



OFFICE of the AUDITOR GENERAL  
Republic of Fiji

# Report of the Auditor-General of the Republic of Fiji

2019 – 2020

## Audit Report on Public Enterprises and Other Entities





OFFICE of the AUDITOR GENERAL  
Republic of Fiji

## VISION

**Promoting public sector accountability and sustainability through our audits**

To provide independent value adding audit services

## MISSION

To provide an environment where our people can excel

### RESPECT

We uphold respect in our relationships.

### INTEGRITY

We are ethical, fair and honest in our duties.

### INDEPENDENT & OBJECTIVE

We work independently and report objectively.

## VALUES

### COMPETENCE

We deliver to the best of our abilities and to the highest standard of professional conduct.

### TRANSPARENCY

Our processes are transparent.

### CONFIDENTIALITY

We maintain audit related information confidential.

## PROFESSIONAL FRAMEWORK

International Standards for Supreme Audit Institutions

International Standards on Auditing

## LEGAL FRAMEWORK

2013 CONSTITUTION OF THE  
REPUBLIC OF FIJI

AUDIT  
ACT 1969

ENVIRONMENT  
MANAGEMENT ACT

NDP AND OTHER  
LEGISLATION

Location : Level 8, Ratu Sukuna House  
2-10 MacArthur Street  
Suva, Fiji

Postal Address : P O BOX 2214, Government Buildings  
Suva, Fiji

Telephone : (679) 330 9032

Email : [info@auditorgeneral.gov.fj](mailto:info@auditorgeneral.gov.fj)

Website : [www.oag.gov.fj](http://www.oag.gov.fj)

# OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits



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

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



File: 102

17 September 2021

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

Dear Sir

## **2019 - 2020 AUDIT REPORT ON PUBLIC ENTERPRISES AND OTHER ENTITIES**

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on Public Enterprises and Other Entities.

A copy of the report has been submitted to the Minister for Economy who as required under section 152(14) of the Constitution shall lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Yours sincerely

  
Ajay Nand  
**AUDITOR-GENERAL**



Encl.

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

The Office of the Auditor-General is established as an Independent Office by the Constitution of Republic of Fiji and assist the Auditor-General to carry out audits on behalf of Parliament.

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

This report satisfies these requirements.

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

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	3
1.0 Introduction.....	4
2.0 Financial Reporting.....	9
3.0 Internal Controls .....	12
3.1 Internal Controls Assessments .....	12
3.2 Results Summary .....	13
4.0 Significant Matters .....	14
4.1 Significant Matters .....	14
5.0 Audit Conclusion and Recommendations .....	31
5.1 Audit Conclusion .....	31
5.2 Recommendations .....	31
Appendix A: Qualification Issues.....	33
Appendix B: Abridged Financial Statements.....	36
Appendix C: Entities not Subject to Audit by the Auditor-General.....	50
Appendix D: Glossary.....	51

## AUDITOR-GENERAL'S FOREWORD



I am pleased to present the report on the financial audits of Public Enterprises and Other State Entities, for audits completed after 28 August 2020 up to 31 July 2021, following my last report (Parliamentary Paper No. 184 of 2020).

Section 56 (1) (b) of the Public Enterprise Act 2019 and Section 152 of the 2013 Constitution provides the Auditor-General the mandate to audit the accounts of the Public Enterprises. However, there has been few exceptions due to some entities opting to choose their own auditors other than the Auditor-General. This is discussed in [Appendix C](#)

of this report.

The financial audits of some of the Public Enterprises are behind by more than five years, as financial statements were not submitted annually to the Auditor-General. All efforts are made to bring these audits in backlog to current. There are also some entities, which provide their outstanding financial statements in bulk, which becomes a challenge in terms of resource allocations and practicality to complete the audits of these entities in one financial year, given my responsibilities for audit of other agencies.

### Status of the Audits

As at 31 July 2021, we have completed audits of eight Public Enterprises and three other entities. A total of 11 Auditor's Reports have been issued and reported in this report. There are a number of audits, which are near completion, and we are making all efforts in working with the entities to have these completed as soon as possible.

### Report

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

The issues discussed in this report require the prompt action by those charged with governance in the respective entities to improve their financial accountability. On the same note, I would like to commend the entities that have already made efforts to improve their financial reporting.

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

A handwritten signature in black ink, appearing to read 'Ajay Nand', with a horizontal line underneath.

Ajay Nand

**AUDITOR-GENERAL**

**Date: 17 September 2021**

## EXECUTIVE SUMMARY

This report includes the audit results of 11 financial statements for the 11 Entities audited as at 31 July 2021.

### AUDIT RESULTS



#### Quality and Timeliness of Financial Statements

The overall quality of financial reporting has been assessed as effective although further improvements can be made to enhance the quality and timeliness of submission of financial statements for our audit.

#### Internal Control Assessment

The results summary in [Section 3.1](#) shows the strength of controls in key elements for the entities. Our assessment indicated that risk assessment, and monitoring activities were areas where majority of the significant deficiencies were identified.

#### Common Audit Findings

Other areas that require immediate attention by Directors and Management of entities include:

- Addressing significant delays in submission of quality draft financial statements for audit;
- Ensuring the long term financial sustainability of the entities;
- Improving risk assessment processes to achieve the entity's objectives and forming a clear basis for determining how risks are managed;
- Improving overall monitoring of the entities, including the establishment of independent internal audit functions, which could assist in identifying any gaps in controls for necessary action.

#### Audit Conclusion

Modified audit opinions were issued on one financial statements audited, which reflected negatively on the governance and internal control framework of the entity. Urgent and close attention should be given to address matters highlighted in the Auditors' Reports including the significant matters raised in [Section 4](#).

## 1.0 Introduction

---

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

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

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

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

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

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

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

This report includes the audit results of 11 financial statements for 11 Entities as follows:

Entity	Entity Type	Year
1. Fiji Public Trustees Corporation Pte Limited	Public Enterprise	2019
2. Fiji Airports Pte Limited	Public Enterprise	2019
3. Post Fiji Pte Limited	Public Enterprise	2019
4. Walesi Fiji Limited	Public Enterprise	2015
5. Fiji Coconut Millers Pte Limited	Public Enterprise	2019
6. Unit Trust of Fiji (Management) Limited	Public Enterprise	2018
7. Pacific Fishing Company Pte Limited	Public Enterprise	2019
8. Energy Fiji Limited	Public Enterprise	2020
9. FDB Nominees Pte Limited	Other Entity	2020
10. Housing Authority	Other Entity	2018
11. Fiji Development Bank	Other Entity	2020

An update on the progress of the financial audits of Public Enterprises and Other Entities not included in this report is provided under [Section 1.3](#).

## 1.1 Legislative Framework

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

Legislative Framework	Legislative Timeframe
<b>Public Enterprises and Other Entities</b>	<ul style="list-style-type: none"> <li>• Public Enterprises Act 2019;</li> <li>• Finance Management Act 2004; and</li> <li>• Companies Act, 2015</li> </ul>

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

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

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

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

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

## 1.2 Types of Audit Opinions

In accordance with International Standards on Auditing, the Auditor-General expresses an **unmodified opinion** when the financial statements are prepared in accordance with the relevant financial reporting framework and legislative requirements. This type of opinion indicates that material misstatements, individually or in aggregate, were not noted in our audit, which would affect the financial statements of an entity.

### Modified Opinions:

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

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

A **disclaimer of opinion** is issued when sufficient appropriate audit evidence is unable to be obtained on which to base the opinion, and we conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

### 1.3 Delays in Completion of Audits

Audits of Public Enterprises and Other Entities have not been completed on a timely basis primarily due to the following:

- Delay in submission of draft accounts for audits or draft accounts submitted were incomplete;
- Entities deciding to address issues raised in draft audit reports and resubmitting financial statements for audit; and
- Financial statements not submitted for audit.

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

Below is a summary of the status of audits as at 31 July 2021:

Entity	Draft Financial Statements Received	Year Last Audit	Audits status as at 31 July 2021
<b>Public Enterprises</b>			
1. Fiji Airports Pte Limited	2020	2019	2020 audit under finalization stage.
2. Fiji Coconut Millers Pte Limited	2020	2019	2020 audit under finalization stage.
3. Pacific Fishing Company Pte Limited	---	2019	The Company is yet to provide 2020 draft financial statements for audit.
4. Post Fiji Pte Limited	2020	2019	2020 audit under finalization stage.
5. Viti Corporation Limited	2008-2011	2007	2008-2011 audit in finalization stage.
6. Yaqara Pastoral Company (Pte) Limited	2016-2017	2015	2016 – 2017 audited financial statements sent for signing on 05/03/2020 with a qualified audit opinion. The entity had opted to resolve the qualification. Following the resubmission of by the entity, amended audit opinion was reissued for signing on 01/03/21.  The signed accounts are yet to be returned.

Entity	Draft Financial Statements Received	Year Last Audit	Audits status as at 31 July 2021
7. Food Processors (Fiji) Pte Limited	2009-2013	2008	2009 audit under finalization stage.  The tentative completion date for 2010-2013 audit is set for 31 November 2021.
8. Fiji Hardwood Corporation (Pte) Limited	2018-2020	2017	2018-2020 audit yet to commence. The tentative completion date for the audit is set for 31 November 2021.
9. Walesi Fiji Limited	2016-2019	2015	2016 audited financial statements sent for signing on 12 July 2021 while 2017 audited financial statements sent for signing on 16 August 2021.  The entity was yet return the signed financial statements for year 2016 and 2017.  2018 – 2019 audits will be carried out in FY 2021/2022.
10. Unit Trust of Fiji (Management) Limited	---	2018	The entity is yet to provide 2019 draft financial statements for audit.
11. Fiji Public Trustees Corporation (Pte) Limited	----	2019	The entity is yet to provide 2020 draft financial statements for audit.
12. Fiji Investment Corporation Limited	---	---	The entity is yet to provide 2006-2020 draft financial statements for audit.
13. Assets Fiji Limited	---	---	The entity is yet to provide 2016-2020 draft financial statements for audit.
<b>Commercial Statutory Authority</b>			
1. Housing Authority	2019	2018	2019 audit in progress.
<b>Re-organized Entity</b>			
1. Biosecurity Authority of Fiji	2014-2016	2013	2014-2016 audit yet to commence. The tentative completion date for the audit is set for 31 November 2021.

## 2.0 Financial Reporting

Sound financial management require the important elements of accurate and timely financial statements. They bring accountability and transparency to the way public resources are utilized by the Public Enterprises and Other Entities. We have assessed financial reporting based on the following aspects:

- Quality of financial reporting
- Timeliness of financial reporting

### 2.1 Quality of financial reporting

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

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

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

### Audit opinions

The main outcome of our audits are independent auditors' report on the financial statements of the Public Enterprises and Other Entities that were produced and submitted to the Auditor-General.

We issued ten unmodified audit opinions and one modified (qualified) audit opinion on the financial statements of the 11 entities reported in this report. The table below shows the breakdown of the audit opinions issued:

Entities	Year	Unmodified Opinion	Modified Opinion
1. Fiji Public Trustees Corporation Pte Limited	2019	✓	
2. Fiji Airports Pte Limited	2019	✓	
3. Post Fiji Pte Limited	2019	✓	
4. Fiji Coconut Millers Pte Limited	2019	✓	
5. Pacific Fishing Company Pte Limited	2019	✓	
6. Unit Trust of Fiji (Management) Llimited	2018	✓	
7. Energy Fiji Limited	2020	✓	
8. Walesi Fiji Limited	2015		✓
9. FDB Nominees Pte Limited	2020	✓	

Entities	Year	Unmodified Opinion	Modified Opinion
10. Housing Authority	2018	✓	
11. Fiji Development Bank	2020	✓	

[Appendix A](#) contains the qualification issues raised in the Auditors' Reports issued to the Entities.

The abridged financial statements are presented as [Appendix B](#)

### Significant Matters Reported

The Audit Act 1969 requires that the Auditor-General report on significant matters identified during the audit to those responsible for the governance of the Public Enterprises and Other Entities.

Issues that are classified as medium to high risks are control and compliance weaknesses of such fundamental significance or substantial importance to the Public Enterprises and Other Entities that they require immediate attention by those charged with governance and the line Ministry for priority and prompt actions for resolutions.

Significant matters noted during the audit are discussed further on [Sections 4](#) of the report.

## 2.2 Timeliness of financial reporting

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

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

## 2.3 Results Summary

The quality of financial reporting for four entities were found to be ineffective while timeliness of seven entities were ineffective therefore requiring the immediate attention of those charged with governance for prompt resolutions.

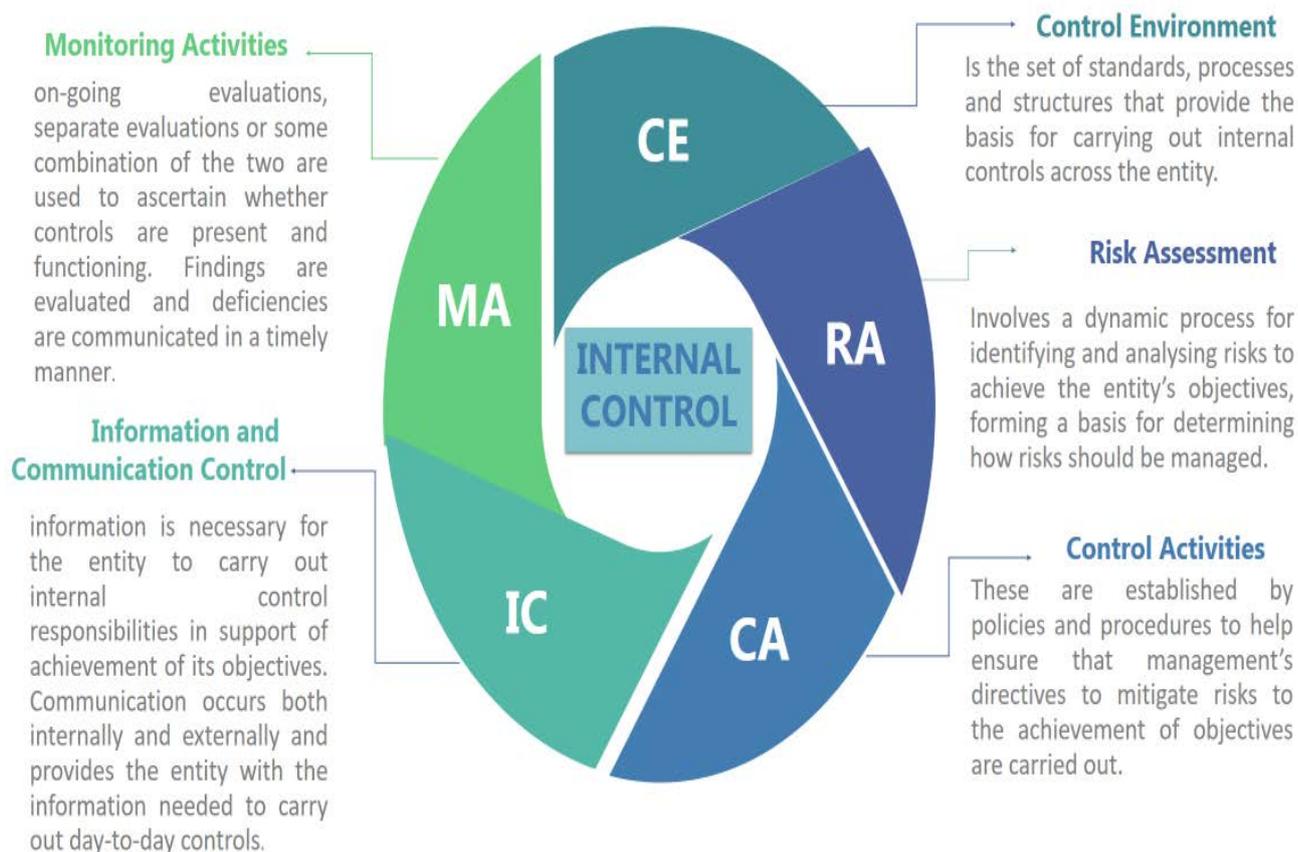
The following table summarizes our assessment of financial reporting processes:

Entity	Year(s)	Financial Reporting	
		Quality	Timeliness
1. Fiji Public Trustees Corporation Pte Limited	2019	★	★
2. Fiji Airports Pte Limited	2019	★	★
3. Post Fiji Pte Limited	2019	★	★
4. Pacific Fishing Company Pte Limited	2019	★	★
5. Unit Trust of Fiji (Management) Limited	2018	★	★
6. Fiji Coconut Millers Pte Limited	2019	★	★
7. Walesi Fiji Limited	2015	★	★
8. Energy Fiji Limited	2020	★	★
9. FDB Nominees Pte Limited	2020	★	★
10. Housing Authority	2018	★	★
11. Fiji Development Bank	2020	★	★

### 3.0 Internal Controls

#### 3.1 Internal Controls Assessments

Good internal controls provide reasonable assurance that an entity is achieving its objectives relating to operations and reporting and support the production of effective financial statements.



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

A deficiency occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing. A significant deficiency is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

The results summary in [Section 0](#) shows the strength of controls in key elements for the 11 Entities for which 11 financial statements were being audited.

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

Rating	Internal Control Assessment
<b>Effective</b>	No deficiencies identified in internal controls
<b>Generally Effective</b>	Deficiencies identified in internal controls
<b>Ineffective</b>	Significant deficiencies identified in internal controls

### 3.2 Results Summary

For the entities audited, we have assessed the internal controls for one entity as ineffective. The significant findings discussed in [Sections 4](#) have contributed to this assessment.

The Table below summarizes our assessment of internal controls across these entities, which were audited:

Entity	Year	Internal Controls				
		CE	RA	CA	IC	MA
1. Fiji Public Trustees Corporation Pte Limited	2019					
2. Fiji Airports Pte Limited	2019					
3. Post Fiji Pte Limited	2019					
4. Pacific Fishing Company Pte limited	2019					
5. Unit Trust of Fiji (Management) Limited	2018					
6. Fiji Coconut Millers Pte Limited	2019					
7. Walesi Fiji Limited	2015					
8. Energy Fiji Limited	2020					
9. FDB Nominees Pte Limited	2020					
10. Housing Authority	2018					
11. Fiji Development Bank	2020					

CE=Control Environment

RA=Risk Assessment

CA=Control Activities

IC=Information and Communication Control

MA=Monitoring Activities

## 4.0 Significant Matters

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

Other significant matters highlighted in this report, include control weaknesses, which *could cause* or *is causing* severe disruption to the process or on the ability of the Entities to achieve process objectives and comply with relevant legislation, which are in addition to those discussed in [section 4](#).

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

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

### 4.1 Significant Matters

Significant matters identified during the audit were communicated to the entities through our Management Letters and they relate to the following areas:

In addition to the qualification issues, which are discussed in detail in [Appendix A](#), the following are significant matters issues identified during the audit for these entities:

Entity	Significant Matters
<b>Fiji Airport Pte Limited</b>	
2019	<p><b>1. Operating processes and procedures for revenue not documented</b></p> <p>Although the relevant employees are generally aware of the practices of carrying out their particular tasks relating to revenue management and collection, we noted that these processes and procedures were not documented. The Company has 14 revenue streams.</p> <p><b>We recommended that the processes and procedures including accounting systems and controls to be well documented and made accessible to staff to be complied with. The Company has noted our recommendation and commenced with the documenting of the process and procedures for the individual revenue streams and aligned to best practices.</b></p>

Entity	Significant Matters
Post Fiji Pte Limited 2019	<p><b>1. Absence of written policies and guidelines</b></p> <ul style="list-style-type: none"> <li>The Company was still in the process of developing approved policies to govern some aspects of the Company's operations and activities. For example, risk management policy, debt recovery policy, investment policy, information technology manual/policy, staff advances, excess cash holding, policy to govern credit facility offers for Back to School and disaster recovery plan for postal offices and agencies.</li> <li>Absence of a comprehensive IT Manual/Policy that included documented patch management procedures, disaster recovery plan or IT continuity plan, approved backup and retention strategy and review of users to ensure access rights are in line with their responsibilities.</li> </ul> <p><b>We have recommended that governance structure to be improved by the Company through the development of comprehensive guidance in policies and procedures on all aspects of the Company's operations.</b></p> <p><b>2. Outdated Manuals</b></p> <p>The Corporate Instructions Manual and the Finance Manual were outdated. The Finance Manual was developed in 2006 while the Corporate Instruction Manual was developed in 1996 and last revised in 2003. Consequently, numerous policies and procedures applied currently were not updated in the existing manual.</p> <p><b>We have recommended the regular review of Manuals to incorporate policy changes.</b></p> <p><b>3. Ineffective controls over management of inventory for outer island postal agencies</b></p> <p>Reconciliations were not performed to monitor requests for inventories made by outer island postal agencies against sales made to ensure that increases in requests for inventory items correlate with increase in sales. Moreover, current stock on hand were not monitored when requests were made from the outer island stores.</p> <p>The Company did not have documented policy/procedures in place to govern the management of inventories. For instance, the process to be followed when accounting for offline stores stock requests, cash accounts or monthly stock reconciliation for all stations.</p> <p><b>We have recommended that the company review its internal control system for inventory management and implement stringent controls to prevent</b></p>

Entity	Significant Matters
	<p>losses. In addition, processes and procedures over the management of inventory to be documented and complied with.</p> <p>4. <b>Anomalies in business engagement with an International Company</b></p> <p>A total of \$9.6m remained outstanding from prior years and owed by an International Company as at 31 December 2019.</p> <p><b>We have recommended that the company recover the significant debt owed by the International Company and ensure that all significant business engagements in the future is endorsed by the Board with contractual agreements in place.</b></p>
<b>Fiji Coconut Millers Pte Limited</b>	
2019	<p>1. <b>Operational performance of the company</b></p> <p>Audit review of production reports of the Company noted:</p> <ul style="list-style-type: none"> <li>• that the production for the months of April, May and July 2019 fell below the planned yield of 62%. In April 2019, the yield was as low as 56% due to inferior quality of copra.</li> <li>• High inventory turnover at 6.76:1, which is preferable. However, this has not improved the cash flow of the Company as bank overdraft stood at \$407,149 at year-end.</li> <li>• Advertising costs decreased by \$11,280 or 53% which questions the marketing strategies and activity of the Company and can be a contributing factor to the low sales.</li> <li>• The gross profit of the Company reduced by \$305,155 in 2019 compared to 2018 despite having produced more oil in 2019 than in 2018. This indicates that the company is unable to convert production into sales in a timely manner.</li> <li>• It was noted that the Copra Stabilization Fund with the Ministry of Agriculture was not reviewed since expiry in 2016.</li> </ul> <p><b>The Company agreed with the following audit recommendations</b></p> <ul style="list-style-type: none"> <li>• <b>In consultation with the Ministry of Agriculture, the Company should enhance research into new breed of coconut that can increase oil production.</b></li> <li>• <b>Continuously push for the review of the Copra Stabilization Fund with the Ministry of Agriculture, which expired in 2016.</b></li> <li>• <b>Increase oversight function at the mill and over the process of purchasing copra at the mill and from farmers.</b></li> </ul>

Entity	Significant Matters
Fiji Coconut Millers Pte Limited 2019 (con't)	<ul style="list-style-type: none"> <li>• <b>Strengthen marketing pursuits by having a contemporary marketing strategy that optimizes the right marketing tools and engaging appropriate marketing people.</b></li> <li>• <b>Tighten controls on areas of revenue leakage to maintain a healthy profit and ease the cash flow strains.</b></li> </ul> <p><b>2. Inconsistent Conversion rate of Dry Copra</b></p> <p>The audit noted that the Company does not have a consistent rate to convert raw copra to dry copra.</p> <p>Our review revealed that the Company normally applies a rate of 50%, which means that one metric tonne raw copra is equivalent to 0.5 metric tonne dry copra. However, instances were noted where the conversion rate of 45% was applied during the financial year. The basis of reduction in the rate was not documented and approved by the Board.</p> <p>Application of inconsistent conversion rate may result in incorrect accounting of dry copra and lead to uneconomical business decision making.</p> <p><b>The Company agreed with the recommendation to test and document the basis of using a rate to covert raw copra to dry copra.</b></p> <p><b>Furthermore, it is recommended, that the rate to convert raw copra to dry copra must be approved by the Board and documented in the Finance Manual of the Company.</b></p> <p><b>3. Journal vouchers not maintained</b></p> <p>Audit review of the general journals revealed that the company does not maintain any journal voucher system for documenting and approving of general journals.</p> <p>The journal vouchers should include narrations and supporting documents. Ideally, all the journal entries should be reviewed and approved by a senior officer with evidence of approval stated on the vouchers.</p> <p><b>The company agreed with audit recommendation to implement a journal voucher system to record all general journals.</b></p> <p><b>4. Cash flow Inefficiency</b></p> <p>As at 31 December 2019, the Company had a bank overdraft limit of \$125,000 with a commercial bank.</p>

Entity	Significant Matters								
<p><b>Fiji Coconut Millers Pte Limited</b> 2019 (con't)</p>	<p>We noted that the Company had exceeded its bank overdraft limit on various occasions during the year.</p> <p>The findings indicate that the Company is unable to generate sufficient cash to meet its operating expenditure.</p> <p><b>The Company agreed to the issue raised and explained that the price of crude coconut oil in the world market had hit low during the financial year 2019. Furthermore, the Company informed us that delays in getting refunds from the Copra Price Stabilization Fund also contributed towards cash flow constrains of the Company.</b></p> <p><b>The Company further agreed to employ proper cash management system to meet operational costs through the operating cash flow.</b></p>								
<p><b>Pacific Fishing Company Pte Limited</b></p>									
<p>2019</p>	<p><b>1. Impairment of assets testings not carried out</b></p> <p>We noted that there was no evidence that the Company performed impairment test for its fixed and intangible assets for any indications of assets been impaired.</p> <p>This is contrary to the provisions of International Accounting Standards (IAS 36 – Impairment of Assets). Non-performance of the impairment test increase risk of overstatement of assets.</p> <p><b>The Company agreed with the audit recommendation to perform impairment test of assets in the 2020 financial year as required by IAS 36 and accounting policies of the Company.</b></p> <p><b>2. Approval for Credit Notes Adjustments</b></p> <p>Audit review of internal control surrounding the approval for passing of credit notes were generally noted to be weak. The table below outlines the credit note approval limit as per the Company’s Finance Manual.</p> <table border="1" data-bbox="467 1608 1038 1738"> <thead> <tr> <th>Designation</th> <th>Limit</th> </tr> </thead> <tbody> <tr> <td>PAFCO Board</td> <td>Above \$10,000</td> </tr> <tr> <td>Chief Executive Officer</td> <td>\$1,000 - \$10,000</td> </tr> <tr> <td>Financial Controller</td> <td>Below \$1,000</td> </tr> </tbody> </table> <p>However, it was noted that the Financial Controller and the Accountant approved a number of credit notes above their authorized approval limit.</p>	Designation	Limit	PAFCO Board	Above \$10,000	Chief Executive Officer	\$1,000 - \$10,000	Financial Controller	Below \$1,000
Designation	Limit								
PAFCO Board	Above \$10,000								
Chief Executive Officer	\$1,000 - \$10,000								
Financial Controller	Below \$1,000								

Entity	Significant Matters																																												
<b>Pacific Fishing Company Pte Limited 2019 (con't)</b>	<p>Refer to the table below for examples:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #f4a460;">Date</th> <th style="background-color: #f4a460;">Credit Note No.</th> <th style="background-color: #f4a460;">Amount (\$)</th> <th style="background-color: #f4a460;">Audit Comments</th> </tr> </thead> <tbody> <tr><td>18/01/19</td><td>27</td><td>102,000.00</td><td>Approved by Financial Controller</td></tr> <tr><td>18/01/19</td><td>26</td><td>102,000.00</td><td>Approved by Financial Controller</td></tr> <tr><td>18/01/19</td><td>25</td><td>102,000.00</td><td>Approved by Financial Controller</td></tr> <tr><td>15/02/19</td><td>35</td><td>102,000.00</td><td>Approved by Financial Controller</td></tr> <tr><td>18/01/19</td><td>68</td><td>102,000.00</td><td>Approved by Accountant</td></tr> <tr><td>11/06/19</td><td>62</td><td>102,000.00</td><td>Approved by Financial Controller</td></tr> <tr><td>13/06/19</td><td>69</td><td>41,722.57</td><td>Approved by Accountant</td></tr> <tr><td>12/09/19</td><td>98</td><td>7,475.23</td><td>Approved by Accountant</td></tr> <tr><td>01/10/19</td><td>109</td><td>148,200.00</td><td>Approved by Accountant</td></tr> <tr><td>06/12/19</td><td>131</td><td>102,000.00</td><td>Approved by Accountant</td></tr> </tbody> </table> <p><b>The Company agreed with the audit recommendation that credit notes should be approved as stipulated in the Finance Manual.</b></p> <p><b>3. Significant delay in payment of account payable</b></p> <p>We noted delay in payment to suppliers for supply of goods and services. Two instances were noted where payments amounting to \$104,331.30(AUD) was delayed for over four months.</p> <p>Delay in payment to suppliers can affect customer/supplier relationship. In addition, delay in payments can result in penalties or interests, which is an avoidable cost.</p> <p><b>The Company agreed with the audit recommendation and further stated that the delays in payments are due to cash flow issues.</b></p> <p><b>We recommended that:</b></p> <ul style="list-style-type: none"> <li>• <b>An arrangement is made with the supplier for any delay in payment;</b></li> <li>• <b>Delayed payments to suppliers are identified from review of aged creditors report and payments made promptly.</b></li> </ul> <p><b>4. Adequate reserves not maintained for liquidity risk</b></p> <p>The company’s Risk Management policy disclosed in the Notes of the Financial Statements states that the “<i>Company manages liquidity risk by maintaining adequate reserves</i>”.</p> <p>We noted absence of any form of reserves as mentioned in the notes of the financial statements.</p>	Date	Credit Note No.	Amount (\$)	Audit Comments	18/01/19	27	102,000.00	Approved by Financial Controller	18/01/19	26	102,000.00	Approved by Financial Controller	18/01/19	25	102,000.00	Approved by Financial Controller	15/02/19	35	102,000.00	Approved by Financial Controller	18/01/19	68	102,000.00	Approved by Accountant	11/06/19	62	102,000.00	Approved by Financial Controller	13/06/19	69	41,722.57	Approved by Accountant	12/09/19	98	7,475.23	Approved by Accountant	01/10/19	109	148,200.00	Approved by Accountant	06/12/19	131	102,000.00	Approved by Accountant
Date	Credit Note No.	Amount (\$)	Audit Comments																																										
18/01/19	27	102,000.00	Approved by Financial Controller																																										
18/01/19	26	102,000.00	Approved by Financial Controller																																										
18/01/19	25	102,000.00	Approved by Financial Controller																																										
15/02/19	35	102,000.00	Approved by Financial Controller																																										
18/01/19	68	102,000.00	Approved by Accountant																																										
11/06/19	62	102,000.00	Approved by Financial Controller																																										
13/06/19	69	41,722.57	Approved by Accountant																																										
12/09/19	98	7,475.23	Approved by Accountant																																										
01/10/19	109	148,200.00	Approved by Accountant																																										
06/12/19	131	102,000.00	Approved by Accountant																																										

Entity	Significant Matters								
<p>Pacific Fishing Company Pte Limited 2019 (con't)</p>	<p><b>The Company agreed that the Accounting and Risk Management policies of the Company should correspond with what is actually done by the Company.</b></p> <p><b>5. Continued losses made by the Company</b></p> <p>We noted that the Company was continuously making operating losses over the past three years. Refer to the table below for details:</p> <table border="1" data-bbox="464 533 793 734"> <thead> <tr> <th>Financial Year</th> <th>Loss Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>3,262,145</td> </tr> <tr> <td>2018</td> <td>2,008,922</td> </tr> <tr> <td>2017</td> <td>1,619,257</td> </tr> </tbody> </table> <p>The losses indicate that the company is unable to maximize on the revenue while at the same time not implementing effective cost-cutting measures for indirect costs.</p> <p>In response to this issue, the Company stated that “the processing plant is designed for loin operations to operate at an annual volume of 28,000-30,000MT of raw tuna. It has been established that the breakeven tonnage to achieve a balance in finances is around 21,000 -22,000 MT. PAFCO has an exclusive processing agreement with the Bumble Bee Foods of USA where Bumble Bee supplies all the tuna for processing into Loins. The supply of raw tuna has been below the required volume of 22,000MT in the last three years. The reasons provided are unavailability of tuna due to low catch volumes. The Company has been in discussions with Bumble Bee foods on the issue of low volume, discussions are in place to remove the exclusivity clause so that PAFCO can process tuna for other companies. Also, option of processing other species of tuna such as Skipjack is under consideration. The canning capacity is also progressively upgraded, and some new products and new customers are being considered to add more revenue options”.</p> <p>“Relevant cost cutting initiatives have already been implemented – an example is the investment in the New Cold storage, which has modern equipment, which operate at a higher efficiency level – this has seen reduction in the power usage.”</p> <p><b>We recommend that the Company implement appropriate strategies to maximize production and efficiency of the processing plant. The Company should also expl other business option initiatives to increase sales revenue.</b></p>	Financial Year	Loss Amount (\$)	2019	3,262,145	2018	2,008,922	2017	1,619,257
Financial Year	Loss Amount (\$)								
2019	3,262,145								
2018	2,008,922								
2017	1,619,257								

Entity	Significant Matters
<p><b>FDB Nominees (Pte) Limited</b></p> <p><b>2020</b></p>	<p><b>1. Inactive Operation of the Company</b></p> <p>The role and responsibilities of the Company includes the provision of managerial services equity based company that is referred to them by its parent company, the Fiji Development Bank. These additional services are free of charge.</p> <p>Audit review of the financial statements noted that there were no major activities of the company in the course of the financial year. The Company has been inactive in the last two financial years and have not been able to serve its functions as it was intended to.</p> <p><b>The Company agreed with audit recommendation to review its current status and strategic objectives in line with the requirements of its parent company (Fiji Development Bank) to decide the viability to continue its operations.</b></p> <p><b>2. Conflict of interest</b></p> <p>The Directors of the Nominees who are employees of the Fiji Development Bank agreed to invest \$25,000 in Term Deposits offered by the Fiji Development Bank (FDB).</p> <p>We noted that the Directors did not abstain from participating in the decision-making to invest in FDB. In addition, conflict of interest was not declared and documented.</p> <p>As a result, the transaction was not carried out in an open and transparent manner and favored Fiji Development Bank in which the Directors of FDB Nominees Limited are employed.</p> <p><b>To strengthen good governance, Directors must declare any conflict of interest that arise in the course of the business operations and exclude themselves from decisions related to the conflict of interest.</b></p> <p><b>The Company agreed with our recommendation to maintain a Conflict of Interest Register and register actual or potential conflicts of interest. Furthermore, the Company informed audit that upon maturity of the term deposits with FDB, other financial institutions will be considered for divesting its term deposits.</b></p>

Entity	Significant Matters
<b>FDB Nominees Limited (con't) 2020</b>	<p><b>3. Independent Board member</b></p> <p>For good governance, it is imperative that Board composition should be balanced, with at least thirty percent to be independent and non-executive Directors.<sup>1</sup></p> <p>An independent Director is a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with-or could reasonably be perceived to materially interfere with-the independent exercise of their judgment<sup>2</sup>.</p> <p>We noted that there is no independent member in the Board of Directors of the Company.</p> <p>In absence of Independent directors, oversight functions of the management can be compromised.</p> <p><b>The company agreed with our recommendation and would consider appointing an Independent Director going forward.</b></p>
<b>Fiji Development Bank 2020</b>	<p><b>Weakness in Internal Control – Loan Files</b></p> <p>Audit review of loan files revealed the following anomalies around internal control:</p> <ul style="list-style-type: none"> <li>• Security value as per loan appraisal/decision form did not match to the value recorded in the Business Management System (BMS).</li> <li>• Security value of the loan was not updated in the BMS.</li> </ul> <p>Furthermore, anomalies were noted in the application of government subsidy. The percentage of subsidy is based on the credit risk grading of the applicant.</p> <p>We noted instances where the government subsidy provided to customers were higher than the eligible rate. This resulted in customers qualifying for lower interest rate.</p> <p>The Bank agreed with the auditing findings and admitted that the officers have not followed the circular instruction issued by the Bank. The Bank further confirmed that Regional Managers and the Branch Managers would be held accountable for such oversight.</p>

<sup>1</sup> Benchmarked to the CMDA Corporate Governance Code 2008.

<sup>2</sup> South Pacific Stock Exchange Guidance Note Dated: 10 January 2020.

Entity	Significant Matters
Fiji Development Bank 2020 (con't)	<p><b>We recommend that:</b></p> <ul style="list-style-type: none"> <li>• Supervisory checks and monitoring over records management is strengthened;</li> <li>• Customer loan details are appropriately updated in the loan system to ensure completeness of customer loan records;</li> <li>• Stipulated lending procedures in place are adhered to at all times;</li> <li>• Correct government subsidy rate is applied as per the approved rate;</li> <li>• Proper oversight and supervisory check are in place and properly functioning; and</li> <li>• Appropriate action should be taken against officers failing to comply with lending regulations and circular issued by the Bank.</li> </ul>
<b>Walesi Limited</b>	
2015	<p><b>Anomalies in Inventory</b></p> <p>Audit review of the Company's internal control governing inventory revealed that the company did not perform a proper annual Board of survey or an inventory count for inventories held at the end of the financial year as at 31/12/2015. The company had an inventory balance of \$2,729,606 at balance date.</p> <p>Additionally, the Company purchased 50,000 set top boxes during the financial year 2015, of which 8,000 set top boxes with a value of \$519,925 were transferred to work in progress (WIP) to be used in the projects for testing, trial and development phase. The Company did not maintain adequate documentation or the movement listing of these 8,000 set top boxes.</p> <p>In response to the observation raised, the operations and administrative functions was carried out by Ministry of Communications and records were not transferred to the Company when the Company was formed.</p> <p><b>Therefore, we recommend that stock cards are maintained and all stock movements are recorded in a timely manner and reconciliation of physical inventories are conducted against stock cards maintained. All supporting documents are properly filed and available for verification as and when needed. Additionally, all relevant documentations are maintained.</b></p>
<b>Energy Fiji Limited (EFL)</b>	
2020	<p><b>1. Property, Plant and Equipment</b></p> <p>Audit review of the of the property, plant and equipment identified the following:</p>

Entity	Significant Matters
<b>Energy Fiji Limited (EFL) 2020 (con't)</b>	<ul style="list-style-type: none"> <li>• There are numerous fully depreciated assets in the Fixed Assets Register, some of which may no longer be in use or held by the Company. The Company carried approximately \$139m assets in its fixed assets register with zero written down value.</li> <li>• The Company does not have a policy for carrying out a periodic physical verification of assets.</li> </ul> <p>The Company in its response to this issue has indicated that EFL has taken a staged approach to physically verify the assets with zero written value in view of the limited resources available with only two full time fixed assets officers.</p> <p><b>We recommend that:</b></p> <ul style="list-style-type: none"> <li>• <b>Management should periodically perform a physical verification of its fixed assets. Management should review the Fixed Assets Register and reconcile this with the underlying assets to determine whether there are assets that no longer exist or are no longer in use so that the underlying accounting records can be adjusted; and</b></li> <li>• <b>The company should also establish a policy for the periodic verification of fixed assets. This would ensure the existence of assets included in the fixed asset listing and improve the accuracy of periodic financial reporting as misappropriation and errors would be detected on a timely basis.</b></li> </ul> <p><b>2. Utilization of Rural Electrification Funding</b></p> <p>Audit review of the utilization of the rural electrification funding noted that as at 31 December 2020, \$40,274,704.15 worth of Rural Electrification Projects were in progress. In addition, following were noted:</p> <ul style="list-style-type: none"> <li>• There was no evidence of consultation with Government on the rollover of capital projects to the next financial year and the company deposited the project (public) funds into term deposit. The company has maintained that the funds were deposited to maximize shareholding funding and require no approval; and</li> <li>• Coordination between Energy Fiji Limited and the Rural Electrification Steering Committee with Department of Energy on the implementation of pending rural electrification projects should be improved.</li> </ul> <p>The Company in its response mentioned that the cyclone restoration work became EFL's highest priority which resulted in the implementation of the pending rural electrification projects being delayed.</p> <p><b>The Company should:</b></p>

Entity	Significant Matters
Energy Fiji Limited (EFL) 2020 (con't)	<ul style="list-style-type: none"> <li>• Co-ordinate with the Rural Electrification Steering Committee to work out a strategy to ensure that the entire population have access to electricity by 2021 (20 year NDP 2017 – 2036);</li> <li>• Ensure there is proper consultation between key stakeholders (Department of Energy and the Steering Committee) to ensure that there are key performance indicators established and funds appropriated by Parliament have been utilized for its intended purpose in a timely manner which results in creation of values in terms of social benefit to the community around rural areas; and</li> <li>• Ensure that approval of Ministry of Economy is obtained for any roll over of projects.</li> </ul> <p><b>3. Rights over Assets Resulting from Rural Electrification Schemes</b></p> <p>We noted that the Company has been recording capital assets generated from Rural Electrification Schemes as part of its property, plant and equipment in the books of account over the years.</p> <p>It is difficult for the Company to justify the rights over certain capital assets generated from Rural Electrification Schemes, since there is lack of audit evidence on the rights over the assets in the absence of formal documentation with Ministry of Economy and Department of Energy.</p> <p><b>The Company agreed with audit recommendation to arrange for formal contracts/agreements with Ministry of Economy and Department of Energy, clearly outlining the Company's rights over the assets generated from Rural Electrification Schemes.</b></p> <p><b>4. Customer Security Deposits</b></p> <p>Customer security deposits relate to the mandatory cash deposit, which is equivalent to two months' electricity consumption in accordance with the Electricity Act 2017. This is refunded to the customer when the electricity account is permanently closed. As at 31 December 2020, the Company held \$44.74m as customer security deposits.</p> <p>The company is required under section 20 (3) of the Electricity Act of 2017 to accrue interest on the customer security deposit, which needs to be accrued on a quarterly basis.</p> <p>We noted that:</p> <ul style="list-style-type: none"> <li>• The customer security deposits are currently held in the company's main operating account; and</li> </ul>

Entity	Significant Matters
<b>Energy Fiji Limited (EFL) 2020 (con't)</b>	<ul style="list-style-type: none"> <li>• The interest rate of 1% accrued on the customer security approved by the Board was verbally agreed with the Fijian Competition and Consumer Commission (“FCCC”).</li> </ul> <p>The Company in response to this audit finding, stated that EFL and FCCC were in the process of formalizing the interest rate to be charged on the customer security deposit maintained by EFL. It was further stated that the interest charged will be credited to each customer’s account in 2021</p> <p><b>It is recommended that the Company maintains a separate bank account for security deposits. In addition, the Company should document and formalize the interest rate of 1% accrued on the customer security deposits.</b></p>
<b>Unit Trust of Fiji (Management) Limited</b>	<p><b>1. Absence of Internal Control over Journal Voucher</b></p> <p>Audit review noted that journal entries were passed in the general ledger without proper check, approval and supporting documents.</p> <p>This was largely due to the absence of documented systems and processes for general journal entries. Even though the Company’s Finance Manual states that the Manager Finance should supervise the preparation of journals, the issue shows the lack of monitoring and supervision in the Finance Section and is a serious violation of internal control procedures.</p> <p><b>The Company agreed with the following recommendation:</b></p> <ul style="list-style-type: none"> <li>• to document the systems and processes for general journal entries;</li> <li>• to ensure that the journal vouchers contain proper narration and supporting documents;</li> <li>• to ensure that journal vouchers are checked and approved before entries are made in the general ledger; and</li> <li>• to strengthen oversight and supervisory check over journal entries in the general ledger.</li> </ul> <p><b>2. Anomalies in procurement and payment for goods and services</b></p> <p>Audit review of the procurement and payments made by the Company noted that contrary to Section 4.4 Payment Vouchers and Cheques, Part (iii) of the Accounting &amp; Internal Control Policy, 31 payment vouchers amounting to \$291,232.48 had no proper documentary evidence attached to substantiate the payments made.</p> <p>In addition, contrary to Section 4.4 Payment Vouchers and Cheques, Part (iv) of the Accounting &amp; Internal Control Policy, 76 payment vouchers that were</p>

Entity	Significant Matters
<b>Unit Trust of Fiji (Management) Limited (Con't)</b>	<p>reviewed amounting to \$317,662.28 contained supplier invoices that were not stamped “paid” after processing of the payment.</p> <p><b>The Company agreed to ensure that:</b></p> <ul style="list-style-type: none"> <li>• stipulated procurement procedures in place are strictly adhered to;</li> <li>• proper oversight and supervisory checks on maintenance of procurement records is done at all times; and</li> <li>• all supplier invoices and relevant supporting documents are stamped ‘paid’ immediately after payment is affected.</li> </ul> <p><b>3. Absence of credit card policy and payment supporting documents</b></p> <p>We noted that the Company does not have a documented policy on the usage of the company Visa cards. In the absence of such policies, the Company’s control procedures for the usage of credit cards are at risk.</p> <p>Audit review of 11 payment vouchers used for credit card payments noted that apart from the bank statement, there was no other documentary evidence attached depicting the usage of the credit card in terms of purpose and reason for the payment.</p> <p><b>The Company agreed to work towards developing a policy on the usage of credit cards.</b></p> <p><b>4. Anomalies noted in cash at bank</b></p> <p>Review of the cash at bank internal controls noted that reconciliations were not properly supported with evidences of reconciling items. Majority of the reconciliations were not signed by the preparer, reviewer and approver.</p> <p><b>The Company agreed to ensure that:</b></p> <ul style="list-style-type: none"> <li>• all bank reconciliations prepared are adequately supported; and</li> <li>• responsible officers sign the reconciliations as evidence of timely preparation, review and authorization.</li> </ul> <p><b>5. Zero Written Value of Plant and Equipment</b></p> <p>The Company has not undertaken a full review on impairment of assets with zero book value totaling \$501,306 included in its plant and equipment.</p> <p>In addition, the Company was yet to carry out a review of the depreciation rates and the remaining economic useful lives of individual and major classes</p>

Entity	Significant Matters
<b>Unit Trust of Fiji (Management) Limited (Con't)</b>	<p>of plant and equipment in a progressive and structured manner for the consideration and review by those charged with governance.</p> <p><b>The Company agreed to review the estimated useful lives of significant assets that have not yet been fully depreciated and ensure that the estimated useful life remains appropriate. Where the useful life has changed, the remaining book value should be depreciated prospectively over the remaining (revised) useful life.</b></p>
<b>Housing Authority 2018</b>	<p><b>1. IFRS 9 – Allowance for Impairment Loss Model</b></p> <p>The Authority has adopted IFRS 9 – Financial Instruments as mandatorily required, effective from 1 January 2018. The Authority recognises loss allowances for Expected Credit Loss (ECL) on financial assets measured at amortized cost. Loss allowances for loans and advances are measured at an amount equal to lifetime ECL.</p> <p>Whilst the Authority has developed ECL model for loans and advances, we are of the view that ECL model requires further enhancements and improvements based on robust assumptions supporting the expected credit losses on its loans and advances.</p> <p>When estimating ECL, the Authority needs to consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority’s historical experience and informed credit assessment and including forward-looking information.</p> <p>In particular, the Loss Given Default (LGD) drives the provisioning quite heavily. This is the ‘Loss Given Default’ of the portfolio. Each reporting date of this LGD should be updated to reflect the most up to date loss rates for the portfolio.</p> <p><b>We recommended that the Authority should review and re-evaluate their provisioning model and the matrix and align assumptions and model to reflect the correct risk profile of the portfolio as required by IFRS 9 taking into consideration Loss Given Default (LGD) of the portfolio, lifetime of a loan in the portfolio, inflation forecast, and effective interest rate and overlay input.</b></p> <p><b>In responding to the audit issue, the Authority noted the recommendation. The risk upgrades and downgrades are automated and system driven. The portfolio is reviewed to ensure that the risk profiling of the portfolio is correct at provisioning level. The Loss Given Default has been derived with 4 years of write-off and default data. The LGD will be updated with the debts written off to maintain the up to date loss rates for the portfolio. The</b></p>

Entity	Significant Matters
Housing Authority 2018 (con't)	<p>effective interest rate is calculated every month when the provision model is run. The overlay is currently maintained at the maximum of 20% to account for potential modelling issues or to account for any potential misinterpretation of the standard. The back tests of the ECL will be used to determine the range of the overlay. The model was proposed by an Accounting firm, which is suitable to manage HA Lending portfolio.</p> <p><b>2. Governance Issues</b></p> <p>The Ministry of Housing &amp; Community Development provides direction in the operation of the Authority.</p> <p>In terms of RBF, the Authority provides reports on loan grading. However, there are no formal arrangements for the Authority to be supervised by the Reserve Bank of Fiji.</p> <p>The Authority legislation is outdated and may consider reviewing them.</p> <p><b>We recommended that the Authority could consider entering into a Memorandum of Understanding with Reserve Bank of Fiji for proper supervision, review and modernize its legislations.</b></p> <p><b>In responding to the audit issue, the Authority indicated that it is receiving support from the Reserve Bank of Fiji in regards to funding. The issue of supervision and review of legislation and how this can be facilitated will be discussed directly with the Reserve Bank of Fiji.</b></p> <p><b>3. Special Purpose Audit (Special Investigation)</b></p> <p>The Chairperson of the Board of Housing Authority of Fiji on 15 July 2020 through a Terms of Reference requested the Auditor-General to conduct a Special Purpose Audit (Special Investigation) on lots allotment and awarding of tender for the various subdivisions since 01 January 2010 to July 2020. The investigation was carried out under the provisions of section 6 (1) (d) of the Audit Act 1969. The outcome of the investigation has been reported to Chairperson of the Board on 30 September 2020.</p> <p>The impact on the financial statements from the findings of the investigations based on the terms of reference have not been determined by the Authority nor provide a disclosure on the impact for the year then ended. As a result, audit was unable to determine whether any adjustments might have been necessary in respect of the Authority's financials statements that make up the statements of financial position, movement in funds and cash flows.</p> <p><b>The Authority after receiving the special investigation report has prepared action plans to implement the recommendations made in the report.</b></p>

Entity	Significant Matters
<p><b>Housing Authority 2018 (con't)</b></p>	<p><b>4. Internal Audit Report</b></p> <p>The Internal Audit report for the Authority highlighted business management and governance issues for Land &amp; House Development Division has not been fully resolved by the Authority.</p> <p><b>The Housing Authority has established sub-committees with clear terms of reference to address the issues noted in the internal audit report.</b></p>

## 5.0 Audit Conclusion and Recommendations

---

### 5.1 Audit Conclusion

Modified audit opinions were issued for three financial statements audited which reflected negatively on the entities concerned. Urgent and close attention should be given to address matters which have been highlighted in the Auditors' Reports including the significant matters raised in Management Letters.

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

Furthermore, other significant findings arising from audit of entities for which the Auditor-General is not the external auditor cannot be reported to Parliament under the current legislative framework. Therefore, those charged with governance of these entities should consider reviewing the decisions made in respect of appointment of external auditors of state entities where Auditor-General is not the auditor.

It was noted that submission of financial statements for audit by some entities have been delayed due to the need to implement a new accounting standard<sup>3</sup> which came into effect commencing 1 January, 2019. The entities should be vigilant in developments in accounting and ensure changes in financial reporting is implemented on a timely basis.

The involvement of Department of Public Enterprises in improving accountability in state-owned entities is noted. However, there is room for further improvement through regular monitoring and active interaction with the entities.

### 5.2 Recommendations

1. Persons charged with governance, which in most instances are the Executive Management and Board should ensure that the financial statements are fully compliant with the applicable accounting standards and are submitted for audit in a timely manner.
2. Proper consideration should be given before the change of auditors since significant audit findings for entities, which are not audited by the Auditor-General are not reported to Parliament. In addition, consideration should be given to allow the Auditor-General to audit all state entities or entities where significant government funding has been made, are being made or public funds have been committed through guarantees.
3. Executive Management and Board should ensure to provide strategic direction targeting long term financial sustainability of entities without heavily relying on regular Government grant or assistance.

---

<sup>3</sup> International Financial Reporting Standards (IFRS) 16 – Leases

4. Independent internal audit functions with regular oversight by a Board Audit Committee can assist entities to achieve their objectives. Therefore, consideration should be given to establish internal audit functions preferably in entities that are deemed large.
5. Entities should continue to improve governance, risk management and compliance (legislation and regulations) by documenting policies and processes, introducing plans for business continuity and disaster recovery, in addition to the financial risks reflected in the financial statements.

## 6 Appendices

### Appendix A: Qualification Issues

Due to the absence of documentations to appropriately support the various balances reflected in the financial statements, we were unable to determine the necessary adjustments to correct the financial statements.

Entities	Qualification Issues
<b>Walesi Limited</b>	<b>Modified (Qualified) Opinion</b>
2015	<p>Included in the Statement of Financial Position is inventory balance of \$3,249,531. The Company did not provide the stock take report to verify if stock take was performed by management of the Company. In addition, audit could not identify any internal control procedure in place relating to inventory management. Therefore, the impact of the above limitations, if any, to the inventory balance of \$3,249,531 as at 31 December 2015 could not be determined.</p> <p>Without further qualifying the opinion expressed for the Company, attention was drawn to the following:</p> <ol style="list-style-type: none"> <li>1. The financial statements disclosed the “Other Contributed Equity”. The payments made by the Ministry of Communications on behalf of the Company were subject to the Ministry’s financial guidelines. In addition, other operating costs such as payroll for staff engaged in the setup of the Company was paid by the Ministry and recorded in the books of the Ministry.</li> <li>2. Whilst measures and policies have been taken by the national government and nearby trading countries to prevent the spread of the COVID 19 virus, the impact of the virus on amounts and estimates reported or used in the preparation of 2015 financial statements is not expected to be material.</li> </ol>
<b>Pacific Fishing Company Pte Limited</b>	<b>Unmodified Opinion with Emphasis of Matter</b>
	<p>The audit of the financial statements of the Pacific Fishing Company Pte Limited for the year ended 31 December 2019 resulted in an unmodified audit opinion with the following matter of emphasis:</p> <ol style="list-style-type: none"> <li>1. The financial statements noted the novel coronavirus (COVID-19) global pandemic subsequent to 31 December 2019 and how this has been considered by the Company in the preparation of the financial statements. No adjustment have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19.</li> </ol>

Entities	Qualification Issues
	<p>2. The financial statements explain the financial risk management objectives and policies of the Company. The Company does not have documented risk management policy. In addition, the human resources manual is yet to be approved by the Board.</p>
<b>Unit Trust of Fiji (Management) Limited</b>	<b>Unmodified Opinion with Emphasis of Matter</b>
	<p>The audit of the financial statements of the Unit Trust of Fiji (Management) Limited for the year ended 31 December 2018 resulted in an unmodified audit opinion with the following matter of emphasis:</p> <ol style="list-style-type: none"> <li>1. The financial statements noted the novel coronavirus (COVID-19) global pandemic subsequent to 31 December 2018 and how this has been considered by the Company in the preparation of the financial statements. No adjustment have been made to the financial statements as at 31 December 2018 for the impacts of COVID-19.</li> <li>2. The financial statements noted that the Company has provided an advance to Fiji Wai Limited totaling \$1,437,180 to meet the lease and premium payment to the iTaukei Land Trust Board (iTTLTB) for the Naseyani Water Project as at 31 December 2018. As at the date of the opinion, the Company is yet to enter into an agreement with Fiji Wai Limited outlining the terms and conditions of the advance payment.</li> <li>3. The Company has not undertaken a full review on impairment of assets with zero book value totaling \$501,306 included in its plant and equipment. In addition, the Company is yet to carry out a review of the depreciation rates and the remaining economic useful lives of individual and major classes of plant and equipment in a progressive and structured manner for the consideration and review by those charged with governance.</li> <li>4. Internal controls over procurement, payments, cash at bank and payroll were generally found to be weak. These internal controls weakness if not addressed promptly, can result in material misstatements and possible financial losses in the future.</li> </ol>
<b>Housing Authority</b>	<b>Unmodified Opinion with Emphasis of Matter and Other Matters</b>
	<p>The audit of the financial statements of Housing Authority for the year ended 31 December 2018 resulted in an unmodified audit opinion with the following emphasis:</p> <p>The financial statements noted the novel coronavirus (COVID-19) global pandemic subsequent to 31 December 2018 and how this has been considered by the Company in the preparation of the financial statements.</p>

Entities	Qualification Issues
<b>Housing Authority (con't)</b>	<p>No adjustment have been made to the financial statements as at 31 December 2018 for the impacts of COVID-19.</p> <p>In addition, the following other matters were raised in the audit report:</p> <ol style="list-style-type: none"> <li>1. The Authority is governed by a board governed appointed by the Minister under the Housing Act 1955. The Authority does not have formal arrangements to be supervised by the Reserve Bank of Fiji.</li> <li>2. The Chairperson of the Board of Housing Authority of Fiji on 15 July 2020 through a Terms of Reference requested the Auditor-General to conduct a Special Purpose Audit (Special Investigation) on lots allotment and awarding of tender for the various subdivisions since 01 January 2010 to July 2020. The investigation was carried out under the provisions of section 6 (1) (d) of the Audit Act 1969. The outcome of the investigation has been reported to Chairperson of the Board on 30 September 2020.</li> </ol> <p>The impact on the financial statements from the findings of the investigations based on the terms of reference have not been determined by the Authority nor provide a disclosure on the impact for the year then ended. As a result, I was unable to determine whether any adjustments might have been necessary in respect of the Authority's financials statements that make up the statements of financial position, movement in funds and cash flows.</p> <ol style="list-style-type: none"> <li>3. The Internal Audit report for the Authority highlighted business management and governance issues for Land &amp; House Development Division has not been fully resolved by the Authority.</li> </ol>

## Appendix B: Abridged Financial Statements

### Fiji Public Trustee Corporation (Pte) Limited

#### Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Fees	1,016,647	951,182
Interest Income	529,319	501,001
Other Income	391,057	528,972
<b>Total Revenue</b>	<b>1,937,023</b>	<b>1,981,155</b>
General and Administration Expenses	341,329	251,711
Selling Expenses	44,962	41,779
Staff and Employee Costs	851,329	722,733
Other expenses	14,682	-
Finance cost – interest on lease liabilities	1,202	-
<b>Total Expenses</b>	<b>1,253,504</b>	<b>1,016,223</b>
Operating Profit Before Income Tax	683,519	964,932
Income Tax Expense	31,133	89,367
Operating Profit After Income Tax	652,386	875,565
Other Comprehensive Income	548,184	-
<b>Total Comprehensive Income for the year</b>	<b>1,200,570</b>	<b>875,565</b>

The Corporation's operating profit increased by 37% in 2019 compared to the 2018. This was mainly attributed to the increase in revenue through the increase in investment fees received by the Corporation from the Trusts & Estates under Management.

#### Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
Cash and Cash Equivalents	705,586	265,097
Trade and Other Receivables	661,954	705,571
Other Current Assets	183,101	622,244
Financial Assets	13,133,460	12,261,652
Property, Plant and Equipment	2,493,698	1,902,094
Deferred Tax Assets	2,365	2,358
Intangible Assets	134,426	-
Rights of use of assets	10,283	-
<b>Total Assets</b>	<b>17,324,873</b>	<b>15,759,016</b>
Trade, Other Payables and Provisions	229,411	118,996
Lease liabilities	11,175	-
Provision for Income Tax	-	43,590
<b>Total Liabilities</b>	<b>240,586</b>	<b>162,586</b>
<b>Net Assets</b>	<b>17,084,287</b>	<b>15,596,430</b>

Net assets increased by \$1,487,857 or 10% in 2019 compared to 2018. This was mainly due to the increases in cash held by \$440,489 (166%), financial assets by \$871,808(7%) and property, plant and equipment by \$591,604(31%). The Corporation also recorded intangible assets of \$134,236 and right of use of assets of \$10,283.

## Airports Fiji (Pte) Limited

## Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Revenue	146,183,031	141,708,690
Other operating revenue	7,264,679	8,018,846
Finance income	2,718,106	2,079,478
<b>Total Income</b>	<b>156,165,816</b>	<b>151,807,014</b>
Other expense	36,115,738	30,501,873
Operating expenses	16,254,438	20,806,557
Impairment loss/(gain) on trade and other receivables	107,413	(149,547)
Personnel expenses	20,437,603	19,417,508
Finance cost	2,477,454	2,017,741
<b>Total Expenditure</b>	<b>75,392,646</b>	<b>72,594,132</b>
<b>Profit Before Income Tax</b>	<b>80,773,170</b>	<b>79,212,882</b>
Income tax expenses	15,609,870	14,672,081
<b>Profit After Income Tax</b>	<b>65,163,300</b>	<b>64,540,801</b>

Net profit increased by 1% or \$622,499 in 2019 compared to 2018. This was mainly due to the reduction in other operating revenue.

## Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
Cash	31,509,461	25,139,097
Trade and other receivables	18,188,699	16,414,011
Inventories	697,663	606,129
Other receivables and prepayments	7,211,180	5,674,166
Term deposits	30,893,168	32,000,000
Property, plant and equipment	480,831,237	460,219,184
Right-of-use asset	7,414,482	7,250,534
<b>Total Assets</b>	<b>576,745,890</b>	<b>547,303,121</b>
Trade and other payables	13,723,147	9,518,475
Employee entitlements	1,000,393	843,483
Deferred income	3,937,008	7,344,643
Loans and borrowings	68,316,263	74,379,377
Deferred tax liability	42,439,682	43,478,751
Lease liability	4,917,648	4,668,813
Current tax liability	424,493	245,623
<b>Total Liabilities</b>	<b>134,758,634</b>	<b>140,479,165</b>
<b>Net Assets</b>	<b>441,987,256</b>	<b>406,823,956</b>

Net assets increased by 9% or \$35,163,300 in 2019 compared to 2018. This was mainly attributed by the increase in cash held by \$6,370,364 or 25% and property, plant and equipment by \$20,612,053 or 4%.

## Post Fiji Pte Limited

### Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Revenue	9,173,563	9,942,565
Postage, Stamp and Other Sales	4,355,620	4,471,446
Rental – Postal Box and Bag	2,352,598	2,368,883
Agency Commission and Other Services	12,838,504	11,083,240
Other Operating Revenue	953,534	1,275,728
Finance Income	571,875	221,229
<b>Total Income</b>	<b>30,245,694</b>	<b>29,363,091</b>
Cost of Sales	7,131,315	8,263,284
Depreciation and Amortization Expense	2,046,153	1,221,896
Employee Benefits Expenses	8,459,086	8,018,159
Administration and Operation Expenses	9,676,373	8,293,536
Impairment expense	166,870	428,408
Selling, Marketing and Distribution Expenses	352,841	130,560
Other Operating Expenses	22,661	22,390
<b>Total Expenditure</b>	<b>27,855,299</b>	<b>26,378,233</b>
Profit from Operations	2,390,395	2,984,858
Income Tax Expenses	(491,237)	(655,384)
<b>Profit for the Year after Income Tax</b>	<b>1,899,158</b>	<b>2,329,474</b>

Net profit decreased by 18% or \$430,316 in 2019 compared to 2018. This was mainly due to an increase in administration and operating expenses by \$1.4 million or 17% and increase in depreciation and amortization expenses by \$824,257 or 67%.

### Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
Cash and Cash Equivalents	5,819,775	4,436,201
Trade and Other Receivables	6,253,686	7,402,286
Financial Assets – Held to Maturity	6,334,049	5,019,189
Inventories	4,580,317	5,960,795
Other Assets	1,125,751	841,717
Right of use Assets	7,828,754	-
Property, Plant and Equipment	5,858,943	9,417,535
Intangible Assets	474,076	393,260
Deferred Tax Assets	2,328,289	2,324,662
<b>Total Assets</b>	<b>40,603,640</b>	<b>35,795,645</b>
Trade and Other Payables	18,587,246	20,152,068
Employee Entitlements	1,423,767	1,374,925
Deferred Income	654,784	681,558
Finance Lease – Postal Global	87,374	261,780
Lease Liability	4,873,529	-
Current Tax Liability	311,439	207,113
<b>Total Liabilities</b>	<b>25,938,139</b>	<b>22,677,444</b>
<b>Net Assets</b>	<b>14,665,501</b>	<b>13,118,201</b>

Net assets increased by 12% or \$1.55 million in 2019 compared to 2018. This was mainly attributed by the increase in cash and cash equivalents by \$1.38 million (31%) and right of use asset of \$7.8 million (100%).

## Fiji Coconut Millers Pte Limited

### Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Operating Revenue	2,728,660	2,872,444
Cost of goods sold	(2,473,974)	(2,323,004)
<b>Gross Profit</b>	<b>254,686</b>	<b>549,440</b>
Operating government grant	644,097	286,067
Other income	130,823	111,077
<b>Total Income</b>	<b>1,029,606</b>	<b>946,584</b>
Loss on sale of motor vehicle	10,401	---
Selling & distribution	311,078	233,085
Administrative & operating	600,090	564,789
Impairment loss – trade receivables	825	4,425
<b>Total expenditure</b>	<b>922,394</b>	<b>802,299</b>
<b>Profit from operations</b>	<b>107,212</b>	<b>144,285</b>
Finance Cost	(64,404)	(53,063)
<b>Profit before income tax expense</b>	<b>42,808</b>	<b>91,222</b>
Income tax credit/(expense)	(14,713)	(23,500)
Profit after income tax expense	28,095	67,722
<b>Total comprehensive profit for the year</b>	<b>28,095</b>	<b>67,722</b>

The Company recorded a profit of \$28,095, which decreased by \$39,627 or 58.5% compared to a profit of \$67,722 recorded in 2018. The decrease in profit is largely due to the increase in operating and selling & distribution expenses.

### Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
<b>Assets</b>		
Cash on hand and at bank	302	1,671
Trade and other receivables	367,591	451,487
Inventories	308,263	426,309
Property, plant and equipment	8,179,056	6,434,755
Copra price stabilisation fund – Ministry of Economy	381,101	171,918
Deferred tax asset	124,955	139,666
<b>Total Assets</b>	<b>9,361,268</b>	<b>7,625,806</b>
<b>Liabilities</b>		
Trade and other payables	209,562	210,819
Interest bearing debt	1,403,220	1,187,849
Deferred grant income	1,123,232	1,229,979
<b>Total Liabilities</b>	<b>2,736,014</b>	<b>2,628,647</b>
<b>Net Assets</b>	<b>6,625,254</b>	<b>4,997,159</b>

Net assets increased by \$1,628,095 or 32.6% in 2019 compared to 2018. The increase in net assets is a result of the increase in value of land from the periodic revaluation exercise conducted by the Company in 2019. The revaluation surplus amounted to \$1,600,000.

## Pacific Fishing Company Pte Limited

### Abridged Statement of Financial Performance

Description	2019 (\$)	2018 (\$)
Revenue	31,235,362	31,864,121
<b>Total Income</b>	<b>31,235,362</b>	<b>31,864,121</b>
Raw materials and consumables used	10,384,818	10,286,473
Changes in inventories of raw materials and finished goods	800,286	(401,298)
Distribution costs	234,439	227,203
Staff and employee benefits	8,235,328	9,345,329
Other operating expenses	11,176,184	12,333,212
Depreciation and amortization expense	3,945,921	3,120,142
Finance costs	1,208,125	579,410
<b>Total Operating Expenditure</b>	<b>35,985,101</b>	<b>35,490,471</b>
<b>Loss from Operations</b>	<b>(4,749,739)</b>	<b>(3,626,350)</b>
<b>Other Income</b>	<b>1,534,177</b>	<b>3,421,106</b>
Loss on disposal of fixed asset	---	(2,185,364)
<b>Total Non-Operating Expenditure</b>	<b>(3,215,562)</b>	<b>(2,390,608)</b>
<b>Loss Before Income Tax</b>	<b>(3,215,562)</b>	<b>(2,390,608)</b>
Income tax expenses	(46,583)	381,686
<b>Loss After Income Tax</b>	<b>(3,262,145)</b>	<b>(2,008,922)</b>
Other comprehensive income	---	---
<b>Total Comprehensive Income</b>	<b>(3,262,145)</b>	<b>(2,008,922)</b>

The Company recorded net loss \$3,262,145 in 2019 compared to net loss of \$2,008,922 in 2018. This was largely due to decrease in revenue and other income for the year. There was also increase in finance cost arising from increased borrowing by the Company during the year.

### Abridged Statement of Financial Position

Description	2019 (\$)	2018 (\$)
Property, plant and equipment	35,960,486	35,189,714
Intangible asset	47,978	43,560
ROU asset	2,286,232	---
Deferred tax assets	549,067	595,648
Inventories	2,682,928	4,445,821
Trade receivables	2,746,343	3,116,717
Prepayments and other receivables	1,622,668	1,241,082
Cash on hand and at bank	317,483	284,495
Advance tax paid	374,907	374,906
<b>Total Assets</b>	<b>46,588,092</b>	<b>45,291,943</b>
Deferred income	7,283,695	6,551,108
Borrowings (Non-Current)	13,204,596	13,119,273
Lease liability (Non-Current)	2,286,037	---
Trade and other payables	2,246,582	2,520,864
Borrowings (Current)	4,061,533	2,422,606

Description	2019 (\$)	2018 (\$)
Lease liability (Current)	180,685	---
Provisions	100,421	91,817
<b>Total Liabilities</b>	<b>29,363,549</b>	<b>24,705,668</b>
<b>Net Assets</b>	<b>17,224,543</b>	<b>20,586,275</b>

The net assets decreased by 16% or \$3,361,732 in 2019 compared to 2018. This was largely due to increase in total liabilities due to increase in borrowing by the Company during the year.

**Walesi Limited****Abridged Statement of Financial Performance**

Description	2015 (\$)
Grant Income	4,000
<b>Total Income</b>	<b>4,000</b>
Administrative expenses	4,000
Other operating expenses	10,100
<b>Total expenditure</b>	<b>14,100</b>
<b>Loss from operations</b>	<b>(10,100)</b>
Finance Cost	---
<b>Loss before income tax expense</b>	<b>(10,100)</b>
Income tax credit/(expense)	---
Loss after income tax expense	(10,100)
<b>Total comprehensive loss for the year</b>	<b>(10,100)</b>

The Company recorded total comprehensive loss of \$10,100 during its first year of operation being for the financial year ended 31 December 2015.

**Abridged Statement of Financial Position**

Description	2015 (\$)
<b>Assets</b>	
Cash on hand and at bank	---
Trade and other receivables	4,000
Inventories	3,249,531
Property, plant and equipment	1,302,704
Intangible assets	3,105
Other asset	2,000
<b>Total Assets</b>	<b>4,561,340</b>
<b>Liabilities</b>	
Trade and other payables	4,000
<b>Total Liabilities</b>	<b>4,000</b>
<b>Net Assets</b>	<b>4,557,340</b>

The Company recorded net assets of \$4,557,340 for the financial year ended 31 December 2015.

## Energy Fiji Limited

### Abridged Statement of Financial Performance

Description	2020 (\$'000)	2019 (\$'000)
Revenue – electricity sales	327,095	359,427
Other operating revenue	7,943	9,408
Finance income and unrealized foreign exchange gain	2,272	2,404
<b>Total Income</b>	<b>337,310</b>	<b>371,239</b>
Personnel costs	27,666	25,987
Fuel costs	94,063	134,335
Electricity purchases	29,130	25,987
Lease and rent expenses	108	202
Depreciation and amortisation	46,200	43,419
Other operating expenses	44,027	50,097
Finance costs and unrealised foreign exchange loss	13,447	11,936
<b>Total Expenditure</b>	<b>254,641</b>	<b>291,963</b>
<b>Profit Before Income Tax</b>	<b>82,669</b>	<b>79,276</b>
Income tax expenses	15,880	15,532
<b>Profit After Income Tax</b>	<b>66,789</b>	<b>63,744</b>
Other comprehensive income	1,957	1,760
<b>Total Comprehensive Income for the year</b>	<b>68,746</b>	<b>65,504</b>

Total comprehensive income increased by 5% or \$3.242 million in 2020 compared to 2019. This was mainly due to the reduction in fuel cost and other operating expenses.

### Abridged Statement of Financial Position

Description	2020 (\$'000)	2019 (\$'000)
Cash on hand and at bank	89,161	70,716
Short term deposits	124,736	104,905
Receivables and prepayments	36,173	48,487
Derivative financial asset	4,129	4,011
Inventories	31,798	37,125
Property, plant and equipment	1,132,777	1,120,891
Intangible assets	823	1,210
Right of use assets	26,406	25,205
Current and deferred tax assets	496	1,161
<b>Total Assets</b>	<b>1,446,499</b>	<b>1,413,711</b>
Trade and other payables	141,137	134,926
Derivative financial liability	946	152
Employee benefit liability	3,523	3,447
Interest bearing borrowings	190,527	219,735
Deferred income	116,114	118,649
Current and deferred tax liabilities	68,868	60,670
Lease liabilities	26,730	25,341
<b>Total Liabilities</b>	<b>547,845</b>	<b>562,920</b>
<b>Net Assets</b>	<b>898,654</b>	<b>850,791</b>

Net assets increased by 6% or \$47.9 million in 2020 compared to 2019. This was mainly attributed by the increase in cash, short-term deposits and property, plant and equipment.

**FDB Nominees (Pte) Limited****Abridged Statement of Financial Performance**

For the year ended 30 June	2020 (\$)	2019 (\$)
Interest income	11,760	3,832
<b>Total Income</b>	<b>11,760</b>	<b>3,832</b>
Operating expenses	2,647	2,577
<b>Total Expenses</b>	<b>2,647</b>	<b>2,577</b>
Operating profit before income tax	9,113	1,255
Income tax expense	1,823	251
<b>Operating profit after income tax</b>	<b>7,290</b>	<b>1,004</b>

The Company recorded operating profit of \$7,290 for 2020 which increased by 626% compared to the profit of \$1,004 in 2019. The increase in operating profit was due to increase in interest income in 2020 which was earned from the held to maturity investments.

**Abridged Statement of Financial Position**

For the year ended 30 June	2020 (\$)	2019 (\$)
Cash	7,946	1,979
Held to maturity investments	249,581	330,370
Other receivable	2,259	1,818
<b>Total Assets</b>	<b>259,786</b>	<b>334,167</b>
Income tax payable	1,823	39,487
Other payables	1,700	45,707
<b>Total Liabilities</b>	<b>3,523</b>	<b>85,194</b>
<b>Net Assets</b>	<b>256,263</b>	<b>248,973</b>

The Company recorded an increase in net assets, which increased by \$7,290 or by 2.93% in 2020.

The income tax payable reduced as the amount payable in 2019 has been settled. There was a decrease in other payables due to the clearance of VAT payable to Fiji Revenue Custom Services in relation to the receipt of management fees in 2019.

## Fiji Development Bank

### Abridged Statement of Financial Performance

For the Year Ended	Consolidated		The Bank	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Interest Income	43,344,126	35,751,404	43,332,366	35,747,572
Fee Income	4,615,554	4,778,784	4,615,554	4,778,784
Other Income	3,765,593	3,046,095	3,765,593	3,046,095
<b>Total Income</b>	<b>51,725,273</b>	<b>43,576,283</b>	<b>51,713,513</b>	<b>43,572,451</b>
Interest Expenses	14,932,019	11,778,538	14,932,019	11,778,538
Operating Expenses	15,888,862	16,059,802	15,886,215	16,057,225
<b>Total Expenses</b>	<b>30,820,881</b>	<b>27,838,340</b>	<b>30,818,234</b>	<b>27,835,763</b>
<b>Operating Profit Before Allowance</b>	<b>20,904,392</b>	<b>15,737,943</b>	<b>20,895,279</b>	<b>15,736,688</b>
Allowance for Credit Impairment	14,273,128	8,037,760	14,273,128	8,037,760
Allowance for Interest and Fees	5,477,435	3,632,520	5,477,435	3,632,520
<b>Profit Before Tax</b>	<b>1,153,829</b>	<b>4,067,663</b>	<b>1,144,716</b>	<b>4,066,408</b>
Tax Expense	1,823	(251)	-	-
Revaluation of property and equipment	-	10,004,460	-	10,004,460
<b>Profit For The Year</b>	<b>1,152,006</b>	<b>14,071,872</b>	<b>1,144,716</b>	<b>14,070,868</b>

The Bank's consolidated operating profit before tax decreased by \$2,913,834 for the year ended 30 June 2020 compared to 2019. The decrease in net profit before tax was mostly attributable by the increase in interest and increase in allowance for credit impaired loans and advances.

### Abridged Statement of Financial Position

For the Year Ended	Consolidated		The Bank	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Cash and Cash Equivalents	63,473,626	65,921,380	63,465,680	65,919,401
Investments Held to Maturity	2,249,581	2,330,370	2,000,000	2,000,000
Loans and Advances	439,600,211	442,914,552	439,600,211	442,914,552
Other Receivables	3,981,979	4,008,533	3,979,720	4,006,715
Investment in Subsidiary	-	-	20,000	20,000
Investments	15,001	15,001	15,001	15,001
Right of use assets	1,471,192	-	1,471,192	-
Property and Equipment	29,443,303	30,247,123	29,443,303	30,247,123
Computer Software - Intangibles	335,968	174,611	335,968	174,611
<b>Total Assets</b>	<b>540,570,861</b>	<b>545,611,570</b>	<b>540,331,075</b>	<b>545,297,403</b>
Accounts Payable and Accruals	6,086,182	5,916,667	6,082,659	5,831,473
Lease Liability	1,497,513	-	1,497,513	-
Debt Securities Issued	349,055,274	356,608,437	349,055,274	356,608,437
Other Liabilities	6,367,396	6,420,099	6,367,396	6,420,099
Employee Entitlements	887,471	797,424	887,471	797,424
Deferred Income	3,106,340	3,590,264	3,106,340	3,590,264
<b>Total Liabilities</b>	<b>367,000,176</b>	<b>373,332,891</b>	<b>366,996,653</b>	<b>373,247,697</b>

For the Year Ended	Consolidated		The Bank	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
<b>Net Assets</b>	<b>173,570,685</b>	<b>172,278,679</b>	<b>173,334,422</b>	<b>172,049,706</b>

The Bank's net consolidated assets increased by \$1,292,006 or by 0.7% in 2020 compared to 2019. The increase was mostly attributable to decrease in debt securities issued and deferred income.

## Unit Trust of Fiji (Management) Limited

### Abridged Statement of Financial Performance

Description	2018 (\$)	2017 (\$)
Fee Income	3,819,139	2,632,031
Other Income	45,398	45,716
<b>Total Income</b>	<b>3,864,537</b>	<b>2,677,747</b>
Personnel Expenses	804,343	767,966
Other Operating Expenses	976,636	806,332
Depreciation and amortization expense	96,862	75,613
<b>Total Expenditure</b>	<b>1,877,841</b>	<b>1,649,911</b>
<b>Profit Before Income Tax</b>	<b>1,986,696</b>	<b>1,027,836</b>
Income tax expenses	405,454	203,503
<b>Profit After Income Tax</b>	<b>1,581,242</b>	<b>824,333</b>

Net profit increased by 92% or \$756,909 in 2018 compared to 2017. This was mainly due to the increase in revenue relating to management fees received from Unit Trust of Fiji, preliminary charges and Manager's rounding.

### Abridged Statement of Financial Position

Description	2018 (\$)	2017 (\$)
Cash	2,336,440	1,311,092
Investments	103,474	99,045
Trade and other receivables	1,151,837	558,002
Deferred tax asset	2,693	3,059
Plant and equipment	345,244	253,957
Intangible assets	5,164	7,377
Advance to Fiji Wai Limited	1,437,180	1,239,186
<b>Total Assets</b>	<b>5,382,032</b>	<b>3,471,718</b>
Creditors and accruals	1,404,301	362,343
Provision	95,851	96,877
Provision for Income Tax	197,846	204,787
<b>Total Liabilities</b>	<b>1,697,998</b>	<b>664,007</b>
Share capital	50,000	50,000
Retained Earnings	4,338,953	2,757,711
Proposed Dividends	(704,919)	-
<b>Total Shareholders' Equity</b>	<b>3,684,034</b>	<b>2,807,711</b>

Net assets increased by 31% or \$876,323 in 2018 compared to 2017. This was mainly attributed by the increase in cash held by \$1,025,348 or 78% and, trade and other receivables by \$593,835 or 106%.

## Housing Authority of Fiji

### Abridged Statement of Comprehensive Income

Description	2018 (\$)'000	2017 (\$)'000
Interest Income	6,399	7,396
Interest Expense	(3,184)	(4,479)
Other Operating Income	16,697	9,807
<b>Net Operating Revenue</b>	<b>19,912</b>	<b>12,724</b>
Amortization of Intangible Assets	112	260
Impairment Loss on Loans & Advances	488	245
Cost of Sales – Land & Houses	9,374	2,978
Depreciation of Property, Plant & Equipment	633	510
Other Expenses	2,706	2,298
Personnel Expenses	4,749	4,732
<b>Total Operating Expense</b>	<b>18,062</b>	<b>11,023</b>
Net Profit before Income Tax	1,850	1,701
Other Comprehensive Income	-	2,954
<b>Total Comprehensive Income</b>	<b>1,850</b>	<b>4,655</b>

Net profit increased by \$149,000 or 9% compared to 2017 which was attributed to the Authority having not to be relying on obtaining interest bearing loans and borrowing during the year and subsequently the interest expenses for 2018 reduced by \$1,295,000 or 29% compared to 2017.

Moreover the other operating income increased by 70% compared to 2017. These income included fees and charges, sale of land and houses and rent.

### Abridged Statement of Financial Position

Description	2018 (\$)'000	2017 (\$)'000
Cash & Cash Equivalent	2,560	1,823
Held to Maturity Investments	17,500	28,400
Loans & Advances	88,410	90,033
Inventories	59,604	38,404
Other Assets	4,559	4,986
Land Held for Future Development	3,247	3,262
Intangible Assets	216	161
Property, Plant & Equipment	10,213	10,446
<b>Total Assets</b>	<b>186,309</b>	<b>177,515</b>
Trade & Other Payable	27,817	21,044
Employee Benefit Liability	542	532
Provisions	25	25
Debt Issued & Borrowed Funds	101,772	100,962
<b>Total Liabilities</b>	<b>130,156</b>	<b>122,563</b>
Capital	41,772	41,772
Accumulated Losses	(6,780)	(7,981)
Government Grant	15,958	15,958

Description	2018 (\$)'000	2017 (\$)'000
Asset Revaluation Reserve	5,203	5,203
<b>Total Equity</b>	<b>56,153</b>	<b>54,952</b>
<b>Total Equity &amp; Liabilities</b>	<b>186,309</b>	<b>177,515</b>

Total assets increased by 5% compared to 2017. This is due to the increase in inventory, which comprises developed lots, unsold properties. Moreover, there were increased development work in progress that occurred during 2018.

Held to maturity investments reduced by 38% compared to 2017 due to short term deposits held with various financial institutions have been used for operations as authorized by the Management and Board of the Authority.

## Appendix C: Entities not Subject to Audit by the Auditor-General

Entity	Audit requirement	Audited by/Comments
1. Fiji Pine Limited	As per Companies Act	Chartered Accounting firm, Ernst & Young
2. Fiji Sugar Corporation	As per Companies Act	Chartered Accounting firm, Ernst & Young
3. Fiji Airways	As per Companies Act	Chartered Accounting firm, PWC
4. Air Terminal Services	As per Companies Act	-
5. Fiji Ships & Heavy Industries Ltd	Auditor-General	<ul style="list-style-type: none"> <li>• Auditor-General last audited 2014 financial statements.</li> <li>• Declared as Re-organized Enterprise with effect from 13 November 2015</li> </ul>
6. Fiji Ports Corporation Limited	Auditor-General	<ul style="list-style-type: none"> <li>• Auditor-General last audited 2014 financial statements.</li> <li>• Declared as Re-organized Enterprise with effect from 13 November 2015</li> </ul>

## Appendix D: Glossary

Term	Definition
Accountability	Responsibility of public sector entities to achieve their objectives in reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws.
Accounting estimates	An approximation of a monetary amount in the absence of a precise means of measurement. This term is used for an amount measured at fair value where there is estimation uncertainty, as well as for other amounts that require estimation.
Amortised	Gradually write-off the initial cost of an asset.
Assessment for impairment	Assessment done to ensure that an entity's assets are not carried at more than their recoverable amount. (i.e. the higher of fair value less costs of disposal and value in use)
Audit committee	Committee of the board of directors responsible for the oversight of the internal audit function, external audits and general financial reporting and disclosures.
Audit evidence	A difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Backlog	Accumulation of draft financial statements not submitted for audit. Draft financial statements prior to 2019 not submitted to Auditor-General for audit is taken as a backlog audit.
Business continuity risk	Business interruption can result from natural occurrences and accidental or deliberate criminal acts. Those interruptions can have significant financial and operational ramifications. Over time, an organization will experience an event that will result in the loss of information, access to properties (tangible or intangible), or the services of personnel. Exposure to those types of risks and the planning for business continuity is an integral part of an organizations risk management process.
Capital works	Amount capitalized to the balance sheet for contributions by an entity to major assets owned by the entity, including expenditure on:

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

Term	Definition
Impairment	When an asset's carrying amount exceeds the amount that can be recovered through use or sale of the asset.
Internal audit	Is an independent, objective assurance and consulting activity designed to add value to and improve business processes and organization operations.
International Financial Reporting Standards	Standards adopted by Fiji Institute of Accountants for financial reporting by large and medium entities in Fiji.
International Financial Reporting Standards (IFRS) 16 – Leases	Deals with the recognition, measurement and disclosure requirement of leases. (The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.)
Loan risk grade	Rating systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose.
Management	Those with the executive responsibility for conducting an entity's operations.
Management Letter	Management Letter highlighting areas where improvements can be made by an entity following an audit.
Management services	Organisation and coordination of the activities of a business done by another person or entity outside the business.
Material misstatement	A significant difference between the amounts, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework.
Materiality	This relates to the size or nature of the item or error judged in the particular circumstances of its omission or misstatement. Information is material if its omission or misstatement could influence the economic decisions of users, taken on the basis of the financial statements.
Misstatement	A difference between the amounts, classification, presentation, or disclosure of a reported financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.

Term	Definition
Other Entity	Entities not following under the provisions of Public Enterprise Act 2019.
Other significant matters	Include control weaknesses, which <i>could cause or is causing</i> severe disruption of the process or severe adverse effect on the ability of an auditee to achieve process objectives and comply with relevant legislation. It is likely that these issues may have an impact on the operations of the entities in future, if necessary action is not taken to address them.
Operating cash flow	Cash flow provided by operations and is a measure of amount of cash generated by a company's normal business operations.
Provision for loan accounts	A provision made to allow for the possibility that some debts due for payment in the future may never be paid.
Reasonable assurance	A high but not absolute level of assurance
Revaluation	The action of assessing the value of something again.
Risks	The probability or threat of quantifiable damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through preemptive action
Risk Management Policy	Provides method of identifying, assessing, controlling, monitoring and reporting existing and potential risks faced by an entity.
Standards on auditing	International Standards on Auditing adopted by Fiji Institute of Accountants and applied by Office of the Auditor-General for audits carried out.
Leasehold land	Real property held by a tenant (lessee) under a lease for a fixed term, after which it is returned to the owner (the lessor).
Valuation	The process of determining the fair value of an asset.
Value-adding	Financial or non-financial gains arising from improved compliance or mitigation of risks.
Work in progress	The total value of the materials and labor for unfinished projects.
Written-down value	The value of an asset after accounting for depreciation or amortization.
Zero-book values	Arises when fixed assets are fully depreciated.



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

**[www.oag.gov.fj](http://www.oag.gov.fj)**