days after the end of the month. The Manager Corporate Services must verify balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation before certifying it.

The following anomalies were noted in cash:

- In 2012 – 2015, a variance of $70,000 existed between the cash at bank balance as per bank reconciliation and the cash at bank balance as per general ledger for the capital reserve account.
- The cashbooks were not prepared and adjustments passed in the general ledger were not supported. This was evident in the Capital Reserve, Catering and Salary Partner bank account in 2012 and 2013 and for all the six bank accounts in 2014 and 2015.
- In 2014, monthly bank reconciliations were not prepared for all bank accounts. A yearly bank reconciliation was prepared which was not checked or signed by the supervising officer.

Root cause/Implication

This indicates that proper bank reconciliations were not performed As a result, the accuracy and completeness of the Capital Reserve cash account cannot be ascertained.

Issues noted in revenue

The Accounts Officer shall maintain a distribution register recording all receipt books and other revenue earning forms issued to revenue collectors. The lodgement forms shall be checked and signed by the Accounts Officer. When cash or bank cheques are received, the Revenue Collector shall immediately issue an official receipt.

The Centre was unable to provide receipts pertaining to income generated from farm produce, grants, leadership and entrepreneurship and seminar reimbursements. Refer to Table 2.2 for details.Details of receipts not provided.

Year	Seminar reimbursement ($)	Farm produce ($)	Leadership revenue ($)	Government grant ($)	Other income ($)	Total ($)
2012	-	53,367	-	-	-	53,367
2013	168,529	22,724	57,365	656,804	33,678	939,102
2014	342,185	45,122	73,418	656,513	33,025	1,150,264
2015	229,146	-	1,506	656,513	14,213	901,379

Root cause/Implication

This is caused by the improper maintenance of financial records and lack of supervisory checks. The missing records have provided limitation to the scope of the audit to confirm the balance of this revenue disclosed in the financial statements.

Delay in banking

The Clerical Officer Accounts shall bank money received on a daily basis before the bank closes. Unless or otherwise if money received after 3:30pm then it shall be banked on the next working day.

The OAG noted several instances whereby banking was not done daily in 2013. Refer to table below for details.

Details of delay in banking

Receipt date	Receipt number	Particulars	Amount ($)	Deposit date	Delayed by
18/02/13	62 - 67	L & E training fees	715.60	29/05/13	3 months
22/04/13	75 – 82	L & E training fees	831.20	30/08/13	4 months
22/07/13 – 02/08/13	28 – 49	Egg sale	537.00	30/08/13	30 days
09/09/13 – 30/09/13	701 – 9728	Egg sale	599.00	29/11/13	2 months
30/09/13 – 25/10/13	730 – 9769	Egg sale	738.00	29/11/13	30 days
28/10/13 – 27/11/13	9770 – 9800, 2901 - 2904	Egg sale	836.00	24/12/13	30 days

Root cause/Implication

The audit findings indicate weakness in internal control where no proper supervisory check is carried out to ensure daily banking is done. Delay in banking increases the risk of fraud and theft.

14. NATIONAL FIRE AUTHORITY

Financial Information

The audit of the National Fire Authority for the year ended 31 December 2014 resulted in the issue of modified (disclaimer of opinion) audit opinion. The basis for disclaimer of opinion are as follows:

1. The OAG did not perform any physical verification to test existence of Property, Plant and Equipment recorded at a cost of $18,853,371 after 31 December 2014. I was unable to satisfy myself by alternative means as no proper records has been maintained by the Authority for fixed asset verification performed in 2014. Also, unreconciled difference of $85,356 was noted between opening cost as per Fixed Asset Register (FAR) and audited accounts. In addition, difference of $133,410 was noted between opening accumulated depreciation as FAR and audited accounts.

2. Furthermore, while capital projects relating to the construction of the Savusavu, Korovou and Korolevu fire station was in work in progress (WIP) in 2014, relevant cost relating to WIP was not separated in the FAR. Costs amounting to $315,604 incurred for consultancy, preliminary works and engineering has been incorrectly capitalized to Land and Building category and depreciated during the year.

3. During my audit, I noted that the Authority has not prepared the necessary debtors reconciliations as at year end in relation to fire levy contributions. Based on the audit procedures performed, I note that there was under accrual of fire levy contributions amounting to $491,096 which had not been rectified by the Authority. Accordingly, the trade receivable balance is understated by $491,096 as at 31 December 2014 and fire levy contributions is understated by $491,096 for the year ended 31 December 2014.

4. Government grant income amounting to $3,715,875, government grant receivable amounting to $340,580 and deferred revenue amounting to $3,125,784 is recorded in the Authority's books of account for which management was unable to explain or provide relevant supporting documents to substantiate these balances. Furthermore, management has not carried out an assessment for amortization of deferred revenue during the year. Accordingly, I am unable to ascertain the accuracy of government grant income amounting to $3,715,875 recorded in the books of account of the Authority for the year ended 31 December 2014, government grant receivable and deferred revenue balance amounting to $340,580 and $3,125,784 respectively recorded in the books of account as at 31 December 2014.

5. Purchase order accrual amounting $224,904 is recorded in the Authority's books of account for which management was unable to explain or provide relevant supporting documents to substantiate this balance. Furthermore, unreconciled difference of $140,110 is noted between the trade creditors ageing

and general ledger, with general ledger being understated. No explanation or relevant supporting documents could be provided for my review for the difference. Accordingly, I am unable to determine the impact of these limitations, if any, to creditors and accrual balance as at 31 December 2014 and to the profit and any other related balances of the Authority for the year ended 31 December 2014.

6. The OAG did not attend and observe annual inventory physical counting and verification by management at the end of the financial year. I was unable to satisfy myself by alternative audit procedures concerning the inventory quantities held as at 31 December 2014. Furthermore, inventory holding report for communication department amounting to $227,651 was not made available for my review. Accordingly, I am unable to determine the impact of the above limitations, if any, to the inventory balances as at 31 December 2014 and profit of the Authority for the year ended 31 December 2014.

7. VAT Returns lodged for the period 1 January 2014 to 31 December 2014 were incorrectly lodged. The Authority is in the process of compiling and lodging the amended VAT Returns. I was also not provided with reconciliation of taxable supplies as per the VAT returns and the trial balance. Accordingly, the ultimate resolution of this matter cannot be determined with certainty, and no provision has been made in respect to the additional VAT liabilities and penalties that may arise.

8. During my audit, the OAG noted that the Authority has not maintained an effective system of internal control over recording of income from structural fire safety inspections until their initial entry in the accounting records. Accordingly, it was not practicable for my examination of this income to extend beyond amounts recorded in the accounting records of the Authority.

9. During my audit, the OAG also noted that the Authority has not maintained proper schedule for provision for annual leave and provision for long service leave balances. Based on the audit procedures performed, I note that the balances are carried forward from prior year. Accordingly, I am unable to determine the impact of this limitation, if any, to provisions for annual leave and provision for long service leave balance as at 31 December 2014.

10. Income from JICA aid totalling $138,516 have been utilized to purchase fire trucks. \However, the accounting treatment to deferred revenue and property, plant and equipment have not been done and resulting in the overstatement of total income by $138,516.

11. The OAG was not been provided with relevant supporting documents and explanation in relation to event subsequent to balance date review. Accordingly, I am unable to determine if any adjustments, or disclosures is required to be made in the financial statements of the Authority for the year ended 31 December 2014.

Presented below is the abridged financial information of National Fire Authority for the year ended 31 December 2014.

National Fire Authority – Abridged Statement of Financial Performance

For the Year Ended	2014 ($)	2013 ($)
Revenue	15,644,062	11,755,711
Total Revenue	**15,644,062**	**11,755,711**
Personnel Expenses	6,693,041	5,446,539
Depreciation	1,009,735	813,320
Operating and Administration Expenses	2,935,441	2,392,108
Total Expenses	**10,638,217**	**8,651,967**
Net Operating Surplus For the Year	**5,005,845**	**3,103,744**

Net operating surplus increased by 61% or $1,902,101 in 2014 compared to 2013. The increase was mainly due to the increase in revenue received from fire levy contributions and government grants during the financial year 2014.

National Fire Authority – Abridged Statement of Financial Position

At period end	2014 ($)	2013 ($)
Cash and Cash Equivalents	8,036,142	4,500,952
Held to Maturity Investments	1,822,775	1,808,595
Prepayments	398	5,562
Trade and Other Receivables	2,135,300	1,833,414
Inventories	304,104	266,964
Property, Plant and Equipment	8,784,688	6,707,771
Total Assets	**21,083,407**	**15,123,258**
Trade and Other Payables	620,816	533,967
Employee Benefit Liability	239,763	239,763
Deferred Revenue	3,125,785	2,258,330
Total Liabilities	**3,986,364**	**3,032,060**
Net Assets	**17,097,043**	**12,091,198**

Net assets increased by 41% or $5,005,845 in 2014 compared to 2013. The increase was mainly due to the increase in cash and cash equivalents balance by 79% or $3,535,190, trade and other receivables by 16% or $301,886, and additions to property, plant and equipment of $3,086,652.

Other Significant Matters – National Fire Authority

Provision for Employee Benefits

The Authority has recorded provision for employee entitlement leave amounting $239,763. The following exceptions were noted with respect to provision for employee leave entitlement:

- Provision for annual leave of $89,739 and provision for long service leave of $150,024 is carried forward from 2013.
- Management had not carried out proper assessment for annual leave and long service leave balances as at 31 December 2014.

- Schedule provided for audit review was incomplete and inaccurate, as necessary adjustments for leave taken/accrued had not been processed in the Authority's books of account.

Root Cause/Implication

- Responsible staffs are not competent and properly supervised.
- Increased risk of inaccurate reporting.
- Provision for employee entitlement balance may not be fairly stated in the Authority's books of account.
- Possible understatement of liabilities of the Authority

Value Added Tax

From our review of the VAT Returns and reconciliations for the year ended 31 December 2014, we noted the following:

- Reconciliations were not performed on a regular basis to reconcile the balance as per general ledger with Statement of VAT account (SVA) issued by FRCS and taxable supplies as per books of account with VAT Returns lodged.
- The Authority was in the process of lodging amended VAT returns for 2014 as books of account was not in agreement with amounts in lodged VAT returns subsequent to processing adjustments upon compilation of the financial statements. Thus no verification was performed on VAT lodgements for 2014.
- No provision has been made in respect to the additional VAT liabilities and penalties that may arise as a result of lodgement of amended VAT returns.

Root Cause/Implication

- Taxable supplies may not be correctly declared in the VAT Returns.
- Lack of proper and effective VAT recording and reconciliation process increases the risk of misreporting of VAT balances in the books of account and Returns.
- Increased risk of penalties.

The OAG did not attend and observe annual inventory physical counting and verification by management at the end of the financial year.

- The OAG was unable to satisfy ourselves by alternative audit procedures concerning the inventory quantities held as at 31 December 2014 as no inventory count reports carried out by management were available for our review.
- Furthermore, inventory holding report for communication department amounting to $227,651 was not made available for audit review.
- Thus, we were unable to determine the impact of the above limitations, if any, to the inventory balances as at 31 December 2014.

Root Cause/Implication

- Inventory balance may not be fairly stated.
- Increased risk of errors, omissions, misreporting.
- Inadequate audit trail in the absence of appropriate and adequate documentation.

Trade Receivable

From our review of trade receivable balance and related reconciliations, the following exceptions were noted:

1. Necessary debtor reconciliations were not performed as at yearend in relation to fire service levy contributions. Based on our review, we noted that receivable in relation to fire service is understated by $491,096, which has not been rectified by the Authority. As a result, trade receivable and income from fire service levy is understated by $491,096 as at balance date;
2. Government grant receivable amounting to $340,580 is recorded in the Authority's books of account for which no supporting documents or explanations have been provided by management to substantiate the balance; and
3. Provision for doubtful debts amounting to $24,560 is carried forward from prior year. No assessment has been carried out by management to assess recoverability of trade receivables amounting to $228,407.

Root Cause/Implication

- Responsible staffs not competent to perform their roles and responsibilities effectively.
- Increased risk that trade receivables may not be fairly stated.
- Increased risk of errors and irregularities.
- Provision for doubtful debts may be understated.
- Possibility that long outstanding dues may no longer be recoverable.

Irregularities noted in Creditors and Accruals

From our review of creditors ageing as at 31 December 2014, we noted the following anomalies:

- Difference of $140,110 was noted between the creditor's subsidiary ledger and general ledger account. Refer below for details.

Variance in Creditors Subsidiary ledger and general ledger

Particulars	Amount ($)
Subsidiary balance	388,289
General ledger	248,179
Variance	**140,110**

- The creditor subsidiary contains various creditor balances which are being carried forward from prior years and have not been subsequently paid.
- Purchase order accrual amounting $224,904 is recorded in the Authority's books of account for which management was unable to explain or provide relevant supporting documents to substantiate this balance.
- Scope imitation exists where we were unable to verify certain balances in the creditor's subsidiary, as hard copies of invoices were not available nor could it retrieved from the system as data prior to 2014 had been archived in the accounting software, Peachtree.
- An instance of double posting of invoice was noted, whereby one invoice amounting to $51,080 had been posted to two supplier accounts.

Root Cause/Implication

- Responsible staffs have not been carrying out their roles and responsibilities effectively.
- Creditors and accruals balances may not be fairly stated as at balance date.
- Increased risk of inaccurate reporting of creditors and accruals balances.
- Increased risk of non-detection of error and irregularities.

Government Grant not Fairly Stated

The government has been providing grants to National Fire Authority (NFA) to undertake capital works developments to meet expansion plans and operational needs.

From our review of government grant income, receivable, deferred income and amortization of deferred income reconciliations, the following exceptions were noted:

- Government grant income amounting to $3,715,875, government grant receivable amounting
- $340,580 and deferred revenue amounting to $3,125,784 is recorded in the Authority's books of account for which management was unable to explain or provide relevant supporting documents to substantiate these balances;
- The Authority has incorrectly treated capital grant as grant income instead of recording deferred income. As per IAS 20, all grant received for the purpose of acquisition of an asset should be deferred and amortised over the period of the life of the asset;
- Out of $3.9m grant received, only $1m was deferred and balance of $2.9m was recognized as income. No segregation of assets acquired through government grant has been carried out in the fixed asset register of the Authority for the purposes of calculating amortisation of deferred revenue; and
- No assessment for amortization of deferred income of $3,125,784 has been carried out by management.

Root Cause/Implication

- Grant income, grant receivable, deferred income and amortization may not be fairly stated.
- The Authorities treatment of grant does not comply with IAS 20, Accounting for Government grants and Disclosure of Government Assistance.

Process - Financial Reporting

There is a need for significant improvement and enhancement for existing system and procedures. Refer below for details:

- There were significant delays in providing certain required information, schedules and reconciliations for audit of the Authority. A number of reconciliations and schedules were not provided to us at the time of commencement of audit.
- The Authority does not perform proper monthly reconciliation to reconcile balances as per general ledger.
- Certain critical reconciliations and schedules were not prepared such as schedule for provision for employee entitlement, deferred income and inventory holding.
- Certain schedules and reconciliations provided for audit were not accurate. These were subsequently updated upon our review and query.
- Certain critical reconciliations such as bank reconciliations and VAT related reconciliations were performed during the year. These have been subsequently performed.

Root Cause/Implication

- Responsible staffs have not been carrying out their roles and responsibilities effectively.
- Significant additional time and cost being incurred for audit and significant delays in finalization of audit of the Authority.
- Delay in completion of the audit.
- Inadequate controls in reconciliation process leads to inefficient and ineffective accounting, recording and errors in reporting.
- Increased risk of errors and irregularities.

Property, Plant & Equipment

From the audit review of the Fixed Assets Register (FAR) maintained by the Authority for the year ended 31 December 2014, we noted the following exceptions:

- Unreconciled difference of $85,356 noted between opening cost as per FAR and signed accounts. Difference of $133,410 was also noted between opening accumulated depreciation as per FAR and signed accounts.
- The fixed asset register was not updated on timely basis and there was no evidence of review by senior independent personnel.
- Assets acquired under government grant was not segregated in the FAR.

- Furthermore, no register for land titles was maintained by NFA nor adequate details such as title number for leases was available in the FAR for ease of identification.
- Capital projects relating to the construction of the Savusavu, Korovou and Korolevu fire stations was in work in progress (WIP) in 2014. However, relevant costs relating to WIP was not segregated in the FAR. Costs amounting to $315,604 incurred for consultancy, preliminary works and engineering has been incorrectly capitalised to land and building and depreciated during the year.

The OAG was unable to perform any physical verification to test existence of Property, Plant and Equipment recorded at a cost of $18,853,371 as at 31/12/2014. We were unable to satisfy ourselves by alternative means as no proper records has been maintained by the Authority for fixed asset verification performed at respective fire stations by management in 2014.

Root Cause/Implication

- Property, plant and equipment balance may not be fairly stated in the Authority's books of account in accordance with the International Financial Reporting Standards.
- Increased risk of errors, omissions, and misreporting.
- Lack of effective controls to assist management in exercising proper physical control over fixed assets.
- Increased risk that fixed assets recorded in the FAR are either obsolete, disposed of or are no longer in working condition.

Bank Reconciliation not prepared and reviewed on time

- From our review of the bank reconciliation and review process, we noted the following exceptions:
- Monthly bank reconciliations for the bank accounts (ANZ, BSP and HFC) for the entire year had not been prepared during the year. Bank Reconciliations were subsequently prepared during audit.
- There was no evidence to suggest that bank reconciliations have been reviewed by independent senior personnel. Furthermore, bank reconciliations have no indications as to the date of preparation or the person responsible for the preparation.
- Stale cheques amounting to $6,302 were included in the unpresented cheque listing for the ANZ bank reconciliation which have not been cleared on a timely basis.
- Various mispostings were noted in the cashbook, which appear as reconciling items in the bank reconciliation.

Root Cause/Implication

- Increased risk of errors, omissions and irregularities.
- Risk of misreporting on bank balances.

SUSTAINABLE DEVELOPMENT GOALS

The Committee notes that the Fiji Parliament with its six (6) Standing Committees which includes the Public Accounts Standing Committee are now extending and expanding its roles and initiated activities to strengthen its support towards promotion, implementation and monitoring of the SDGs. This is in terms of Fiji's 5 years & 20 years National Development Plan, the 2030 Agenda, the Sustainable Development Goals (SDGs). Parliament is at the core of the SDGs implementation Agenda 2030 insists on the "Essential role of national parliaments through their enactment of legislation and adoption of budgets, and their role in ensuring accountability for the effective implementation of the SDGs". This is done through the National Development Plan (NDP) targets and indicators.

In this case, the Public Accounts Committee examines the entities covered in the Office of the Auditor General Statutory Authorities Audit Report and through its oversight role scrutinised the budget expenditure and revenue of these entities through its financial statements. The Committee questioned these entities, this is on how it addresses the development issues as detailed in the 17 SDGs based from the relevant NDP targets and indicators, questions were also directed on the SDGs and the NDP awareness made to its staff and plans to achieve the targets relevant to their individual entity.

GENDER EQUALITY

The Committee noted the importance of Gender Equality while scrutinising the Auditor General's Reports and it has encouraged these entities on the needs to adopt the Open Merit Recruitment System (OMRS) and the provision of relevant accounting trainings for its staff, especially on basic accounting reporting training and this is for staff responsible in their Accounts/Finance Section as this will address audit issues identified as well as improve the capacity of staff which benefitted both men and women in those entities.

CONCLUSION

The Committee notes that in the 2017 financial year the Auditor General have issued unmodified (unqualified) audit opinions to five (5) which is equivalent to 62.5% of the financial statements audited for the various entities and three (3) financial statements audited were issued with modified audit opinion. However, in 2018 financial year, the Auditor General had issued unmodified audit opinions to all the four (4) or 100% of the financial statements of the various entities that were audited. Overall, the results of the audits for the 2018 financial year reflects positively on the entities.

The Committee also emphasises on the timely preparation of quality draft annual financial statements. This is one of the major issues which need to be addressed by those charged with governance of the authorities. The involvement of line ministries to improve accountability in statutory authorities is encouraged. It has been noted that it becomes challenging for authorities to prepare annual accounts when these have not been done for some time resulting in a backlog. Line ministries can encourage entities to prepare and submit draft financial statements for audit annually.

In addition, the other significant matters that has been identified was the governance issues and these includes lack of Risk Management Policies, Disaster recovery and Business Continuity Plans in most of the authorities.

Last and not the least, it is also important to note that the Office of the Auditor General did not audit the financial statements for a number of Statutory Authorities as their governing body had appointed Chartered Accountant firms as external auditors to carry out the audits of their annual accounts.

We, the undersigned Members of the Standing Committee on Public Accounts agree with the contents of this report:

……………………………
Hon. Alvick Maharaj
(Chairperson)

………………………..
Hon. Joseph Nand
(Deputy Chairperson)

…………………………
Hon. Virendra Lal
(Member)

…………………………………
Hon. Ro Teimumu Kepa
(Member)

……………………………
Hon. Aseri Masivou Radrodro
(Member)

APPENDICES

APPENDIX 1:
PUBLIC ACCOUNTS COMMITTEE QUESTIONS

QUESTIONS
2016/2017 Audit Report on Statutory Authorities
5.1 Public Rental Board **<u>Unallocated Government Subsidy</u>** What measures the Board has taken to ensure subsidy is allocated promptly and provide status of subsidy outstanding for 2017 and 2018? **<u>Remainder Notices Not Issued</u>** What remainder notices sent on time now? What is the process of sending the remainder notices?
5.2 Civil Aviation Authority of Fiji **<u>SIGNIFICANT FINDINGS - 2016</u>** **<u>Enterprise Risk Management</u>** Does the Authority maintain a detailed risk register? What is the process of identifying the Enterprise risk? **<u>Anomalies in Consultancy Agreement</u>** What didn't the Authority see it useful to have a fixed timeline for the consulting work? How does the Authority justify the actual cost of $150,975 against the estimated cost of $55,520?
Section 5.5 Investment Fiji Provide background of CRM system and how has it improved operation of Investment Fiji?
Section 5.6 Fiji Meats Industry Board **<u>Other Significant Matters</u>** The Committee notes that the Board is in the process of reviewing the Accounting Manual. What is the process of the review, has it been completed and approved? If yes, what are some new matters included in the reviewed manual? If not, provide the reason(s) for not finalising the review. The Board has been complying with the requirements of the Accounting Procedure Manual as far as procurement of goods and services were concerned. Is the Board now complying with the Accounting Procedures Manual? Please explain. Is this issue repetitive in the 2017 audit? (confirmation to be provided by the Office of the Auditor General) The Committee notes that changes in the approved prices for 'Magiti' sales were made without proper documented approval, rather changes are made based on verbal approvals given by the Chief Executive Officer. Has the Board addressed this issue? Please explain and provide evidences of the documentation of the approval process of the changes in 'Magiti' prices. **<u>Internal Controls</u>** The Assessment of the Board's internal controls noted significant deficiencies What has the Board done to strengthen internal controls? How often does the Board review the internal controls and address weakness identified? **<u>Timelines of draft financial statements</u>**

The Committee notes that the draft financial statements were submitted for audit late (less than 30 days before legislative deadline) What were the reason(s) for the delay in submission and what mechanisms have the Board put in place to ensure that draft financial statements are submitted to OAG on time? **Quality of draft financial statements by Authorities** The Committee notes that the extent of audit adjustments made to the draft financial statements indicates the ineffectiveness of the Board's internal review processes before the accounts are submitted for audit. What has the Board 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?
Section 5.7 Fiji National Sports Commission What is the process of providing sporting grants? How does the Commission ensure that the grant has met the objective of promoting sports in Fiji? How is the international Coach's salary determined?
Section 5.8 Film Fiji **GENERAL** What is the quantitative benefit to the country from overseas Film Making for 2016, 2017 and 2018? How many films making were done in 2016, 2017 and 2018? **SIGNIFICANT FINDINGS** Lack of VAT Reconciliations Are VAT reconciliation performed? Provide evidence.
Section 5.11 LAND TRANSPORT AUTHORITY **Errors in Draft Financial Statements submitted for Audit** What measures the Authority has put in place to ensure that the draft financial statements submitted for Audit is free from errors? **Cashier Shortages** What measures are there to ensure that cash is not misappropriated?
Section 5.13 FIJI ROADS AUTHORITY **Lack of Reconciliation of Donated Assets** What is the status of new ERP and Assets Management System?
Section 5.15 - Maritime Safety Authority of Fiji

The audit of Maritime Safety Authority of Fiji for the financial year 2016 resulted in the issue of modified opinion or qualified audit opinion. The qualification were as follows:

Overstatement of Assets

Note 2.14 - Impairment of Asset states that each reporting date Property, Plant and Equipment (PPE) of the Authority are reviewed to determine whether there is any indication that PPE have suffered an impairment loss. As at the date of issue of audit, no impairment assessment of the Aids to Navigation (Lighthouse) which sustained major structural damages arising from the construction defects and Cyclone Winston was carried out by the Authority. As a result, the Auditor-General was unable to ascertain the reasonableness and impact of it on the carrying amount of the PPE disclosed in Note 8 of the Financial Statements.

What steps that MSAF has taken to address this issue? What is the timeline for completing this exercise?

The Ministry of Infrastructure and Transport (MoIT) constructed Lighthouse during the years 2013 to 2015 at a cost of $1,358,043. The cost of construction of the Lighthouses was capitalized into the Property, Plant and Equipment of the Authority.

The Auditors noted that the Lighthouses constructed by MoIT from 2013 to 2015 have suffered structural failure whereby lighthouse have either leaned or totally collapsed this not in operation.

The lighthouse serves a very crucial role in aiding navigations of ships and without proper navigational lights there is a high risk of marine accidents. For the benefit of the Committee, please briefly explain:

1. What is the normal expected useful life of a light house?

2. Significant cost was involved in the construction of the lighthouses. Was any investigation carried out to identify the root cause of the structural failure? What was the root cause of the structural failure? Was MSAF consulted during the design and construction phase of the construction? Who is responsible for the structural failure - MoIT or MSAF?

3. What is the current status of the leaned and structural damaged lighthouses? Is it repaired and in operation? What was the cost of the remedial work and who met the cost?

4. What is the current status of the totally collapsed lighthouse? Has it been replaced? What was the cost of the replacements and who met the cost?

5. What mechanisms are put in place by the MSAF to ensure that the above incident does not repeat in future?

Qualification 2

Not 18 - The Authority disclosed $795,144 as funds received and transferred to Governments Consolidated Fund Account (CFA). However, the CFA Bank Statements revealed that out of the $795,144, the Authority had only transferred a total sum of $584,921. In addition, the Authority has booked Relievable Amounting to $435,531 and Payable to Ministry of Economy amounting to $234,769 in the Statement of Financial Position.

The Authority did not prepare year-end reconciliations to support the above balances. As a result, the Auditor-General was unable to ascertain the accuracy and completeness of these amounts disclosed in the financial statements

What has the MSAF done to address this issue? What internal controls have been implemented to ensure it is not repeated?

Income Tax Exemption Status

Note 2.7 - Income Tax to the financial statements states that the Authority is exempted from income tax under Section 55 of the Maritime and Safety Authority of Fiji Act 2009 for the first three years commencing 1 January 2011. Consequently, the tax exemption period should cease from 1 January 2014. As at the date of issue of audit opinion, the Authority did not provide documentary evidences to support Note 2.7 and its continuous tax exemption status.

Has this issue been resolved? If not, why not.

Establishment of Marine Spill Pollution Advisory Committee

Section 155 of the Martine Transport Act 2013 establishes the Marine Spill Pollution Advisory Committee, to give advice to the Authority on the use of environmental levy.

As at the date of the audit was conducted, the Marine Spill Pollution Advisory Committee has not been established as required by the Marine Transport Act and the Marine (Pollution Levy) Regulation.

1. What is the current balance of the Environment Levy Fund?

2. Why was there a significant delay in the appointment of the Marine Spill Advisory Committee? What is the current status?

Incomplete Ships System Software Database

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

The Authority carried that although all features of the new software have been installed, staff are unable to fully utilize them due to having insufficient vessel data and lack of knowledge pertaining to the software. Transition to the new system had led to old vessel data not being transferred adequately hence staffs are now manually entering data into the system.

Significant period of time has lapsed since 2015. For the benefit of the Committee, please briefly explain:

1. What it took so long for the MSAF to implement and migrate the data?

2. What is the current status of the Ships System Software Database?

3. What the training provide by the Software Provider?

4. What version of the Software is in use? Software version changes, is it relevant to the needs of MSAF?

APPENDIX 2:

PUBLISHED WRITTEN EVIDENCE

The following copies of the written evidence and supplementary evidences from the 14 agencies covered in this review report can be accessed on the Parliament Website using the following link: http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/

APPENDIX 3:
Report of the Auditor General

2017-2018 Audit Report on Statutory Authorities (PP No. 155 of 2019) http://www.parliament.gov.fj/wp-content/uploads/2020/01/PP-No.-155-of-2019-SA-2017-2018.pdf