



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Audit Reports on Public Enterprises and Other Entities for the audit year ending from 2019-2020 and 2021-2022



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CHAIRPERSON'S FOREWORD



This consolidated Committee report follows the Report of the Auditor General of the Republic of Fiji for the 2019-2020 and 2021-2022 Audit Reports on Public Enterprises and Other Entities.

The 2019 -2020 report covers audits of 11 Financial Statements for eight (8) public enterprises and three (3) other entities. Out of the 11 audit opinions that were issued 1 was from the 2015 financial statements, 2 from the 2018 financial statements, 5 were from the 2019 financial statements and 3 from the 2020 financial statements for the various entities.

The Office of the Auditor General had issued ten (10) unmodified audit opinions and one (1) modified (qualified) audit opinion on the financial statements of the entities that were audited.

The 2021-2022 report covers audits of 30 Financial Statements for ten (10) public enterprises and four (4) other entities. Twenty-five (25) were issued with unmodified audit opinions and five (5) were issued with modified (qualified) audit opinion on its financial statements.

The Committee deliberated and noted some of the significant matters that needs to be brought to the attention of the House for consideration and these include:

- Addressing significant delays in submission of quality draft financial statements for audit is warranted by those respective Boards and those charged with Governance of State-owned entities including the Permanent Secretary and Minister.
 - In the 2019 -2020 report quality of 4 entities out of 11 were found to be ineffective while for timeliness, 7 entities out of 11 were ineffective.
 - In the 2021-2022 report quality of 2 entities out of 30 were found to be ineffective while for timeliness, 7 entities out of 30 were ineffective.
- Modified audit opinion issued for the financial statements audited every year on the Public Enterprises and Other entities reflected negatively on the entities concerned, its Board, the Permanent Secretary for Public Enterprises, and the Minister responsible. Urgent and Close attention needs to be given to address matters which have been highlighted in the Auditors report.
- The Auditor General needs to be the external auditor for all State-owned entities and have the powers to carry out Audit whether financial or performance on those organisations that receive funding from Government directly and/or indirectly to ensure that the findings can be reported to Parliament. Therefore, those falling outside the ambit of the Auditor General should review the decision.
- The long-term financial sustainability of some of the entities without government assistance continued to be questioned, let alone the ability to provide an acceptable return (dividend and/or growth) per annum to Government. Hence management and Board should ensure to provide strategic direction for long term financial stability of entities to minimise heavy reliance on government grant or assistance.
- 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 by the Ministry of Public enterprises, including the establishment of independent internal audit functions and Board Audit Committee, which could

assist in identifying any gaps in controls for necessary action.

- There is potential for these public enterprises and State-owned entities to be a development agent and earning sector of its own (like local governments) to support Development and investment targets for Fiji. In the ADBs Report: FINDING BALANCE 2023 KEY FINDINGS FOR FIJI, the following was noted which we believe can be improved substantially.
 - Number of SOEs: 20
 - Dominant industries: Power, aviation, banking
 - Book value of assets (2021): F\$4.2 billion
 - SOE total fixed assets in economy (2020): 16–22%
 - Average portfolio contribution to GDP (2010–2021): 3.7%
 - Average return on assets (2010–2021): 2.1%
 - Average return on equity (2010–2021): 4%


- With a \$4.2billion in assets and average return on Equity of 4%, again there is potential, and these public enterprises and State-owned entities were not strategically governed, not strategically managed and not strategically supervised that in the last 10-15 years and needs a Ministry of its own.

The Committee strongly encourages the current Executive Management and the Board of the relevant public enterprises and other entities to take responsibility for the deficiencies that have been identified in the audit and draw necessary actions to resolve the issues highlighted even though they were mostly from old, audited reports and under the auspices of the previous minister and Government.

The clarifications provided, forward commitment expressed, and improvements seen by the Committee revealed that these entities have taken the Auditor-General's recommendation positively and are taking necessary actions to resolve significant matters that were highlighted.

Overall, I wish to thank the Executives of the 17 Public Enterprises and Other Entities for providing its written responses to the audit issues that were raised and measures that are put in place to resolve the issues identified. Also, commend the Staff of the Office of the Auditor General for providing technical clarifications on those issues and accompanying the Committee to all the consultations organized within and outside of Parliament. Also, a special thanks goes to the Ministry of Public enterprises staff and the Permanent Secretary for the provision of updated figures.

I also wish to extend my appreciation to all the Honourable Members of the Committee who were part of the successful compilation of this bipartisan report namely, Hon. Sakiusa Tubuna (Deputy Chairperson), Hon. Jovesa Vocea, Hon. Alvick Maharaj and Hon. Hem Chand and the Secretariat team. I also wish to thank Hon. Ratu Isikeli Tuiwailevu, Hon. Vijay Nath and Hon. Taito Rokomatu who stood in as alternate members pursuant to Standing Order 115(5) and participated in the Committee consultations.



Hon. Esrom Y. Immanuel
Chairperson

COMMITTEE MEMBERS



Hon. Esrom Y. Immanuel
(Chairperson, Assistant Minister for Finance)



Hon. Sakiusa Tubuna

(Deputy Chairperson, Assistant Minister for the Office of the Prime Minister)



Hon. Jovesa Vocea

(Assistant Minister for Rural and Maritime Development and Meteorological Services)



Hon. Alvick Maharaj
(Opposition MP)



Hon. Hem Chand
(Opposition MP)

INTRODUCTION

The 2019-2020 and the 2020-2021 Audit Reports on Public Enterprises and Other Entities were tabled in Parliament on 23 September 2021 and 6 April 2023, respectively and were referred to the Standing Committee on Public Accounts, for its scrutiny.

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

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

COMMITTEE PROCEDURE

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

The Committee conducted a round of consultations around Vitilevu, Vanualevu and the Parliament precinct with all the following named public enterprises. The Ministry of Public Enterprises was also engaged in the consultation process in which they provided clarifications on some of the audit related issues that were raised with them and the overall performances of these public enterprises and Other Entities.

- | | |
|---|--|
| 1. Fiji Public Trustees Corporation Pte Ltd | 2. Fiji Airports Pte Ltd |
| 3. Post Fiji Pte Ltd | 4. Walesi Fiji Ltd |
| 5. Fiji Rice Pte Ltd | 6. Fiji Coconut Millers Pte Ltd |
| 7. Food Processors Pte Ltd | 8. Fiji Broadcasting Corporation Pte Ltd |
| 9. Fiji Meats Industry Board | 10. Yaqara Pastoral Company Limited |
| 11. Unit Trust of Fiji (Management) Ltd | 12. Pacific Fishing Company Pte Ltd |
| 13. Energy Fiji Ltd. | 14. Assets Fiji Limited. |
| 15. Housing Authority of Fiji. | 16. Fiji Development Bank |
| 17. FDB Nominees Pte Ltd | |

BACKGROUND

The Annual financial statements are prepared by the public enterprises and entities. It is important for the Directors and Managers of this entities that the preparation and fair presentation of the financial statements are in accordance with International Financial Reporting Standards and requirements of applicable laws and regulations. The 2019-2020 Audit report on Public Enterprises and Other Entities.

- covers 11 entities of which 8 are public enterprises and 3 are other entities.
- The Auditor General issued 11 audit opinions out of which 1 relates to the 2015 financial statements. 2 relates to the 2018 financial statements, 5 relates to the 2019 financial statements and 3 relates to the 2020 financial statements.
- For the audit undertaken on the 2015 financial year, the Auditor General issued a modified audit opinion for the financial statements audited.

- For the audit undertaken on the 2018 financial year, the Auditor General issued an unmodified opinion on 2 of the financial statements audited,
- for the audit undertaken on the 2019 financial year, the Auditor General issued an unmodified audit opinion on 5 of the financial statements audited.
- And for the audit undertaken on the 2020 financial year, the Auditor General issued an unmodified opinion on 3 of its financial statement audited.

The 2021-2022 report covers 30 Financial Statements of fourteen (14) public enterprises and other entities in which twenty-five (25) were issued with unmodified audit opinions and five (5) were issued with modified (qualified) audit opinion.

The Auditor General highlighted in the 2 reports that 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 their governance including the line Ministry for priority and prompt actions and resolutions.

Additionally, the two Audit Reports also highlighted other areas that require immediate attention by the Directors and Management of Public Enterprises and Other Entities for prompt action and resolutions including.

- 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.

The abridged financial statements are presented in the two (2) Audit Reports for each entity and includes statement of financial performance reflecting revenue, expense, and net income while the abridged statements of financial position present the assets, Equities, and liabilities. These two (2) statements are part of the Committee deliberations and specifically focused on each entity's recent audited year.

Findings also included each of the entity's significant audit issues and the emphasis of matters and the responses from the entities with Committee recommendations. The following information are also captured in the findings on the public enterprises discussed here:

- Annual Turnover
- Profitability.
- Liquidity.
- Solvency.
- Dividends given back to Government.
- Assets & Liabilities

An area of interest by the Auditor General which we agreed to is its needs to be the external auditor (whether directly or by certifications) for all State-owned entities and for them to be given the powers to carry out Audit whether financial or performance. It is to include those enterprises or organisations that receive funding or any form of financial support from Government directly and/or indirectly and those that are currently audited by private auditors to ensure that the findings can be reported to Parliament .Therefore, those falling outside the ambit of the Auditor General should review the decision to either be directly Audited by the OAG or have their report certified by the Auditor General.

GENERAL RECOMMENDATIONS

The Committee in its review of the two (2) audit reports found common problematic and systematic issues across all enterprises. Also, the current skill manpower shortages are prevalent among them. They have provided their responses to the audit issues that were raised by the OAG and raised by the committee which recommends the following:

1. **Some of the smaller public enterprises which have the same nature of business or synergies should merge for better Strategic Direction, Governance, management, and costs efficiency, for example, the Fiji Meats Industry Board with Yaqara Pastoral, Food Processors with Fiji Rice and/or Agricultural Marketing Authority etc.**
2. **Sharing of resources on non-operational matters should be done amongst the public enterprises especially small ones, such as Accountants, Human Resources, Accounting Systems, Internal Auditors etc.**
3. **Ministry of Public Enterprises to strengthen its monitoring of public enterprises including Committee recommendations to improve their operation and value to the economy, even though some are established with social or non-commercial objectives.**
4. **The Ministry of Public Enterprise should ensure that all public enterprises accounts are updated by 2025, and to resolve all audit issues including any write offs or adjustments in their 2025 financial year account.**
5. **The Ministry of Public Enterprises in view of enterprises size, strength, opportunities and potential as a development and growth sector should be considered as a stand-alone Ministry focused on economic development, growth, and investment returns to the Government.**
6. **As with recommendation 1, All the public enterprises through the Ministry should focus on their core business and ensures that it achieves the 10% return that should be given back to Government. Those that can't be improved for returns and value should be considered for privatisation.**
7. **The Ministry to follow-up on those public enterprises accounts that are not up to date and not reported and these includes Fiji Hardwood Corporation (Pte) Limited, Fiji Investment Corporation and Viti Corporation Limited and those that do not fall under the audit ambit of Office of the Auditor General.**
8. **With the assistance of the Ministry of Public Enterprises, all the public enterprises should thoroughly review their current accounting system and consider implementing an accounting system that would provide accurate and timely financial reporting, including using a uniform system that can be used by all and consolidate all as well.**

COMMITTEE FINDINGS

In reviewing the two (2) Audit Reports, the Committee identified the following apart from the financial Audit:

1. Fiji Hardwood Corporation (Pte) Limited 2018 Audit was completed, and Financial Statement issued for signing on 23/6/2022, the Company is yet to return the signed FS, why?
2. Fiji Investment Corporation Limited-The company is yet to provide 2006-2021 draft FS for audit, and we heard that they are trying to have it done through private auditors, please explain why engaged external auditors **when the OAG is there to organize the audit of their accounts?**
3. Viti Corporation Limited-2008-2009 audit is complete and issued for signing on 27 February 2023, but no further progress is forthcoming to the office of the OAG? Why it is so late?
4. Re-Organized Entity-Biosecurity Authority of Fiji-2014-2016 audit yet to commence. Why?
5. **Walesi's 2016 and 2017** Audited Financial statements were sent for signing in July and August 2021 respectively but were not signed when the Audit report was finalized and sent to parliament on 17th September 2021 and 30th March 2023, and they **are still outstanding**. The 2018 and 2019 Audit were completed and the 2020 account was signed on 8/3/3023. Why?
6. Yaqara's Pastoral Company 2016 and 2017 Audited Financial statements were sent for signing in 2020 with a qualified opinion, then opinion was requested to be amended for signing in 2021 but was not signed when the Audit report was finalized and sent to parliament on 17th September 2021. Now the account has been finalized but with the Modified opinion. 2018-2019 is complete and will come in the next Audit report. Why?
7. Food Processors PTE Limited is another problematic enterprise with the 2010 Audited Financial statements finalized in January 2023, while the 2011-2019 audit is complete and will come in the next Audit report. Why?
8. The others that are audited externally of OAG are Fiji Pine Limited, Fiji Sugar Corporation, Fiji Airways, Air Terminal Services, Fiji Ships & Heavy Industries Limited, Fiji Ports Corporation Limited, Energy Fiji Limited.
9. Now we are pushing most or all of them to fasten the Finalization of their Financial Accounts to be Audited and be up to date by 2025 and the OAG is aware of the need.
10. Some or most of the Enterprises are allocated grant and funding from the government every year to carry out non-commercial objectives such as price stabilizations, for Capex and Opex plus for subsidies and studies. Details for the last 5 years are itemized below, and no real evaluation was carried out on the effectiveness of the allocations.

Names	2024-2025	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Biosecurity Authority of Fiji	1.0m	1.5m	1.0m	1.1m	1.0m	1.3m
Fiji Rice PTE Limited	1.4m	1.0m	1.3m	0.94m	0.8m	2.0m
Food Processors PTE Limited	1.0m	2.0m	1.17m	0.6m	0.2m	0.227m
Fiji Coconut Millers PTE Limited	1.0m	1.0m	0.42m	0.47m	0.7m	1.232m
Fiji Hardwood Corporations PTE Limited	0.965m	-	-	-	-	-
Ship Building	10.0m	-	-	-	-	-
Post Fiji PTE Limited	-	0.5m	-	-	-	-
Yaqara Pastoral Company PTE Limited	-	-	0.323m	-	-	-
Total	15.36m	6.1m	4.2m	3.11m	2.7m	3.5m

11. If we refer to Annexure 2 of the information provided by the Ministry of Public Enterprises on the enterprises they supervise and managed directly found this important information.

- I. Total Assets, Liabilities Equities and performance figures cannot be consolidated due to different financial year dates, the inconsistencies of all of them on timeliness and quality of accounts.
- II. Most except Fiji Airports are not doing well in terms of Profitability, Liquidity., Solvency., Dividends given back to Government and Assets & Liabilities. Fiji Rice is the worst performing while Yaqara Pastoral is lost altogether even though we are aware they are earning well.
- III. For some of the enterprises, they wouldn't survive without continuing Government financial support.
- IV. Dividend payments were none in FY2023, \$790k by Unit Trust in FY2022, \$684k by Public Trustee, \$16m by Airports Fiji Ltd and \$368k by PAFCO in FY2021, a meager rate of dividend considering the assets, equities, and support by the government.
- V. During our Physical visit, we saw that Yaqara is the worst in terms of its condition (apart from the worst Financial Management arrangement), then we have Food Processers, Fiji Coconut Millers, Fiji Meat Industry Board needing upgrade.

Financial Reporting

In terms of financial reporting, where sound Financial Management is needed for both Quality and Timeliness, a lot of the organizations need major improvements.

Quality

The following organization have Modified or Qualified opinions:

1. Walesi Fiji Limited for 2015 and 2018.
2. Food Processers PTE Limited for 2009
3. Fiji Rice PTE Limited-for 2020
4. Yaqara Pastoral Company Limited-for 2016 & 2017

Timeliness

All entities except for Fiji Public Trustees Corporation PTE Limited, FDB Nominees PTE Limited and Fiji Development Bank and FBC have major problems with timeliness due to specific reasons which will be discussed in the report.

Internal Controls

All entities are guilty in this aspect except FDB, FDB Nominees Ltd, FBC, AFL. The worst entities are Food Processers PTE Limited, Yaqara Pastoral Company Limited, while Walesi PTE Limited continues to lack monitoring.

The following contents highlighted the recent audit opinion that was issued to each entity that were covered in the two (2) audit reports, their abridged statements of financial performance and position plus audit issues that were identified and responses from each entity.

1. Fiji Public Trustees Corporation Pte Ltd

Audit Opinion

The audit of Fiji Public Trustees Corporation Pte Ltd for the year 2019,2020,2021 resulted in the issuance of unmodified audit opinions.

Abridged Statement of Financial Performance – 2021 (Fiji Public Trustee Corporation Pte Limited)

Description	2021 (\$)	2020 (\$)
Fees	872,225	1,178,886
Interest income	369,864	505,359
Net change in fair value of equity instruments	65,298	---
Other income	23,957	15,677
Total Income	1,331,344	1,699,922
General and administration expenses	422,186	419,230
Selling expenses	27,062	33,309
Staff and employee cost	689,413	732,335
Other expenses	5,835	164,679
Net change in fair value of equity instruments	---	343,296
Financial cost – interest on lease liabilities	2,355	2,049
Total Expenditure	1,146,851	1,694,898
Profit Before Income Tax	184,493	5,024
Income tax expenses	(1,801)	(77,604)
Profit/(Loss) After Income Tax	182,692	(72,580)
Other Comprehensive income	---	---
Total comprehensive income/(loss) for the year	182,692	(72,580)

The net profit of \$182,692 in 2021 compared to a net loss of \$72,580 in 2020 was due to the gain in the fair value of the Corporation's investment portfolio of equities of \$65,298 and proper controls over expenditure management.

Abridged Statement of Financial Position – 2021 (Fiji Public Trustee Corporation Pte Limited)

Description	2021 (\$)	2020 (\$)
Cash and cash equivalents	256,398	574,235
Trade and other receivables	1,627,431	1,402,852
Other current assets	56,314	58,093
Financial assets	13,052,641	12,787,343
Property, plant, and equipment	2,370,143	2,400,147
Income tax asset and deferred tax assets	252,910	114,453
Intangible assets	90,338	128,753
Right-of-use asset	65,936	17,599
Total Assets	17,772,111	17,483,475
Trade, other payables, and Provisions	301,056	215,018
Lease liability	68,883	18,977
Total Liabilities	369,939	233,995
Net Assets	17,402,172	17,249,480

Net assets increased by 0.89% or \$152,692 in 2021 compared to 2020. This was mainly attributed by the increase in Financial Assets, and, in trade and other receivables in respect of fees and VAT receivable from Trusts and Estates and investment in government bonds.

Significant Matter 1 - FPTCL to explain how the Corporation deals with unclaimed money and beneficiaries of estates.

Response from the Entity:

The Corporation has an internal process for unclaimed monies and beneficiaries of estates as endorsed by the FPTCL Board.

Step 1 - Advertising in the local papers and social media platforms (Facebook, LinkedIn, and website) pursuant to section (62) of the Trustee Act 1966.

Step 2 – When we receive claimants, we follow our verification process to identify the beneficiaries and

follow our normal full settlement process to pay out the funds to clients.

Step 3 – If no claimants, we follow the same process as step 1 and other means to search for beneficiaries. FPTCL also writes to Births, Deaths and Marriages registry, District offices to try to locate beneficiaries who might not have access to social media or local papers.

The FPTCL repeats the steps to get information on beneficiaries and the Corporation is required to exhaust all means to locate the beneficiaries. FPTCL have been successful in locating several beneficiaries after decades of searching for them and have paid out their share of funds.

PAC Comments/Recommendations: The Committee recommends that FPTCL create more awareness on the roles and responsibilities of the Corporation because of its importance to the community, especially, in rural and the maritime areas.

Significant Matter 2-General & Administration Expenses continue to increase from 2018 (\$251, 002) to 2020 (\$419,230)?

Response from the Entity

FPTCL expanded its services to the North and opened its branch in Labasa in May 2018 which led to an increase in operating costs. Furthermore, there was an increase in audit fees due to audits of two sets of financial statements (one for Corporation and one for Trusts & Estates). Also, there was an increase in depreciation and amortization expenses due to asset additions. Lastly, due to the general increase in prices of goods and services which impacted the operating cost of doing business.

PAC Comments/Recommendations: The Committee recommends that in future, the Corporation needs to work within their budget and proper planning is crucial.

Significant Matter 3-Provide the details of the increase in the fair value of equity instruments amounting to \$343, 296?

Response from the Entity

The company has invested in Managed Funds held with Unit Trust of Fiji and Fiji Holdings Unit Trust. The company, in line with the accounting standards, records a net change in the unit prices to reflect the fair value of these investments in the Financial Statements. In 2019, the company recorded a net change in the fair value of equity instruments of \$367,955 in accordance with International Financial Reporting Standards (IFRS 9). According to IFRS 9, all equity investments are to be measured at fair value in the statement of financial position, with value changes recognized in profit or loss.

PAC Comments/Recommendations: The Committee noted the response provided by the Corporation.

2. Post Fiji Pte Ltd

Audit Opinion

The audit of Post Fiji Pte Ltd 2020 – 2021 financial statements resulted in the issuance of an **unmodified** audit opinions but has some significant matters to resolve as highlighted in the commentary.

Abridged Statement of Financial Performance – 2021 (Post Fiji Pte Limited)

Description	2021 (12 months) (\$)	2020 (6 months) (\$)
Revenue	7,396,433	4,353,721
Postage, Stamp and Other Sales	3,711,492	1,923,342
Rental – Postal Box and Bag	2,261,434	1,215,664

Agency Commission and Other Service	8,394,509	4,002,253
Other Operating Revenue	1,120,023	602,086
Finance Income	571,182	239,114
Total Income	23,455,073	12,336,180
Cost of Sales	5,943,140	3,322,243
Depreciation and Amortization Expense	1,811,302	995,033
Employee Benefits Expenses	7,269,113	4,226,133
Administration and Operation Expenses	5,669,712	2,486,125
Selling, Marketing and Distribution Expenses	380,072	180,058
Other Operating Expenses	13,422	5,607
Impairment expenses	(46,614)	508
Total Expenditure	21,040,147	11,215,707
Profit from Operations	2,414,926	1,120,473
Income Tax Expenses	(576,270)	(207,797)
Profit for the Year after Income Tax	1,838,656	912,676

The comparative amounts in the Statement of Financial Performance are not entirely comparable as the 2021 (July to June) financial statements covered 12 months while the 2020 financial statements only covered 6 months (January to June). The Company changed its financial year from January to December to July to June in 2020.

Abridged Statement of Financial Position – 2021 (Post Fiji Pte Limited)

Description	2021 (12 months) (\$)	2020 (6 months) (\$)
Assets		
Cash and Cash Equivalents	7,174,370	6,125,068
Trade and Other Receivables	4,897,756	5,893,978
Financial Assets – Held to Maturity	8,092,362	8,278,207
Inventories	3,931,678	3,630,910
Other Assets	1,266,091	514,733
Right of Use Assets	7,103,637	7,481,678
Property, Plant and Equipment	5,020,872	5,655,373
Intangible Assets	299,572	368,314

Description	2021 (12 months) (\$)	2020 (6 months) (\$)
Deferred Tax Assets	2,409,578	2,527,716
Total Assets	40,195,916	40,475,977
Liabilities		
Trade and Other Payables	15,690,760	17,383,313
Employee Entitlements	1,097,780	1,521,523
Deferred Income	761,940	641,397
Finance Lease – Postal Global	42,274	65,748
Lease Liability	4,416,198	4,604,511
Current Tax Liability	770,131	681,308
Total Liabilities	22,779,083	24,897,800
Net Assets	17,416,833	15,578,177

Significant Matters 1 - Material Misstatements in VAT Receivables

The audit noted that the company recorded VAT receivable amounting to \$615,794 as at balance date while Statement of VAT (SVA) account from Fiji Revenue & Customs Services (FRCS) denotes VAT Payable balance of \$390,303 indicating overstatement in VAT receivable balance amounting to \$1,006,097 as at balance date.

The audit detected that Local money Order Commission amounting to \$1,966,976 was not charged and

declared for VAT during the year.

Response from the Entity:

- Post Fiji has identified VAT payments done in 2019 – 2021 and the Management have correctly adjusted the misstatements for those.
- The issues have been rectified in the Financial Year 2022 and the External Auditors have given an unmodified opinion.
- Post Fiji has addressed the proper reconciliations regarding VAT and the company is maintaining proper reconciliation against General Ledger to SVA (with FRCS).
- The company keeps an annual reconciliation which is reviewed by the external auditors.

PAC Comments/Recommendations: Proper reconciliations and monitoring should be done regularly by Accounting Heads so that this issue is not repeated in future. Will check again on future reports.

Significant Matters 2 - Internal control deficiencies identified by the Office of the Auditor General in the management of inventories (Reconciliations and monitoring of inventories)

Response from the Entity:

- The company has implemented random weekly stock-takes in Post shops by the Postmasters or controlling officers. In addition, divisional managers carry out frequent checks on inventory when they visit post offices.
- The Training Department provides in-house training for staff that handle and manage stocks.
- Surprise stock checks at post office level are also done in collaboration with Finance, Internal Audit and Retail team.
- The company also conducts the annual Board of Survey on Fixed Assets. The company maintains a fixed asset record for all CAPEX and OPEX purchases.

PAC Comments/Recommendations: Proper reconciliations and monitoring should be done regularly by Accounting Heads so that this issue is not repeated in future and will check again the future report.

Significant Matters 3 - Business engagement with an International Company. What is the status of the \$9.6m owed by an International Company that remained outstanding as at 31/12/2019? What actions/strategies have the Company taken to recover this amount?

To ensure that the Company's interests are always protected, any business engagements with external parties must be formalized with an agreement endorsed by the Board.

The follow-up on the above audit finding as reported in the Auditor-General's report to Parliament noted that a total of \$9.6m remained outstanding and owed by the International Company as at 30/06/20.

An International Mail Logistics Company based in Australia used the logo of Post Fiji (Pte) Limited for its business dealings with various postal agencies around the globe. Consequently, the International Postal Agencies recognized Post Fiji Limited as the sender of all the international mails sent by the International Company.

As a result, Post Fiji (Pte) Limited was invoiced by the International Postal Agencies for doing business with the International Company. In addition, under the Universal Postal Union Agreement, Post Fiji (Pte) Limited has a legal obligation to pay the International Postal Agencies through an invoice amount. To recover its costs, Post Fiji Limited invoiced the International Company for the amount it paid plus a percentage mark-up.

Response from the Entity:

- The amount of \$9.6 million owed to Post Fiji by Logistics Consultant International Pty Limited (trading as FREIPOST) remained outstanding at 31/12/2019.

- Post Fiji had engaged legal firms, Messers Commercial Litigation & Insolvency Lawyers (an Australian based Law firm) and Sherani & Company (a local based Law firm) to pursue the legal case for the company in the recovery of the debts against Logistics Consultant International Pty Limited.
- The findings of the investigation indicated that the debt recovery was not possible because Logistics Consultant International Pty Limited had been voluntarily wound up and deregistered as a company.
- Post Fiji wanted to exhaust all avenues of recovery and hired TRUTH INVESTIGATIONS, an Australian based investigative company, to investigate the personal assets of the Director of Logistics Consultant International Pty Limited namely a Mr. Shaffe Khan. The national property ownership search failed to identify any properties owned in the name of Shaffe Khan.
- After exhausting all avenues for the recovery of the outstanding \$9.6 million, Management had submitted a decision paper to the company Board in a Board meeting, dated 19th May 2023, recommending that the Board make a decision to write-off the Freipost debt totalling \$9,789,291 after consultation with the line Ministry which is the Ministry of Public Enterprises.
- The Post Fiji Board has since consulted with the Ministry of Public Enterprise and is still awaiting a response until date.

PAC Comments/Recommendations: The Committee noted the response from the management and recommends that this issue be further investigated because of the large amount of money involved. It is also recommended that this issue to be resolved before 2025 including write-off recommendations to the Ministry of Finance.

Significant Matters 4 – It was raised by the Committee on the Financial Assets which are Held to Maturity of around \$8.34m in 2021. The Company to explain.

Response from the Entity:

10400	TERM DEPOSITS	2021	2020
10401	Credit Corporation	4,024,562.61	4,000,000.00
10402	Merchant Bank	3,438,169.86	3,650,000.00
10403	Unit Trust of Fiji	429,629.53	428,207.10
10406	Viti Bonds	200,000.00	200,000.00
10407	FDB Term Deposit	250,000.00	0.00
10499	TOTAL TERM DEPOSIT	8,342,362.00	8,278,207.10

PAC Comments/Recommendations: The company doesn't have any concrete investment plans for the funds that are on term deposit and Unit Trust of \$8.4m and, so the Committee recommends that the Board strategize to invest the funds to strengthen its operation and expand the company instead of facing challenges and have monies sitting in short term assets.

Significant Matters 5 – It was raised by the Committee on what are the plans in place to keep postal services competitive against electronic modems.

Response from the Entity:

- Post Fiji is in the process of implementing a fully-fledged automated postal system in consultation with the Universal Postal Union. A few of the systems already implemented are IPS Post, EAD (Electronic Advanced Data), EDI (Electronic Data Interchanges), CDS (Customs Declaration System) and Track and Trace.
- The company has launched its E-Commerce platform to support its postal services such as payment mode for postal boxes.
- The company is also in the process of implementing handheld scanners for effective and efficient last mile delivery i.e., android phone applications for customer signature when receiving parcel.

PAC Comments/Recommendations: The Company needs to Strategize and expedite the

implementation of those action plans plus consider the Trends in Technology, so they are not left behind as currently faced.

Significant Matters 6 - Actions undertaken by Post Fiji to address the unsupported deferred income balance identified in the audit for the company to explore every possible avenue to obtain the required information on these government grants?

Response from the Entity:

- The company has rectified and corrected this in the Financial Year 2021.
- Explanation: this resulted whereby leased and owned assets were transferred in the IFRAS 19 calculation incorrectly. Only the leased assets were supposed to be taken for calculation.
- What also happened: Financial balances were in IMAS (Integrated Management Accounting System) and when they were transferred to Navision only the opening balance [totals] was transferred to new financial system.]
- The company has improved its record management system by setting up an online repository drive where soft copies of agreements are archived.

PAC Comments/Recommendations: The company mentioned that it has rectified and corrected this in the Financial Year 2021 and will be checked again in the future audit.

3. Fiji Broadcasting Corporation Pte Limited

Audit Opinion

The audit of the Fiji Broadcasting Corporation Pte Ltd 2020 - 2021 resulted in the issuance of an unmodified audit opinion. The Committee noted that the FBC's audit is up to date.

Abridged Statement of Financial Performance – 2021 (Fijian Broadcasting Corporation (Pte) Limited

Description	2021 (\$)	2020 (\$)
Revenue	17,480,118	17,049,893
Other operating revenue	2,694,794	2,410,788
Finance income	448,763	426,897
Total Income	20,623,675	19,887,578
Administration and operating expenses	14,456,214	15,448,953
Rent concession COVID-19	37,500	30,000
Impairment loss on trade and other receivables	27,632	31,913
Marketing expenses	417,853	591,463
Finance cost	224,310	502,903
Total Expenditure	15,163,509	16,605,232
Profit Before Income Tax	5,460,166	3,282,346
Income tax expenses	1,065,906	644,273
Profit After Income Tax	4,394,260	2,638,073

Net profit increased by 67% or \$1,756,187 in 2021 compared to 2020. This was mainly due to the increase in sales of sports packages, Parliament channel revenue and digital marketing revenue.

Abridged Statement of Financial Position – 2021 Fijian Broadcasting Corporation (Pte) Limited

Description	2021 (\$)	2020 (\$)
Cash	5,940,474	8,149,069
Trade and other receivables	2,397,816	1,627,821
Other assets	963,115	1,267,280

Investments	9,090,837	10,089,231
Property, plant, and equipment	21,695,695	24,309,612
Income tax receivable and deferred tax assets	167,599	121,044
Right-of-use asset	535,631	519,740
Total Assets	40,791,167	46,083,797
Trade and other payables	1,418,498	889,706
Income received in advance	157,950	1,081,152
Employee entitlements	162,665	161,493
Deferred income	8,947,135	10,652,682
Interest bearing borrowings	-	7,555,060
Deferred tax liability	637,957	673,626
Lease liability	533,669	531,045
Total Liabilities	11,857,874	21,544,764
Net Assets	28,933,293	24,539,033

Net assets increased by 18% or \$4,394,260 in 2021 compared to 2020. This was mainly due to the Company repaying its interest-bearing loan during the financial year from cashflow.

4. Fiji Airports Pte Ltd

Audit Opinion

The audit of Fiji Airports Pte Ltd for the financial year 2020 - 2021 resulted in the issuance of unmodified opinion however had a significant matter in 2019 which has been resolved.

Abridged Statement of Financial Performance – 2021 (Fiji Airports Pte Limited)

Description	2021 (\$)	2020 (\$)
Revenue	27,976,568	47,452,847
Other income	1,279,526	5,035,821
Finance income	1,182,266	2,329,402
Total Income	30,438,360	54,818,070
Other expenses	25,156,679	28,718,676
Operating expenses	6,671,880	7,895,037
Impairment loss on trade and other receivables	467,508	1,173,718
Personnel expenses	9,901,316	12,939,959
Finance cost	2,890,471	2,410,417
Total Expenditure	45,087,854	53,137,807
(Loss)/ Profit Before Income Tax	(14,649,494)	1,680,263
Income tax benefit	10,338,824	5,066,603
(Loss)/ Profit After Income Tax	(4,310,670)	6,746,866

The Company incurred loss after income tax of \$4,310,670 in 2021 compared to the profit of \$6,746,866 in 2020. This was a direct result of the impact of COVID-19 pandemic on the operations of the Fiji Airports. In addition to assist aeronautical and commercial customers, the Company provided a total discount of \$29,682,710 during the pandemic.

Abridged Statement of Financial Position – 2021 (Fiji Airports Pte Limited)

Description	2021 (\$)	2020 (\$)
Cash on hand and at bank	63,830,847	62,018,528
Trade receivables	5,611,272	3,651,123
Inventories	617,391	606,102
Other receivables and prepayments	4,938,233	5,585,542
Current tax asset	402,104	-
Property, plant, and equipment	487,160,058	488,876,559
Right-of-use assets	7,313,663	7,444,065

Total Assets	569,873,568	568,181,919
Trade and other payables	10,412,907	8,105,052
Loan and borrowings	80,485,024	66,308,761
Lease liabilities	4,980,048	5,031,153
Employee benefits	792,250	740,483
Deferred income	464,286	633,404
Current tax liability	-	1,073,478
Deferred tax liability	27,255,289	36,495,154
Total Liabilities	124,389,804	118,387,485
Net Assets	445,483,764	449,794,434

Net assets decrease by 1% or \$4,310,670 in 2021 compared to 2020. The decrease in net assets in 2021 was due to the increase in loans and borrowing by \$14,176,263, increase in trade receivables by \$1,960,149 and increase in Trade and other payables by \$2,307,855. There was an increase in cash at bank noted in 2021 compared to 2020. This was a direct result of cost-saving measures implemented by the Company to sustain the impact of COVID-19.

Significant matters 1 – It was raised by the Committee on why the Impairment loss on trade and other receivables of \$1,173,718 in 2020 and increased to \$467,508 in 2021.

Response from the Entity: Fiji Airports Pte Ltd highlighted this item is only a provision and not the actual credit loss. Under the International Financial Reporting Standard 9 (IFRS) Financial Instrument, expected credit losses needed to be calculated using a matrix which looks at historical debts and other factors to identify the appropriate rate of provision to be created for each aged category of accounts receivable. This is updated every year based on the designed matrix and audited by the OAG.

The provision was higher in 2020 as part of the FA COVID assistance package various customers were provided with payment plans to settle arrears.

PAC Comments/Recommendations: The Committee noted the response received because of the COVID-19 pandemic and expected that the receivables to be at managed level going forward.

Significant matters 2 – It was raised by the Committee on why there was a huge increase in Loans & Borrowings of \$66.3 million in 2018 to \$80.4million in 2021 while assets grew mildly?

Response from the Entity: The entity responded that in 2021, Fiji took up a finance facility with ANZ in partnership with AIFFP (Australian Infrastructure Financing Facility for the Pacific). This facility was a total of \$106m. \$66m of this facility was a refinance of the existing Nadi Airport Terminal Modernization Project Loan.

The additional \$40m loan was for the ATM System Upgrade, Nadi Airport Off Gate-Aprons, Outer Island runaway and pavement projects and other projects, is progressively drawn down in line with the progress of these projects. \$17.8m of the \$40m is yet to be drawn.

PAC Comments/Recommendations: The Committee noted the response from the entity but however saw that Tax Liability has reduced considerably as well and hope that it is not using loan funds for short term liability but for capital Investment and development purpose. Will review again in the next report.

5. Walesi Fiji Ltd

Audit Opinion

The audit of Walesi Fiji Ltd for the year 2015 and 2018 resulted in the issuance of a modified (qualified) audit opinion and the 2019 resulted in the issuance of an unmodified (unqualified) audit opinion. At the time of finalization of the two OAG reports the 2016-2017 Accounts are still outstanding.

Abridged Statement of Financial Performance - 2019 (Walesi Pte Limited)

Description	2019 (\$)	2018 (\$)
Income		
Revenue	13,589,818	11,050,020
Cost of Sales	(3,251,017)	(9,362,409)
Other Income	27,198	17,846
Total Income	10,365,999	1,705,457
Expenditure		
Administrative Expense	31,560	52,808
Marketing Expense	515,536	326,731
Personnel Expense	1,697,337	832,957
Other Operating Expense	4,022,737	4,308,788
Depreciation	6,468,362	4,313,055
Total Expenditure	12,735,532	9,834,339
Loss before Income Tax	(2,369,533)	(8,128,882)
Income Tax Expenses	-	-
Loss for the Year after Income Tax	(2,369,533)	(8,128,882)

Net loss decreased by \$5,759,349 or 71% in 2019 compared to 2018. This was mainly due to an increase in revenue of \$2,539,798 or 23% and decrease in cost of sales by \$6,111,392 or 65%. The major revenue comprised of Grant Income of \$6,356,592 and Amortization Income of \$6,291,774 during the year 2019.

Abridged Statement of Financial Position - 2019 (Walesi Pte Limited)

Description	2019 (\$)	2018 (\$)
Assets		
Cash and Cash Equivalents	6,867,620	4,346,150
Inventory	2,995,955	2,855,366
Trade & Other Receivables	4,047,855	9,943,510
Property, Plant and Equipment	32,024,805	31,196,410
Right-of-use Asset	615,909	-
Total Assets	46,552,144	48,341,436
Liabilities		
Trade and Other Payables	876,532	880,166
Deferred Income	48,512,795	48,559,091
Lease Liability	630,171	-
Total Liabilities	50,019,498	49,439,257
Net Assets	(3,467,354)	(1,097,821)

There was a worsening in net assets by \$2,369,533 or 216% in 2019 compared to 2018. This was mainly attributed to the decrease in trade and other receivables by \$5,895,655 or 59%, increase in right-of-use assets by \$615,909 or 100% and the increase in lease liability by \$630,171 or 100%.

Significant Matters 1 - Timely Preparation and review of bank reconciliation statements

The Company did not prepare bank reconciliation statements on a regular and timely basis in 2018-2019.

In addition, the bank reconciliation statements prepared by the Company were not reviewed nor approved by an individual that was independent of the preparer.

Response from the Entity: Corrective measures have been taken to address such issues. This includes updating SOPs, reviewing policies such as the Finance Manual, HR Policy, and Stock Management processes. Walesi have also implemented enhancements to its IT systems such as accounting software, payroll, and the fixed assets systems.

PAC Comments/Recommendations: The Committee noted the response from the entity but however saw that the company is playing catch- up and need urgent closer attention by government as they were relying on Government finances and the issue about their Going Concern into the future.

Significant Matter 2 - Survey of Fixed Asset – Recurring

There should be a periodical survey or stock-take, at least once a year, for property plant and equipment, to determine the existence, additions, and disposal of the assets and to determine the deteriorating condition of any fixed asset which may require proper maintenance.

During the audit, we noted that the Company did not produce a report of its annual survey of fixed assets or annual stock take for property, plant, and equipment.

Response from the Entity: Walesi Board approved the implementation of Asset Management System software which will enhance record keeping and tracking of fixed assets. Until late 2019 Walesi continued to implement the Digital Television project. Therefore, much of the assets were in deployment stage and annual surveys would have been impractical and not necessary. Annual survey of assets began in 2020 but had to be stalled due to COVID 19 related restrictions. The annual surveys have resumed in 2021.

PAC Comments/Recommendations: The Committee noted that the company has taken proactive measures to improve its accounting framework including reconciliation, fixed assets etc, but more has to be done to finalise the same and we are worried by the statement that “Walesi is also in the process of getting asset revaluations done considering that some assets have zero book value but still have a useful life’ which means that some assets were bought at Zero Book value.

We will review the 2020/2021 reports as well as the expected investigations report on the company.

Significant Matter 3 - Status of Accounts for 2016, 2017, 2021 and 2022 financial years

Response from the Entity:

The Committee was informed of the considerable delays, that.

- the 2015 Audit was completed September 2020,
- 2016, and 2017 Audit was completed in September 2021,
- 2018, and 2019 Audit was completed in May 2022 but has not been tabled.
- 2020 Audit was completed and signed on 8/3/2023,
- 2021 Audit in March 2023 has been completed and adjustments entries are currently being done. The Company expected 2021 Financials to be submitted by June 2024.
- 2022 draft Accounts will be re-submitted before July 2024.

PAC Comments/Recommendations: The Committee noted the delays in the submission of its financial statements for audit and recommend that urgent attention be given to finalise the same for audit purposes. There is suspiciousness in the delay of the 2016 and 2017 accounts.

Significant Matter 4 by the Committee - Can Walesi Management provide an update with breakdown on the \$125million that was utilized by the Company?

Response from the Entity:

As of 31st December 2022, Walesi has received grant of \$109.95m. Fixed Assets Cost \$52.95m, Inventory Cost \$21.16m and Operating Cost of \$35.84m.

PAC Comments/Recommendations: The Committee noted the above response as referring to Accounts of 2022 and requested that Walesi provide the breakdown of \$125million grant by Government. We will review the 2020/2021 reports as well as the expected investigations report on the company.

Significant Matter 4 by the Committee - What strategies has been implemented to ensure that the liquidity, profitability, and solvency or Going Concern positions of the Company are improved in the future?

Response from the Entity:

The Company has a newly appointed Chairman and Board of Directors. The future direction of the company is subject to strategic direction and priorities of the shareholders (Government of Fiji). The Ministry of Communications has commissioned a technical review of Walesi's operations, and the report is expected to be presented soon. The Company envisage that this will determine the prospects of Walesi.

PAC Comments/Recommendations: The Committee noted the response and recommend that the Company develop viable strategies to improve the profitability of the Company whilst waiting for the expected review report on the company's operations.

6. Fiji Coconut Millers Pte Ltd

Audit Opinion

The audit of Fiji Coconut Millers Pte Ltd for the financial year 2019,2020,2021 resulted in the issuance of unmodified audit opinions however there are significant matters raised by the OAG and the Committee.

Abridged Statement of Financial Performance – 2021 (Fiji Coconut Millers Pte Limited)

Description	2021 (\$)	2020 (\$)
Operating Revenue	2,764,857	3,156,820
Cost of Goods Sold	(2,452,984)	(2,328,617)
Gross Profit	311,873	828,203
Operating Government grant	340,840	495,716
Other Income	275,633	136,639
Total Income	928,346	1,460,558
Impairment loss – trade receivables	-	12,186
Selling and Distribution	274,207	395,567
Administrative and operating	920,120	847,113
Total operating Expenses	1,194,327	1,254,866
Finance Cost	(57,415)	(70,663)
(Loss)/Profit before income tax expense	(323,396)	135,029
Income tax expense	58,773	(30,735)
Total comprehensive (Loss)/Profit for the year	(264,623)	104,294

The Company recorded a loss in 2021, a decrease of \$368,917 or 353% compared to the profit recorded in 2020. The loss recorded was mainly due to the decrease in the production of crude coconut oil and coconut meal due to low copra supply.

Abridged Statement of Financial Position – 2021 (Fiji Coconut Millers Pte Limited)

Description	2021 (\$)	2020 (\$)
Assets		
Cash on hand and at bank	4,351	7,546
Trade and other receivables	366,899	356,067
Inventories	463,220	695,310
Copra price stabilisation fund – Ministry of Economy	-	103,418
Property, plant, and equipment	7,857,428	7,978,068
Deferred tax asset	152,993	94,220
Total Assets	8,844,891	9,234,629
Liabilities		
Trade and other payables	303,767	124,851
Provision for annual leave	11,403	-
Interest bearing debt	1,155,597	1,363,980
Deferred grant income	909,130	1,016,181
Total Liabilities	2,379,897	2,505,012
Net Assets	6,464,994	6,729,617

Net assets decreased by \$264,623 or 4% in 2021 compared to 2020. The decrease in net assets was largely due to the decrease in inventories, cash on hand and at bank, copra price stabilization fund with Ministry of Economy while there was an increase in trade and other payables and provision for annual leave.

Significant Matter 1 - Financial Performance of the Company

The audit analysis of the Company's financial performance over the last 5 years noted the following:

Profitability

- Net Profit/(Loss) Margin Ratio was (0.07):1, which indicates that for every dollar of sales the Company collects, it recorded 0.07 cents as net loss. In comparison to 2020, the Net Profit Margin Ratio was 0.04:1, which indicates that the Company managed to retain 0.04 cents as net profit for every dollar sale.
- The Return on Assets (ROA) Ratio was (0.03):1 in 2021 compared to ROA of 0.01:1 in 2020. This indicates that the Company have not been efficient in generating earnings from its economic resources or assets as 3 cents loss is recorded for every dollar of assets it owned, which is significantly low.
- Over the past 5 years, the Company had negative retained earnings. Retained earnings totalled \$(6,083,807) in 2021 and not shown in this abridged account.

Liquidity

- The Current Ratio showed improvements from 0.70 in 2016 to 1.46:1 in 2020. However, the Current Ratio fell to 0.87:1 in 2021, which is below the acceptable ratio of 2:1 indicating that the Company is not in a better position to pay its current obligations.
- Cash ratio was 0.00:1 in 2021. This indicates that the Company does not have cash and cash equivalent to pay off its short-term debts.
- The Company's acid test ratio was 0.36:1 in 2021, a further decline from 2020. This indicates that the Company would not be able to pay off its current obligations using only its quick assets (Cash and Accounts Receivables).
- The Current Cash Debt Coverage Ratio was 0.15:1 in 2021, which indicates that the Company will have a lot of difficulty in paying its current liabilities from its operation since its Current Cash Debt Coverage Ratio is considerably lower than 1.

Solvency

The Cash Debt Coverage Ratio calculates the company's ability to cover total debt with its yearly Cash flow from operations. The ratio was 0.15:1 in 2020, which implied that the company can only cover 15% of its total debt from operational cash flow.

The unfavourable financial performance results of the Company indicates that the Directors and Management have not been effective in implementing strategies such as increased revitalization/replanting programme, increased diversification strategies, improved sales and marketing approaches and reducing cost leakages and budget overruns which are aimed at boosting the Company's profitability, liquidity, and solvency positions.

The risk that the Company will face difficulty to continue as a going concern soon is high.

Significant Matter 2 - Coconut Replanting Programme

The Grant recipient must utilize the Government Grant as efficiently and effectively as possible.

The Coconut Replanting Programme commenced in 2018 aiming to boost copra production and revitalize the coconut industry through replacing senile coconut trees by planting new seedlings around Fiji. Funds provided from 2018 to 2020 financial year were mostly for distribution and planting of 54,350 seedlings to 353 farmers. Farmers were compensated a sum of \$20 per successful germinated coconut trees from the Coconut Replanting Programme. From 2018 to 2020, Government Grant totalling \$849,132 was utilized for the Programme over the last 3 years.

The following anomalies were noted:

- Monitoring was only done twice by the Company. The first one on six months after date of planting and the second one six months after first monitoring to confirm the successful germination of coconut seedlings.
- There were no continued follow up done by the Company to confirm the sustainability and continuity of the programme. i.e., from germination to fruition in 3 to 5 years' time and to ascertain whether the overall objective of increasing copra production was achieved or not. Due to lack of follow up, there is unavailability of latest data on how many, out of the 54,350 seedlings purchased, distributed, and planted for the past 3 years; are successfully growing today. The farmers are paid compensation on successful germination of coconut trees within 1 year. They are not compensated on whether the trees grew successfully to bear fruits.
- There are no legally binding agreements requiring the farmers to only supply the coconuts back to the Company, instead of selling to the Company's competitors.

The findings indicated that effective controls were not in place to ensure that monitoring in terms of the care of coconut trees by farmers and compensations incentive continued till fruition of coconut trees. In addition, the monitoring and oversight mechanism in place were not geared towards overseeing the successful implementation of the programme. As such, the audit could not confirm whether the programme would be viable and be able to achieve its overall objectives or not.

Questions 1 Asked - What strategy has the Company implemented to increase sales given the fact that the gross profit decrease even though the Company produce more oil in 2019 compared to 2018?

Response from the Entity:

The cost of production remains high and is a business challenge. The key contributing factor is high transportation and logistics costs. Transportation costs of getting copra and whole nuts from the farms to the factory is high. In addition, the shipping costs from the islands to savusavu and shipping finished goods

to Viti Levu is very high. 98% of the customers are in Viti levu.

Questions 2 Asked - Strategies that Fiji coconut has started to work on and implement from May 2023 till to-date are as follows:

Response from the Entity:

- Streamline operations. The current Board and management are looking at ways to implement a lean manufacturing principles to eliminate and reduce stages, optimise processes, and reduce cost of production. The current board and management have started partnership talks with various stakeholders who could support FCML on a needs analysis and recommend operational efficiencies including energy efficiencies.
- Appointment of copra agents – agents have been appointed and additional agents are being sought to reduce FCML supply chain costs.
- Quality control being introduced to minimise defects, reducing costs associated with scraps and improving inventory management.
- FCML has embarked on an employee training program to improve staff skills and productivity which in turn will contribute towards cost savings.
- Cost analysis and monitoring – from January 2024 there is monthly monitoring and analysis of all costs across all operational areas. This also includes better sourcing of spare parts, negotiation of supplier rates such as transportation of goods to Suva, promoting green initiatives and tight control of all factories major costs.

Questions 3 Asked - For the 2021-2022 Audit Report, there were going concern issues noted during the 2020 audit. What strategies has been implemented to ensure that the liquidity, profitability, and solvency positions of the Company are improved in the future?

Response from the Entity:

The strategies that the current Board and Management are looking at include:

- Pricing review
- Review of each line of cost of production
- Marketing strategy for 2024 has been discussed with Board and are being implemented.
- New Customers are being looked at by FCML. For exports, supply of raw material has been a concern which is affecting the production.
- Product diversification is one of the areas the Board and Management are looking at. FCML is looking at partnership with stakeholders to assist with research and development and lab testing. FCML is currently testing on scented oil. Plans of product diversification subject to strategic partnership include the following products:
 - Scented virgin coconut oil
 - Desiccated coconut
 - Coconut powder
 - Virgin coconut cooking oil
- FCML is working closely with Investment Fiji on potential investors who would like to buy coconut products such as coconut water, husks, and shells.
- Distributorship being looked at to increase market expansion to other pacific islands, Australia, New

Zealand, and USA

- Effective cash flow management- FCML monitors its cash flow daily and has collections targets and spending forecasts to assist with liquidity.
- The current Board is also looking at potential strategic partnerships to leverage complementary strengths and resources and potentially generating new revenue streams and improving liquidity.

PAC Comments/Recommendations: The Committee noted the response and agree that the Company will continue to need Government support for its operation and improvement to its capital facilities and importantly, increase planting of coconut and stabilizing the copra price.

Questions 4 Asked - What plans that are in place by the Company for value added products such as the use of coir for beddings and nursery purposes?

Response from the Entity:

More support on research and development and machinery is required for FCML to venture into value added products. Strategic partnership and collaboration with Embassies are ways that the Current board is looking at where technical expertise could be provided.

PAC Comments/Recommendations: The Committee noted that the current Management and the Board are proactive in seeking external assistance for research and development, and machinery.

Significant Matter 3 - What is the update on the inconsistent conversion rate to convert raw copra to Dry Copra?

Response from the Entity: Currently a formula of 50% being used as conversion. In 2024 an exercise is being carried out on the actual drier input of raw copra and dried copra weights

PAC Comments/Recommendations: The Committee views that the rate needs to be firmed up as soon as possible.

Significant Matter 3 - The Company has exceeded its bank overdraft limit of \$125,000 on various occasions during the financial year 2019, which indicated that the Company is not generating sufficient cash to meet its operating expenditure. What strategy has the Company implemented to solve this cash flow issue?

Response from the Entity: Currently the company monitors its cash flow daily. In 2024, the organization did a review of its overdraft facility and discussed the conversion of part of its OD to loan as the Overdraft had turned "hardcore". On 19 April 2024, the new OD facility has been renewed to reduce the exposure of exceeding the limits.

Other areas of cash flow management include:

- a) Daily collections monitoring and weekly collection targets
- b) Monthly forecasting of cash flow of all expenses
- c) Budget allocation for buying and inventory, stock level build- up.
- d) Expense control – cost control measures have been implemented to manage spendings. Currently all spendings are approved by CEO to maintain a central spending limit control.

PAC Comments/Recommendations: The Committee noted that the Company's cash flow position has improved under the new management and Board.

Significant Matter 4 - What is the status of the implementation of the journal voucher system?

Response from the Entity:

All general ledger posting is via journal vouchers.

PAC Comments/Recommendations: The Committee noted the response from the Company and noted that the company financials are up to date by the new management and board.

7. Unit Trust of Fiji (Management) Ltd

Audit Opinion

The audit of Unit Trust of Fiji (Management) Ltd for the financial year 2018 resulted in the issuance of an unmodified audit opinion with the following matter of emphasis apart from Significant matters and the committee questioned the declaration of the opinion.:

- The financial statements noted the novel coronavirus (COVID-19) global pandemic that occurred after December 31, 2018, as well as how the Company accounted for this in the preparation of the financial statements. There have been no modifications to the financial accounts as of 31 December 2018 to reflect the effects of COVID-19.

Response from the Entity:

Since the Coronavirus was unexpected, there were adjustment to the 2018 account and will be considered in the 2019 account.

- As of December 31, 2018, the Company issued an advance to Fiji Wai Ltd (FWL) totaling \$1,437,180 to meet the lease and premium payment to the iTaukei Land Trust Board (iTLTB) for the Naseyani Water Project, according to the financial statements. The Company had yet to come into an agreement with Fiji Wai Limited specifying the terms and circumstances of the advance payment as of the date of the opinion.

Response from the Entity: The Committee noted that an agreement in place has been discussed. Unit Trust is in the process of drafting the intercompany funding agreement with the guidance of the respective boards and legal counsellors. The Company informed the Committee that it will advise once the agreement has been formalised by the end of the month. FWL as a 100% subsidiary of UTOF has been and will continue to work closely with UTOF to ensure the success of the water bottling project.

PAC Comments/Recommendations: The Committee has noted UTOF's response and will follow-up again in a month's time or in the next audited account review to determine the appropriate action to take.

- The Company has not undertaken a comprehensive examination of the impairment of assets with zero book value totaling \$501,306 in its plant and equipment. Furthermore, the Company has failed to conduct a gradual and structured examination of the depreciation rates and remaining economic useful life of individual and key classes of plant and equipment for discussion and review by those responsible with governance.
- Internal controls over procurement, payments, cash at bank, and payroll were found to be typically lax. If these internal control flaws are not remedied promptly, they can lead to major misstatements and potential financial losses in the future.

Response from the Entity: The Committee was informed that the control deficiencies were determined to be an exceptional and one-off instance of occurrence due to:

- i. Lack of experience finance staff
- ii. The supporting documentation were not appropriately filed and
- iii. The outdated finance policy manual which was last revised was back in March 2013 and does not reflect specific finance processes per modern business practices.

PAC Comments/Recommendations: The Committee has expressed its concern on the matter being raised to the Management such that they should follow the strict policies and guidelines like the strict policies and guidelines with the Trust Accounts. This anomaly should not be repeated in future and will not be tolerated.

Unit Trust of Fiji (Management) Ltd – Abridged Statement of Financial Performance

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

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.

Unit Trust of Fiji (Management) Ltd – 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
Total Assets	5,382,032	3,471,718
Creditors and accruals	1,404,301	362,343
Provision	95,851	96,877
Provision for Income Tax	197,846	204,787
Total Liabilities	1,697,998	664,007
Share capital	50,000	50,000
Retained Earnings	4,338,953	2,757,711
Proposed Dividends	(704,919)	-

Total Shareholders' Equity	3,684,034	2,807,711
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Net assets increased by 31% or \$ 876, 323 in 2018 compares to 2017. This was mainly attributed by the increase in cash held by \$1,025,348 or 78% and, trade and other receivables by \$593,385 or 106%.

Significant Matters1– Absence of Internal Control over Journal Voucher

The audit review noted that journal entries were passed in the general ledger without proper check, approval and supporting documents.

Root Cause/Implication

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.

Response from the Entity: The Committee was informed that the control deficiencies were determined to be an exceptional and one-off instance of occurrence due to Lack of experience finance staff and the supporting documentation were not appropriately filed.

PAC Comments/Recommendations: The Committee has expressed its concern on the matter being raised to the Management such that they should follow the strict policies and guidelines like the strict policies and guidelines with the Trust Accounts. This anomaly should not be repeated in future and will not be tolerated.

Significant Matters 2 - Anomalies in procurement and payment for goods and services

During an audit of the Company's procurement and payments, it was discovered that, contrary to Section 4.4 Payment Voucher and Cheques, part (III) of the Accounting & Internal Control Policy, 31 payment vouchers totalling \$291,232.48 lacked proper documentary evidence to substantiate the payments made. Furthermore, in violation of Section 4.4 Payments Vouchers and Cheques, part (IV) of the Accounting & Internal Control Policy, 76 payment vouchers totalling \$317,662.28 contained supplier invoices that were not stamped "paid" following payment processing.

Response from the Entity: The Committee was informed that the control deficiencies were determined to be an exceptional and one-off instance of occurrence due to:

- i. Lack of experience finance staff
- ii. The supporting documentation were not appropriately filed and
- iii. The outdated finance policy manual which was last revised was back in March 2013 and does not reflect specific finance processes per modern business practices.

PAC Comments/Recommendations: The Committee has expressed its concern on the matter being raised to the Management such that they should follow the strict policies and guidelines like the strict policies and guidelines with the Trust Accounts. This anomaly should not be repeated in future and will not be tolerated.

Significant Matters 3 - Absence of credit card policy and payment supporting documents.

The Auditor General noted that the Company lacks a clear policy on the use of company visa cards. In the absence of such policies, the Company's credit card control operations are jeopardized.

In the audit review of 11 payment vouchers used for credit card payments revealed that, except from the bank statement, no further documented evidence was attached to reflect the credit card's usage in terms of purpose and reason for payment.

Root Cause/Implication

The Company has yet to adopt a policy on the usage of credit cards.

Response from the Entity: The Committee was informed that the Credit Card Policy has been incorporated into the newly drafted finance operations policy. Refer to section 6.49-6.59 version of the finance operation policy.

PAC Comments/Recommendations: The Committee has expressed its concern on the matter being raised to the Management such that they should follow the strict policies and guidelines like the strict policies and guidelines with the Trust Accounts. This anomaly should not be repeated in future and will not be tolerated.

Significant Matters 4 - Anomalies noted in cash at bank.

The Auditor General noted that most of the reconciliations were not signed by the preparer, reviewer and approver and they were not supported with evidence of reconciling items.

Response from the Entity:

The Committee was advised that the matter is a one-off anomaly where the bank reconciliation was handled by a newly recruited, inexperienced finance staff. Also due to the absence of management level staff, the reconciliations were not properly reviewed on timely manner.

Moving forward the cash and bank reconciliation process has seen a significant improvement with the introduction of the new finance operation policy and timely preparation and review process.

PAC Comments/Recommendations:

The Committee has expressed its concern on the matter being raised to the Management such that they should follow the strict policies and guidelines like the strict policies and guidelines with the Trust Accounts. This anomaly should not be repeated in future and will not be tolerated.

Significant Matters 5 - Zero Written Value of Plant and Equipment

The Company has not conducted a full review of the impairment of assets with zero book value totaling \$501,306 included in its plant and equipment, nor has it conducted a progressive and structured review of the depreciation rates and remaining economic useful lives of individuals and major classes of plant and equipment for consideration and review by those charged with governance.

Response from the Entity:

The Committee was informed that the UTOF Board approval has been sought to dispose to the fully depreciated or obsolete assets.

PAC Comments/Recommendations:

The Committee has expressed its concern on the matter being raised to the Management such that they should follow the strict policies and guidelines like the strict policies and guidelines with the Trust Accounts. This anomaly should not be repeated in future and will not be tolerated.

However overall, we wish to question why this account was not given a Modified opinion looking at the number of issues that will materially affect the account plus the lateness and non-quality of the financial account.

8. Pacific Fishing Company Pte Ltd

Audit Opinion

The audit of the Pacific Fishing Company Pte Ltd for the financial year 2020 resulted in the issuance of an unmodified opinion with the following matter of emphasis:

- The financial statements noted the novel coronavirus (COVID-19) global pandemic that occurred after December 31, 2019, as well as how the Company accounted for this in the preparation of the financial statements. There have been no modifications to the financial accounts as of 31 December 2019 to reflect

the effects of COVID-19.

- The financial statements explain the financial risk management objectives and policies of the Company. The Auditor General noted that the Company does not have documented risk management policy. Furthermore, the human resources manual is yet to be approved by the Board.

Abridged Statement of Financial Performance – 2020

Description	2020 (\$)	2019 (\$)
Revenue	40,370,945	31,235,362
Total Income	40,370,945	31,235,362
Raw materials and consumables used	12,533,662	10,384,818

Description	2020 (\$)	2019 (\$)
Changes in inventories of raw materials and finished goods	636,045	800,286
Distribution costs	278,421	234,439
Staff and employee benefits	9,657,046	8,235,328
Other operating expenses	12,402,897	11,176,184
Depreciation and amortization expense	4,290,142	3,945,921
Finance costs	856,663	1,208,125
Total Operating Expenditure	40,654,876	35,985,101
Loss from Operations	(283,931)	(4,749,739)
Other Income	2,870,380	1,534,177
Profit/(loss) before income tax	2,586,449	(3,215,562)
Income tax benefit/(expense)	470,450	(46,583)
Profit/(loss) after income tax	3,056,899	(3,262,145)
Other comprehensive income	---	---
Total Comprehensive Income/(Loss)	3,056,899	(3,262,145)

The Company incurred a profit of \$3,056,899 in 2020 compared to a loss of \$3,262,145 in 2019. This was a direct result of the increase in revenue and other income which includes service income, miscellaneous income, and reversal of interest on capital works.

Abridged Statement of Financial Position - 2020

Description	2020 (\$)	2019 (\$)
Assets		
Property, plant, and equipment	32,854,712	35,960,486
Intangible asset	7,880	47,978
Right-of-use asset	2,042,669	2,286,232
Deferred tax assets	1,019,517	549,067
Inventories	3,913,422	2,682,928
Trade receivables	2,767,805	2,746,343
Prepayments and other receivables	2,224,748	1,622,668
Cash on hand and at bank	941,550	317,483
Current tax asset	374,907	374,907
Total Assets	46,147,210	46,588,092
Deferred income	4,473,171	5,423,460
Borrowings (non-current)	12,754,536	14,434,044
Lease liability (non-current)	2,086,175	2,286,037
Trade and other payables	1,705,981	2,246,582
Borrowings (Current)	2,476,713	2,832,085
Lease liability (Current)	199,861	180,685

Provisions	309,096	100,421
Total Liabilities	24,005,533	27,503,314
Net Assets	22,141,677	19,084,778

Net assets increased by 16% or \$3,056,899 in 2020 compared to 2019. This was mainly attributed to the increase in trade receivables, prepayments, other receivables, and advance payment. There was also an increase in raw materials held in inventories and cash held.

Significant Matters – Pacific Fishing Company Pte Ltd (2019 Account)

Significant Matters 1- Impairment of assets testing not carried out.

As noted by the Auditor General, there was no evidence of the Company undertaking an impairment test on its fixed and intangible assets for any indication of asset impairment. This is in violation of International Accounting Standard (IAS 36- Impairment of Assets) and failure to execute the impairment test increases the risk of asset overstatement.

Response from the Entity:

PAFCO Management confirmed that they have a board of survey team and as and when any assets are seen as requiring any impairment assessment, it is notified to management for reviews. It is also to be noted that the properties have just undergone a market valuation exercise. The equipment has also been valued. This will now be presented to the directors for review and any noted differences will be highlighted for impairment assessments. The management has instituted a quarterly plan to review and impair assets.

PAC Comments/Recommendations:

The Committee has noted big improvement generally with the new Management to not only update the issues but also update the accounts for the 2023 financial year. Apart from the updating of financials, the Management also finalized its Manuals such as HR Manual and Risk Management Policy.

Significant Matters 2 - Approval for Credit Notes Adjustments

The Audit review of internal control around the authorization of passing of credit notes was generally noted to be weak. The table below outlines the credit note approval limit as per the Company's Finance Manual.

Designation	Limit
PAFCO Board	Above \$10,000
Chief Executive Officer	\$1,000 - \$ 10,000
Financial Controller	Below \$ 1,000

However, it was noted that the Financial Controller and the Accountant approved a few credit notes above their authorized approval limit.

Refer to the table below for examples:

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

Response from the Entity: The Committee was informed that the issue raised by the Auditors has been taken seriously and there have been no such issues in the following years. Currently, PAFCO have a new Finance Controller who started her role as Finance Controller in January 2023 and the new Accountant joined in March 2023.

PAC Comments/Recommendations: The Committee takes note of the response from PAFCO and looks forward to the Company strengthening its internal controls that this issue is not repeated in future.

Significant Matters 3-Significant Delay in payment of account payable

The Auditor General noted that there was a delay in payment to suppliers for goods and services supplied. There were two occasions on which this delay was recorded whereby the payments amounting to \$104,331.30 (AUD) were delayed for over four months.

Response from the Entity: The Committee was informed that Cash flow is now prepared and reviewed on a weekly basis to ensure that all receivables and payables are received and paid on time and there are no issues regarding late payments of accounts payable. Currently, a \$3m trade loan has been converted to OD facility to assist in such regards as well as having substantial savings. Utilizing this approach, the Company managed to save \$179k in interest.

PAC Comments/Recommendations: The Committee noted the response and cautioned the Company on the conversion of trade loan to OD facility which will not assist the Company in the long term. The Company still needs to boost their sales revenue and cash flow.

Significant Matters 4 - Adequate reserves not maintained for liquidity risk.

According to the Company's Risk Management Policy, which is stated in the Notes to the Financial Statements, the "Company manages liquidity risk by maintaining adequate reserves." However, the Auditor General highlighted the absence of any kind of reserve, as specified in the financial statements' remarks.

Root Cause/Implication

- The Accounting and Risk Management Policy of the Company does not correspond with what is done by the Company.

Response from the Entity: There are no reserves identified as such in the financials. However, in practice the Company keep the Westpac Bank Account as a rainy-day backup. Currently, the balance in this account is \$600k and every month the Company moves around \$50k into this account. The other area that PAFO are allowing for some reserves to be maintained is in the pre-approved guarantee from Government with ANZ. Currently, there is a \$2.8m balance that the Company can utilize when it needs to without any additional guarantee from the Government.

PAC Comments/Recommendations: The Committee takes note of the response and identified that the Company are having difficulty in making regular profit and having surplus cash flow to create reserves. However, going forward the Company needs to establish adequate reserves and not rely on their Bank Accounts balances or Government guarantee.

Significant Matters 5 - Continued losses made by the Company.

The Auditor General noted that the Company was continuously making operating losses over the past three years. Refer to the table below for details:

Financial Year	Loss Amount (\$)
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2019	3,262,145
2018	2,008,922
2017	1,619,257

The losses indicated that the company is unable to maximize on the revenue while at the same time failing to apply effective cost-cutting measures for indirect costs.

Root Causes/Implication

- The company stated that “the processing plant is designed for loin operations to operate at an annual volume of 28,000-30,000MT raw tuna. It has been established that the breakeven tonnage to achieve a balance in finances is around 21,000-22,000 MT.
- The supply of raw tuna has been below the required volume of 22,000MT in the last 3 years.
- Unavailability of tuna due to low catch volumes.

Response from the Entity: The Committee was advised that PAFCO’s 2020-2022 accounts had positive Net Profit. The Company have undertaken local market growth in can sales, looking at export income growth, prices are reviewed to ensure product profitability, reviewing, and trying to reduce its operational costs.

PAC Comments/Recommendations: The Committee takes note of the Company’s response and noted that more tonnage of tuna supply was received from Bumble Bee and therefore increasing its production, sales, and profit. Hence, the Company needs to closely work with Bumble Bee for Tuna Supply.

Significant Matters 5 - Can PAFCO update the Committee on whether the Company still facing the shortage of supply of fish for processing?

Response from the Entity: There is a cycle of supply downturn that occurs every 4-5 years. The Company faced shortage in supply of fish from Bumble Bee is 2023. So far in 2024, the supply is fine. To overcome this issue PAFCO has started discussion with some other customers to take up the capacity for loining. This will help cushion the effect of low supply on the processing.

PAC Comments/Recommendations: The Committee noted the response from PAFCO and recommends that the Company to discuss with other customers to diversify the supply source if allowed under the agreement with Bumble Bee.

Significant Matters 5 - Provide an update on the arrangements made between PAFCO and Bumble Bee?

Response from the Entity: PAFCO has a processing agreement with Bumble Bee. This was signed in October 2017 and will last until October 2027. Bumble Bee purchases and provides all raw frozen tuna. PAFCO offloads, stores, processes the tuna into pre-cooked, frozen loins and loads into the containers. BBF picks these up from PAFCO yard and takes it across to USA for canning.

PAC Comments/Recommendations: The Committee takes note of the Company response regarding the strict conditions of the agreement which does not allow PAFCO to negotiate freely with the aim to diversify supplies.

9. Energy Fiji Limited.

Audit Opinion

The audit of the Energy Fiji Limited for the financial year 2020 resulted in the issuance of an unmodified audit opinion with a few significant matters, and this account is the last one to be audited by the OAG.

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
Total Income	337,310	371,239
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 amortization	46,200	43,419
Other operating expenses	44,027	50,097
Finance costs and unrealised foreign exchange loss	13,447	11,936
Total Expenditure	254,641	291,963
Profit Before Income Tax	82,669	79,276
Income tax expenses	15,880	15,532
Profit After Income Tax	66,789	63,744
Other comprehensive income	1,957	1,760
Total Comprehensive Income for the year	68,746	65,504

Total comprehensive income increased by 5% or \$3.242 million in 2020 compared to 2019. This was mainly due to the reduction in fuel costs 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
Total Assets	1,446,499	1,413,711
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
Total Liabilities	547,845	562,920
Net Assets	898,654	850,791

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

Significant Matter 1 - Property, Plant and Equipment

Audit review of the of the property, plant and equipment identified the following:

- 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.
- The Company does not have a policy for carrying out a periodic physical verification of assets.

Response from the Entity: 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.

The Auditors recommend and the Committee agreed that:

- **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**
- **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.**

Significant Issue 2 - Utilization of Rural Electrification Funding

Audit review of the utilization of the rural electrification funding noted that as of 31 December 2020, \$40,274,704.15 worth of Rural Electrification Projects were in progress. In addition, following were noted:

- 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
- 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.

Response from the Entity: 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.

The Auditors recommend and the Committee agreed that:

The Company should:

- **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).**
- **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**

- Ensure that approval of Ministry of Economy is obtained for any roll over of projects.

Significant Matter 3 - Rights over Assets Resulting from Rural Electrification Schemes

The Auditor General noted that over the years, the Company has been recording capital assets generated from Rural Electrification Schemes as part of its property, plant, and equipment in the books of accounts.

Root Causes/Implication

It is difficult for the Company to justify the rights over certain capital assets generated from Rural Electrification Schemes, since there is a lack of audit evidence on the rights over the assets in the absence of formal documentation with Ministry of Economy and Department of Energy.

Response from the Entity: The Committee was informed that the Department of Energy has agreed to insert a clause in the Rural Electrification Agreement for the rural electrification schemes stating that the right over these rural electrification assets rightfully belongs to EFL.

Further, the Government has acknowledged that it does not have the necessary skillset and expertise to maintain these high risks assets, which require specialized skills, and this is the reason they are keen to transfer the rights over these assets to EFL so that these assets are perpetually maintained by EFL at EFL’s costs.

PAC Comments/Recommendations: The Committee noted the response and wish to see that the recommendation is actioned appropriately and that is, for the Government to transfer those assets to EFL with an appropriate consideration and or compensation.

Significant Matter 4 -Customer Security Deposits

Customer security deposits refer to the mandatory cash deposit, which is equivalent to two months’ electricity consumption in accordance with the Electricity Act 2017, an amount which is refunded to the customer when the electricity account is permanently closed. As of 31 December 2020, the Company held \$44.74m as customer security deposits.

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.

It was noted that:

- The customer security deposits are currently held in the company’s main operating account; and
- 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”).

Response from the Entity: The interest on Consumer Security Deposit is calculated on a quarterly basis in accordance with section 20. (3) of Electricity Act 2017.

Year	Total Interest	Pay-out to Customer	Withholding Tax-FRS (10%)
2019	\$103,876.88	\$93,489.19	\$ 10,387.69
2020	\$356,418.34	\$320,776.50	\$35,641.84
2021	\$230,998.03	\$207,898.22	\$23,099.80
2022	\$185,214.62	\$ 166,693.18	\$18,521.46
2023	\$197,004.90	\$177,304.40	\$19,700.49

EFL has paid interest on the Consumers' Security Deposits from Quarter 4, 2019 till Quarter 4, 2023 as tabulated above:

The Committee was informed that EFL does not have a separate bank account for Consumer Security Deposits. The consumer security deposit is part of EFL's operating bank account due to the following reasons:

1. The consumer security deposit is a moving balance.
2. Daily customers pay deposits when they open new electricity accounts, and EFL also refunds these consumer security deposits when customers close off their electricity accounts.
3. The Consumer Security Deposits is also used daily to offset overdue accounts owed by customers.

PAC Comments/Recommendations: The Committee noted the response from EFL and noted that the Company has a robust system that reconcile the security deposit with its interest accruals. However, in the long term it should have a separate bank account.

10. Fiji Development Bank (FDB)

Audit Opinion

The audit of the Fiji development Bank for the financial years 2020,2021,2022 resulted in the issuance of unmodified audit opinions with a few significant matters.

Abridged Statement of Financial Performance – 2022 (Fiji Development Bank)

Description	Consolidated 2022 (\$)	Consolidated 2021 (\$)
Interest income	29,291,803	30,574,881
Other income	3,669,535	4,981,461
Fee income	3,639,161	3,994,200
Total Income	36,600,499	39,550,542
Operating expenses	13,711,366	12,818,117
Total Expenditure	13,711,366	12,818,117
Operating Profit before allowances	22,889,133	26,732,425
Allowance for expected credit loss	(21,358,031)	(18,312,871)
Allowance for interest and Fees	259,721	(7,414,949)
Profit Before Income Tax	1,790,823	1,004,605
Income tax expenses	1,242	1,638
Profit After Income Tax	1,789,581	1,002,967

Consolidated Net profit after income tax increased by 78% or \$786,614 in 2022 compared to 2021. This was mainly due to the significant reduction in allowances for interest and fees as repayment moratorium to customers reduced.

Abridged Statement of Financial Position – 2022 (Fiji Development Bank)

Description	Consolidated 2022 (\$)	Consolidated 2021 (\$)
Cash	104,062,121	75,401,110
Debt financial asset at amortized cost	239,892	2,250,982
Loans & advances	488,775,145	494,615,163
Other receivables	2,740,393	4,555,680
Investment	15,001	15,001
Investment in Subsidiary	---	---
Right-of-use asset	1,572,691	1,520,581

Property & Equipment	28,529,530	28,856,367
Computer & Software - Intangibles	297,465	325,940
Total Assets	626,232,238	607,540,824
Accounts payable & accruals	4,515,396	4,838,304
Lease liability	1,626,421	1,555,174
Debt Securities issued	434,200,460	416,566,466
Other liabilities	6,342,414	6,170,848
Employee entitlement	587,321	722,355
Deferred income	2,596,993	3,114,025
Total Liabilities	449,869,005	432,967,172
Net Assets	176,363,233	174,573,652

Consolidated Net assets increased by 1.02% or \$1,789,581 in 2022 compared to 2021. This was mainly attributed to the increase in cash held by \$28,661,011 or 38% because of the increase in call account and reduction in employee entitlement by \$135,034 or 19% due to the increased number of outstanding leaves taken.

Significant Matters (2020 account):

Significant Matter 1 - What action has the Bank taken to address the internal control deficiencies on loan records identified by the Office of the Auditor General?

Response from the Entity:

- The Bank has implemented a self-audit checklist which requires a continuous checking process by the Officers.
- Training and awareness of the process and policy is continuous exercise carried out by our Training team.
- Internal Audit and ERM team continue to carry out hindsight and non-compliance audit to ensure all such issues highlighted are taken care of.

PAC Comments/Recommendations: The Committee takes note of FDB's response and the improvement in its internal control.

Significant Matter 2 - Internal controls depend on the participation of all employees at every level. Does the Company have any plans to implement disciplinary policy and take actions against staff who do not comply with the Circulars, Policies, Procedures, and Manuals of the Bank?

Response from the Entity: The consequence management process has been implemented in Credit discretion use and where needed disciplinary actions are now taken. We have also introduced Banks first time Incident reporting policy under the ERM framework, where any incidents in relation to emerging risk are loaded and assessed to ensure controls are in place and compensating in place to avoid matter happening again. These also raise gaps and consequence management.

PAC Comments/Recommendations: The Committee takes note of FDB's response.

Significant Matter Raised by the Committee 1-What is FDB's plan to move more into resource-based sector and MSMEs?

Response from the Entity:

The Bank has already moved into the mandated sector, specifically natural resources such as Agriculture (including forestry and fisheries), transportation and other industries, with a particular emphasis on SMEs and MSMEs. The Bank will continue to enhance its capacity to support Agriculture, MSME and SMEs sectors as well as promote Gender Equality & Social Inclusion (GESI) policies that focus on increasing the power of the excluded communities and vulnerable groups.

The Bank will invest more in its outreach initiatives and strengthen network with stakeholders to enable the Bank to have a better assessment of the needs on the ground and to respond with appropriate products and financial packages to assist vulnerable groups including women, youths, and cooperatives. These include launch of products like the Women Entrepreneurs package, the Rice Mobility package, the SME sustainability package, Sugar Loan to cane farmers and ginger loans to ginger farmers. The Bank has also entered a public private partnership with Tappoos group to assist the micro business to further develop and grow their business with assistance from the Bank. The Banks Women Entrepreneurs package has been a huge success with a total of 1,120 accounts and a portfolio of \$3.47M. The government provided around \$347,000 equity towards loans under this package.

PAC Comments/Recommendations: The Committee noted FDB’s response on the issue that was raised.

Significant Matter Raised by the Committee 2 - What is the alternative cheap source of funds that FDB can look at to finance MSMEs cheaply as well?

Response from the Entity:

The Bank raises funds from the market and lends to its customers. The main source of funds is through bonds and promissory notes. To reduce its funding cost, the Bank now currently accepts terms deposit from customers and the Institution. This has reduced the Bank cost of borrowing.

The Bank has further planned to start with savings accounts and foreign exchange services. On the hand, all MSME’s interest rates are subsidized by the Government.

PAC Comments/Recommendations: The Committee noted the response from FDB.

11. FDB Nominees Pte Ltd (2020-2022 Audited Accounts)

Audit Opinion

The audit of FDB Nominees Pte Ltd for the financial year 2020,2021,2022 resulted in the issuance of unmodified audit opinions however with some Significant matters.

Abridged Statement of Financial Performance – 2022 (FDB Nominees Pte Limited)

Description	2022 (\$)	2021 (\$)
Interest and other income	8,357	10,142
Total Income	8,357	10,142
Operating expenses	2,145	1,953
Total Expenditure	2,145	1,953
Operating income before income tax	6,212	8,189
Income tax expense	1,242	1,638
Net profit for the year	4,970	6,551

Net profit decreased by 24% or \$1,581 in 2022 compared to 2021. This was mainly due to the impact of COVID 19 on investments where interest income was reduced by 18% or \$1,785.

Abridged Statement of Financial Position – 2022 (FDB Nominees Pte Limited)

Description	2022 (\$)	2021 (\$)
Cash	29,893	12,957
Held to maturity investments	239,892	250,982
Other receivables	432	1,638
Total Assets	270,217	265,577
Other payables	2,000	1,741
Income tax payable	432	1,022

Total Liabilities	2,432	2,763
Net Assets	267,785	262,814

Net assets increased by 1.89% or \$4,971 in 2022 compared to 2021. This was mainly attributed by the increase in cash held by \$16,936 or 131% which was caused by reduction in other receivables.

Significant Matters (2020 account):

Significant Matter 1 - There were no major activities of the Company in the financial year and the Company has been inactive in the last two financial years. What is the update on the review of the status and strategic objectives of the Company in line with the requirements of its parent company (Fiji Development Bank) to decide the viability to continue its operations?

Response from the Entity: FDB Nominees Pte Ltd is a subsidiary Company of the Fiji Development Bank. FDB Nominees is an investment company and currently dormant but meeting all its statutory and tax requirements.

Over the years the Company has only operated when it has some commercial activities. Currently we do not have any commercial activities and thus the Company is dormant. However, the Company will operate if any commercial activities come up.

PAC Comments/Recommendations: The Committee takes note of the Company's response and encourage the company to make it active.

Significant Matter 2 - There was a clear conflict of interest which was not declared and documented in the decision- making processes relating to the term deposit with Fiji Development Bank (FDB) as raised by the Office of the Auditor General. Has the Company implemented policies and procedures to deter conflicts of interest and illegal acts, and how are they monitored? Has the Company maintained a Conflict of Interest, and how are they monitored?

Response from the Entity: To avoid any conflict of interest, the Company will not invest any term deposit with the Bank. All current Terms Deposits are placed in outside financial institutions to avoid conflict of interest between FDB and FDB Nominees and its staff.

PAC Comments/Recommendations: The Committee noted the Company's response and in addition, to ensure there is more independent Directors in the Company.

Significant Matter 3 - What is the status/update on the appointment of an Independent Director of the Company?

Response from the Entity: The Company has not appointed any independent Director now since the Company is dormant. However, in future if the Company is operating then an independent Director will be appointed.

PAC Comments/Recommendations: The Committee noted, however, adamant that an independent Director should be in the Company Board.

12. Housing Authority of Fiji

Audit Opinion

The audit of the Housing Authority for the financial year 2018 resulted in the issuance of an unmodified

audit opinion with a few significant matters.

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
Net Operating Revenue	19,912	12,724
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
Total Operating Expense	18,062	11,023
Net Profit before Income Tax	1,850	1,701
Other Comprehensive Income	-	2,954
Total Comprehensive Income	1,850	4,655

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. This 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
Total Assets	186,309	177,515
Trade & Other Payable	27,817	21,044
Employee Benefit Liability	542	532
Provisions	25	25
Debt Issued & Borrowed Funds	101,772	100,962
Total Liabilities	130,156	122,563
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
Total Equity	56,153	54,952
Total Equity & Liabilities	186,309	177,515

Total assets increased by 5% compared to 2017. This is due to the increase in inventory, which comprises developed lots, unsold properties. Moreover, there was 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.

Significant Matters

Significant Matter 1 by the OAG - What is the update on the review of the provisioning model and the matrix for allowance for impairment loss model as required by IFRS 9?

Response from the Entity: The Accounting Standard (IFRS9) was adopted from 2018 and the model was developed with the assistance from the KPMG Consultant.

PAC Comments/Recommendations: The Committee noted the response from Housing Authority and encourage the Company to utilize it effectively.

Significant Matter 2 by the OAG-Governance Issues - Has the Authority considered and made necessary arrangements to enter a Memorandum of Understanding with Reserve Bank of Fiji for proper supervision, review and modernize of its legislations? If yes, are there any audit checks or annual review done by RBF from 2018 to date? If not, why?

Response from the Entity:

The Authority is under the Supervision of the Reserve Bank of Fiji (RBF). The RBF Banking Supervision Team conducts quarterly prudential review of the Authority on an ongoing basis. The RBF conducted a Loans and Funding Review Report in 2021. The scope of the review involved:

- Corporate governance & strategic planning, lending policies and practices.
- Funding policies and procedures; and
- RBF reporting.

The oversight and control function assessed as part of that review were:

- The Board and its subcommittees.
- Senior Management.
- Internal Audit; and
- Risk Management and Compliance

The purpose of the review was to benchmark the Housing Authority to the relevant RBF supervision policy statements that is applicable to commercial banks and credit institutions, and other best industry practices. The RBF also provides support and guidance to the Authority as and when required. On a monthly basis, the Authority submits the following returns to the RBF:

- i. NBF1 2-1 (Loans & Advance- monthly report on New Loans)
- ii. NBF1-3 (Interest Rate on Loans & Advance – monthly report on any change in the lending rate)
- iii. MLPS- Monthly report on total non-performing loans
- iv. NBF1-1-Monthly Assets & Liabilities report
- v. NBF1-2 -Monthly report on outstanding Loans & Advance excluding Ground Rent.

PAC Comments/Recommendations: The Committee noted the response from Housing Authority and to ensure the review report are provided to the Office of the Auditor General as well.

Significant Matter 3 by the OAG – Special Purpose Audit (Special Investigation). 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.

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.

Response from the Entity:

The Authority after receiving the special investigation report has prepared action plans to implement the recommendations made in the report.

PAC Comments/Recommendations: The Committee noted the response and will delve more into the report.

Significant Matter 4 by the OAG - Internal Audit Report

The Internal Audit report for the Authority highlighted business management and governance issues for Land & House Development Division has not been fully resolved by the Authority.

Response from the Entity:

The Housing Authority has established sub-committees with clear terms of reference to address the issues noted in the internal audit report.

PAC Comments/Recommendations: The Committee noted the response and encourage action plans to implement the recommendations made in the report.

Significant Matter 1 by the Committee - How is management remaining current with respect to changes in accounting and financial reporting requirements? Are there appropriate training mechanisms in place?

Response from the Entity: The Finance team are members of professional bodies like Fiji Institute of Chartered Accountants (FICA) and CPA student membership and subscribe to various professional groups overseas receiving updates on accounting standards development.

The FICA also conducts technical workshop to assist members understand requirement and process to adopt changes including future development in the accounting standards. The external auditors also discuss accounting standards in progress to be amended or changed in subsequent years.

The following accounting standards were adopted over the years to comply with external audit requirements.

- IRFS 9 adopted in 2018 - Jointly developed with KPMG.
- IRFS 6 - Leasing adopted from 2019. Reviewed & adopted internally.
- IFRS 15 - income recognition criteria.
- IFRA - IAS 16 - revaluation - every five years - adjusted internally.
- IAS 40 - investment property - adopted in 2013 with commercial lease improving income stream property sold in 2017.

PAC Comments/Recommendations: The Committee noted the response received and acknowledges the

improvements made by Housing Authority.

Significant Matter 2 by the Committee - Can the Housing Authority update the Committee on the status of audited accounts for 2019, 2020, 2021 and 2022 financial years?

Response from the Entity: Refer to the table below for status of the audited accounts for the respective financial period:

Financial Year	Signed Off by the Board	Signed off by Auditor General	Comments
2019 Jan-July	24/11/2022	08/12/2022	Covid 19 - unmodified
2019/20	22/02/2024	04/03/2024	Unqualified Opinion
2020/21	22/02/2024	04/03/2024	Unqualified Opinion
2021/22	17/05/2024		For endorsement by the Board on the 17th May 2024
2022/23			Completed for submission to OAG on the 10th of May 2023.

PAC Comments/Recommendations: The Committee noted the response and concern with timeliness of the submissions of the draft financial statements for audit considering that it's one of the large entities. We do not want to see them delaying in the future.

Significant Matter 3 by the Committee -What action has the Authority taken to address the internal control deficiencies identified by the Office of the Auditor General?

Response from the Entity:

The Authority has a first line Assurance Team with a Key Control Testing (KCT) Analyst recruited in January of 2023. The Key Control Testing Analyst performs key control testing as per Annual Key Control Testing Plan to identify control deficiencies and provide recommendations to the business units within Housing Authority on the remedial actions to be undertaken. A Key Control Testing issues register is maintained to track implementation of recommendations. All KCT reports are reported to the Board.

PAC Comments/Recommendations: The Committee noted the proactiveness by the Authority to improve its internal control mechanisms.

Significant Matter 4 by the Committee- Internal controls depend on the participation of all employees at every level. Does the Authority have any plans to implement disciplinary policy and act against staff who do not comply with the Policies, Procedures, and Manuals of the Authority?

Response from the Entity:

The Authority has a Code of Conduct as part of its policies and procedures. Annual awareness is conducted to staff on Code of Conduct expressly on the expected behaviours and standards required of them in performance of their duties. Where disciplinary actions are required, the Talent & Culture Team in line with the Disciplinary Procedure under the Collective Agreement undertakes these. Refer Appendix 2 (Housing Authority Written Response) for extract of the Disciplinary Procedures. Since January of 2022 6 staff have undergone disciplinary proceedings with 4 terminations for various breaches of HA policies and procedures.

PAC Comments/Recommendations: The Committee noted the response and wish to encourage the Company to enforce the Code of Conduct and take appropriate disciplinary actions in accordance with policies and procedures.

Significant Matter 5 by the Committee- Do the Board exercise appropriate actions to ensure that identified deficiencies in internal control are addressed by management in a timely manner?

Response from the Entity:

The Housing Authority has an Audit & Finance Board Sub-Committee. The Charter of the Audit & Finance Sub-Committee expressly states that the sub-committee is responsible for audit matters including regularly reviewing the Authority's internal controls & systems including findings & recommendations of the Internal Auditors.

All external audit reports are presented to the Audit & Finance Board Sub Committee for the review and then to the full Board. Internal Audit, Risk & Compliance (! ARC) board information paper is submitted at every Board meeting, updating on the findings of all reviews and key control testing undertaken by the Risk & Compliance Team. The Risk & Compliance Team maintains an audit issue register where all internal and external audit issues are recorded. 167 audit issues were recorded in the audit issues register dating back to 2017. As at 31 March 2024, there only 13 open issues that the Authority is working progressively to address.

The Head of Risk & Compliance and Internal Auditor directly report to the Board ensuring independence of these two functions.

PAC Comments/Recommendations: The Committee noted the response and recommends that Housing Authority establish a Complain register or dashboard to receive complains or issues from the public, clients and staff. In addition, the Company can put in place a Whistle Blower Policy.

Significant Matter by the Committee 6-Provide an explanation on why the loans and advances have decreased over the years?

Response from the Entity:

The portfolio growth depends on the land development delivery of lots outlined in the five-year plan and it's expected to drive the building sector with construction homes increasing loan portfolio. Three major sites are currently assigned to MOF /IFC and site for strata unit. Total cost development cost incurred is around \$37 million as of 2018.

In addition, there are three land development in progress, and Housing Authority anticipates the sales of lots from May 2024. The subdivision is Covata, Mokosoi, Tavakubu, Infill and Tavakubu St 2. Total lots of 272 and development cost of \$13.55 million.

Lots are offered to first homeowners and household income below 50k per annum. While on boarding customers with household income less than \$50k and after improving their financial capacity to borrow more, they more to the Bank for various reasons since:

- Housing Authority facility is strictly for purchase of land and house construction.
- Customers refinance their debt to the bank to take advantage of other credit facility, like car loan, personnel loan.

PAC Comments/Recommendations: The Committee noted the response and encourage Housing Authority to be competitive in the market.

Significant Matter by the Committee 7-What constitutes the inventories of \$59.6million and why it is

high?

Response from the Entity:

	AMOUNT	COMMENTS
Land Development Project Assigned to IFC	\$37,111,473.72	2018 - 2023
Land Development Project in progress	\$1,568,912.60	2020- 2024-
Tacirua	\$8,481,663.23	2015 - Squatters
Inventory - For sale	\$ 12,442,194.90	
	\$59,604,244.45	

The capital projects assigned to MOF/IFC could have been progressively sold as follows:

	LOTS	STRATA UNITS	DUPLEX	PRB	TOTAL
Nepani – 2019	176	608			784
Davuilevu - 2023 - 2025	531	544	160	42	1,277
Tavakubu - 2023 - 2025	324		75		399
Wainibuku – 2019		176			176
Total	1,031	1,328	235	42	2,636

PAC Comments/Recommendations: The Committee noted the response from Housing Authority.

Significant Matter by the Committee 8-Provide an explanation on why the Housing Authority has accumulated losses over the years?

Response from the Entity:

The accumulated loss reached \$24.534 million in 2000 which gradually reduced over the years reaching \$6.233 million in FY 2020/21. The public rental flat was part of HA operations before PRB was formed in 1989 and the separation of financials reporting was finalized in 1996.

PAC Comments/Recommendations: The Committee noted the response from Housing Authority.

Significant Matter by the Committee 8-Provide an explanation on why Housing Authority have \$15.9million Government grant and at the same time have \$17.5million held to maturity investment?

Response from the Entity:

The \$15.9 million was received prior to 1994 as Administration grant and reported as equity in the balance sheet. Annual admin grant was around \$1 million per annum. From 1994 the Authority did not rely on Government administration grant, but subsidy allocated directly to customers or land development projects and funds reported as liability in the balance sheet. The \$17.5 million comprise of borrowing that was invested in short term deposit to facilitate development and mortgage financing according to the budget plan.

PAC Comments/Recommendations: The Committee noted the response from Housing Authority.

Significant Matter by the Committee 9-What is the progress and the status of the proposed Waila City project, Davuilevu Housing, Nepani and part of Tacirua?

Response from the Entity:

Davuilevu and Nepani subdivisions have been assigned to Ministry of Finance and IFC as reflected in the attached LHD 5 Year Plan.

Waila and Tacirua are planned for in Land Housing Development 5 Year Plan (Refer attached as Appendix

5).

Tacirua - Scheme plan has been renewed and Detailed Engineering Design currently being carried out to Yield 310 lots over 2 phases.

Construction has been delayed due to the High Court Civil Action; Harry Auta & Others v Housing Authority & Anr- High Court Civil Action No. HBC 303 of 2013. A court decision favourable to Housing Authority is anticipated this year. This will allow works to commence with yield in 2 phases over the next 2 years as reflected in the LHD 5 Year Plan.

Waila - Lidar Drone survey works is to be commissioned to allow for detailed survey for scheming and detailed design. A Master Scheme Plan of the 350-hectare site will be prepared with detailed scheme of initial 200 acres planned for development in LHD 5 Year Plan.

PAC Comments/Recommendations: The Committee noted the response from Housing Authority and hope that all the outstanding issues are finalized as soon as possible to enable the Company to continue with its housing development as planned.

13. Fiji Rice Pte Ltd

Audit Opinion

The audit of Fiji Rice Pte Limited for the financial year 2020 resulted in the issuance of a modified audit opinion and the 2021 financial year resulted in the issuance of an unmodified audit opinion, however still with some significant matters.

Abridged Statement of Financial Performance – 2021 (Fiji Rice Pte Limited)

Description	2021 (\$)	2020 (\$)
Operating revenue	1,291,660	1,032,089
Cost of goods sold	(1,230,022)	(1,046,980)
Gross Profit/(Loss)	61,638	(14,891)
Other revenue	1,306,173	1,314,108
Gain on sale of asset	-	2,611,981
Administrative expenses	(930,745)	(974,641)
Other expenses	(265,027)	(112,340)
Profit from operations	172,039	2,824,217
Income tax expense	(10,447)	(332,430)
Profit After Income Tax	161,592	2,491,787

The net profit after tax decreased by 94% or \$2,330,195 in 2021 compared to 2020. In 2020, the Company had recorded higher profit due to sale to two properties in Nausori.

In 2021, the Company recorded a positive gross profit which indicates improvement in sales revenue.

Abridged Statement of Financial Position – 2021 (Fiji Rice Pte Limited)

Description	2021 (\$)	2020 (\$)
Cash on hand and at bank	690,897	488,465
Term deposits	2,080,695	2,432,359
Trade and other receivables	728,222	535,565
Inventories	397,750	440,721
Income tax receivable	36,525	-
Property, plant and equipment	2,276,808	2,319,359
Intangible assets	4,892	5,388
Right of use assets	45,872	34,213
Total Assets	6,261,661	6,256,070
Trade and other payables	24,162	49,191
Income tax payable	-	16,059

Rice development revolving fund	91,743	91,743
Lease liability	48,430	35,923
Deferred grant liability	619,193	741,379
Provisions	6,086	11,320
Borrowings	6,725,382	6,725,382
Total Liabilities	7,514,996	7,670,997
Net (Deficiency) in Assets	(1,253,335)	(1,414,927)

Net deficiency in assets decreased by 11% or \$161,592 in 2021 compared to 2020. The decrease was mainly due to the improvement in business activities of the Company. In 2021, the Company was in the process of Debt-to-Equity Conversion.

Significant Matter in Question 1-Internal Control Environment, risk assessment and control activities as part of Internal Control Assessment were identified as areas from improvement. How has the Company addressed these internal control mechanisms?

Response from the Entity: The Company maintains Risk Management Register and present to the board meeting. The Company carried out Internal Audit by PFK.

PAC Comments/Recommendations: The Committee noted the response from Fiji Rice and its initiative.

Significant Matter in Question 2-How is management remaining current with respect to changes in accounting and financial reporting requirements? Are there appropriate training mechanisms in place?

Response from the Entity: Any new IFRS standards requirement are informed by the Auditor General Office. The Finance team do attend training organized by the stakeholders like FNPf and FRCS.

PAC Comments/Recommendations: The Committee noted the response from Fiji Rice, however, the Company should have its own finance officers updating their accounts into IFRS standard.

Significant Matter in Question 3-Provide an explanation and actions taken on those qualification issues that were highlighted for the 2020 financial year audit?

Response from the Entity:

Unidentified Deposits - This matter is a recurring matter from the prior years and subsequently in the 2021 FS the Board passed a resolution to write-off \$15,641. From the audit review it has been found that the company has exhausted all its avenues to find out what it relates to, and they cannot further pursue and passed board resolution to write off.

Lodgement not yet credited balance of \$146,123 - This matter is also a recurring matter from the prior years and no relevant documents to substantiate the balance and as such the board exhausted all the avenues and write off the balance from the 2021 books of account.

Tax Reconciliation - This has been the accounting matter, and the company engaged the tax consultant HLB, and the matter was resolved in the 2021 books of account.

PAC Comments/Recommendations: The Committee noted the response from Fiji Rice and recommends the two write-offs.

Significant Matter in Question 4-In 2021, the Company recorded a huge reduction in profit. What strategies are in place to improve the profitability of the Company and Going Concern?

Response from the Entity:

In 2020, the company had sold its 2 Nausori properties and made a gain in sale of \$2,611,981. Lot 2 on Plan DP2550 sold to United Pacific Fiji Ltd and State Lease 22237 Lot 5 6 & 7 50781 sold to Reddy & Diamond Suva Pte Lt d.

PAC Comments/Recommendations: The Committee noted the response that the sales of lots were a short-term measure, however, the Company with Ministry of Agriculture and Ministry of Public Enterprises to come up with a Strategy to increase rice production, improve operation and subsequently increase profitability.

Significant Matter in Question 5-How does the Company, engage with Ministry of Agriculture to improve production of rice?

Response from the Entity:

The company has involved a representative from Agriculture to be sitting in the board meetings and for company strategic planning sessions. FRL is also part of Rice Taskforce where all stakeholders meet quarterly. FRL jointly with MOA have village level meetings to reach out to farmers for assistance and planting programs updates.

PAC Comments/Recommendations: The Committee noted the response from Fiji rice; however, the engagement is not fruitful as rice production continue to decline. There should be a concerted effort to increase the number of farmers, increase land and promote shared farming of rice.

14. Food Processors Pte Limited

Audit Opinion

The audit of Food Processors Pte Limited for the financial year 2009 resulted in the issuance of a modified audit opinion with significant issues.

Abridged Statement of Financial Performance - 2009

Description	2009 (\$)	2008 (\$)
Revenue	2,136,309	2,243,760
Other operating revenue	248,028	304,238
Change in fair value of investment property	---	2,103,331
Revaluation of property, plant & equipment	---	730,370
Total Income	2,384,337	5,381,699
Cost of sales	2,189,605	1,972,883
Administration and operating expenses	1,263,017	811,250
Finance cost	47,008	8,531
Total Expenditure	3,499,630	2,792,664
(Loss)/Profit Before Income Tax	(1,115,293)	2,589,035
Income tax expenses	---	854,521
(Loss)/Profit After Income Tax	(1,115,293)	1,734,514

There was a net loss of \$1,115,293 in 2009 compared to a net profit of \$1,734,514. In 2008, a change in fair value of investment property and revaluation of property, plant and equipment were recorded which drastically increased the income of the Company. In 2009, the significant increase in cost of sales, expenditures such as administration and operating and finance cost resulted in a net loss.

Abridged Statement of Financial Position - 2009

Description	2009 (\$)	2008 (\$)
Cash	1,853	3,501
Trade and other receivables	735,896	761,706
Other assets	66,506	127,824
Inventories	362,121	1,220,179
Investment property	3,293,266	3,400,000
Property, plant and equipment	2,313,356	2,282,581

Taxation refund & deferred asset	3,221	7,469
Total Assets	6,776,219	7,803,260
Trade and other payables	370,181	362,433
Deferred income	237,835	62,249
Interest bearing borrowings	392,483	451,299
Deferred tax liability	---	896,514
Bank Overdraft	56,723	88,741
Current tax liability	---	26,570
Non-Interest-bearing borrowing	1,900,000	1,900,000
Total Liabilities	2,957,222	3,787,806
Net Assets	3,818,997	4,015,454

Net assets decreased by 4.9% or \$196,457 in 2009 compared to 2008. This was mainly due to the reduction in inventories held at year end and withdrawal of term deposits to assist in the tight cash flow.

Significant Matter in Question 1-What is the current update on the audit for 2011 – 2019? What is the plan for the audit of accounts from 2020 onwards?

Response from the Entity: For the years 2011 to 2014, the audits have been completed, signed, and the Parliamentary numbers have been obtained. The Company are currently in the process of finalizing the annual reports.

Physical Audit for the years 2015 to 2019 has been completed, PKF is in the final stages of the audit process, with completion expected by the end of May 2024. HLB provided the final Financial Statements (FS) and Trial Balance (TB) for 2014 on January 15th, 2024. After receiving the final FS for 2014 from the Office of the Auditor General (OAG) on February 15th, 2024, it was forwarded to PKF on February 27th, 2024, to adjust the roll-over balances for the 2015 to 2019 accounts. PKF has assured that this adjustment will be completed by mid-May 2024, with the final FS expected to be signed by the end of May 2024.

Regarding the audit for the years 2020 to 2022, the audit has been awarded to BDO by the OAG. However, the physical audit dates have not yet been confirmed, as the OAG is awaiting the final FS for the years 2015 to 2019 to pass the final TB for 2019 to BDO, enabling them to proceed with the physical audit. Food Processors (Fiji) Pte Ltd (FPFL) has already submitted the Financial Statements up to December 31st, 2022.

It was noted that the Company remains committed to ensuring transparency and accountability in our financial reporting processes and will continue to work closely with the relevant authorities to complete the audits in a timely manner.

PAC Comments/Recommendations: The Committee noted that the new Management and the Board are putting its effort to update the Company's pending accounts including involving external accounting firms engaged.

Significant Matter in Question 2-What are the Company's solutions for the issue of the delays in the preparations of the draft financial statements within the Statutory timeline?

Response from the Entity:

- The company aims to finalize the external audit for the years up to 2019 by the end of June 2024.
- Additionally, the external audit for the years 2020 to 2022 is aimed to be completed by the end of October 2024.

The company has ensured timely completion of audits and mitigated any delays in preparing draft financial

statements through following:

- I. **Qualified Staff:** Hiring of professional staff that understands the intricacies of financial statement preparation and can guide the company through the process. Finance Manager was recruited in 2021.
- II. **Improve Technical Knowledge:** Staff were sent to workshops, seminars, and conferences to keep updated with technical finance knowledge.
- III. **Streamline Record-Keeping:** Accounting records are now in order, which will facilitate a smoother audit preparation process and help identify any misstatements early. Acquired robust accounting software, Business Central 365 in 2023.
- IV. **Regular Reviews:** Regular reviews of financial records have been conducted throughout the year to prevent the accumulation of errors and to ensure that any issues are addressed promptly. Finance reports are presented to the Board at every meeting, and this is thoroughly discussed.
- V. **Clear Communication:** Deadlines and responsibilities are clearly communicated to all individuals involved in the financial statement preparation process.

PAC Comments/Recommendations: The Committee noted the Company's response and looking forward to the new Management and Board to expedite the updating and submissions of its pending accounts for audit.

Significant Matter in Question 3-How is management remaining current with respect to changes in accounting and financial reporting requirements? Are there appropriate training mechanisms in place?

Response from the Entity:

Management at FPFL recognizes the importance of staying current with evolving accounting and financial reporting standards. To ensure this, several measures have been implemented.

- i. **Recruitment of qualified personnel:** FPFL has strategically hired competent staff members to address the challenges arising from the departure of key management representatives since 2021. These new hires bring fresh perspectives and expertise to effectively manage the company's operations and navigate any existing backlogs.
- ii. **Participation in professional conferences:** FPFL encourages employees to actively engages in industry conferences, such as the Fiji Institute of Accountants (FIA) Conference, to stay updated on the latest developments in accounting standards, including International Financial Reporting Standards (IFRS) which is supported by the company.
- iii. **Continuous training and development:** People & Culture Department carried out a Training Needs Analysis to identify training gaps. The identified training is programmed into the FPFL Calendar, and staff attend these trainings. There are ongoing on job trainings conducted as well for junior staffs by management to keep them abreast with the standard Operating procedures.

Management and board members attend external governance trainings training on Corporate Governance to ensure compliance with financial reporting requirements and uphold transparency and accountability Management and board members undergo regular governance training sessions to enhance their understanding of corporate governance principles and their roles in ensuring compliance with accounting and financial reporting requirements. These training sessions enable them to make informed decisions and uphold the highest standards of transparency and accountability within the organization. FPFL encourages management to maintain relevant certification and attend workshops and seminars.

By adopting these measures, FPFL remains committed to maintaining a proactive approach to addressing changes in accounting and financial reporting requirements, thereby ensuring compliance, and fostering

sustainable growth.

PAC Comments/Recommendations: The Committee noted the response of the Company.

Significant Matter in Question 4-Can the Company provide a detailed explanation on the huge increase in administration and operating expenses in 2009 compared to 2008?

Response from the Entity: All management and board are new. However, by looking at the financial statement it is noted that the major increase was due to a huge shift in Salaries & Wages from \$195k to \$590k, accountancy fee from \$0 to 10.5k, depreciation expense from \$207k to \$226k, directors fees from \$5k to \$20k, Insurance premium increased from \$38k to \$46k and R&M went up from \$75k to \$99k.

PAC Comments/Recommendations: The Committee noted the increase in salaries and wages, however, due to the delay of the accounts it resulted in the current Management inability to provide the reasons of the increase.

Significant Matter in Question 5-Can the Company explain whether it has improved its inventory records as highlighted by the Auditors?

Response from the Entity: Yes, the company has taken significant steps to enhance its inventory management practices. Firstly, the Company have initiated periodic stocktaking procedures, ensuring regular assessments of our inventory levels. Additionally, we have implemented robust inventory valuation reporting processes, providing detailed insights into the value of our inventory assets.

Furthermore, recognizing the importance of efficient data management, the company has made substantial investments in the software solution named Business Central 365 for data warehousing. This software implementation commenced in 2023, with phase 1 successfully completed and phase 2 currently underway. This technological upgrade is aimed at streamlining inventory tracking and management processes, enabling us to maintain accurate and up-to-date records of our inventory levels.

In tandem with these initiatives, the company is also focused on strengthening internal controls to safeguard inventory assets and ensure compliance with regulatory requirements through internal audits and policy reviews. We remain committed to implementing best practices in inventory management to optimize operational efficiency and enhance financial transparency.

PAC Comments/Recommendations: The Committee noted the new system that have been put in place by the new Management to suit the current operation.

15. Yaqara Pastoral Company Ltd

Audit Opinion

The audit of Yaqara Pastoral Pte Limited for the financial years 2016 - 2017 resulted in the issuance of modified audit opinions.

Abridged Statement of Financial Performance – 2017 (Yaqara Pastoral Company Limited)

Description	2017 (\$)	2016 (\$)
Revenue from operations	880,702	843,342
Cost of sales	(441,768)	(496,997)
Gross Profit	438,934	346,345
Other operating income	4,083,478	3,034,097

Net Trading Result	4,522,412	3,380,442
Administrative expenses	(1,048,886)	(958,211)
Selling and distribution expenses	(1,387)	(2,746)
Operating expenses	(150,916)	(229,596)
Total Expenditure	(1,201,189)	(1,190,553)
Operating Profit	3,321,223	2,189,889
Finance costs	(1,245)	(1,260)
Profit Before Income Tax	3,319,978	2,188,629
Income tax expenses	(680,215)	(434,867)
Profit After Income Tax	2,639,763	1,753,762

The net profit after tax increased by 51% or \$886,001 in 2017 compared to 2016. The increase in net profit was mainly due to the increase in royalty income received during the financial year.

Abridged Statement of Financial Position – 2017 (Yaqara Pastoral Company Limited)

Description	2017 (\$)	2016 (\$)
Cash and cash equivalents	4,627,508	4,209,037
Trade receivables	70,118	64,403
Other debtors and prepayments	384,243	201,477
Advance tax	2,877,874	2,166,749
Biological assets	2,905,035	3,300,075
Held to maturity investments	1,973,117	1,924,075
Inventories	70,148	38,979
Property, plant and equipment	1,399,950	1,421,741
Deferred tax assets	4,294	11,534
Total Assets	14,312,287	13,338,070
Creditors and Accruals	335,478	105,951
Employee Benefits Liability	61,430	43,230
Provision for Dividend	7,928,841	5,289,080
Total Liabilities	8,325,749	5,438,261
Net Assets	5,986,538	7,899,809
Share Capital	1,191,846	1,191,846
Retained Earnings	4,794,692	6,707,963
Total Equity	5,986,538	7,899,809

Net assets decreased by 24% or \$1,913,271 in 2017 compared to 2016. The decrease was mainly due to the increase in liabilities attributed to the increase in provision for dividend recorded by the Company during the year.

Significant Matter 1 - Journal Entries and Adjustments

It is imperative that all accounting allocations are appropriately made, all amendments and adjustments to be done in the financial statement are done, and there are checks and balances in the financial statements before submitted to audit.

The Company had resubmitted the draft financial statements for 2016 and 2017 to resolve issues of variances between general ledger, trial balance and financial statements. Audit noted that the Company had adjusted through general journal entries and amendments of transaction amounts in the general ledger.

Audit review of adjustment entries and amendments of transaction amounts recorded in the general ledger noted the following anomalies:

- The entity did not maintain journal vouchers with supporting documents to journal entries.
- Invoices, receipts, payment vouchers and other documentation were not provided to substantiate amendments and adjustments made in the general ledger, trial balance, and financial statements. Refer to table below for details.

Significant Matter 2 - Delay in Submission of Draft Financial Statements for Audit

The Committee noted that under Section 102(1) of the Public Enterprise (Amendment) Act 2002 requires Government Commercial Companies and Commercial Statutory Authorities to submit unaudited financial statements within one month after the end of each financial year. Section 103(1) requires the issue of an auditor's report within four months after the end of each financial year.

The draft financial statement for the years ended 31 December 2016 and 31 December 2017 were received for audit on 20 June 2019. The amended draft financial statements were received on 21 August 2020. The audit noted significant delays in the submission of draft financial statements for audit. The draft financial statements for the years ended 31 December 2018 and 31 December 2019 were received for audit on 06 April 2022 and 22 July 2022 respectively.

The non-submission of the unaudited or draft financial statements within the statutory deadline is a breach of section 102(1) of the Public Enterprise (Amendment) Act.

Significant Matter 3 - Books of Account and Financial Reporting

The audit noted that there is a need for significant improvements and enhancements in the existing system and procedures for record keeping, bookkeeping and year-end financial reporting process.

In particular, the following were noted:

- Certain critical reconciliations and schedules were not prepared and provided for audit verifications such as the tax worksheets, stock valuation report/listing, age debtors' listings, and age creditors' listings.
- There were significant delays in the provision of documents and information required for audit.

The Company did not have sufficient internal control or policies and procedures in place to ensure that accurate accounting records are kept, and proper books of accounts are maintained. As a result, there is an increased risk of inefficient and ineffective accounting recording and errors in reporting, and increased risk of errors and irregularities.

Significant Matter 3 - Accounting Records

The Company's main office was destroyed during the Tropical cyclone Winston in 2016. The Company was relocated to another office. On 21 November 2017, this office at Yaqara was also completely burnt down. Both offices contained all the accounting records and got destroyed. The following issues were noted in the absence of source documents:

- The Company indicated that the records were destroyed during Tropical cyclone Winston in 2016.
- Audit have not been able to perform audit procedures to confirm whether all cash transaction was appropriately recorded in the books of account.
- Receipts and invoices for customers were not made available to audit, hence audit was unable to confirm on the existence of all invoices and receipts for 2016 and 2017 period.
- Inventory costing couldn't be performed in the absence of vendor invoices.
- Purchase order cut off testing could not be performed in the absence of LPO books.
- In the absence of insurance policy, total sum paid for insurance has been allocated between prepayment and expenses based on last year's schedule. Risk exists that any modification performed in the current year is not appropriately captured by the method used.
- Average weights recorded by Management for livestock could not be confirmed due to the unavailability of delivery dockets. These yard delivery dockets are prepared for all sales.
- Average price recorded by Management for livestock could not be confirmed due to unavailability of market price (dressed weight as per price list).
- Additions of \$211,935 in 2016 and \$191,093 in 2017 to property, plant and equipment cannot be substantiated in the absence of invoices, statement, and payment vouchers.
- Creditors cannot be confirmed in the absence of invoice, statement, and payment vouchers.
- Unrecorded liabilities search could not be performed in the absence of subsequent payment vouchers,

statements, and invoices.

- Net utilization of deposit income advance account of \$26,619 in 2016 and \$61,621 in 2017 could not be justified in the absence of supporting documents.
- Annual leave register recording individual staffs leave at year end was unavailable.
- Audit cannot confirm accuracy of revenue and expenses stated at year end in the books of account.

Scope limitation exists in the absence of source documents.

Significant Matter 4 - Variance in Investment Balances

It is imperative that investments are properly valued and recorded on the balance sheet date.

Significant Matter 5 - Unsubstantiated Account Balances

The source document is essential to the [bookkeeping and accounting](#) process as it provides evidence that a financial transaction has occurred and balances exists as at balance date.

The audit was not provided with sufficient appropriate supporting documents to substantiate balances reported in the 2016 and 2017 financial statements.

PAC Comments/Recommendations: The Committee noted the poor and problematic status of the Company's financial accounts as highlighted by the Office of the Auditor General. During the visit the Committee noted that the accounting system is contracted to an external firm, the Accountant and the Corporate Services are also contracted out to consultants. Plus, there wasn't any CEO to manage the company, only a newly constituted Board of Directors who are also driving the operation.

A week Subsequent to our visit we were advised that the Board members were terminated.

The Ministry of Public Enterprises need to urgently resolve the financial aspect of the Company plus the general operation and strategic direction of the Company going forward.

Significant Matter 3-Provision for Dividend

Provision for dividends is recorded in the books of accounts in the year in which the dividend is declared by the Board of Directors. The Audit review of the Company meeting minutes held on 27/10/16 noted that the Board resolved a 100% dividend for the 2011, 2012 and 2014 dividend. The minutes also stated that dividend amount for 2014 is \$1,920,000.

Audit review of the provision for dividend account reconciliations provided by the Company revealed the following anomalies:

- Dividend for the years 2011 and 2012 were already paid before the Board resolved a dividend of 100%. That is:
 - The 2011 dividend were paid on 28/05/14 of \$1,879,214: and
 - (ii) The 2012 dividend were paid on 28/05/14 of \$1,420,786 and 31/12/14 of 1,048,377
- Variances were noted between the provision for dividend amount reported in the financial statements and independent reconciliations performed by audit from the information provided by the Company.
- Audit were not provided with supporting documents to substantiate a payment made to FRCS recorded in the provision for dividend general ledger account.
- The Company recorded the 2015 dividend of \$2,872,206 that was declared and paid in June 2020 in the 2016 and 2017 accounts.
- The provision for dividend balance as at 31 December 2016 included the 2016 profit of \$1,753,763 which is yet to be declared a dividend by the Board of Directors.
- The provision for dividend balance as at 31 December 2017 included the 2016 profit of \$1,753,763 and the

2017 profit of \$2,639,763 which is yet to be declared a dividend by the Board of Directors.

PAC Comments/Recommendations: The Committee noted the response from the Company and again highlighted the need for the Ministry of Public Enterprises to urgently undertake an active role in strategizing, managing, operating, monitoring, and supporting the Company, to re-engineer the company.

It's a high value asset in distress because it's been allowed to deteriorate. As stated earlier, it's in its worst condition when we visited the entity physically and we can't say more about the operation, stock, and the workers. If government doesn't urgently step in and be serious then we will lose a potential asset.

16. Fiji Meats Industry Board Pte Ltd

Audit Opinion

The audit of Fiji Meats Industry Board Pte Limited for the financial years 2018 - 2021 resulted in the issuance of an unmodified audit opinion.

Abridged Statement of Financial Performance - 2021

Description	2021 (\$)	2020 (\$)
Operating income	2,794,497	2,764,285
Release of deferred income	180,914	137,445
Other income	167,953	252,446
Total Income	3,143,364	3,154,176
Changes in inventories - finished goods	709,803	782,095
Raw materials and consumables used	192,140	204,361
Staff costs	895,884	949,014
Depreciation expense	352,500	338,018
Other operating expenses	1,069,274	1,053,164
Total Expenses	3,219,601	3,326,652
Loss from operations	(76,237)	(172,476)
Finance Cost	(39,509)	(44,495)
Net loss	(115,746)	(216,971)

The Board incurred a loss of \$115,746 in 2021 compared to a loss of \$216,971 in 2020. This was a direct result of the increase in operating income of \$30,212 or 1% relating to fees received from abattoir, magiti and release of deferred income by \$43,469 or 32%.

Abridged Statement of Financial Position – 2021 (Fiji Meat Industry Board)

Description	2021 (\$)	2020 (\$)
Cash & cash equivalents	438,240	368,098
Held to maturity investment	201,957	201,957
Receivables	312,465	365,287
Inventories	57,439	59,416
Property, plant, and equipment	2,057,494	1,928,618
Investment property	31,900,000	31,900,000
Total Assets	34,967,595	34,823,376
Payables	137,423	115,024
Interest bearing borrowings	516,896	554,379
Deferred income	863,846	645,461
Provision for annual leave	49,446	55,712
Income received in advance	150,000	87,070
Total Liabilities	1,717,611	1,457,646

Net assets decreased by 0.35% or \$115,746 in 2021 compared to

2020. This was

Net Assets	33,249,984	33,365,730
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 mainly attributed to the increase in deferred income by \$218,385 or 34% and increase in income received in advance by \$62,930 or 72%.

Significant Matter 1 - Risk assessment was identified as an area which required improvement. Has the Board strengthened its risk assessment capabilities?

Response from the Entity: FMIB has developed a Risk Management Policy and has a Risk Board Subcommittee that looks after the risk, risk assessment and mitigation factors of the risk identified. The Risk Management Policy is attached as Annex 2.

PAC Comments/Recommendations: The Committee noted the response from FMIB.

Significant Matter 2 - Comparatively, the Board has been making operating loss. What strategies are in place to improve the profitability of the company?

Response from the Entity: The following immediate actions have been taken up by the Board and Management to improve the profitability of FMIB and turn the results to operating profits. The listed action items have benefitted the Company and FMIB made a profit in financial year 2022.

- Implement delivery charges of carcass to butchers since slaughter fee review was on hold.
- Implement chiller fee.
- Increase Magiti sales which is a division of FMIB that generates high revenue.
- Upgrade of the abattoir and the machinery that has reduced the overhead costs.
- Review every cost component and put stringent measures to control the costs in all divisions and areas of work.
- Implementation of technological advancements such as online banking, new ERP system and digitalisation has contributed to costs savings.

PAC Comments/Recommendations: The Committee noted the response from FMIB but emphasize that the Company to look to increase the supply as well.

Significant matter 3-The Board has recorded \$31,900,000 worth of Investment Property which we understand are mostly idle land. Are there any plans to generate business activities from these Investment Properties?

Response from the Entity: The strategic plan developed have strategies in place to utilise the idle land which will be done over the 5-year period. The current plans to utilise the land is to lease the part of the property for further developments by interested investors. FMIB also has a long-term plan to construct a wine & dine restaurant at the forefront of the property beside the Tebara Supermarket.

PAC Comments/Recommendations: The Committee noted the response from FMIB and recommends that it put in place the best strategies to fully utilize its investment property for other economic activities.

Significant Matter 4-What is the arrangement in place between the FMIB with the Ministry of Agriculture to enhance productivity?

Response from the Entity: The current arrangements between FMIB and the Ministry of Agriculture is that MOA is responsible for providing aid to farmers who need assistance to start up livestock farming or further increase production of livestock which will then be regarded as commercial farming. FMIB plays the role of identifying farmers and guiding them to the Ministry for assistance. FMIB also helps the small holder farms by prioritizing its feed mill to those farmers that are supplying back the livestock to FMIB. FMIB along with the AH&P staff does farm visits to create advocacy on the formal markets and ways to increase and improve

the farming.

PAC Comments/Recommendations: The Committee noted the response from FMIB and needs to keep pushing MOA to enable it to achieve its objectives and not wait.

17. Assets Fiji Pte Ltd

Audit Opinion

The audit of Assets Fiji Pte Limited for the financial years 2016 - 2019 resulted in the issuance of an unmodified audit opinion.

Abridged Statement of Financial Performance – 2019 (Assets Fiji Limited)

Description	2019 (\$)	2018 (\$)
Revenue – Rental Income	1,218,262	1,115,702
Other Income	115,647	312,522
Finance Income	1,293	2,068
Total Income	1,335,202	1,430,292
Administration & Operating Expenses	233,029	279,748
Finance Cost	43,856	276
Total Expenditure	276,885	280,024
Profit before Income Tax	1,058,317	1,150,268
Income Tax Expense	(211,663)	(230,054)
Net Profit after Tax	846,654	920,214
Other Comprehensive Income	-	-
Total Comprehensive Income for the year	846,654	920,214

Total comprehensive income decreased by 8% or \$73,560 in the year 2019, compared to 2018. This was mainly due to the decrease in Other Income, specifically the reduction in Government Grant received in 2019.

Abridged Statement of Financial Position – 2019 (Assets Fiji Limited)

Description	2019 (\$)	2018 (\$)
Cash and Cash Equivalents	149,089	120,972
Prepayment and Other Receivables	4,811,276	3,879,998
Property, Plant and Equipment	57,330,995	57,346,470
Right of use Assets	1,707,136	-
Total Assets	63,998,496	61,347,440
Other Payables	849,402	672,578
Income Tax Payable	843,174	636,052
Deferred Tax Liability	3,441,955	3,437,414
Deferred Income	76,091	114,608
Lease Liabilities	1,454,432	-
Total Liabilities	6,665,054	4,860,652
Net Assets	57,333,442	56,486,788

Net Assets increased by 1.5% or \$846,654 in 2019, compared to 2018. This was mainly due to the adoption of IFRS 16 by the Company resulting in two new balance sheet items, which are right of use assets and lease liabilities. Prepayment and Other Receivables also increased during the year.

Significant Matters 1-Function/ purpose of Assets Fiji Limited.

Response from the Entity:

- AFL is a Special Purpose Vehicle established to hold land assets of Public Enterprises following a divestment transaction and the first was the Ports Assets.
- AFL aims to effectively manage, invest, and realize the full potential of land assets.
- One function is that land that is deemed critical (core assets) to FPCL and FSHIL's operations is leased back to the company at a nominal rate for a period of 50-years while the non-core assets are retained by AFL.

Significant Matter 2-Internal Control Environment, risk assessment and control activities as part of Internal Control Assessment were identified as areas for improvement. How has the Company addressed these internal control mechanisms?

Response from the Entity: AFL operates with a basic standard of procedures to mitigate its risks.

- i. Separation of duties.
- ii. Monthly bank reconciliations.
- iii. The company has a safe box where it stores the original copies of the lease agreements.
- iv. All crown leases are issued via the consent of the Director of Lands.
- v. Land valuations are done every 5-years.
- vi. Rental reassessments are also conducted in line with the clauses of the leases.
- vii. Renewal of leases is at the discretion of AFL Board; and
- viii. In the event of breach of any condition by the lessee of the lease agreement, AFL has the right to terminate the lease.
- ix. AFL follows the Government's legislations for policies and procedures that have not yet been implemented.
- x. These policies and procedures will be established following the recruitment of the GM.

PAC Comments/Recommendations: The Committee noted the response from Assets Fiji and express its concern for the delay and finalisation of its accounts and audit.

Significant matter 3-How is the management remaining current with respect to changes in accounting and financial reporting requirements? Are there appropriate training mechanisms in place?

Response from the Entity:

- PWC Fiji was engaged to review the financial statements for the period 2016 to 2020.
- The review ensured compliance to the IFRS, Companies Act 2015 and other relevant regulatory disclosure requirements.
- AFL will be engaging a reputable accounting firm for the preparation of its 2023 financial statements.
- The company will progress towards providing training for its employees once all the vacant positions have been filled.

PAC Comments/Recommendations: The Committee the response from Assets Fiji, especially in the contracting out of the Company's accounting work to PWC.

Significant matter 4-Provide in detail the Fixed Assets that are owned by the Company?

Response from the Entity:

- In total there are 35 land titles that have been vested to AFL. These properties are located at Lautoka (11 titles), Levuka (1 title) and Suva (23 titles).
- The detailed fixed assets as of 31 December 2022 is summarized below:

Category	Value (\$)
Furniture & Fittings	\$4,264.15
Computers	\$4,130.68
Office Equipment	\$3,084.48
Crown Land	\$11,549,568.00
Freehold land	\$72,750,000.00
Total	\$84,311,047.31

PAC Comments/Recommendations: The Committee noted the response from Assets Fiji, especially on the total land assets worth of \$84.3m and noted that the Company earns less than \$1m in net profit. Hence, it needs to strategically evaluate its use to increase its returns on those assets, including increasing the rentals on those already leased because the Leasing companies are making profits from those assets.

Significant Matter 5-Provide in detail the Liabilities that is owned by the Company?

Response from the Entity:

- AFL has the following liabilities:

LIABILITIES AS AT 31 DECEMBER 2022	
Current Liabilities	\$
Security deposits received in advance - payable to tenants	17,925.00
Accruals - audit and accounting	31,560.00
Annual leave accrual	9,169.00
Other payables	3,244.00
Rent received in advance	12,973.00
Income tax payable	626,706.00
Lease liabilities	12,297.00
Non - current liabilities	
Deferred tax liability	6,131,246.00
Lease liability	1,458,100.00
TOTAL	8,303,220.00

PAC Comments/Recommendations: The Committee noted Assets Fiji response, however, the Company should try to reduce the deferred tax liability. The deferred tax liability increases from \$3.4m in 2019 to \$6.1m in 2022.

Significant Matter 6 - What is the effectiveness of Asset Fiji Limited in managing their business processes and what are some of the challenges faced during this period under review?

Response from the Entity: AFL is currently facing challenges in effectively managing their operations due to the following reasons:

- Shortage of staff – During 2016 to 2019 period, AFL did not have employees and all the administrative tasks were undertaken by the MPE. Once staff were appointed, resignations occurred in 2023 and recruitment

has been difficult; and

- Lack of policies – Till date the company does not have its own policies in place but utilizes policies and guidelines of Government.

PAC Comments/Recommendations: The Company should develop policies and guidelines and filling the vacant positions following the due process.

Significant Matters 7-What is the status of audits for the Accounts for 2020 – 2023 financial years?

Response from the Entity: The financial statements for 2020 to 2022 have been audited while the 2023 financial statements will be prepared following the engagement of an accounting firm.

PAC Comments/Recommendations: The Committee noted the Company's response and recommends that it submits its accounts for audit in a timely manner.

CONCLUSION

The Public Accounts Committees notes the audit findings specifically in relation to the quality and timeliness of financial reporting by companies, the audit opinions issued on the financial statements and the key reasons for such opinions, the internal control assessments, other significant issues that were identified from the audits and the high-level recommendations which aims at strengthening financial reporting of all public enterprises, governance, and internal controls.

The Committee also emphasizes the timely preparation of quality draft annual financial statements. This is one of the major issues which needs to be addressed by those charged with governance of the public enterprises. The involvement of line ministry to improve accountability in Public Enterprises and Other Entities is encouraged. It has been noted that it becomes a challenge for authorities to prepare annual accounts when these have not been done for some time resulting in a backlog. Line ministry can encourage entities to prepare and submit draft financial statements for audit annually and monitoring the individual economic performances of the public enterprises.

Additionally, other significant matters that has been identified was governance issues which includes lack of Risk Management Policies, Disaster Recovery and Business Continuity Plans in most of the entities.

Therefore, the Committee looks forward to the Public Enterprises and Other Entities to implement the recommendations that have been highlighted by the Auditor General and the Public Accounts Committee. A prompt action is required by the public enterprises to improve their financial accountability and the Ministry of Public Enterprises is to take the LEAD role in not only the monitoring of performance of all the public enterprises, but also in Strategizing, managing, evaluation as it plays a pivotal role in our economy.

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

.....
Hon. Esrom Y. Immanuel

(Chairperson)

.....
Hon. Sakiusa Tubuna

(Deputy Chairperson)

.....
Hon. Jovesa Vocea

(Member)

.....
Hon. Alvick Maharaj
(Member)

.....
Hon. Hem Chand
(Member)

APPENDICES

APPENDIX 1: PUBLISHED WRITTEN EVIDENCE

The following copies of the written evidence and supplementary evidence from the 17 public enterprises and other entities covered in this review report can be accessed on the Parliament Website using the following link:

<http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>

APPENDIX 2: PUBLISHED WRITTEN EVIDENCE – MINISTRY OF PUBLIC ENTERPRISES WRITTEN RESPONSE

APPENDIX 3: Report of the Auditor General

2019 - 2020 and 2021 - 2022 Audit Reports on Public Enterprises and Other Entities

<http://www.parliament.gov.fj/wp-content/uploads/2021/09/zReport-of-the-Auditor-General-of-the-Republic-of-Fiji-%E2%80%93-2019-%E2%80%93-2020-Audit-Report-on-Public-Enterprises-and-Other-Entities.pdf>