



MINISTRY OF ECONOMY

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Ro Lalabalavu House, 370 Victoria Parade, Suva

File Ref: PARL 6/14

Date: 27 August 2019

Hon. Alvick Maharaj
Chairperson
Standing Committee on Public Accounts
Parliament of the Republic of Fiji
P O Box 2353
Government Buildings, Suva

Dear Hon. Maharaj

RE: RESPONSE TO TABLED COMMITTEE REPORTS

1. Reference is made to your letter on the above mentioned subject dated 20 May 2019.
2. The Ministry hereby provides its response on Parliamentary Paper 80 of 2018 – *“Examination of Audit Report on State-Owned Entities and Statutory Authorities for 2015”* to the Standing Committee on Public Accounts.
3. This report attached herein includes responses from nine (9) State-Owned Entities namely:
 - i. Water Authority of Fiji;
 - ii. Energy Fiji Limited;
 - iii. Fiji Airports;
 - iv. Copra Millers of Fiji Limited;
 - v. Fiji Broadcasting Corporation Limited;
 - vi. Post Fiji Limited;
 - vii. Public Rental Board;
 - viii. Maritime Safety Authority of Fiji; and
 - ix. Housing Authority.
4. We look forward to the Standing Committee’s consideration of these responses.

Yours sincerely

Makereta Konrote
PERMANENT SECRETARY



PARLIAMENT OF THE REPUBLIC OF FIJI

PARLIAMENT COMPLEX, CONSTITUTION AVENUE
P.O. BOX 2352, GOVERNMENT BUILDING, SUVA
PHONE 3225600, FAX: 3305325



Anne

Ref: PARL 6/14

20th May, 2019

The Permanent Secretary
Ministry of Economy
Ro Lalabalavu House
Suva

DM

Dear Madam,

Re: Response to Tabled Committee Reports

Kindly be advised that the following Committee Reports were tabled in Parliament by their respective Standing Committee in the May Sitting 2019 –

Date	Committee Report	Parliamentary Paper Number	Standing Committee
13/5/2019	Review of Fiji National Provident Fund's 2018 Annual Report	11 of 2019	Standing Committee on Social Affairs
13/5/2019	Review on the COP 23 Presidency Trust Fund-First Semi Annual Report for the period of May 2017 – October 2017	100 of 2018	Standing Committee on Public Accounts
13/5/2019	Review of the Office of the Auditor General Annual Report 2015	99 of 2018	
13/5/2019	Review of Fiji Public Trustee Corporation Limited 2017 Annual Report	12 of 2019	Standing Committee on Social Affairs
14/5/2019	Review of Fiji Meat Industry Board 2014 Annual Report	30 of 2019	Standing Committee on Economic Affairs
14/5/2019	Examination of Audit Report on State-Owned Entities and Statutory Authorities for 2015	80 of 2018	Standing Committee on Public Accounts
14/5/2019	Examination of Audit Reports of Government Ministries and Departments for the year ended 31 July 2016 (Volumes 1-4)	78 of 2019	
15/5/2019	Review on Follow-Up Audit on the Management of the Land Reform Program	66 of 2019	
15/5/2019	Review on the Audit Report of Municipal Councils for 2013	67 of 2019	
16/5/2019	Review of Audit Report on the Procurement of Biomedical Equipment – Ministry of Health & Medical Services and the Audit of Rural Postal Offices Quarterly Returns	69 of 2019	

Parliament adopted that the 'contents of the report be debated upon at a future sitting'.

Pursuant to Standing Orders 121 (6) (a) & (b) below:

RECEIVED
DATE 20/05/2019
Permanent Secretary for Economy

RECEIVED
20 MAY 2019
Ministry of Economy
RMU

- (a) *“the report of the standing committee shall be delivered to the relevant government department by the Secretary-General within 14 days; and*
- (b) *the Minister responsible for the relevant government department must table a substantive response to the standing committee’s report within 60 days of receiving the report”*

We look forward to receiving the response no later than 60 days from the date of this letter.

If you need further clarifications, please do not hesitate to contact the undersigned on saleshni.prasad@govnet.gov.fj.

Yours sincerely,



Salesni Prasad
for: *The Acting Secretary-General to Parliament*

Tabulated below are the Committee's recommendations and the Ministry's response upon consultation with the Public Enterprises (PE).

1. WATER AUTHORITY OF FIJI

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>A. <u>RECOMMENDATIONS</u></p> <p>PROPERTY, PLANT AND EQUIPMENT</p> <p>The Committee recommends that Water Authority of Fiji (WAF) should:</p> <p>a) Put in place stringent internal controls in the maintenance and issue of inventories to avoid possible leakages. The Committee noted the actions taken by WAF in addressing the inventory issues however, recommends that quarterly or bi annually reviews are to be conducted by OAG.</p> <p>b) Insure its significant assets included as part of property, plant and equipment and in particular those that form part of the Authority's water and distribution equipment.</p>	<p><u>WAF's Response</u></p> <p>a. The Authority conducts independent quarterly stock takes in all its stores and each store man is held accountable for any unresolved variance. Stock take procedure and processes have been put in place for inventory requests and issuances of stock. Only the team leaders / Supervisors are authorized to approve stock requisitions. Stringent controls are also in place whereby all stock purchases need GM approval.</p> <p>b. Erasito Beca Consultants Limited was commissioned by WAF to assess the reinstatement value of critical assets for insurance purposes. This exercise was completed in April 2019. Insurance valuation has been provided by the consultant of assets including buildings, plant and equipment on an "as is where is basis".</p> <p>WAF is currently in the process of getting quotes with its Brokers Marsh Ltd for these critical sites. Due to the substantial value involved as per the Valuation, the brokers have approached insurers based on First Loss Limit policy restricting cover to Fire, Earthquake Impact.</p>
<p>B. <u>AUDIT OPINION</u></p> <p>The audit of the 2015 accounts of the Water Authority of Fiji resulted in the issuance of a modified audit opinion. The qualification was due to the following:</p>	<p><u>WAF's Response</u></p> <p>The Authority's view is water & sewerage rates billed to customers is revenue to the Authority. The Authority's ordinary activities comprise the provision of water supply and waste water services as set out in section 7 of the Water Authority of Fiji Act 2007. The Authority enters into contractual</p>

Annex

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>1. Included in financial statements of the Authority as revenue are water and sewerage charges of \$32,410,653 and Trade Receivables of water and sewerage charges amounting \$10,228,694. Receipts from these charges are government revenue which is deposited directly in the consolidated fund account of government. International Accounting Standards (IAS) 18 has set two criteria which need to be met for revenue recognition. One of the criteria requires that economic benefit associated with the item of revenue should flow to the entity.</p> <p>Thus, the Authority has not met the recognition criteria for recording these charges as revenue. Consequently, revenue and receivable are not fairly stated in the Statement of Comprehensive Income and Statement of Financial Position, respectively.</p>	<p>arrangements with domestic and commercial customers and provides these services directly to customers. The Authority invoices customers for the services and customers pay to the bank account specified by the Authority. All fees and charges billed by the Authority to customers are payable by the customers to the Authority. The Authority bears the credit risk if customers do not pay their invoices. The Authority's Act does not specifically state that the collections have to be deposited in a specified account.</p> <p>The Authority directly enters into contracts with domestic and commercial customers to supply water and provide waste water services. These services are provided to customers directly by the Authority using its own assets and resources. The Authority invoices customers on a quarterly basis following the provision of the water and waste water services.</p> <p>The Authority has an arrangement with the Fiji Government, in its capacity as the Authority's owner, to pay the remittances from its customers into the Government's consolidated bank account. The Authority's view is that this should be treated as either a loan to the government or a distribution to the Government (as the owner of the Authority).</p> <p><u>Office Of The Auditor General's (OAG) Response</u></p> <p>In order for revenue to be recognised, there needs to be proper controls in place as a requirement under the International Accounting Standards (IAS) 18. The qualification of the OAG audit opinion has been recurring since 2012. There should be a disclosure note in the financial statements before the revenue is remitted into the CFA. There was no need to acquire a legal opinion on the treatment of revenue as there is a clear guideline that has been outlined under the IAS 18 for revenue recognition for entities such as WAF.</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>2. Opening balance of Property, Plant and Equipment amounting to \$1,888,909,608 for the year ended 31 December 2010 was not subject to valuation at the time of the transfer to Water Authority of Fiji. The valuation of these assets was carried out in 2006. Consequently, it was not possible to confirm the valuation of the opening balance of property plant and equipment when it was transferred in 2010.</p>	<p>WAF's Response</p> <p>The Director of Lands and WAF are awaiting Legal Opinion from the Office of the Solicitor General on Transfers of Assets on I-Taukei Lands and Freehold Land while WAF are applying leases to the Lands Department for Assets on State Land.</p> <p>Currently, monthly fixed asset general ledger reconciliation to fixed asset register is prepared and reconciled. In 2019/2020 the Authority plans to conduct a full Board of survey and upload its results in the asset management module in Sage 300 ERP system.</p>
<p>C. EMPHASIS OF MATTER</p> <p>a) Internal Control of Inventories</p> <p>i. Audit Findings</p> <p>a) Internal Controls on Inventories</p> <p>Internal controls in the maintenance and issue of inventories need to be strengthened to avoid possible leakages.</p>	<p>WAF's Response</p> <p>The following improvements have been implemented:</p> <ul style="list-style-type: none"> • New Inventory Management Policy was prepared in 2017 to cater for the new improved process of stores; • Quarterly independent stock takes performed on all stores and making store-man accountable for his/her results; • Up-skilling technical/functional competencies of the stores staff. On the job training and external training on inventory management was provided to the store-man and inventory staff; • Monthly General ledger inventory reconciliation; • Improvements to stores facilities and storage areas; • Updated SOP on accounting for work orders and inventory usage; • Additional security controls in place on inventory movements; • Spot checks conducted by internal audit team; and • Outsourcing options for repairs in progress for all regions to eliminate inventory issues.

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS		RESPONSES											
<p>b) Project Monitoring System</p> <p>i. Audit Findings Project monitoring system and its documentation needs to be improved to further enhance efficiency and effectiveness in delivery of project works.</p>	<p>WAF's Response</p> <p>Effective monitoring of project progress is conducted by the Quality Assurance unit in collaboration with the Planning, Design and Construction units. Respective files for individual projects are progressively compiled when projects are issued job numbers to begin implementation.</p> <p>From a project finance perspective, works in progress (WIP) are reconciled on a periodic basis and project delivery reports are produced for project monitoring purpose. These reports are submitted to senior management on a monthly basis.</p>												
<p>D. OTHER SIGNIFICANT MATTERS</p> <p>a) High provision of water and sewerage rates debtors</p> <p>i. Audit Findings Audit noted that the Authority's provision for rates debtors is 70% of the total water and sewerage rates debtors which is significant and indicates that the Authority may not be in a position to recover the debts from its customers. Refer to table below for details.</p> <table border="1" data-bbox="311 286 526 1169"> <thead> <tr> <th>Account</th> <th>2015 (\$)</th> <th>2014 (\$)</th> <th>Change (\$)</th> </tr> </thead> <tbody> <tr> <td>Gross Trade receivables</td> <td>34,297,130</td> <td>32,424,030</td> <td>1,873,100</td> </tr> <tr> <td>Provision for doubtful debts</td> <td>24,068,436</td> <td>22,391,604</td> <td>1,676,832</td> </tr> </tbody> </table>	Account	2015 (\$)	2014 (\$)	Change (\$)	Gross Trade receivables	34,297,130	32,424,030	1,873,100	Provision for doubtful debts	24,068,436	22,391,604	1,676,832	<p>WAF's Response</p> <p>The following are some of the procedures that have been implemented by WAF to avoid accumulation of arrears:</p> <ul style="list-style-type: none"> Mandatory requirements in place for new customer registration such as TIN number, phone contact, email address. For new customers registered in the new billing system, the TIN number is used as the primary identifier. Hence, customers relocating to new residence, the meters are plugged off from the former site and arrears is moved to the new account in the new location. In addition to this for customers whose meters are disconnected, customers are required to register the full details before meters are reconnected; Getting invoices out quicker to the customers - In March 2015, WAF established a new billing system "GENTRACK" to facilitate efficient billing of customers, better monitoring of debts and follow-up on arrears. In addition to this, WAF also increased its billing communication modes with SMS and E – billing apart from postage. Bill Info card was
Account	2015 (\$)	2014 (\$)	Change (\$)										
Gross Trade receivables	34,297,130	32,424,030	1,873,100										
Provision for doubtful debts	24,068,436	22,391,604	1,676,832										
<p>Eventually these debts could become bad resulting in write-offs and eventual loss of revenue to government.</p>													

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
	<p>also launched that enables WAF's valued customers to easily access their account details with just one swipe with any of our authorized agents such as MH, Post Fiji. This results in quicker information to customers and ultimate timely settlement of bills;</p> <ul style="list-style-type: none"> • Establishment of debt recovery unit – involved in doing follow up with the customers to remind them of the outstanding balance. Call reminders, email reminders, formal communication and meetings are some of the measures that debt recovery team carries out when doing follow up with customers; • Various modes and setting up terms to encourage prompt payments - WAF has several agents where customers can easily make payments. In addition to this, customers' with large debt balances and under financial difficulties have been allowed to make payment arrangements to ease the financial burden. Failure to adhere to the agreed repayment schedule will result in disconnection; • Disconnection of meters - WAF enforcement team is continuously involved in timely disconnection of meters for account in arrears. Previously meters had stock cork installed and a disconnection of meters was basically turning off the stock cork. WAF noted instances where customers turn on the stock cork and continue to use water resulting in the accumulation of the arrears. This has been a real challenge and main cause of the huge bills in the customer's account. To prevent this WAF has begun to install a new device "Lockable valve". With the use of lockable valve WAF has managed to control the accumulation of bills in customers account and enable them to make payments for the debts; • Continuous meter replacement – WAF is involved in the replacement of all cease and under registering meters. This will reduce the incidents of estimate bills, incorrect estimate billing and refusal to pay estimates; • Lease agreements to be formalized between WAF and landowners

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>b) Authority's plant and equipment not insured</p> <p>i. <u>Audit Findings</u></p> <p>Audit noted that significant assets included as part of property, plant and equipment and in particular forming part of the Authority's water and distribution equipment were not insured.</p>	<p>whereby WAF would pay lease rentals to landowners for water source utilized whilst landowners would be required to pay water rates.</p> <p><u>WAF's Response</u></p> <p>Erasito Beca Consultants Limited was commissioned by WAF to assess the reinstatement value of critical assets for insurance purposes. This exercise was completed in April 2019. Insurance valuation has been provided by the consultant of assets including buildings, plant and equipment on an "as is where is basis".</p> <p>WAF is currently in the process of getting quotes with its Brokers Marsh Ltd for these critical sites. Due to the substantial value involved as per the Valuation, the brokers have approached insurers based on First Loss Limit policy restricting cover to Fire and Earthquake Impact.</p>

2. ENERGY FIJI LIMITED (formerly known as Fiji Electricity Authority)

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>A. <u>RECOMMENDATIONS</u></p> <p>PROPERTY, PLANT AND EQUIPMENT</p> <p>The Committee recommends that the Energy Fiji Limited (EFL) should:</p> <p>a) Carry out a physical verification of all property, plant and equipment and make reports on verifications performed at all locations available for audit review.</p> <p>AUDIT OPINION</p> <p>The audit of the 2015 accounts of the then Fiji Electricity Authority (FEA) resulted in the issuance of an unmodified audit opinion. At the time of the PAC interview in 2018, the entity has been renamed to Energy Fiji Limited (EFL) effective from 16th April, 2018.</p> <p>B. <u>OTHER SIGNIFICANT MATTERS</u></p> <p>a) Fixed Assets Verification</p> <p>i. <u>Audit Findings</u></p> <p>Audit review of the entity's fixed assets schedules/registers indicated that physical verification of all property, plant and equipment was not carried out during the year. Also, reports on verifications performed at certain locations were not available for audit review and verification.</p>	<p><u>EFL's Response</u></p> <p>EFL has addressed this recommendation in its response for the Audit Opinion below.</p> <p><u>EFL's Response</u></p> <p>Due to the huge monetary value of EFL's assets base, \$1.3B as at 31 December 2015, the exercise of physically verifying these assets cannot all be done in one year and will be an exhaustive exercise. We have taken a staged approach to physically verify these assets in view of the limited resources we have. We have commenced with this exercise in 2016 by starting with the physical verifications of all computers and motor vehicles. All computers have been tagged while vehicles have been tagged in the Fixed Asset register against the Vehicle Registration number. In 2017, we undertook physical verification of all lands and buildings. Most of the lands where buildings are sitting have been traced back to their original titles and the land pegged against these titles in the fixed asset register. After the land & building verification is completed then next we will be verifying all our generation assets. This verification should not be an issue as we normally receive updates on the performance of each power station on daily basis. Without the power station operating or if it has been impaired then customers will be calling EFL complaining about power supply interruptions. The final</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES		
	<p>assets verification, which is planned for 2019-2021, will be a huge exercise, which is to physically verify most of our power network assets such as power poles, substations etc. Again the test will be similar to the generation assets in the sense that if any of the network asset is not performing or has impaired then customers will be complaining about power supply interruptions.</p> <p>The breakdown of the asset value by each asset categories is tabulated below:</p>		
	Description	Cost (\$M)	Status of Physical Verification
Land & Buildings	\$125.17M	In progress	
Generation Assets	\$571.66M	Will be carried out in 2018/2019. Majority of the value is associated with the Monasavu and Nadarivatu Hydro Schemes.	
Network/Generation Assets	\$587.09M	Will be carried out in 2019/2020. Majority of this cost is associated with the 132KV, 33KV, 11KV Transmission/Distribution Lines and 132KV/33KV/11KV Substations.	
Computer, Furniture & Fittings	\$28.32M	Physical verification completed	
Motor Vehicles	\$17.02M	Physical verification completed	
Total Fixed Assets	\$1.33B	Excluding Capital Work In Progress and Capital Spares	

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
	<p>Lastly, some of the above assets were acquired by EFL when it was established in 1966 and were taken up into the Fixed Asset Register as consolidated assets and not on an individual basis. These are the assets that will be very difficult to verify.</p>

3. FIJI AIRPORTS (formerly known as AIRPORTS FIJI LIMITED)

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>A. RECOMMENDATIONS</p> <p>ISSUES RELATING TO FIXED ASSETS</p> <p>The Committee recommends that Fiji Airports (FA) should:</p> <ol style="list-style-type: none"> Structure its Fixed Assets Register in a way that will enable the company to easily identify assets belonging to a specific section of the airport by location. 	<p>FA's Response</p> <p>Fiji Airports have successfully completed the revaluation of fixed assets. After receiving the verification report from Erasito Beca, Fiji Airports engaged an independent audit firm Ernst & Young (EY) to provide an assurance on the accounting treatment of the report. The report clearly identifies each asset with description, life of the assets, category, rate of depreciation and location by airport.</p> <p>Subsequently, FA's fixed asset register has been audited by external auditors with no material misstatements noted in 2018.</p>
<p>AUDIT OPINION</p> <p>The audit of the 2015 accounts of then Airports Fiji Limited (AFL) resulted in the issuance of an unmodified audit opinion. At the time of the PAC interview in 2018, the entity has been renamed to Fiji Airports effective from 30 May, 2018.</p>	<p>FA's Response</p> <p>This issue is in relation to the Savusavu terminal building upgrade contract and Nausori airport lights/fittings. The Management Accountant confirmed that both the issues relating to the Work in Progress account have been resolved.</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>B. OTHER SIGNIFICANT MATTERS</p> <p>a) Long outstanding work in progress items</p> <p>i. <u>Audit Findings</u></p> <p>Audit review of the Work in Progress (WIP) account revealed that certain items which were first included in WIP in 2013 and prior years and have not been transferred to property, plant and equipment subsequently. The major item, amounting to \$997,870 is in relation to the Nausori airport upgrade which is entirely dependent on the successful transfer of the land title to AFL.</p> <p>Another major item of \$199,050 sitting in WIP is in relation to the new Savusavu terminal building. This amount was paid upfront to the contractor to start work on the project. However, no work has been done on the project to date.</p>	<p>i. <u>Savusavu terminal building upgrade contract</u></p> <p>The contract to design and build a new terminal was awarded to Pacific Affordable Homes in 2010. The contract went into dispute due to quality and payment issues. The present management had to correct these through a legal action against the contractor, Pacific Affordable Homes, which ultimately resulted in the contract being terminated in July 2017.</p> <p>ii. <u>Nausori Airport Lights/Fittings</u></p> <p>These items were purchased for replacement of runaway lights at Nausori Airport in 2011. Subsequent to the purchase of these items, the Government as part of its growth plans for Nausori to Deuba corridor held discussions with FA to explore extending the runway for larger aircrafts. At this stage, it was a prudent business decision to hold on to the light upgrade project to avoid wastage when the runway itself was upgraded to a different scope.</p> <p>These lights were taken into FA's stock in 2016 and have been fully utilised for Labasa runway. FA now has strict procedures in place in terms of the payments to contractors. The payments to contractors are made upon progress.</p> <p><u>OAG's Response</u></p> <p>OAG confirmed that the issue relating to the Savusavu terminal building upgrade contract has been resolved.</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>b) Accounting for assets – Nadi International Airport Modernization Project</p> <p>i. <u>Audit Findings</u></p> <p>The Nadi International Airport is currently undergoing significant renovations, which commenced in October 2014. However, the company did not record disposal or write off of any items of property plant and equipment that became obsolete as a result of this project.</p>	<p><u>FA's Response</u></p> <p>FA has addressed these audit findings in its response for the recommendations above.</p>
<p>c) Assets with zero written down values</p> <p>i. <u>Audit Findings</u></p> <p>Included in the fixed asset register are assets with an original cost amounting to \$25 million which have been fully depreciated (zero written down values). Majority of these assets relate to plant and equipment which are still being used in the company's operations.</p>	
<p>d) Fixed Assets Verification</p> <p>i. <u>Audit Findings</u></p> <p>Audit review of the Fixed Assets Register (FAR) noted that it is not structured in a way that would enable the company to easily identify assets belonging to a specific section of the airport by location.</p>	

4. COPRA MILLERS OF FIJI LIMITED

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>A. <u>RECOMMENDATIONS</u></p> <p>FIXED ASSETS NOT PROPERLY ACCOUNTED</p> <p>The Committee recommends that the Copra Millers of Fiji Limited (CMFL):</p> <p>a) Properly group plant, property and equipment into classes of assets.</p> <p>b) Carry out impairment assessment of property, plant and equipment.</p> <p>AUDIT OPINION</p> <p>The audit of the 2015 accounts of the Copra Millers of Fiji Limited resulted in the issuance of an unmodified audit opinion.</p> <p>B. <u>OTHER SIGNIFICANT MATTERS</u></p> <p>a) Fixed assets not properly accounted</p> <p>i. Audit Findings</p> <p>Audit review of property, plant and equipment revealed the following anomalies:</p> <ul style="list-style-type: none"> ❖ Property, plant and equipment were not properly grouped into classes of assets; ❖ Impairment assessment of property, plant and equipment was not carried out. A number of assets had negative written down values in the Fixed Assets Register; and ❖ Major renovations and alterations to existing buildings were separately recorded instead of being added to the cost of 	<p>CMFL's Response</p> <p>CMFL's Fixed Asset Register is now updated with all old machinery and equipment written-off which were not used in business operations.</p> <p>CMFL's Response</p> <p>Outlined below are the actions and plans that the company has undertaken/intends to execute to address the audit issues:</p> <p>i. Grouping</p> <p>CMFL will review the FAR and properly group the assets into their correct classes. Property, plant and equipment as at 31 December 2017 have been correctly presented.</p> <p>ii. Impairment Assessment and Negative Book Values</p> <p>The FAR has been updated with respect to assets with zero written down values.</p> <p>The entity has carried out a full physical verification of property, plant and equipment. The written down value of fixed assets have also been reviewed to ensure it correctly reflects it's carrying values as at 31 December 2017.</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>existing assets.</p>	<p>Listed below are the major assets which will require replacement or disposal and CMFL's action plan with respect to these assets:</p> <ol style="list-style-type: none"> 1. Crude Coconut Oil Expellers – the entity has purchased a new machine from a renowned company in India – Kumar Metal Industries who have also supplied machines to various companies in Fiji. The machines arrived on 20 October 2018 and installation works was completed in November 2018. 2. Sales of Idle Storage Tanks – the entity has called for Expressions of Interest (EOIs) for the sale of Storage Tanks however, no offers were received hence, it was decided to approach interested individuals and companies and sell the storage tank. 3. Surplus Land – the entity has done the land valuation and has called for EOIs for sale of land and have received offers below the valuation amount. CMFL has now engaged the Real Estate Agent for sale of surplus land. 4. Mooring System/Buoy – currently, the buoy is being used by Pacific Energy with a service fee paid to CMFL. The asset was fully depreciated and revalued to \$5,000 in the FAR. iii. Major Renovations The entity had separately capitalised major renovations and alternation works to buildings for ease of identification and reference for internal purpose. CMFL will maintain this for its internal purpose however, will provide updated register, grouping these together with the initial cost of building for audit purpose moving forward.

5. FIJI BROADCASTING CORPORATION LIMITED

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>A. AUDIT OPINION</p> <p>The audit of the 2015 accounts of the Fiji Broadcasting Corporation Ltd (FBC) resulted in the issuance of a modified audit opinion. The qualification was due to the following:</p> <p>IFRS/IAS 20.3 “<i>Accounting for Government Grants and Disclosure of Government Assistance</i>” defines government grants as assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.</p> <p>The government grants received by FBCL meet the definition of a grant in that they constitute government assistance provided to enable FBCL to broadcast in the outer stations and local programmes.</p> <p>By following the Government’s circular requiring FBCL to treat the government grant received as a capital contribution, FBCL did not comply with the International Accounting Standard.</p> <p>However on 16 March 2016, Ministry of Public Enterprises advised all state-owned entities to account for the grants as required by the standards.</p>	<p>FBC’s Response</p> <p>FBC’s 2015 financial statements were compiled in accordance with IFRS. As audit noted, except for the effects of the departure from IAS 20, the financial statements were prepared in accordance with IFRS and other statutory requirements and hence gives a true and fair view of the financial position of the Company as at 31 December 2015.</p> <p>The departure from IAS was solely due to the effect of cabinet decision on treatment of government grants and/or special funding as capital contribution. Reference: Cabinet Decision Number: 357 Dated: Thursday 11 October, 2012. The paper states that “<i>cabinet, by written opinion agreed that as recent grants and/or special funding given must be treated as Capital contribution for the possibility of conversion into equity even if it mean retrospectively.</i>”</p> <p>In compliance with the above decision, FBC reclassified the financial statements going back to financial year 2010 and the government grant was then treated as additional capital injection into the company instead of revenues in Profit and Loss statement. This divergence from the International Accounting Standards formed the basis for qualification of the financial statements for FBC and other PEs. IAS 20 “<i>Accounting for Government Grants and Disclosure of Government Assistance</i>” requires government grants provided to compensate the Company for expenses incurred to be recognized in profit or loss as other income on a systematic basis in the same period that the expenses are recognized.</p> <p>Subsequently in 2016, the Ministry of Public Enterprises released a circular on treatment of Government grants (06/2016) based on the Cabinet’s</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>B. <u>OTHER SIGNIFICANT MATTERS</u></p> <p>a) Impairment Assessment of Plant and Equipment</p> <p>i. <u>Audit Findings</u></p> <ul style="list-style-type: none"> ❖ Audit noted that FBCL did not carry out an assessment for impairment of its plant and equipment in 2015. There was no documentation of impairment that had been prepared to support the carrying value of the Corporation's network equipment. ❖ Audit further noted that the digitization of network is expected to occur by 2020 and management changed the depreciation rates relating to analog network equipment from 20% to 6.67% to ensure that these assets are fully depreciated by 2020. 	<p>decision (59/2016). It stated that the previous decision (357/12) has been rescinded and informs that accounting treatment for any recent grants received by PES should be guided by IFRS that is IAS 20 where it meets the definition of government grant or assistance. Further, MPE Circular (09/2016) specified the effective date for revised treatment as 8th March 2016.</p> <p>Henceforth, FBC has adopted the revised treatment of recording Government funding as revenues in Profit and Loss statement as per IFRS standards. Changes were only reflected in 2016 financial statements and in years that followed since then.</p> <p>Finally, taking into consideration the Cabinet decision (02/2016), all FBC reports are prepared in compliance with IFRS and IAS.</p> <p><u>FBC's Response</u></p> <p>At each financial reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.</p> <p>If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>However, later management re-evaluated these assets and identified an adjustment of \$78,927 in the current period to ensure that the assets are fully depreciated at 6.67% by 2020.</p>	<p>cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss and is reflected in an allowance account. When the company considers that there are no realistic prospects of recovery of assets the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognised impairment loss is reversed through profit or loss. The management's assessment of impairment amount involves making a judgment at the particular point in time about inherent uncertain future outcomes of events or conditions. At that time, the most likely event that would had a relative impact on the value of the FBC's core assets was the ongoing Government's Digital spectrum project. The Government's initiative to fully digitalize Television in Fiji was going to phase-out analog equipment in the market. As the project was progressing in 2015, FBC had very limited information at year end as to which equipment would be made redundant. This information would only be available towards the completion of the project. The project consultants indicated that the whole country would turn digital before 2020 as per international standards. Both analog and digital signals would run simultaneously until such time that analog is switched off and digital becomes the only platform capable of broadcasting television in Fiji.</p> <p>The FBC's analog equipment will have zero value by the end of financial year 2020. As such, in year 2015, the FBC adjusted its depreciation rates on all analog equipment that will be affected by the digital TV project. This was reflected in the Company's 2015 financial statements. On the same note, a revaluation of all analog equipment will be carried out by the company once the project finishes and revalued amounts will be brought to account (if any) based on their usage specifications.</p> <p>Thus, the FBC did not record any provision for impairment in 2015 as the</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
	<p>management reasonably believed that no indicators for impairment existed.</p> <p>In 2018, FBC projected date for complete switchover from analog to digital was made public, which would be June 2019 however, FBC currently awaits nationwide digital switchover.</p>

6. POST FIJI LIMITED

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS		RESPONSES
<p>A. <u>AUDIT OPINION</u></p> <p>The audit of the 2015 accounts of the Post Fiji Ltd (PFL) resulted in the issuance of a modified audit opinion. The qualification was due to the following:</p> <ul style="list-style-type: none"> ❖ Included in the cash and cash equivalents balance is the Remittance between Post Office (RBPO) accounts of \$772,243 which is a clearing account for cash transfers between Post Masters. The company did not carry out reconciliations of this account with Post Masters cash account. Consequently, audit was not able to determine whether cash and cash equivalents of \$4,875,508 were fairly stated in the financial statements. 	<p><u>PFL's Response</u></p> <p>PFL management has addressed this issue. A thorough reconciliation was conducted and matter has been resolved. Management has also put in place corrective measures and necessary control with timely reconciliations now being undertaken.</p>	
B. <u>OTHER SIGNIFICANT MATTERS</u>		<u>PFL's Response</u>
<p>a) Anomalies in business engagement with an International Mail Logistic Company</p> <p>i. <u>Audit Findings</u></p> <p>Audit noted the following anomalies in the above engagement:</p> <ul style="list-style-type: none"> ❖ There was no agreement between Post Fiji Limited and the mail logistic company for the use of company's logo; ❖ There was no Board resolution on the approval of use of company's logo by the mail logistic company; and ❖ As at 31 December 2015, the logistic company owed Post Fiji Limited a sum of \$4,637,730.37 or 44% of the company's total receivable balance. In addition, the sum of \$3,501,005.21 owed by this company has been outstanding for more than 120 days. 	<p><u>PFL's Response</u></p> <p>In the process of engaging a law firm to handle litigation matters pertaining to the recovery of outstanding debts from the international mail logistics company, an expression of interest was issued for reputable firms locally and abroad for the engagement of legal services. The tender was awarded to an Australian based legal firm.</p> <p>Various correspondences with the firm have been done through emails and phone conversations. All the required documentary evidences have been provided to the lawyers to substantiate the outstanding balances. The lawyers have verified the documents provided and have concluded that there is a case to answer. Hence, the lawyers have proceeded with a letter of demand to the client.</p> <p>PFL is working in consultation with the Australian legal firm to resolve the</p>	

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES								
<p>b) Insufficient number of Board Members</p> <p>i. <u>Audit Findings</u></p> <p>Audit noted that currently the company's Board is comprised of only two members which is not sufficient for good corporate governance.</p>	<p>matter.</p> <p><u>PFL's Response</u></p> <p>This matter has been addressed and the Board composition for PFL is provided below:</p> <table border="1" data-bbox="970 1279 1145 2056"> <thead> <tr> <th data-bbox="1098 1279 1145 1675">NAME</th> <th data-bbox="1098 1675 1145 2056">POSITION</th> </tr> </thead> <tbody> <tr> <td data-bbox="1058 1279 1098 1675">Mr. Lawrence Tikaram</td> <td data-bbox="1058 1675 1098 2056">Board Chairman</td> </tr> <tr> <td data-bbox="1018 1279 1058 1675">Mr. Fazrul Rahman</td> <td data-bbox="1018 1675 1058 2056">Director</td> </tr> <tr> <td data-bbox="978 1279 1018 1675">Mrs Manjula Dayal</td> <td data-bbox="978 1675 1018 2056">Director</td> </tr> </tbody> </table>	NAME	POSITION	Mr. Lawrence Tikaram	Board Chairman	Mr. Fazrul Rahman	Director	Mrs Manjula Dayal	Director
NAME	POSITION								
Mr. Lawrence Tikaram	Board Chairman								
Mr. Fazrul Rahman	Director								
Mrs Manjula Dayal	Director								

7. PUBLIC RENTAL BOARD

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>A. AUDIT OPINION</p> <p>The audit of the 2015 accounts of the Public Rental Board (PRB) resulted in the issuance of a modified audit opinion. The qualification was due to the following:</p> <ul style="list-style-type: none"> ❖ Included in Government equity under the Statement of Changes in Equity is Government grant totaling \$16,295,950. This is a departure from IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" which requires government grants provided for the purchase or construction of assets to be recognised initially as deferred income and then recognized in profit or loss as other income on a systematic basis in the same period that the expenses are recognized. <p>B. EMPHASIS OF MATTER</p> <p>i. Audit Findings</p> <p>A long-term loan of \$9 million was borrowed by the Government from the EXIM Bank of China in 2010 to finance the construction of the Raiwai Housing Project, Suva. A grace period of five years has been provided on principal repayment. However, interest is payable together with commitment and management fees during the grace period. The Public Rental Board has not reconciled its records with that of the Ministry of Economy to take into account interest already paid by the government.</p>	<p>PRB's Response</p> <p>The departure from IAS was solely due to the effect of cabinet decision on treatment of government grants and/or special funding as capital contribution. Reference: Cabinet Decision Number: 357 Dated: Thursday 11 October, 2012. The paper states that "cabinet, by written opinion agreed that as recent grants and/or special funding given must be treated as Capital contribution for the possibility of conversion into equity even if it mean retrospectively."</p> <p>This issue has been resolved as of 8 March 2016 through Cabinet to rescind their initial decision that all grants shall be recognized under IAS 20 as deferred revenue. In 2016, no capital grant was received by PRB. However, PRB received capital grant in 2017 for Simla Low Cost Housing Project, Lautoka and this has been treated in accordance to International Accounting Standard 20 as deferred revenue.</p> <p>PRB's Response</p> <p>This issue has been resolved. PRB started to pay principal plus interest from 2016 after verifying the letter provided by Ministry of Economy. The entity had verified and paid all interest for the grace period and the balance of \$37,464.09 was cleared off in May 2018.</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>C. OTHER SIGNIFICANT MATTERS</p> <p>a) Rental flats not insured</p> <p>i. Audit Findings</p> <p>Audit noted that some rental properties and community halls were not insured due to the inability of the Board to cater for the insurance premiums.</p>	<p>PRB's Response</p> <p>This issue has been resolved. All rental properties of PRB are insured for a value of \$30 million since October 2017.</p>
<p>b) Review of Property, Plant and Equipment</p> <p>i. Audit Findings</p> <p>Audit noted the following anomalies in property, plant and equipment:</p> <ul style="list-style-type: none"> ❖ There was no evidence to indicate that the Board carried out an assessment for impairment of its assets. Assets totaling \$8.15 million had zero written down value recorded in the Fixed Asset Register although these assets were still used for Board's activities; and ❖ Buildings (Raiwai Project 1997) valued at \$142,744 was recorded under property, plant and equipment although the buildings have been demolished. 	<p>PRB's Response</p> <p>This issue has been resolved. PRB engaged Property Solution in 2017 to undertake valuation for all PRB properties.</p>

8. MARITIME SAFETY AUTHORITY OF FIJI

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>A. <u>AUDIT OPINION</u></p> <p>The audit of the 2015 accounts of the Maritime Safety Authority of Fiji (MSAF) resulted in the issuance of a modified audit opinion. The qualification was due to the following:</p> <ul style="list-style-type: none"> ❖ MSAF in accordance with a Circular issued by the Ministry of Public Enterprises on Cabinet Decision No. 357 of 2012, accounted for all government grants received from 1 January 2011 as capital contributions. This is a departure from the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) <i>Section 24 – Government Grants</i> which requires government grants to be recognised in profit or loss as income when grant proceeds are receivable or when performance conditions are met. 	<p><u>MSAF's Response</u></p> <p>A modified audit opinion was issued on the 2015 financial statement because MSAF was abiding by the Circular issued by the Ministry of Public Enterprises on Cabinet Decision No. 357 of 2012 where all Government Grant received was to be treated as Capital Contributions. However, the OAG did not recognise this treatment of Government Grant as this deviated from the standard accounting practice.</p> <p>However, the above circular was then rescinded in 2016 and all treatment of grants was in accordance to accounting standards from 1 January 2016. MSAF does not expect a qualified audit opinion in their 2016 financial statements.</p> <p><u>OAG's Response</u></p> <p>The issue related to the two Circulars issued by Ministry of Public Enterprises in 2012 and 2016 regarding the treatment of Government grants. The 2012 Circular required the grant to be recorded as capital contribution and this Government directive conflicted with the International Accounting Standards. While the audit report is based on international accounting standards, the treatment of the grant deviated from this and that was why the OAG had qualified the audits. The entities changed their accounts to reflect the grant as revenue as per the second Circular issued in 2016 which was the reason behind the audit opinion being modified.</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>B. EMPHASIS OF MATTER</p> <p>a) Tax Exemption Status</p> <p>i. Audit Findings</p> <p>The financial statements of the Authority states that it is exempted from income tax under Section 55 of the Maritime and Safety Authority of Fiji Act 2009 for the first three years commencing 1 January 2011.</p> <p>Consequently, the tax exemption period should cease from 1 January 2014. The Authority did not maintain appropriate documentary evidence to support its continuous tax exemption status.</p>	<p>MSAF's Response</p> <p>The Authority was granted approval by the Minister for Economy in December 2018 for the extension of tax exemption from 2013 to 2018 under Paragraph 2 of Part 1 – Government of the Income Tax (Exempt Income) Regulations 2016.</p>
<p>b) Ships Systems Database Software</p> <p>i. Audit Findings</p> <p>The Authority invested a sum of \$163,385 for the purchase and installation of a Ships System Database Software in 2015. The development of the software was incomplete.</p>	<p>MSAF's Response</p> <p>This issue has been resolved by the software developer. MSAF is now using this database for its Ship's online survey approval process.</p>
<p>C. OTHER SIGNIFICANT MATTERS</p> <p>a) Underutilization of Capital Grants / No Board</p> <p>i. Audit Findings</p> <p>Audit noted that capital grants disbursed by Government for various purposes such as construction of light houses and purchase of lanterns were underutilized in 2015. Of the \$3 million received, only</p>	<p>MSAF's Response</p> <p>The issue has been resolved as MSAF Board has now been appointed and MSAF is in the process of constructing four (4) lighthouses from the capital grant through normal tender process.</p>

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p>15% was utilized as at 31 December 2015 leaving a balance of \$2.5 million as unutilized. In addition, a Board is yet to be appointed to manage the affairs of the Authority.</p>	
<p>b) Marine Spill Pollution Advisory Committee not established</p> <p>i. <u>Audit Findings</u></p> <p>Audit noted that the Marine Spill Pollution Advisory Committee has not been established as required by the Marine Transport Decree and the Marine (Pollution Levy) Regulation.</p>	<p><u>MSAF's Response</u></p> <p>MSAF Board has endorsed the appointment of the Marine Spill Advisory Committee (MSAC) in the first meeting held on 4 May 2018 subject to approval from the line Minister for Infrastructure & Transport.</p> <p>MSAF is working in consultation with the line Ministry for the formal appointment of the MSAC.</p>

9. HOUSING AUTHORITY OF FIJI

COMMITTEE RECOMMENDATIONS / AUDIT FINDINGS	RESPONSES
<p><u>AUDIT OPINION</u></p> <p>The audit of the 2015 accounts of the Housing Authority of Fiji (HA) resulted in the issuance of an unmodified audit opinion.</p> <p>A. OTHER SIGNIFICANT MATTERS</p> <p>a) No policy on inventory provisioning</p> <p>i. <u>Audit Findings</u></p> <p>There is no formal policy or guidelines on the calculation of provisions for inventory by the Authority.</p>	<p><u>HA's Response</u></p> <p>The findings has been noted. The Authority now has in place an approved policy on inventory provisioning.</p>

MINISTRY OF PUBLIC ENTERPRISES

COMMITTEE RECOMMENDATIONS	RESPONSES
<p><u>GENERAL RECOMMENDATION</u></p> <p>The Ministry of Public Enterprise, through regular and active interaction with state-owned entities, should encourage them to prepare and submit quality draft annual financial statements for audit in a timely manner.</p>	<p><u>Department's Response</u></p> <p>The Department of Public Enterprises maintains a close follow-up on the submission of draft financial statements, as per the Public Enterprise Act 1996.</p> <p>In addition, the Department also has regular meetings and discussions with PE Boards pertaining to compliance issues and statutory requirements.</p>