OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits

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3/12/24

File: 1282

02 December 2024

Ritesh Singh
The Chief Executive Officer
Housing Authority of Fiji
VALELEVU

Dear Mr. Singh

HOUSING AUTHORITY OF FIJI
AUDITED FINANCIAL STATEMENTS – 31 JULY 2023

The financial statements audit of the Housing Authority of Fiji for the year ended 31 July 2023 has been completed.

The audited financial statements are forwarded for signing. Please return the signed accounts at your earliest to facilitate the issue of the independent audit report on them. The Management Representation Letter has already been received by the Office.

The Final Management Letter is also attached for your necessary action.

Should you require any clarification, please do not hesitate to contact us.

Yours sincerely

Atele Saunivalu
for **AUDITOR-GENERAL**

Encl.

HOUSING AUTHORITY OF FIJI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2023

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DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of the Housing Authority of Fiji ("the Authority") as at 31 July 2023, the related Statement of Profit or Loss and other Comprehensive Income, Statement of changes in equity and Statement of cash flows for the year then ended on that date and report as follows:

Directors

The Directors of the Authority at the date of this report are:

Directors	Appointed	Serve Until
Ms. Sereana Qoro - Chairperson	28-Apr-23	27-Apr-26
Ms. Maraia Ubitau	28-Apr-23	27-Apr-26
Ms. Prem Lata Narayan	28-Apr-23	27-Apr-26
Mr. Isikeli Navuda	28-Apr-23	27-Apr-26
Ms. Florence Takinana	26-Oct-21	25-Oct-24
Mr. Viliame Vodonaivalu - Chairperson	26-Oct-21	25-Apr-23
Mr. Saud Minam	26-Oct-21	27-Apr-23
Ms. Susan Naidu	26-Oct-21	27-Apr-23
Mr. Anil Prasad	26-Oct-21	27-Apr-23
Ms. Renee Duguivalu	26-Oct-21	10-Aug-22

State of affairs

In the opinion of the Directors, the accompanying statement of financial position give a true and fair view of the state of affairs of the Authority as at 31 July 2023 and the accompanying Statement of Profit or Loss and other Comprehensive Income, Statement of changes in equity and Statement of cash flows give a true and fair view of the results of the Authority, its changes in equity and its cash flows for the year then ended.

Principal activities

The principal activities of the Authority during the course of the financial year were to provide affordable housing through the development of land and houses for sale and the financing of these properties. There was no significant change in the nature of the Authority's activities during the year.

Operating results

The operating results for the Authority for the period ended 31 July was:

		2023	2022
Net profit before income tax	$	840,861	1,036,255
Income tax expense		-	-
Net profit for the year		840,861	1,036,255

The Authority is exempt from income tax under Section 26 of the Housing Act, Cap. 267.

Dividends

The Directors recommend that no amounts be paid by way of dividends for the period ended 31 July 2023 (2022: $Nil).

Reserves

The Directors recommend that no transfer be made to or from reserves except for movements required under International Financial Reporting Standards.

Subsequent events

No event has arisen in the interval between the end of the financial year and the date of this report, item, transaction of a material and unusual nature likely, in the opinion of the Directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in subsequent financial years.

Bad debts and allowance for impairment loss

Prior to the completion of the Authority's financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off bad debts and the provision of allowance for impairment loss. In the opinion of Directors, adequate allowance has been made for impairment loss.

Bad debts and allowance for impairment loss *continued*

As at the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for impairment loss in the Authority, inadequate to any substantial extent.

Current and non-current assets

Prior to the completion of the financial statements of the Authority, the Directors took reasonable steps to ascertain whether any current and non-current assets were unlikely to realise in the ordinary course of operations their values as shown in the accounting records of the Authority. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to current and non-current assets in the Authority's financial statements misleading.

Unusual transactions

In the opinion of the Directors, the results of the operations of the Authority during the year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Authority during the financial year, other than those reflected in the financial statements.

Other circumstances

As at the date of this report:

a) no charge on the assets of the Authority has been given since the end of the year to secure the liabilities of any other person;

b) no contingent liabilities have arisen since the end of the financial year for which the Authority could become liable; and

c) no contingent liabilities or other liabilities of the Authority has become or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Authority to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Authority's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Authority misleading or inappropriate.

Signed for and on behalf of the Board and in accordance with a resolution of the Board of Directors.

Dated this day of 2024.

.....
Chairperson

.....
Member

HOUSING AUTHORITY OF FIJI
STATEMENT BY DIRECTORS
FOR THE YEAR ENDED 31 JULY 2023

In accordance with a resolution of the Board of Directors of the Housing Authority of Fiji, we state that in the opinion of the Directors:

(i) the accompanying Statement of profit or loss and other comprehensive income of the Authority is drawn up so as to give a true and fair view of the results of the Authority for year ended 31 July 2023;

(ii) the accompanying Statement of changes in equity of the Authority is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended July 2023;

(iii) the accompanying Statement of financial position of the Authority is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 31 July 2023;

(iv) the accompanying Statement of cash flows of the Authority is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 July 2023;

(v) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due; and

(vi) all related party transactions have been adequately recorded in the books of the Authority.

Signed for and on behalf of the Board and in accordance with a resolution of the Board of Directors.

Dated this day of 2024.

.....
Chairperson

.....
Member

INDEPENDENT AUDITOR'S REPORT

Housing Authority of Fiji

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Housing Authority of Fiji ("the Authority"), which comprise the Statement of Financial Position as at 31 July 2023, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 July 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountant's *Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The Directors and Management are responsible for the other information. The other information comprises the Annual report but does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report the fact. I have nothing to report in this regard.

DRAFT

Responsibilities of the Directors and Management for the Financial Statements

The Directors and Management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, the Housing Act of 1955 and for such internal control as the Management and Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management and Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management and Directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Directors' and Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

DRAFT

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal Regulatory Requirements

In my opinion, the financial statements have been prepared in accordance with the requirements of the Housing Act 1955 in all material respects, and:

a) I have been given all information, explanations and assistance necessary for the conduct of the audit; and

b) the Authority has kept financial records sufficient to enable the financial statements to be prepared and audited.

DRAFT

Finau Seru Nagera
AUDITOR-GENERAL

Suva, Fiji
xx November 2024

HOUSING AUTHORITY OF FIJI
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2023

	Notes	2023 $'	2022 $'
Interest income	6.1	4,522,252	5,268,237
Interest expense	7.1	(1,450,665)	(2,208,049)
Net interest income		3,071,587	3,060,188
Other operating income	6.2	6,492,589	5,704,509
Net operating income		**9,564,176**	**8,764,697**
Amortisation of intangible assets	14	63,285	42,004
Impairment loss on loans and advances		137,869	349,619
Cost of sales - land and houses		1,380,789	919,521
Depreciation of property, plant and equipment	13	475,878	573,050
Other expenses	7.3	2,703,017	2,171,870
Personnel expenses	7.2	3,962,477	3,672,378
Total operating expense		**8,723,315**	**7,728,442**
Net profit before income tax		840,861	1,036,255
Income tax expense	5 (m)	-	-
Net profit after tax		**840,861**	**1,036,255**

The accompanying notes form an integral part of this Statement of Profit or Loss and Other Comprehensive Income.

HOUSING AUTHORITY OF FIJI
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2023

	Note	2023 $'	2022 $'
Accumulated losses			
Balance at the beginning of the year		(5,198,733)	(6,234,988)
Profit for the year		840,861	1,036,255
Balance at the end of the period		(4,357,872)	(5,198,733)
Asset revaluation reserve			
Balance at the beginning of the year		5,203,284	5,203,284
Net movement during the period		2,850,513	-
Balance at the end of the period		8,053,797	5,203,284
Government contribution			
Balance at the beginning of the year		15,958,457	15,958,457
Balance at the end of the period		15,958,457	15,958,457
Capital			
Balance at the beginning of the year	20	41,772,420	41,772,420
Balance at the end of the period		41,772,420	41,772,420
Total equity		**61,426,802**	**57,735,428**

The accompanying notes form an integral part of this Statement of Changes in Equity.

HOUSING AUTHORITY OF FIJI
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2023

	Notes	2023 $'	2022 $'
Current Assets			
Cash and cash equivalents	8(a)	1,722,047	7,186,207
Held-to-maturity investments	9	30,098,715	2,096,780
Loans and advances	10(a)	10,798,997	11,472,677
Inventories	11	86,810,755	92,738,710
Other assets	15	3,721,237	3,131,877
Total Current Assets		**133,151,751**	**116,626,251**
Non-Current Assets			
Loans and advances	10 (b)	65,476,889	67,890,093
Land held for future development	12	5,355,981	5,369,426
Intangible assets	14	213,585	117,432
Property, plant and equipment	13	11,876,946	9,265,129
Right of Use Assets	21	356,381	12,945
Total Non-Current Assets		**83,279,782**	**82,655,025**
TOTAL ASSETS		**216,431,533**	**199,281,276**
Current Liabilities			
Trade and other payables	17	19,668,564	29,976,207
Employee benefit liability	19	242,354	383,117
Provisions	18	50,000	50,000
Debt issued and borrowed funds	16 (a)	27,232,327	22,148,060
Lease liability	21	85,483	14,957
Total Current Liabilities		**47,278,728**	**52,572,341**
Non-Current Liabilities			
Debt issued and borrowed funds	16 (b)	107,451,492	88,973,506
Lease liability	21	274,511	-
Total Non-Current Liabilities		**107,726,003**	**88,973,506**
TOTAL LIABILITIES		**155,004,731**	**141,545,847**
EQUITY			
Capital	20	41,772,420	41,772,420
Accumulated losses		(4,357,872)	(5,198,733)
Government grant		15,958,457	15,958,457
Asset revaluation reserve	20	8,053,797	5,203,284
TOTAL EQUITY		**61,426,802**	**57,735,428**
TOTAL EQUITY AND LIABILITIES		**216,431,533**	**199,281,276**

The accompanying notes form an integral part of this Statement of Financial Position.

Signed for and on behalf of the Board and in accordance with a resolution of the Board of Directors.

.....
Chairperson

.....
Member

HOUSING AUTHORITY OF FIJI
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2023

	Note	2023 Inflows/ (Outflows) $'	2022 Inflows/ (Outflows) $'
Operating activities			
Interest received		3,947,306	5,351,755
Fees, charges and other income received		3,542,850	3,633,859
Proceeds from sale of land and houses		2,376,676	1,636,548
Interest and other finance costs paid		(1,417,780)	(1,889,399)
Net customer loans issued and repayments received		3,900,083	6,406,985
Payments to contractors for Land Development		(4,724,589)	(2,533,227)
Net receipt of government grants		(945,166)	(51,716)
Other operating expenses paid		(7,716,334)	(5,932,028)
Cash flows (used in)/from operating activities		(1,036,954)	6,622,776
Investing activities			
Payments for property plant and equipment and intangible assets		(399,559)	(749,786)
Proceeds from sale of plant and equipment		576,000	163,538
Proceed from short term investments, net		(1,935)	9,998,180
Cash flows from investing activities		174,506	9,411,932
Financing activities			
Net repayment of borrowings		23,433,888	(22,248,151)
Lease payments		(35,600)	(17,102)
Cash flows provided by/(used in) financing activities		23,398,288	(22,265,253)
Net increase/(decrease) in cash held		22,535,840	(6,230,546)
Cash at the beginning of the financial year		9,186,207	15,416,753
Cash at the end of the financial year	8(b)	**31,722,047**	**9,186,207**

The accompanying notes form an integral part of this Statement of Cash Flows.

1 Corporate Information

The financial statements of Housing Authority of Fiji ("the Authority") for 1 August 2022 to 31 July 2023 were authorised for issue in accordance with a resolution of the Board of Directors on _____2024. Housing Authority of Fiji is a statutory authority established under the Housing Authority Act and domiciled in the Republic of Fiji.

1.1 Reporting entity

The Housing Authority is a statutory body established under Housing Act (Cap 267) in 1955 with the principal objective to provide housing accommodation to workers in Suva, Lautoka and other prescribed areas. The corporate vision of the Authority remains the focal business activity during the course of the financial year in "helping Fijians own affordable homes" through:

- Provision of fully serviced lots at affordable price points
- Provision of mortgage financing to purchases lots and home loan construction – concessional interest rates for the first five years.

The Authority's mission is to provide fully serviced lots and adequate housing that is affordable to families with household income of $50k and below per annum and are first home buyers. The 5-Year & 20-Year National development plan articulates that, the Authority jointly with the Public Rental Board will ensure more land is developed for residential lots and more affordable and accessible housing is provided. (Refer to National Development Plan - 2017 -Page 4)

There was no significant change in the nature of the activities of the Authority during the year.

2 Financial Statements

a) Basis of preparation of the financial statements

Historical Cost

The financial statements have been prepared on a historical cost basis except for land and buildings included under property, plant and equipment which are recorded at fair value. The financial statements are presented in Fijian dollars and all values are rounded to the nearest thousand dollar except when otherwise indicated.

Foreign currencies

The financial statements are presented in Fiji dollars, which is the Authority's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at balance date. All differences are taken to 'Other operating income' or 'Other operating expenses' in the Statement of Profit or Loss and other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) Statement of compliance

The financial statements of Housing Authority of Fiji complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3 Critical accounting estimates and judgements

In application of the Authority's accounting policies, which are described in Note 5, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The critical judgements and assumptions made in applying the accounting policies of the Authority have been disclosed under following notes to the financial statements:

Note 5 (a) - Impairment of financial instruments
Note 5 (b) - Leased assets
Note 5 (e) - Depreciation of property, plant and equipment

3 Critical accounting estimates and judgements *continued*

Note 5 (f) - Revaluation of Property, plant and equipment
Note 5 (i) - Provisions for developed lots and unsold properties
Note 25 - Financial Risk management

4 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations

The following new standards and amendments became effective as of 1 January 2023:

Standard and amendment	Impact on the Authority
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	No material impact
Definition of Accounting Estimates - Amendments to IAS 8	No material impact
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	No material impact

(b) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Authority's financial statements are disclosed below. The Authority intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These amendments are not expected to have a material impact on the Authority's financial or operations.

New standards and amendments	Effective Date
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027

5 Summary of accounting policies

(a) Financial instruments

Financial asset and financial liabilities recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by convention in the marketplace are recognised on the trade date, i.e. the date that the Authority commits to purchase or sell the asset. Loans and receivables are recognised on settlement date, when cash is advanced and secured through mortgage financing. Financial assets in the scope of IFRS 9 are classified as either subsequently measured at amortised cost, fair value through other comprehensive income and expense (FVOCI) or fair value through profit and loss (FVPL). The classification depends on the business model for managing the financial assets and its contractual cash flow characteristics.

Financial assets are reclassified if the business model for managing those financial assets has changed. Financial liabilities are recognised when an obligation arises.

Financial assets: Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Authority changes its business model for managing financial assets.

Classification and measurement

IFRS 9 introduces criteria for classification and measurement model. The classification and measurement of financial assets categories by the Authority is aligned with the definition and criteria of both the business model within which the asset is held and the contractual cash flow characteristics of the asset. The Authority's mortgage portfolio will continue to be measured on amortised cost under IFRS 9 resulting in no impact on the financial statement in respect to classification. There will be no change in the accounting for any financial liabilities.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of Profit or Loss and other Comprehensive Income. Any gain or loss on derecognition is recognised in the statement of Profit or Loss and other Comprehensive Income.

5 Summary of accounting policies *continued*

(a) Financial instruments *continued*

Loans and Advances

Loans represent mortgage loans, village scheme loans, quick repair loans, home loans and personal loans. Quick repair loans can only be obtained if the borrower has an existing mortgage loan. These loans are added to the existing mortgage loan balance. For mortgage home loans & home construction, collateral consisting of the mortgaged properties are obtained. After initial measurement, loans and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest and similar income' in the statement of comprehensive income. The loss arising from impairment are recognised in the statement of Profit or Loss and other Comprehensive Income in bad and doubtful debts expense. Loans are classified as non-performing if arrears relating to these loans are greater than three months. Non-performing loans report specific provision as reasonable doubt exists as to the collectability of principal and interest.

Held-to-Maturity Investments

Held to maturity financial investments are those which carry fixed payments and have fixed maturities and which the Authority has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset have ceased when mortgage is discharged through sale or full settlement. Financial assets are derecognised when the obligation is discharged through settlement of debt when the loan term matures.

Modifications of financial assets

If the terms of a financial asset are modified, the Authority evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Authority recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of Profit or Loss and other Comprehensive Income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Authority currently has a legally enforceable right to off set the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Offsetting *continued*

Loans represent mortgage loans advanced to eligible families earning below $50k per annum to facilitate home loans for purchase of residential lots and construction loan to build approved dwelling. The product also includes mortgage financing to facilitate purchase of property that's available for sale in the market. Quick repair loans, can only be obtained if the borrower has an existing mortgage loan. These loans are added to the existing mortgage loan balance. For mortgage loans, collateral consisting of the mortgaged properties are obtained. Loans are financial assets initially recognised at fair value plus directly attributable transaction costs and fees. Loans are subsequently measured at amortised cost using the effective interest rate method where they have contractual cash flows which represent solely payments of principle & interest (SPPI) on the principal balance outstanding and they are held within the business model whose objective is achieved through holding the loans to collect these cash flows. They are presented net of any provisions for ECL.

LOAN PRODUCT	2022 / 2023	2022 / 20221
Total Loans	81,079,198	84,587,627
Provisions for ECL on loans	(4,803,312)	(5,224,858)
Total Net loans	76,275,886	79,362,770

5 **Summary of accounting policies** ***continued***

(a) **Financial instruments** ***continued***

i) **Measurement**

The Authority calculates the provisions for expected credit losses (ECL) based on a three stage approach. ECL are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.

The models use three main components to determine the ECL (as well as the time value of money) including:

- Probability of default (PD): the probability that a counterparty will default;
- Loss given default (LGD): the loss that is expected to arise in the event of a default; and
- Exposure at default (EAD): the estimated outstanding amount of credit exposure at the time of the default.

ii) **Model stages**

The three stages are as follows:

Stage 1: 12 months ECL - performing

For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months ECL is recognised.

Stage 2: Lifetime ECL – performing

For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing a provision for lifetime ECL is recognised. The indicators of a significant increase in credit risk are described on the following page.

Stage 3: Lifetime ECL – non-performing

For financial assets that are non-performing allowance for lifetime ECL is recognised. The Authority periodically reviews these loans along set of Indicators including breach of contract such as a default on interest or principal payments, a borrower experiencing significant financial difficulties or observable economic conditions that correlate to defaults on a group of loans. Financial assets in stage 3 are those that are in default. A default occurs when the Authority considers that the customer is unlikely to repay its credit obligations on time facing financial difficulties which may significantly increase risk. However the Authority may proceed to recover debt through recourse and the proceed through sale with the expectation to pay off the debt. This recovery process or recourse complies with the Credit Consumer Act.

iii) **Collective and individual assessment**

Financial assets that are in stages 1 and 2 are assessed on a collective basis since financial assets in these stages are below specified thresholds. Financial assets that are collectively assessed are grouped in pools with similar credit risk characteristics including the customer risk grade.

Those financial assets in stage 3 above the specified thresholds are assessed on an individual basis.

iv) **Movement between stages**

Assets may move in both directions through the stages of the impairment model. Assets previously in stage 2 may move back to stage 1 if it is no longer considered significant increase in credit risk. Similarly, assets in stage 3 may move back to stage 1 or stage 2 if they are no longer assessed to be non-performing.

Exposure	Days Past Due (DPD)	Gross Carrying Amount	Less Allowance	Carrying Amount
Stage 1	0-29	56,895,815.00	603,335	56,292,480
Stage 2	30-90	11,285,837.00	338,923	10,946,914
Stage 3	> 91	8,749,363.00	495,496	8,253,867
Specific		4,148,183	3,365,558	782,625
Total		81,079,198	4,803,312	$ 76,275,886

5 Summary of accounting policies *continued*

(a) Financial instruments *continued*

v) Impairment Losses on Loans & Advances

Forward looking macroeconomic information
The measurement of ECL for each stage and the assessment of significant increase in credit risk consider information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation of forward looking information is a critical accounting judgement.

Estimation of expected credit losses
The measurement of expected credit losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
Elements of the ECL models that are considered accounting judgements and estimates include:
• the internal credit grading model that is applied to the financial assets based on historical information which assigns probabilities of default to the group of asset
• the criteria for assessing if there has been a significant increase in credit risk, hence allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
The Authority is required to regularly review the ECL model in the context of actual loss experience and adjust when necessary according to its policy.

Key judgements include when a significant increase in credit risk has occurred and estimation of forward looking macroeconomic information. Other factors which can impact the provision include the borrower's financial situation, the realisable value of collateral, the reliability of customer information and the likely cost and duration of recovering the loan. The macroeconomic scenarios are weighted based on the Authority's best estimate of the relative likelihood of each scenario. The weighting applied to each of the three macroeconomic scenarios takes into account historical frequency, current trends, and forward looking conditions. Where appropriate, adjustments will be made to modelled outcomes to reflect reasonable and supportable information not already incorporated in the models. Judgements can change with time as new information becomes available which could result in changes to the loss allowance for expected credit losses.

Significant increase in credit risk
Determining when a financial asset has experienced a significant increase in credit risk since origination is a critical accounting judgement which is primarily based on changes on external factors and internal customer risk grades since origination of the facility. A change in an internal customer risk grade is based on both quantitative and qualitative factors. The Authority does not rebut the presumption that loans that are 30 days past due have experienced a significant increase in risk but this is used as a backstop rather than the primary indicator.

Loans and advances to customers

The Authority assesses at each balance date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers are experiencing significant financial difficulties with default or delinquency in interest or in principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and advances to customers are carried at amortised cost, the Authority first assesses individually whether objective evidence of impairment exist individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Authority determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

5 Summary of accounting policies *continued*

(a) Financial instruments *continued*

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the allowance for impairment losses account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Authority. If, in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment is recognised, the impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If in future, write-off is later recovered, the recovery is credited to the allowance for impairment losses.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Authority's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past due status and other relevant factors.

b) Leased assets

The Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Authority as a lessee

The Authority applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Authority recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Authority recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities, recognise initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land and buildings 99 years

If ownership of the leased asset transfers to the Authority at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Authority recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Authority and payments of penalties for terminating the lease, if the lease term reflects the Authority exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Authority uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

5 Summary of accounting policies *continued*

b) Leased assets *continued*

The Authority's lease liabilities are included in Note 21.

iii) Short-term leases and leases of low-value assets

The Authority applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

(c) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

i) Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts the future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Authority revises its estimates of payments or receipts.

ii) Fee income and charges

The Authority earns fees and charges from a diverse range of services to its customers. The fee income is brought to account on an accrual basis.

iii) Income from sale of land and houses

Revenue relating to the sale of land and houses is brought to account at the time of the sale which is in compliant with IFRS 15 which states that revenue is recognised when performance obligation are satisfied. The standard requires identification of distinct performance obligations within a contract, and allocation of the transaction price of the contract to those performance obligations. Revenue is then recognised as each performance obligation is satisfied. The standard also provides guidance on whether an entity is acting as a principal or an agent which impacts the presentation of revenue on a gross or net basis.

iv) Rental income

Rental income is accounted for on a straight line basis over the lease terms on ongoing leases and is recorded in the statement of profit or loss and other comprehensive income.

v) Gain or loss on sale of property, plant and equipment

Gain or loss on sale of property, plant and equipment is treated as operating income or expense.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of 3 months. For the purposes of the Statement of Cash Flows cash and cash equivalents consist of cash and cash equivalents as defined above.

e) Property, plant and equipment

Property, plant and equipment is stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. All other repair and maintenance costs are recognized in profit or loss as incurred.

5 Summary of accounting policies *continued*

e) Property, plant and equipment *continued*

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Buildings	1.5% - 3.5%
Plant and equipment	20% - 33.33 %
Motor vehicles	20%
Computer equipment	20% - 33.33 %
Furniture and fittings	10% - 33.33 %

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is disposed.

The asset's residual values, useful lives and depreciation rates are reviewed, and adjusted if appropriate during the Financia Year.

f) Revaluation of property, plant and equipment

The Authority revalues the office buildings recorded under property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Revaluations are performed by independent professionally qualified and registered valuers.

Non-specialized assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value. This is because any difference between fair value and depreciated historical cost is unlikely to be material.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognized as an expense in the net result, the increment is recognized immediately as revenue in the net result. Revaluation decrements are recognized immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

g) Land held for future development

Land held for future development represents freehold and leasehold land lots situated at various locations and are maintained for future developments. These are subsequently transferred to work in progress as development work commences on these properties. The land held for future development are recorded at cost.

The corporate target and strategic direction for the Authority is to produce 4100 lots from 2023 to 2026.

h) Intangible assets

Intangible assets include computer software that does not form an integral part of the hardware. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	20% - 50%

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value. In determining fair value less costs to sell, an appropriate value model is used.

5 Summary of accounting policies *continued*

h) Intangible assets *continued*

For impaired assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

i) Provisions

Provisions are recognised when the Authority has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

j) Employee benefit liability

The employee benefit liability relates to amounts expected to be paid to employees for annual leave, sick leave and long service leave. Current employee remuneration rates are used to calculate these payments estimated to be payable to employees at balance date on the basis of statutory and contractual requirements.

k) Debt issued and borrowed funds

Debt issued and borrowed funds relates to loan from EXIM Bank of China for various projects and bonds with various financial institutions and banks. Details of these are provided in Note 16.

l) Inventories

Land and houses

Stock, comprising land and houses is carried at the lower of cost and net realisable value. At the end of the FY, the carrying value of unsold lots and developed properties are assessed and a provision for write-down is created where the net realisable value is determined to be less than carrying value.

Work in progress

Work-in-progress is valued at the lower of cost and net realisable value. Cost includes capitalised administrative costs which are incurred as a result of land development and house construction and borrowing costs on the funds used to finance the development up to the time of completion.

Developed and sub-divided lots include the cost of the land and capitalised expenses directly associated with bringing the stock to its existing condition and standard.

m) Income tax

The Authority is exempt from income tax under Section 26 of the Housing Act, Cap. 267.

n) Government grant liability

The Government provides an annual grant to the Authority to assist qualifying customers in meeting their mortgage repayments. This grant is in the form of a one off rebate to a customer's loan balance. Any grant that is not utilised at the end of the FY is shown as a liability until such time it is applied. There are certain criteria for customers to comply with to be eligible for financial assistance under the Government Grant plan.

o) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services rendered. Creditors and accruals are stated at cost.

p) Government Grant

This relates to contributions received from the Government in prior years to assist in the operations of the Authority.

5 Summary of accounting policies *continued*

q) Comparatives

Where necessary, amounts relating to prior years have been re-classified/adjusted to facilitate comparison and achieve consistency in disclosure with current financial year amounts. Explanations are provided for significant restatements where applicable.

r) Segment information

(a) Industry segment

The Authority operates predominantly in the housing industry to provide affordable housing through development of land and housing units for sale and mortgage financing of these properties.

(b) Geographical segment
The Authority operates predominantly in Fiji and is therefore one geographical area for reporting purposes.

s) Current versus non-current classification

The Authority presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Authority classifies all other liabilities as non-current.

6 INCOME

	2023	2022
6.1 Interest income	**$'**	**$'**
Investment securities	121,555	125,883
Loans and advances	4,400,697	5,142,355
	4,522,252	5,268,237
6.2 Other operating income		
Fees and charges	3,401,980	3,770,671
Rent	36,964	26,909
Other income	676,969	270,382
Sale of land and houses	2,376,676	1,636,548
	6,492,589	5,704,509

7 EXPENSES

7.1 Interest expense		
Bonds	883,431	1,303,055
Long term loans	562,710	903,071
Interest (lease liability)	4,524	1,923
	1,450,665	2,208,049

		2023	2022
7	**EXPENSES continued**		
	7.2 Personnel expenses	**$'**	**$'**
	Salaries and wages	3,178,889	2,988,306
	Employee entitlements	370,606	210,272
	FNPF contribution	319,731	226,541
	Other	93,251	247,258
		3,962,477	3,672,378
	7.3 Other expenses		
	Accounting services		
	Auditor's remuneration - audit fees	33,030	40,000
	Amortisation - leasehold land	14,947	14,953
	Repairs and maintenance	212,855	59,607
	Stock write-down	29,378	22,485
	Other expenses	2,412,807	2,034,824
		2,703,017	2,171,870
8	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	1,650	1,650
	Cash at bank	1,720,397	7,184,557
a)	Total Cash	1,722,047	7,186,207
	Short-term deposits	30,000,000	2,000,000
b)	Total Cash and Cash Equivalent	31,722,047	9,186,207
9	**HELD-TO-MATURITY INVESTMENTS**		
	Short Term deposits	30,098,715	2,096,780

Term deposits are placed with financial institutions in Fiji for 1 month to 1 year term. The interest rate of these deposits range from 0.30% -2.00%.

		2023	2022
10	**LOANS AND ADVANCES**		
(a)	**Current Asset**	**$'**	**$'**
	Mortgage loans	12,260,552	13,308,647
	Village scheme loans	1,061,320	894,827
		13,321,872	14,203,474
	Less: Allowance for impairment loss	(2,522,875)	(2,730,797)
		10,798,997	11,472,677
(b)	**Non-Current Asset**		
	Mortgage loans	66,792,977	68,782,625
	Village scheme loans	964,349	1,601,528
		67,757,326	70,384,153
	Less: Allowance for impairment loss	(2,280,437)	(2,494,060)
		65,476,889	67,890,093
	Total Loans and Advances	76,275,886	79,362,770
(c)	**Provision for impairment**		
	At 1 August	5,224,858	5,490,857
	Charge for the year	176,837	(82,823)
	Amounts written off	(598,383)	(183,176)
	At 31 July	4,803,312	5,224,858

10 (c) LOANS AND ADVANCES *continued* **Provision for impairment *continued***	2023	2022
Individual impairment	3,458,016	3,673,790
Collective impairment	1,345,296	1,551,067
	4,803,312	5,224,858
Impairment allowance - Navision customer	63,158	65,558
Total Impairment allowance	4,866,470	5,290,416
Gross amount of loans, individually determined to be impaired, before deducting any individual or collective assessed impairment allowance.	81,079,198	84,587,627

The Authority holds securities for these impaired loans. The difference between the assessed security values and the loan balance of identified impaired accounts have been included in the allowance for impairment.

11 INVENTORIES		
Developed lots	1,774,822	3,079,018
Less: provision for developed lots write-down	(359,979)	(330,601)
	1,414,843	2,748,417
Unsold properties	192,687	229,624
Less: provision for unsold properties write-down	(136,969)	(166,347)
	55,718	63,277
Development work-in-progress	85,340,194	89,927,016
Total inventories	**86,810,755**	**92,738,710**

(a) Borrowing cost capitalised for the financial year at a rate of 1.60%, amounting to $34,524 (2022:$13,516 (2.48%)) has been capitalised to capital projects in work in progress stage.

12 LAND HELD FOR FUTURE DEVELOPMENT		
Freehold land		
- at deemed cost	202,000	202,000
Leasehold land – at cost	5,594,388	6,579,338
Less: provision for amortisation of leasehold land	(440,407)	(1,411,911)
Total land held for future development	**5,355,981**	**5,369,426**

13 (a) PROPERTY, PLANT AND EQUIPMENT **Property**		
Valuation:		
At 1 August	9,332,480	9,330,278
Additions	36,432	2,202
Revaluation	3,273,929	-
At 31 July	12,642,841	9,332,480
Depreciation and impairment:		
At 1 August	1,614,097	1,332,547
Depreciation charge for the year	146,309	281,550
At 31 July	1,760,406	1,614,097
Net written down value - properties	**10,882,435**	**7,718,383**

In July 2023, an independent valuation was carried out by registered valuer Pacific Valuations Pte Limited for the properties of the Housing Authority located at Valelevu, Nasinu and Tavewa Avenue, Lautoka. Revaluations were done to assess fair value of the properties. The Directors work closely with external valuers to establish the appropriate valuation techniques and inputs to the valuation model. The valuation method adopted by the valuer is the income and market approach. The Directors accepted this valuation report and are of the view that is appropriately discloses the fair value of the properties as at 31 July 2023.

13 PROPERTY, PLANT AND EQUIPMENT *continued*	2023	2022
Furniture and fittings	$'	$'
Cost:		
At 1 August	1,698,093	1,690,161
Additions	297,232	19,864
Disposals	(29,301)	(11,932)
At 31 July	1,966,024	1,698,093
Depreciation and impairment:		
At 1 August	1,666,167	1,649,497
Depreciation charge for the year	36,760	28,602
Disposals	(29,301)	(11,932)
At 31 July	1,673,626	1,666,167
Net written down value - furniture and fittings	**292,398**	**31,926**
Staff houses		
Valuation:		
At 1 August	495,823	495,823
Disposals	(475,000)	
At 31 July	20,823	495,823
Depreciation and impairment:		
At 1 August	75,062	63,437
Depreciation charge for the year	2,305	11,625
Disposals	(56,544)	-
At 31 July	20,823	75,062
Net written down value - staff houses	**-**	**420,761**
Motor vehicles		
Cost:		
At 1 August	855,393	1,136,856
Additions	-	80,000
Disposals	(80,000)	(361,463)
At 31 July	775,393	855,393
Depreciation and impairment:		
At 1 August	738,523	1,000,997
Depreciation charge for the year	39,447	98,989
Disposals	(28,911)	(361,463)
At 31 July	749,059	738,523
Net written down value - motor vehicles	**26,334**	**116,870**
Computer equipment		
Cost:		
At 1 August	1,592,501	1,403,537
Additions	421,349	207,119
Disposals	(171,583)	(18,155)
At 31 July	1,842,267	1,592,501
Depreciation and impairment:		
At 1 August	1,224,941	1,127,614
Depreciation charge for the year	189,018	115,482
Disposals	(171,583)	(18,155)
At 31 July	1,242,376	1,224,941
Net written down value - computer equipment	**599,891**	**367,560**

13 PROPERTY, PLANT AND EQUIPMENT *continued*	2023	2022
Others	$'	$'
Cost:		
At 1 August	379,670	379,670
At 31 July	379,670	379,670
Depreciation and impairment:		
At 1 August	291,625	229,586
Depreciation charge for the year	62,039	62,040
At 31 July	353,664	291,626
Net written down value - others	**26,006**	**88,044**
Work in progress		
Cost:		
At 1 August	521,585	178,836
Additions	476,218	342,749
At 31 July	**997,803**	**521,585**
Transfers	(947,920)	-
At 31 December	**(947,920)**	**-**
Net written down value - work in progress	49,883	521,585
Total		
Cost / valuation:		
At 1 August	14,875,545	14,615,161
Additions	1,231,231	651,934
Disposals/adjustments	(1,703,804)	(391,550)
Revaluation	3,273,929	-
At 31 July	17,676,901	14,875,545
Depreciation and impairment:		
At 1 August	5,610,416	5,403,678
Depreciation charge for the year	475,878	598,288
Disposals	(286,339)	(391,550)
At 31 July	5,799,955	5,610,416
Net written down value - total	**11,876,946**	**9,265,129**

14 INTANGIBLE ASSETS		
Cost:		
At 1 August	3,219,042	3,121,189
Additions	159,438	97,853
At 31 July	3,378,480	3,219,042
Depreciation and impairment:		
At 1 August	3,101,610	3,059,606
Amortisation charge for the year	63,285	42,004
At 31 July	3,164,895	3,101,610
Net written down value - intangible assets	**213,585**	**117,432**

(a) Depreciation charge for the financial year amounts to $21,281 (2022: $25,237) has been capitalised to development work in progress.

15 OTHER ASSETS

	2023 $'	2022 $'
Advance - FNPF settlement	51,546	73,910
Sundry debtors and prepayments	2,588,920	2,364,535
Stationery stock	13,063	23,364
Interest receivable	18,762	5,632
Value Added Tax receivable	1,048,946	664,436
	3,721,237	**3,131,877**

16 DEBT ISSUED AND BORROWED FUNDS

		Effective interest rate %		
(a)	**Current**			
	Bonds	0.25% to 2.82%	24,335,400	20,000,000
	Loans	2.00%	2,896,927	2,148,060
			27,232,327	22,148,060
(b)	**Non current**			
	Bonds	0.25% to 3.36%	84,769,124	61,663,151
	Loans	2.00%	22,682,368	27,310,355
			107,451,492	88,973,506
	Total debt issued and borrowed funds		**134,683,819**	**111,121,566**

	Maturity
Bonds	2023 to 2025
Loans	2023 to 2031

Repayment of principal is guaranteed by the Government of Fiji. The funds raised by the Authority will be used to acquire new land and to carry out its land development capital projects to produce fully serviced lots and provide mortgage financing to its customer for new house constructions or purchase of lots/ housing unit on sale in the market.

In 2010, the Government of Fiji entered into a financing agreement with the EXIM Bank of China for the Fiji Low Cost Housing project. The project was contracted to China Railway First Group (Fiji) Limited for Yuan 200,000,000. The Authority, as the eventual owner of the project on behalf of Government entered into an on-lending agreement with the Government. As at 31 July 2023, the total loan balance amounts to FJD 25,579,295.

The foreign currency loan obtained by the Authority through Ministry of Finance from EXIM Bank of China is converted to the closing exchange rate as at 31 July 2023.

17 TRADE AND OTHER PAYABLES

Interest payable	1,128,357	1,228,361
Insurance payable	231,011	282,874
Government grant received in advance	8,207,016	15,931,237
Customer Accounts with Credit Balance	1,528,641	1,136,987
Trade payables and accruals	8,573,539	11,396,748
	19,668,564	**29,976,207**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms;
- Other payables are non-interest bearing and have an average term of six months;
- Interest payable is normally recorded monthly throughout the financial year; and
- Government Grant received is recognized as a liability until the Authority utilises the amounts in accordance with Government policy and the conditions attached to the grant scheme.

18 PROVISIONS

	2023 $'	2022 $'
The movement in provision during the year is as follows:		
At 1 August	50,000	50,000
At 31 July	50,000	50,000
Represented by:		
Current	50,000	50,000

19 EMPLOYEE BENEFIT LIABILITY

The movement in employee benefit liability during the year is as follows:		
At 1 August	383,117	374,601
Arising during the year	50,443	175,877
Utilised	(191,206)	(167,361)
At 31 July	242,354	383,117
Represented by:		
Current	242,354	383,117

20 CAPITAL AND RESERVES

Capital	41,772,420	41,772,420
Asset Revaluation Reserve		
At 1 August	5,203,284	5,203,284
Revaluation during the year	3,273,929	-
Movement during the year	(423,416)	-
At 31 July	8,053,797	5,203,284

21. RIGHTS OF USE AND LEASES

	$'000
Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:	
As at 1 August 2022	12,945
Additions	374,365
Depreciation expense	(30,929)
As at 31 July 2023	356,381
Set out below are the carrying amounts of lease liabilities and the movements during the year:	
As at 1 August 2022	14,957
Additions	376,112
Accretion of interest	4,524
Payments	(35,600)
As at 31 July 2023	359,993
Current	85,483
Non-current	274,511
	359,993
The following are the amounts recognised in profit or loss:	
Depreciation expense of right-of-use assets	30,929
Interest expense on lease liabilities	4,524
Variable lease payments	35,600
Total amount recognised in profit or loss	71,053

The Authority had total cash outflows for leases of $35,600 in 2022/2023 (2021/2022: $14,751).

22 CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of customers, the Authority enters into various commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Authority.

22 CONTINGENT LIABILITIES AND COMMITMENTS *continued*

The total commitments and contingent liabilities at balance date are as follows:

	2023 $'	2022 $'
Contingent liabilities		
Energy Fiji Limited	5,024	5,000
Department of Environment	94,650	-
	99,674	5,000
Commitments		
Operating lease commitments	131,658	-
Capital commitments	51,923,092	65,856,120
	52,054,750	65,856,120
Total	**52,154,424**	**65,861,120**

Contingent liabilities

The details and estimated maximum amounts of contingent liabilities that may become payable by the Authority are set out below. The Directors are not aware of any circumstances or information that would lead them to believe that these contingent liabilities will crystallize and consequently no provisions are included in the financial statements in respect of these matters:

Guarantee		
Energy Fiji Limited	5,024	5,000
Department of Environment	94,650	-

Litigation Claims

b) The Authority is also subject to various additional unquantified claims and legal actions, which arose in the ordinary course of business. On the basis of legal opinion obtained and in the opinion of the Directors, no significant liability is expected to eventuate.

23 RELATED PARTY DISCLOSURES

(a) Identity of related parties

The Board has a related party relationship with its Directors. The Directors of the Board in office during the year were:

	Appointed	Serve Until
Ms. Sereana Qoro - Chairperson	28-Apr-23	27-Apr-26
Ms. Maraia Ubitau	28-Apr-23	27-Apr-26
Ms. Prem Lata Narayan	28-Apr-23	27-Apr-26
Mr. Isikeli Navuda	28-Apr-23	27-Apr-26
Ms. Florence Takinana	26-Oct-21	25-Oct-24
Mr. Viliame Vodonaivalu - Chairperson	26-Oct-21	27-Apr-23
Mr. Saud Minam	26-Oct-21	27-Apr-23
Ms. Susan Naidu	26-Oct-21	27-Apr-23
Ms. Renee Duguivalu	26-Oct-21	10-Aug-22
Mr. Anil Prasad	26-Oct-21	27-Apr-23

(b) Transactions with related parties

Transactions with related parties during the year ended 31 July 2023 with approximate transaction value are summarised as follows:

Board expenses and allowances	55,287	46,778

23 RELATED PARTY DISCLOSURES *continued*

(c) Compensation of key management personnel

	2023 $'	2022 $'
Short term employee benefits	788,399	510,783

Key management personnel include the Chief Executive Officer, Head Of Risk and the three General Managers of the Authority.

Executive Management

		Appointed	Serve Until
Ritesh Singh	Chief Executive Officer	7-Mar-22	6-Mar-25
Poasa Verevakabau	General Manager Finance & Administration	25-Jan-21	24-Jan-24
Raveena Kumar	General Manager Lending	4-May-20	3-May-26
Renee Duguivalu	General Manager Land & Housing Development	26-Sep-22	25-Sep-25
Shaheed Ali	Head Of Risk	18-Jul-22	18-Jul-25

24 EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Authority, to affect significantly the operations of the Authority, the results of those operations, or the state of affairs of the Authority, in future financial years.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

25.1 Introduction

Risk is inherent in the Authority's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. Risk management is a fundamental element of the Authority's business practice on all levels and encompasses different types of risks. Risk management is an integral part of the business planning and controlling process. Material risks are monitored and regularly discussed with Management Board and the Audit Committee. The risk management process is critical to the Authority's business continuity while focusing on delivering its product and services at affordable cost. Business division leaders are accountable for managing risk exposure affecting their division.

Risk can be interpreted as the combination of the probability of an event and the impact of its consequences. Business activities resulting in a negative impact represent risks that can prevent value creation or erode existing value. In order to deliver value while maintaining competitive edge, the Authority understands the types of risks it faces and addresses them appropriately. The Authority is exposed to credit risk, liquidity risk and market risks.

The independent risk control process does not include business risks such as changes in business environment, technology and industry. Business risks are identified through the Authority's strategic planning process and monitored throughout the year.

25.2 Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. The Land & Housing Directors have set-up sub-committees to be responsible for managing and monitoring specific risks such as audit, finance, human resource, LHD and credit provision

The Authority's strategic plan is focused on addressing housing needs for low income to middle income residents. Therefore, the executive management sets overarching strategic objectives as well as financial targets based on demands and Government mandate. These objectives are cascaded to the respective divisions to ensure alignment of the business operation to achieve its corporate goal. The executive management is accountable for meeting the overall objectives of the Authority, while being consistent with its overall mission. Risk management is considered fundamental to the Authority's ability to deliver its core services.

As part of the strategic planning process and day-to-day management of the business, the divisional leaders identify internal and external events that may affect the achievement of the Authority's objectives. Divisional leaders concurrently identify and assess these risks through their expertise, formal assessments and analysis of business intelligence and trends.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

25.2 Risk management structure *continued*

Risks affecting the Authority to achieve its corporate objectives are identified at various points in the business cycle. Management encourages a risk culture, encouraging employees to be open, candid and fact-based in discussing risk issues, and making all relevant facts and information available so that the Authority can consider all possible options in making decisions. The risk in the business cycle are discussed during strategic and business planning process and monthly business review meetings. However, throughout the year, the executive management assess the Authority's performance which incorporates the risk management functions to identify internal and external events that might affect achievement of the Authority's objectives. In addition, the various meetings incorporate risk management, scanning of the external environment for risk indicators through analysis of applicable business intelligence, including trends in the housing/lending market, legislative changes, consumer models, as well as relationships with external factors. Finally, risk management functions review the output from internal monitoring and assurance activities to identify gaps and emerging risk areas.

Governance ensures that identified risks and associated response strategies are communicated to the respective Divisional head and subsequently escalated to the Audit Committee. The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Governance and oversight

The Board of Directors provides oversight of the various anticipated risks faced by the Authority to executive management. The Directors have set-up sub-committees to be responsible for managing and monitoring specific risk areas such as audit, finance, human resource, project management and lending portfolio. In addition, the Board of Directors receives regular reports from executive management and the internal auditor. The external audit report is also presented to the Board of Directors.

The Board of Directors is responsible for the overall risk management approach and review of the risk incorporated in the Authority's corporate plan. The Board is dedicated and fully committed to its role in ensuring quality, compliance and effective risk management.

Internal audit

Internal audit is a corporate function and independent of any other function or unit of the Authority. The internal audit function provides assurance to the board and executive management on the quality and effectiveness of internal control processes and systems, of management of all risks and governance.

Risk Management and reporting systems

The Authority's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical expense adjusted to reflect the economic environment. The Authority also review worst case scenarios that would arise in the event that extreme events which are unlikely to occur, does occur.

Monitoring and controlling risks is primarily based on limits established by the Authority. These limits reflect the business strategy and market environment of the Authority as well as the level of risk that the Authority is willing to accept, with additional emphasis on selected industries.

Information compiled from all the business units is examined and processed in order to analyze, control and identify potential risks. This information is presented and explained to the Board of Directors and the head of each business section. The process ensures management deal effectively with future events that create uncertainty, events that pose a significant risk or opportunity, and to respond in a prompt, efficient and effective manner to support the growth drivers of creating value through innovation and executing with excellence and leading with purpose.

Information and communication channels are in place to make business leaders, as well as individuals, aware of risks that fall into their area of responsibility and the expected behavior to mitigate negative outcomes.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities in the same geographic region, or have similar economic features that would cause their ability to meet the contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Authority's performance to developments affecting a particular industry or geographical locations.

In order to avoid excessive concentrations of risks, the Authority's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

25.3 Credit Risk

The Authority incurs risk with regards to loans, advances and other receivables due from customers. Credit risk is the likelihood of future financial loss resulting from the failure of clients or counter parties to meet contractual obligations to the Authority as they fall due. The measurement of Expected Credit Loss (ECL) under IFRS 9 uses the information and approaches that the Authority uses to manage credit risk, though certain adjustments in order to comply with the requirements of IFRS 9.

The Authority manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations and by monitoring exposures in relation to such limits.

The Authority has established a credit quality review process to provide early identification of possible changes and the credit worthiness for counterparties including regular collateral revisions. The credit quality review process allows the Authority to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The Authority also has in place processes that identify, assess and control credit risk in relation to the loan portfolio, to assist in determining the appropriateness of provisions for loan impairment. These processes also enable assessments to be made of other classes of assets that may carry an element of credit risk.

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cashflows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and default correlations between counterparties. The Authority measures credit risk using Probability of Default (PD), Exposure of Default (EAD) and Loss Given Default (LGD).

Credit risk grading

The Authority assesses credit risk grading on a collective basis given the risk exposures in its loan portfolio are homogeneous. In determining the expected credit losses, the Authority integrated the staging structure and risk grading system, which reflects its assessment of the probability of default of individual counterparties. The change will result in earlier recognition of credit losses and the amount of credit losses will be updated at each reporting date

The table below shows the maximum exposure to credit risk for the components of the statement of financial position; the maximum exposure is shown gross, before the effect of mitigation.

	Net Maximum Exposure 2023 $'	Net Maximum Exposure 2022 $'
Loans and advances (Note 10)	76,275,886	79,362,770
Total credit exposure	**76,275,886**	**79,362,770**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages are determined in included in Note 5 (a).

25.4 Interest rate risk

Interest rates on financial assets and liabilities are fixed over the terms of the relevant contracts, thereby minimizing the risk of mis-matches in interest rates. At the reporting date, the interest rate profile of the Authority's interest bearing financial instruments carrying amounts were:

Fixed rate instruments	2023 $'	2022 $'
Financial assets	117,703,273	99,100,942
Financial liabilities	154,352,383	141,097,773

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

25.4 Interest rate risk *continued*

The following sensitivity analysis is based on the interest risk exposures, if any, in existence at balance date:

	Increase /(decrease) in interest rate	Effect on profit before tax $'000
2023	+10 bp	123
	- 10 bp	(123)
2022	+10 bp	122
	- 10 bp	(122)

25.5 Capital Management

The primary objective of the Authority's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its operations and maximise shareholder value.

The Authority manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Authority may adjust the dividend payment to shareholders, return capital to shareholders or raise capital.

The Authority monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Authority includes within net debt, trade and other payables less cash and cash equivalents. Capital includes equity attributable to equity holders less the net unrealised gains reserve.

	2023 $'	2022 $'
Interest bearing loans and borrowings	134,683,819	111,121,566
Less: cash	(1,722,047)	(7,186,207)
Net debt	132,961,772	103,935,359
Equity	61,426,802	57,735,428
Total capital	61,426,802	57,735,428
Capital and net debt	194,388,575	161,670,787
Gearing ratio	68%	64%

26 AUTHORITY DETAILS

Registered office:

Housing Authority Building, Saqa Street, Valelevu, Nasinu
P.O. Box 6472, Nasinu
Telephone: (679) 339 2977
Facsimile: (679) 334 0092
Email: info@housing.com.fj
www.housingfiji.com

Branches:

Lautoka
FDB Building, 38 Vitogo Parade, Ground Floor, Lautoka
P.O. Box 262, Lautoka
Telephone: (679) 666 0299
Facsimile: (679) 666 5602

26 AUTHORITY DETAILS *continued*

Labasa
F N PF Building, Rosawa Street, Labasa
P.O. Box 78, Labasa
Telephone: (679) 881 1977
Facsimile: (679) 881 3919

Number of employees at the end of the year:

	2023	2022
Management	16	10
Staff	79	101
Project/Unestablished staff/Trainees	11	3
	106	114

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

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

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



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1.0 INTRODUCTION

This Management Letter has been prepared following the audit of the Housing Authority of Fiji for the financial year ended 31 July 2023. This report contains significant audit findings arising from the audit and recommendations for improvement.

2.0 QUALITY OF FINANCIAL REPORTING

2.1 Quality of financial reporting

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

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

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

2.2 Results Summary

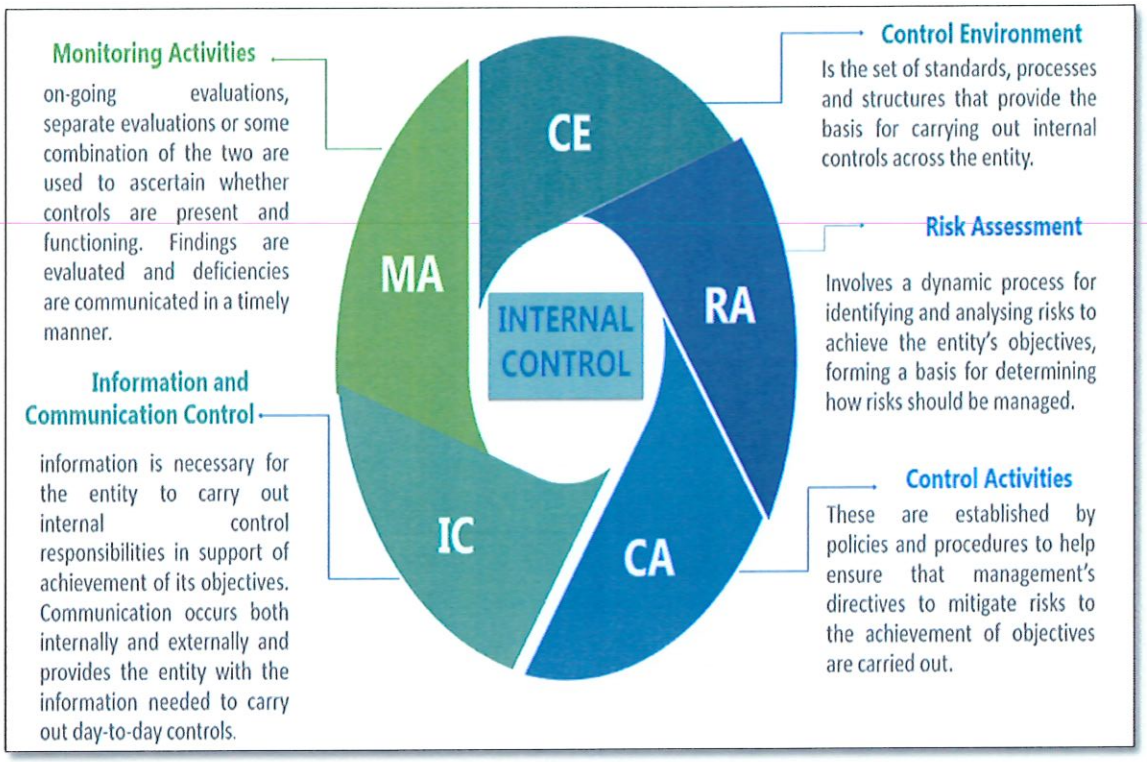
The following table summarises our assessment of financial reporting processes for financial statements of Housing Authority of Fiji.

Year	Financial Reporting Quality
Current Year	
Prior Year	

3.0 INTERNAL CONTROLS

3.1 Internal Controls Assessments

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



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

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

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

Rating	Internal Control Assessment
Effective	No deficiencies identified in internal controls
Generally Effective	Deficiencies identified in internal controls
Ineffective	Significant deficiencies identified in internal controls

3.2 Results Summary

The table below summarises our assessment of internal controls for the financial statements of the Housing Authority of Fiji.

Year	Internal Controls				
	CE	RA	CA	IC	MA
Current Year	●	●	●	●	●
Prior Year	●	●	●	●	●

CE=Control Environment RA=Risk Assessment

CA=Control Activities IC=Information and Communication Control

MA=Monitoring Activities

4.0 RISK RATING OF AUDIT FINDINGS

The audit findings have been classified in order of relative importance, which is explained as follows:

Risk Rating	Definition
High	A control or compliance weakness of such fundamental significance that it requires immediate attention of line and senior management and priority action for resolution.
Medium/Moderate	An issue of substantial importance to the entity, which requires the immediate attention of responsible line management and an agreed program for prompt resolution.
Low	An issue which does not necessarily warrant immediate attention, but which should have an agreed program for resolution.

The matrix below reflects the current status of our findings categorised by risk ratings. The responsibility for analysing and taking action to mitigate the risks remain with the entity.

Classification	HIGH	MED	LOW
1. Current Year Observations	1	3	3

Caution about Audit Findings

This report contains findings that were detected from normal audit procedures designed primarily for the purpose of forming an opinion on the accounts of the financial statements of Housing Authority. There is an unavoidable risk that some material misstatement(s), fraud, or irregularity may not have been detected despite the fact that the audit was planned and conducted with due care.

Hence, this Management Letter should not be regarded as a comprehensive statement of all the weaknesses that may exist or of all improvements that could be made.

The Authority is therefore advised to maintain perpetual vigilance on the internal controls and conduct its own investigation where deemed necessary to ensure that irregularities are appropriately addressed.

5.0 SUMMARY

Issue Number	Title	Description
CURRENT YEAR AUDIT OBSERVATIONS: Financial Statements of Housing Authority of Fiji		
6.1	Direct deposits in bank accounts	Delays in postings understate cash by $200,786.
6.2	Inventory issue	Lack of independent verification of existence of inventory
6.3	PPE issues	Periodic physical verification of assets not carried out. Depreciation expense not correctly calculated in FAR. Accumulated depreciation charges were not considered in the revaluation journals.
6.4	Employee leave liabilities issues	Leave for staffs who had exited Housing Authority still accrued. 2022 RBF rates used in the calculation of long service leave.
6.5	Value Added Tax Issues	Delay in the lodgement of the VAT returns. Transfer by FRCS during the year were not investigated.
6.6	Overstated liabilities Accruals	Over accruals resulted in overstated expenses.
6.7	Interest Bearing Borrowing issues	EXIM loan exchange difference of $3,968. Variances in the interest on bond.

6.0 CURRENT YEAR UNRESOLVED AUDIT OBSERVATIONS

6.1 Direct Deposits in Bank Accounts

LOW

The review of the July bank reconciliations revealed that there were delays in the postings relating to direct deposits. These were posted in the subsequent months thus cash balance was understated by $200,786 at year end with potential corresponding impacts on receivables, revenue etc.

Refer below for further details by bank reconciliation:

Bank	Amount ($)	Months posted
WBC - 49018300	9,085	August and September 2023
BSP - 262987	172,370	August, September and November 2023
ANZ - 5637386	13,031	August, October, November and December 2023 and March 2024
BRED - 000107505075	2,433	August 2023
BSP – 10616187	3,868	August and December 2023 and January, March, and May 2024
Total	**200,786**	

Recommendation

Management should ensure timely posting relating to the bank reconciliations is done and if they are not aware of the details of the receipts then these should be parked as unallocated receipts to be investigated later.

Agreed Management Comments

Comments are noted. The team will ensure to obtain correct details on time and post to unallocated receipts if details not available.

6.2 Inventory Issue

LOW

There was a lack of independent verification of the existence of inventory. Management in conjunction with OAG should establish a policy for the periodic verification of inventories by OAG. This would ensure the existence of inventories included in the inventory listing and improve the accuracy of periodic financial reporting as misappropriations and errors would be detected on a timely basis.

Agreed Management Comments

Comments are noted. The stock is recorded in the Navision System after Board approval to sell the lots. The progress for the new stocks are closely monitored and recorded in the Financial Board Pack. The Finance team closely monitor sales and maintain record and balance the unsold properties. The lots are removed from the stock once the Finance team receives and verify the offer letter and transfer documents to justify settlement in the system. This verification also include the cash sales cases. On the other hand, foreclose properties are added to stock during the year which may create mismatch compared to the opening balance.

6.3 PPE issues

LOW

a) HA has did not carry out a periodic physical verification of assets. In the absence of physical verification, management may not be able to identify obsolete, damaged, or missing assets on a timely basis or at all which may result in incorrect financial reporting.

Recommendation

HA should conduct periodic verification of fixed assets. This would provide assurance on the existence of assets included in the fixed asset listing and improve the accuracy of periodic financial reporting as misappropriations and errors would be detected on a timely basis.

Agreed Management Comments

Comments are noted. The team will conduct the review once the two vacant positions are filled. The roles were vacant from 2022 and 2023.

b) The review of the Fixed Asset register revealed that the depreciation expense for the current year was not taken up correctly and as such, resulted in differences.

Recommendation

The following adjustments are recommended to correctly account for depreciation for the current financial year.

DR	Depreciation Expense	8,089	
CR	FA0002803 – PC Board		1,042
CR	FA0000040 – Valelevu Land		4,883
CR	FA0000041 – Lautoka Land		650
CR	FA0002642 - Transducer		43
CR	FA0002641 - Compressor		110
CR	FA0002640 - Compressor		111
CR	FA0002639 - Checkpoint		1,238
CR	FA0002643 - Meraki MR33		13
(Being to account for missed depreciation expense)			

Agreed Management Comments

Comments are noted. Management anticipates to fill the vacant role to improve efficiency and closely review the FAR portfolio.

c) Review of the revaluation journals revealed that the accumulated depreciation charges were not considered due to the discrepancies in depreciation expense noted.

Recommendation

The following adjustments are recommended to correctly account for the overstatement of Fair-Value gain for the current financial year:

DR	Lautoka Office	261,218	
DR	Lautoka Land	2,651,499	
CR	Valelevu Main Office		1,112,380
CR	Valelevu Land		1,468,058
CR	Asset Revaluation Reserve		322,280

(Being to account for asset revaluation gain))

Agreed Management Comments

Comments are noted. The adjustment are within the FAR and ARR due to miss posting which the team adjusted accordingly. Filling of the two vacant positions should improve review of this portfolio.

d) The Fixed Asset Register did not capture the correct way for revaluation assessment, that is, the WDV after posting the revaluation journal would be just the revalued value of the asset. However, the FAR maintained continued to include historical accumulated depreciation post valuation and adjustment differences are shown as a separate line item.

Recommendation

HA should ensure that the FAR is correctly maintained to reflect a true picture of assets after valuation.

Agreed Management Comments

Comments are noted. This is the third revaluation exercise since 2013 and the Authority always comply with the same practice followed for revaluation assessment according to the matrix that was submitted but was incorrectly interpreted and the finance team later amended column to read WDV for clarity.

6.4 Employee leave liabilities issues

LOW

a) The review of the leave register revealed that leave relating to staffs who had exited Housing Authority (and not subsequently cleared till after one year) was still being accrued.

Refer to the table below for details.

Employee ID	Employee Name	Leave Type	Leave accrued ($)
1062	Tomasi Buli Taiwaluwalu	AL/SL/LSL	2,361.94
1065	Mereisi Koba Naruve	AL/LSL	2,287.48
1095	Caroline Emma Fisher Komainavoka	AL/SL/LSL	2,775.86
3277	Solomoni Bolanitabua Vakaloloma Lewetuitovo	AL/SL	459.46
1155	Roselyne Roshika Rattan	AL/SL	1,201.46
1210	Keshwin Lata Prasad	SL	1,227.28
1027	Viliame Tamanikaitani	LSL	2,971.16
1022	Premadish	LSL	2,835.04
1058	Koni Daululoma Naivalurua	LSL	2,300.40
1047	Maikeli Conrad Vakatuturagana Sulua	LSL	1,045.59
1101	Etuate William Snow Waka	LSL	788.24
TOTAL			20,254

Recommendation

The following adjustment is proposed to correctly reverse the provision balances of staffs who have left HA and their balances will not be paid out:

DR	Accrued Leave	20,254	
CR	Sick Leave Allowance		3,644
CR	Annual Leave Allowance		515

CR	Long Service Leave Allowance		16,095
(Being to account for overstated accruals for departed employees)			

Agreed Management Comments

Comments are noted. The payment for the allowance was paid from severance GL while transfer was required to adjust the leave liability provision to offset but entry was not posted on time. Adjustment within balance sheet account.

b) The review of the Long Service Leave register revealed that management is still using the 2022 RBF rates and have not updated their calculations using the latest rates. Upon recalculation of a sample of employees, the audit did not detect material variances however recommend management to use the latest rates to avoid significant accumulated variances in future.

Agreed Management Comments

Comments are noted. The Finance team will assist the HR team to obtain rate from RBF team.

6.5 Value Added Tax Issues

LOW

a) There were delays noted in the lodgement of the VAT returns for the following months. Refer to the table below for details.

Month	Date Lodged
July 2022	September 2022
August 2022	November 2022
May 2023	August 2023
June 2023	August 2023
July 2023	November 2023

Penalties amounting to $20k were charged by FRCS on above late lodgements, however these were subsequently waived.

Recommendation

Management should ensure that all VAT returns are lodged in a timely manner.

Agreed Management Comments

Comments are noted. The delay from July 2022 was due to staffing issue when roles remain vacant while August 2022 vat was lodged in 3rd November

Delay from May 2023 was due to the cyber attach in June 2023 affecting records from June 2022 and the restatement exercise was completed in Dec 2023.

b) The review of the Statement of VAT Account (SVA) revealed that there were transfers done by FRCS accumulating to $5,332 during the current year and $60k for the prior years which is yet to be investigated by management hence VAT and corresponding other liabilities could be potentially mis-stated.

Recommendation

Management should:

- ensure that monthly reconciliation of their SVA is carried out; and
- liaise with FRCS on all transfers done.

Agreed Management Comments

Comments are noted. We have noted that FRCS, transferred the credit balance to offset the other tax account that's outstanding. We will review with FRCS on the entries passed.

6.6 Overstated liabilities Accruals

LOW

A review of the accruals revealed that there were over accruals resulting in overstated expenses.

Recommendation

The following audit adjustment entry is proposed.

DR	Accruals	20,429	
CR	Water expenses		5,914
CR	Electricity		4,815
CR	Office Health Safety (OHS)		9,700
(Being to account for overstated accruals)			

Agreed Management Comments

Comments are noted. Management is filling in the vacant position to improve efficiency and timely review of accounts with accuracy.

6.7 Interest Bearing Borrowing issues

LOW

a) EXIM loan exchange difference of $3,968 was noted.

Recommendation

The following audit adjustment is proposed:

DR	Exchange losses	3,968	
CR	Exchange Loss on interest		3,968
(Being to account for exchange differences in EXIM loan)			

Agreed Management Comments

Comments are noted. Management are filling in the vacant position to improve efficiency and timely review of accounts with accuracy.

b) Variances were noted in the interest on bond.

Recommendation

The following audit adjustment is proposed:

DR	Accrued interest	130,930	
CR	Bond Interest – others		13,323
CR	Bond Interest – RBF		117,607
(Being to account for bond interest variances)			

Agreed Management Comments

Comments are noted: Management presented reconciliation but adjustment was propose and passed in FY 2021/22 and now being corrected in FY 2022/23.

6.8 Other Expenses

LOW

Reflected in the Statement of Profit and loss and Other Comprehensive Income is Other Expenses totalling $2,703,017. Details of the Other Expenses is disclosed in Note 7.2 to the financial statements. Note 7.2 discloses another line item as Other expenses amounting to $2,413,807.

Other Expenses in Note 7.2 makes up majority of the Other Expenses in the in the Statement of Profit and Loss and Other Comprehensive Income.

Recommendation

The Authority should further break down the Other Expenses in Note 7.2 in the 2024 financial statements.

Agreed Management Comments

The recommendation was noted by the Authority via the contract audit and will be implemented in the 2024 financial statements.