



Fiji Roads Authority

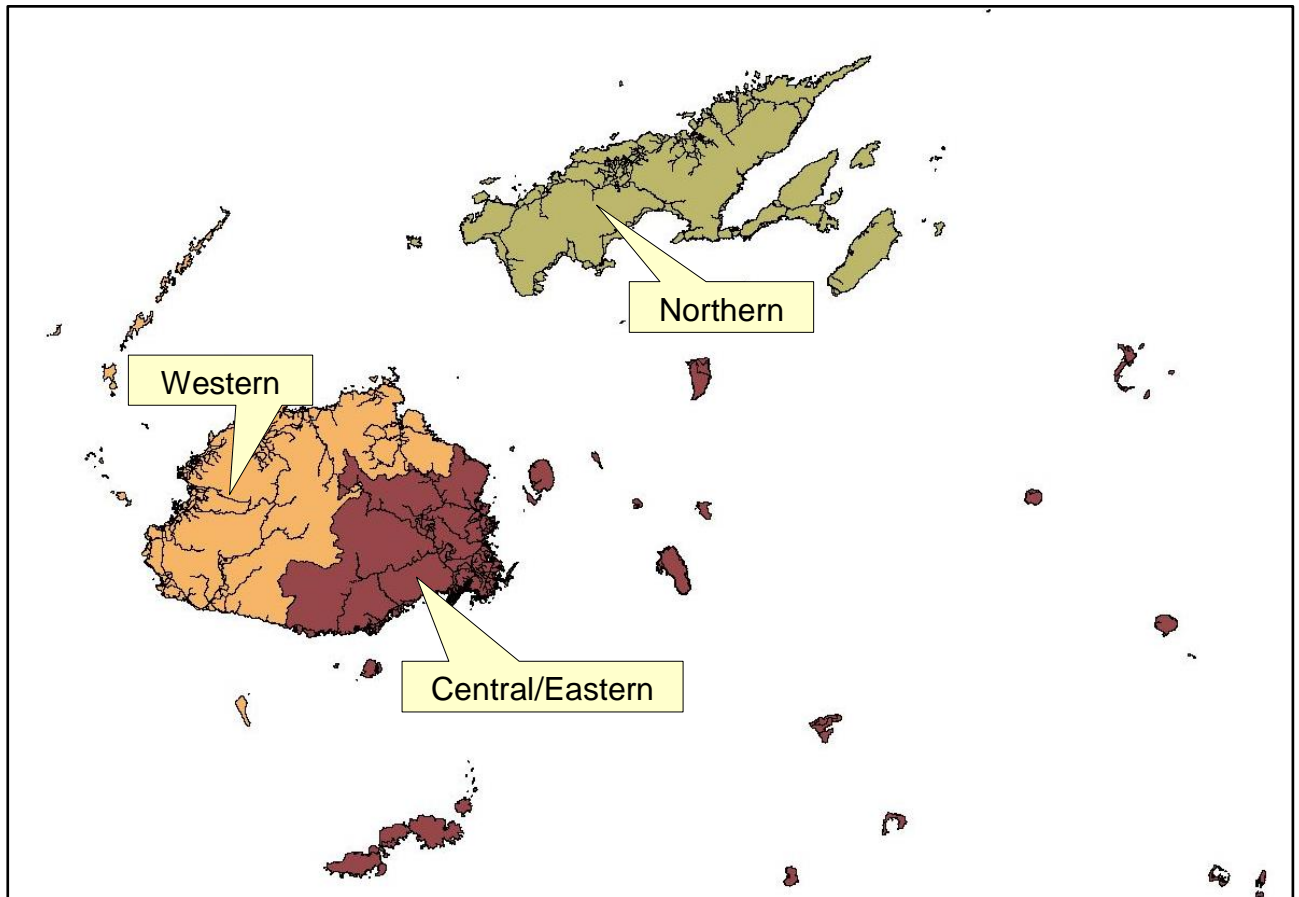
2012 ANNUAL REPORT



19 December 2013



MAP OF FIJI



Fiji comprises 332 islands of which 110 are permanently populated. Its total land area is 18,300 sq. kilometres. 87% of the country's population of about 890,000 live on the two major islands – Viti Levu (in the south) and Vanua Levu.

Most Fijians reside on Viti Levu's coast, either in greater Suva which is the capital (and with a population of 370,000 the largest urban area) or in smaller villages. There are more than 11,000 kms of roads and 936 bridges that are managed in three geographic divisions. Half the roads are of a standard normally expected in a developed country. The other half are cane and rural roads of a minimal (sometimes very minimal) standard.

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FIJI ROADS ADVISORY COMMITTEE AND BOARD MEMBERS



Pio Tikoduadua
P.S¹ Office of the Prime Minister
Chairman



Parmesh Chand
PS Public Service Commission



Elizabeth Powell
PS Public Enterprises & Tourism



Filimone Waqabaqa
PS Finance



Taina Tagicakibau
PS Local Government

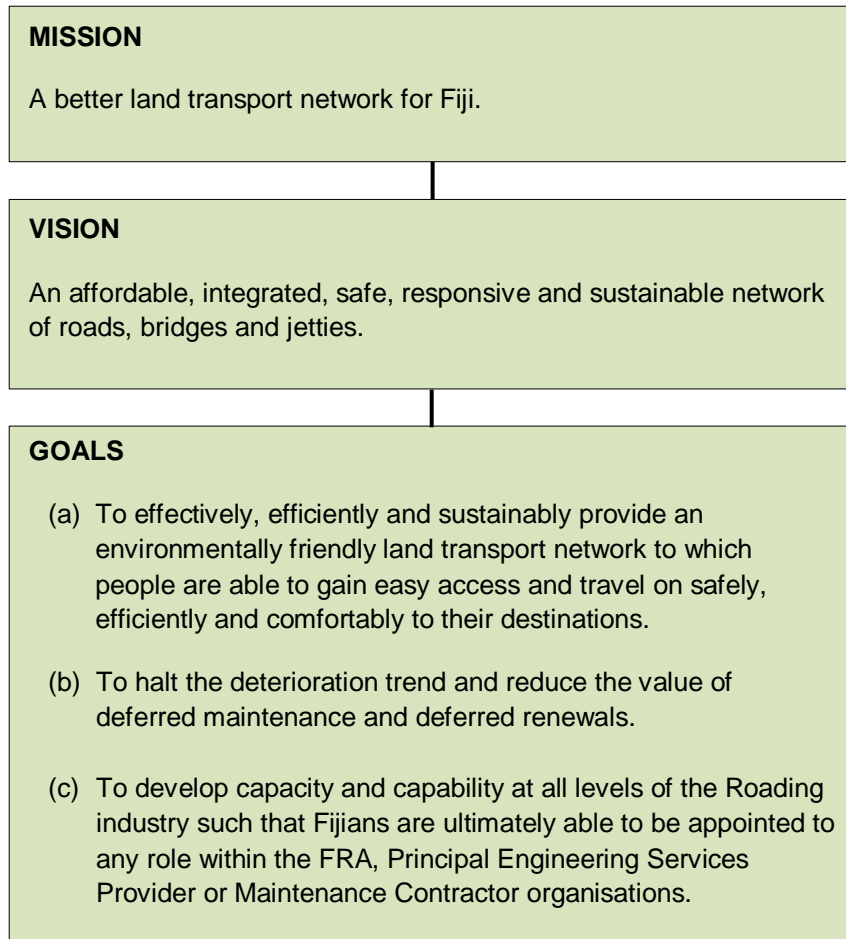
WORK FUNCTIONS



¹ Permanent Secretary



OUR MISSION, GOALS AND PERFORMANCE TARGETS



HOW THE FRA'S MISSION, VISION, GOALS AND PERFORMANCE TARGETS CONTRIBUTE TO FIJI'S OVERALL DEVELOPMENT

The Fiji Government's Key Pillars to which this Mission and Vision and these Goals and Targets contribute are:

- (a) Developing a Common National Identity and **Building Social Cohesion.**
- (b) Enhancing **Public Sector Efficiency, Performance Effectiveness and Service Delivery.**
- (c) Achieving **Higher Economic Growth While Ensuring Sustainability.**
- (d) Developing **an Integrated Development Structure at the Divisional Level.**
- (e) **Reducing Poverty** to a Negligible Level by 2015



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1. OVERVIEW

FROM THE CHAIRMAN & THE CEO

1.1 INTRODUCTION

We are privileged to provide this first report of the Fiji Roads Authority – although, as we explain in the notes that for the purposes of the record we have included in Section 2 as an attachment to the audited accounts, 2012 was a very difficult year. The notes that follow record the situation as it was at the end of the year. There have been a number of developments since and these will be explained in the next Annual Report – which next year we expect to be able to finalise and issue much earlier – by the end of March.

1.2 BACKGROUND

The Fiji Roads Authority is a new corporate body established by the Government to construct, maintain and develop public roads in Fiji. Established by the Fiji Road Authority Decree No 2 of 2012 (5 January 2012) the Authority reports to the Prime Minister and is responsible for the construction, maintenance and development of all:

- (a) national roads formerly managed by the Department of National Roads (of the Ministry of Public Works and Utilities);
- (b) local roads formerly managed by the municipal councils;
- (c) such other roads as it may from time to time decide (formerly managed by the Ministry of Sugar, the Ministry of Provincial Development and others; (and)
- (d) all public jetties

The precise location (and length) of all of the roads, bridges and jetties concerned is still to be ascertained. Based on the currently available information FRA is responsible for around 11,000km of road and about 1000 Bridges and Jetties. A detailed breakdown is shown in Table 1.

Table 1 – Assets Managed

Roads

Area	Previous Agency	Sealed	Unsealed	Grand Total
		KM	KM	KM
Central Eastern/Division	Department of National Roads	470	681	1,151
	Municipal Councils	151	2	153
	Ministry of Provincial Development		244	244
Central/Eastern Division Total		621	927	1,548
Northern Division	Department of National Roads	226	1,245	1,471
	Municipal Councils	21		21
	Ministry of Provincial Development		431	431
	Fiji Sugar Corporation (FSC)		1,283	1,283
Northern Division Total		247	2,959	3,206
Western Division	Department of National Roads	452	1,180	1,632
	Municipal Councils	163		163
	Ministry of Provincial Development			N/A
	Fiji Sugar Corporation (FSC)		4,566	4,566
Western Division Total		615	5,746	6,361
TOTAL COUNTRY		1,483	9,632	11,115

N/A – not yet available

Bridges and Jetties

Area	Bridges-Number				Jetties Number
	Main Roads	Municipal Roads	Cane etc. Roads	Total	
Central Eastern/Division	259	17	-	276	30
Northern Division	324	-	10	334	13
Western Division	285	24	17	326	4
TOTAL	868	41	27	936	47

1.3 GOVERNANACE

2012 was a transitional year. Once fully established the Authority will be governed by a Board consisting of a Chairperson and 4 other members appointed by the Minister for a three year term. Until then the Authority's functions are being performed, and the powers of the Authority are being exercised, by a 'Fiji Road Advisory Committee' (FRAC) consisting of the Permanent Secretary of the Prime Minister's Office as the Chairperson and the Permanent Secretaries of Finance, the Public Service Commission, Public Enterprises & Tourism and Local Government.

1.4 2012 BUDGET

Upon its appointment FRAC inherited a budget totalling \$204m (VIP) from the former Department of National Roads. One of the first things it did was to examine that and reallocate the money in a manner that, while not changing the objectives in Cabinet's budget decision, would enable it to better manage its financial affairs. Later the Government approved additional funds totalling \$49m (VIP) for the following reasons:

- | | | |
|-----|---|----------------|
| (a) | Flood damage repairs - March 2012 storm | \$18.0 Million |
| (b) | Buca Bay, Swani-Serea, Sigatoka Valley and Moto Road purchase of land, houses' relocation, the relocation of utility services, supervision and the balance relating to Nagia and Waininoa bridges | \$9.0 Million |
| (c) | Establishment costs relating to the three maintenance contracts due to commence on 1 January 2013 for the entire network | \$13.0 Million |
| (d) | Additional resealing funding (CCAR) | \$2.1 Million |
| (e) | General shortfall (after the deletion of, and transfers between, jobs to effect savings) | \$2.0 Million |
| (f) | Provision for DNR and Municipal Councils' staff redundancies | \$5.0 Million |

1.5 PRINCIPAL ACHIEVEMENTS

The practical effect of the transition was to change from a situation where most maintenance work (and some renewal and construction work) on the roads was done principally by the DNR and municipal council staff to a situation where all work is done by contracted parties. This required the disestablishment of a government department (the Department of National Roads – DNR) with about 1,150 permanent and temporary employees and the establishment of a new ‘corporate organisation’ in its place that will ultimately have only about 20-30 staff.

Organisational change of this magnitude is never easy. However the FRA’s principal achievements by the end of the year were:

- (a) The former DNR office closed and a new FRA office has been established in the Fiji Revenue and Customs Authority building in Suva.
- (b) Approximately 950 permanent DNR and municipal council employees were made redundant (but a good number of them were subsequently re-employed by the new maintenance contractors)

Approximately another 200 continue to be employed for a limited period by the FRA that:

- (i) is still to decide the best long term approach for managing the roads on the outer islands;
 - (ii) intends, during 2013, to rationalise its involvement in quarry operations; and
 - (iii) is taking steps to put its various laboratories onto a much more business-like footing (with a view to considering whether or not they should be offered for sale or for lease - or managed in some other way, within the next few years).
- (c) The New Zealand firm (MWH) was awarded a five year contract for the provision of engineering services advice to the FRA - and MWH has established new offices in Suva, Nadi for that purpose.

The arrangement is already well established and is working well.

- (d) Three contracts were let for maintenance (and some renewals) of the entire network, based on the traditional works division boundaries:

Central and Eastern Division:	Fulton Hogan – Hiways Joint Venture
Northern Division	Blacktop Ltd
Western Division	Higgins Group

The new contractors commenced work at the end of December.

- (e) Despite the difficulties mentioned later in this report the Authority completed the year within its overall approved budget for the year.
- (f) Very significant progress has been made to put in place a much more effective and efficient road network management regime for the future– which has already started to prove its benefit by the improved results on the roads.

A more detailed summary of the project work that was actually achieved is in Section 2.

1.6 CHALLENGES

The FRA has several significant challenges in front of it – some of which are not going to be able to be fixed overnight and are going to take some time to resolve:

- (a) There is widespread acknowledgement that the network is generally in a poor condition.

The FRA is addressing this matter in a number of ways. The maintenance contractors have some rigid performance targets that they are required to meet. An initial long term policy approach for future management, maintenance, renewal and further development of the network will be finalised during 2013. More work to refine the plan will be done after that as better information comes to hand.

- (b) Many bridges are in poor condition.

Two bridges in Suva have had to be closed, the use of some others has had to be restricted, and many others require urgent (in some cases major) repairs.

This matter was addressed during the year and as for the roads a longer term policy approach will be finalised in 2013. The FRA is of course reluctant to close or limit the use of bridges but it will not divert from its fundamental responsibility of doing whatever it has to do to ensure public safety. (Note that Cabinet was briefed on the dire situation with respect to bridge condition in March 2013)

- (c) The FRA is still to clarify exactly which jetties it is responsible for and the current state and condition of each.
- (d) There are over 6,000 km of cane and other roads in the rural area. The extent to which the FRA is to assume responsibility for them, and exactly how it might best do that, is another matter that will be decided during 2013.
- (e) In order to be able to make 'the right' decisions accurate and complete data is essential. The quality of the data the FRA has inherited from both the DNR and the municipal councils is very poor.

The FRA has already put in place a new data management system but the compilation of accurate data records is an evolutionary process that is going to take some years.

- (f) As the qualification comments in Attachment 'A' in the 'Notes to the Financial Statements' record, some very serious financial management problems were experienced throughout the year.

1.7 OUTLOOK

Moving from 2012, a year of transition, to 2013, a year of establishment and growth, the outlook for FRA is extremely positive. The private companies now engaged to deliver professional engineering services and maintenance works are established in Fiji and are underway with the task of dealing with immediate issues, assessing future needs and prioritising works accordingly. The key issues for the future are:

- (a) The task that the FRA has been given is huge. The first requirement is that the FRA fully understand exactly what needs to be done and then have a robust prioritised plan for addressing it in a properly structured way. As already mentioned, FRA will have this Asset Management Plan in place towards the middle of 2013 and once adopted the plan will be publicly available.

stakeholders understand this and help to manage expectations about what is able to be achieved. With the commitment shown by Government and the FRA in place and operating the network will be restored over a timeframe that enables efficient use of funds and allows for sustainable and consistent investment levels over the long term.

(c) The FRA is very appreciative of the Government's understanding of the situation. The approved budget for 2013 is considerably in excess of that for 2012 (\$428m v \$253m). Notwithstanding the time it is going to take to restore the network this will enable some very significant improvements to be achieved in the next twelve months - including over 100km of roads resealed to restore waterproofing and reduce potholes and other failures as well as 50km of road to be completely rebuilt.

(d) One of the FRA's key goals is:

'to develop capacity and capability at all levels of the Roading industry such that Fijians are ultimately able to be appointed to any role within the FRA, the office of the FRA's Principal Professional Engineering Services Provider or the maintenance contractor organisations'

The FRA Board and senior management will be actively pursuing this goal both within FRA and driving its achievement through our suppliers and contractors.

1.8 THANKS

We convey our thanks to all of the members of the Fiji Roads Advisory Committee (and those who represented them at meetings during the year) and to all staff of the former DNR for their efforts. Our special thanks to the longer serving members of the DNR – many of whose lives will, one way or another, have been severely impacted by what has been, one of the biggest reorganisations of the public sector ever undertaken in Fiji.



Pio Tikoduadua
Chairman
Fiji Advisory Committee



Pio Tikoduadua
Chairman



Neil Cook
Chief Executive Officer



Neil Cook
Chief Executive Officer



2. STATEMENT OF SERVICE PERFORMANCE

Table 2 summarises the outputs achieved during 2012.

Table 2 - Statement of Service Performance

Work	Budget	Spent	Work Achieved
Roads & Bridges	\$000 VEP	\$000 VEP	
Policy & Management			
Established Staff	1,400,000	1,736,577	Costs associated with operation of the executive and leadership of the DNR Head and Regional Offices.
Government Wage Earners	700,000	1,463,928	
Travel & Communications	200,000	149,483	
Maintenance & Operations	250,000	67,746	
Purchase of Goods & Services	85,000	44,598	
			Primarily for the Change Manager to take executive control of the FRA and manage the whole transition – including: <ul style="list-style-type: none"> • take responsibility for the management of all outputs of DNR under the “old” system; • set up and implement the new FRA structure; • assist with recruitment of the CEO and other key management personnel; • the procurement of three road maintenance contracts; • begin implementation of a new Asset Management system; • carry out bridge inspections, design and supervision of separate contracts for rehabilitation, pavement repairs and resealing, and design and supervision of the various construction contracts.
Professional Services Fees	6,200,000	4,601,808	
Redundancy Package	5,000,000	5,050,979	Includes \$2.4m carried forward to 2013.
<i>Sub-Total</i>	13,835,000	13,115,118	
Establishment Costs – Say Balance transferred to FRA Account at end of the year.	1,000,000	649,501	Some of the fit out costs for a new FRA office, the initial establishment of the asset data management system mentioned above, recruitment costs, and the purchase of a new financial management and payroll system.
TOTAL – Policy & Management	14,835,000	14,392,340	



Maintenance & Operations			
Government Wage Earners			
Wages		5,537,253	Staff costs associated with operation of the depots and work on the road for both maintenance and renewal activities.
FNPF		220,719	
Allowances		214,598	
<i>Sub-Total</i>	6,000,000	5,972,570	
Purchase of Goods & Services		0	
Materials, Stores & Supplies		4,391,283	Material costs associated with maintenance and renewals on the network including gravel, bitumen, asphalt and the plant necessary for completion of the work. Includes upgrading Monosavu Road and Kadavu Island. Costs associated with storm works were also attributed to this budget prior to the receipt of additional storm damage funds. (See below).
Plant Leasing		4,249,089	
<i>Sub-Total</i>	9,000,000	8,640,372	
Other Maintenance			
Bridges Maintenance	1,000,000	389,714	Routine and emergency bridge maintenance for approximately 800 bridges. Detailed inspections have identified serious concerns relating to more than one third of the bridges. (See also the comments in the overview – paragraph 1.6(b)).
Storm Damage (January)	4,000,000	4,068,331	After the large flood events on Jan 23 rd and March 29 th 2012 Cabinet released an additional \$18M (VIP) for repair of the roads. Damage was widespread but most severe in the West. In addition to general clean-up work there were almost 300 distinct restoration sites (240 in the Western Division, 18 in the Northern Division and 25 in Central).
Storm Damage (March)	17,565,000	17,319,711	
ADB Flood Recovery Project charged in error		530,322	
Traffic Lights Management	100,000	278,108	
<i>Sub-Total</i>	22,665,000	22,586,186	
TOTAL –Maintenance & Operations	37,665,000	37,199,128	

Renewals			
Vunidawa Road	500,000	258	Extensive works were undertaken to complete this project to Nawaisomo village. Most of the costs were charged to the plant and materials budget above. The project was 75% completed.
Bridge Renewals	3,000,000	1,525,619	Not as much progress as was desired was made across the bridge renewal program. However a new bridge deck was constructed on the Nalele Bridge after a partial collapse. Waidra Bridge replacement in Ovalau \$800,000 was completed.
SeSe (No 320)		20,182	
Waidra (Ovalau)		0	
Lomavai (No 2)		540,870	
Vesidrua (No 802)		0	
Construction Structural repairing Natutu, Wainiveisoli, Waidalice, Wainibokasi		0	Approximately 50m of new bailey bridge components were also installed at the Yaduo and Nayawa Culverts. A temporary structure was constructed at Waidalice.
Structural repair req for 2012 Koroqaqa, Old Naqali, Matanivuso, Sawani		0	
Procurement of Baily Components		0	
Waioku (No 292)		0	
Mate Bridge		0	
Box Culvert, Koula Tavua		375,768	
Supply of Pavement Materials	2,600,000	2,752,536	Contract for Kadavu and Ovalau material supply.
Periodic Maintenance	0	6,689,339	Includes the cost of all drainage works undertaken (120km drainage renewals), culverts, grading and sealed road maintenance (pothole patching).
Resealing by Contract	13,000,000	1,794,172	12km resealed.
Resealing CCAR	-	7,071,769	19km resealed.
Rehabilitation by Contract	6,000,000	5,842,715	34km rehabilitated.
Additional Rehabilitation	6,500,000	5,815,947	
Unsealed Roads Resheeting	1,500,000	0	
Safety Improvements	1,000,000	0	
General	1,000,000	0	

Fiji Decade of Road Safety	0	479,340	Line marking, installation of guard rail, village thresholds and safety audits on Kings Road
Laboratories Renewal	0	0	
TOTAL - Renewals	35,100,000	32,908,515	
*New Capital General			
Upgrading Rural Roads	1,500,000	1,533,618	Completion of Nausori Highlands rural roads programme.
Upgrading - Suva Nausori Corridor	100,000	843,952	Completion of the gabion wall that was left unfinished in 2011
Ratu Dovi/Kings Road/City Trunk Route	2,000,000	1,790,052	Project complete with the exception of power pole relocation. FEA will be undertaking this in 2013.
Upgrading - Nado/Lautoka Corridor	0	1,418	
Purchase of Plant & Machines	2,000,000	936,000	Includes the purchase of 10 new rollers for the plant pool of the Ministry of Works.
Land Acquisition & Final Survey	200,000	72,326	The purchase of land along the Sawani-Serea, Sigatoka and other historic land issues.
TOTAL – New Capital General	5,800,000	5,177,367	
*New Capital Special			
Fiji Road Upgrade Project III - Waitoa to Wailotua	4,500,000	11,409,302	Good progress was made across all FRUP III projects and completion is expected by mid 2013. Works were completed by four separate contractors along Kings Road.
FRUP III Project ADB	18,000,000	11,503,307	
Queens Highway Upgrade (EXIM Bank Malaysia)	45,000,000	14,652,546	Progress was disappointing as the FRA and Contractor had to resolve fundamental design and site selection issues as a result of premature failure of the initial works.
Sigatoka and Serea Road Improvement (EXIM Bank of China)	22,000,000	14,179,215	<ul style="list-style-type: none"> • Sigatoka work is 70% complete and is on target to be completed by August 2013. • Sawani-Serea; Phase 1: Overall completion stands at 60%. The revised target completion date is also August 2013. Phase 2: The Contractor has started survey.

Buca Bay and Moto Road Improvement (EXIM Bank of China)	24,000,000	63,922,754	<ul style="list-style-type: none"> • Moto Road: 65% done and scheduled to be completed in January 2014. Likely to be completed by mid-year 2013, therefore ahead of target. • Buca Bay Phase 1: 70% done. Final finishing works being done in preparation for sealing. • Buca Bay Phase 2: Earthworks and crossing and bridge structures completed. Bulk of base and sub-base works has not started yet. Contractor still working on stabilisation of the foreshore areas. • Includes contractor establishment costs of \$36M for Nabouwalu Dreketi.
Buca Bay, Swani-Serea, Sigatoka Valley and Moto Road purchase of land, house relocation, the relocation of utility services, supervision & the balance relating to the FRUP III Nagia and Waininoa Bridges	7,826,087	3,979,831	Purchase of land, house relocation, the relocation of utility services, supervision & the balance relating to the FRUP III Nagia and Waininoa Bridges
TOTAL – New Capital Special	121,326,087	119,646,955	
Other Costs			
New Contracts 2013	11,304,348	11,000,000	Establishment payments made to the new maintenance contractors. Three new contracts to cover the entire roading network.
2011 Carryover	5,723,000	5,723,000	For costs not funded in 2011.
Contingency	1,000,000	199,863	
TOTAL - OTHER COSTS	18,027,348	16,922,863	
TOTAL - ROADS AND BRIDGES	232,753,435	225,597,666	



Outer Island Jetties			
Maintenance & Operations			
Government wages			General maintenance of the jetties.
Wages	46,000	19,606	
FNPF	4,000	0	
Sub-Total	50,000	19,606	
Purchase of Goods & Services			
Plant Hire	50,000	24,722	
Materials, Stores & Supplies	30,000	5,238	
Sub-Total	80,000	29,961	
TOTAL – Maintenance & Operations	130,000	49,567	
Renewals			
Rabi & Qarani	3,500,000	2,491,318	Rabi Jetty completed.
Mid-Point Port Nauduri - Vanua Levu		182,759	
TOTAL - Renewals	3,500,000	2,674,077	
New Capital General			
		0	
Other Costs			
TOTAL – Outer Island Jetties	3,630,000	2,723.644	



3. FINANCIAL STATEMENTS

- Directors' Report
- Independent Audit Report
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Financial Position
- Statement of Cashflows
- Notes to And Forming Part of the Financial Statements
- Statement of Cost of Service



Fiji Roads Authority

**FIJI ROADS AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**



**FIJI ROADS AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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FIJI ROADS AUTHORITY RECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

Formation of Fiji Roads Authority

The Fiji Roads Authority was established by the Fiji Road Authority Decree 2012 (as amended by the Fiji Road Authority Amendment) Decree 2012 ("Principal Decree" - "the FRA Decree"). It was formed as a corporate body with perpetual succession and a common seal as at 5 January 2012.

The directors present their report together with the financial statements of Fiji Roads Authority ("the Authority") for the period 5 January 2012 to 31 December 2012 and the auditors' report thereon.

Directors

The names of the Directors at any time during the financial year and up to the date of this report are:

<i>Directors</i>	<i>Appointed</i>
Mr. Tikoduadua (Chairman)	Appointed under the FRA Decree 2012
Mr. Ramesh Chand	April 1, 2012
Mr. Simon Waqabaca	April 1, 2012
Mr. Ina Tagicakibau	April 1, 2012
Ms. Elizabeth Powell	April 1, 2012

State of affairs

In the opinion of the directors:

there were no significant changes in the state of affairs of the Authority that occurred during the financial period under review not otherwise disclosed in this report or the financial statements.

The accompanying statement of financial position and statement of changes in equity give a true and fair view of the state of affairs of the Authority as at 31 December 2012 and the accompanying statement of comprehensive income and statement of cash flows give a true and fair view of the result of the Authority, its changes in equity and its cash flows for the period then ended.

Principal activity

The principal activity of the Authority during the period was that pertaining to the construction, maintenance and development of roads in Fiji.

Operating results

The operating surplus for the year ended 31 December 2012 was \$122,948,359.



**FIJI ROADS AUTHORITY
DIRECTOR'S REPORT (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

Reserves

The directors did not recommend any transfers to or from reserves to accumulated funds in the 2012 financial period.

Subsequent events


The following events have arisen in the interval between the end of the financial period and the date of this report:

- (a) On 2 August 2013, two former employees of the Authority (previously Department of National Roads) were charged by the Fiji Independent Commission Against Corruption (FICAC) and brought before the Suva Magistrates Court for charges of bribery, obtaining a financial advantage and abuse of office during 2012. The alleged loss caused to the Authority and the Government amount to over \$3 million. The ultimate outcome of the matter cannot presently be determined and, accordingly, neither liability nor receivable has been recognised in the financial statements.
- (b) The Authority published a notice for lodgement of claims or potential claims by individuals, companies or organisations with the former Department of National Roads or the Authority before 15 February 2013. The Authority has received claims totalling more than \$17.7 million. The claims are being investigated before any decision is made on their settlements.
- (c) A major contractor of the Fiji Roads Authority went into receivership in September 2013. Blacktop Construction Ltd, a New Zealand based company, was responsible for road works in the Northern Division.

Dated this 20th day of December 2013

Signed in accordance with a resolution of the directors.


.....
Director


.....
Director



REPUBLIC OF FIJI

OFFICE OF THE AUDITOR GENERAL



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INDEPENDENT AUDITOR'S REPORT

FIJI ROADS AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

I have audited the accompanying financial statements of the Fiji Roads Authority (Authority), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 6 to 21.

Directors and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), the Fiji Roads Authority Decree 2012 and other statutory requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. As discussed in Note 1(a) and Note 1(e) to the financial statements, there were insufficient accounting records and related documents to appropriately account and substantiate the value of property, plant and equipment as at 5 January 2012. The financial statements consequently include as opening



balance for property, plant and equipment of \$5.2 billion based significantly on estimates and assumptions, with uncertainty. I was unable to carry out appropriate audit procedures to obtain sufficient and appropriate audit evidence over these estimates, including additions to property, plant and equipment of \$182.6 million and depreciation of \$48.6 million as stated in Note 7. As a result, I was not able to determine the effect of adjustments, if any, on the financial position of the Authority as at 31 December 2012, or on its financial performance and cash flows for the year then ended.

2. Included as Receivables (Note 5) is VAT Receivable of \$219,721. Due to the unavailability of related VAT records, I was unable to carry out appropriate audit procedures to obtain sufficient and appropriate audit evidence to confirm the accuracy and completeness of VAT Receivable and the effect of adjustments, if any, on the financial position of the Authority as at 31 December 2012.

Qualified Audit Opinion

In my opinion, except for the matters reported in the qualification paragraphs, the financial statements give a true and fair view of the financial position of the Fiji Roads Authority as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, the Fiji Roads Authority Decree 2012 and other statutory requirements.

Without further qualifying the opinion expressed above, I draw attention to Note 14 (a) and Note 14(b) to the financial statements:

- Two former employees of the Authority (previously Department of National Roads) have been charged by the Fiji Independent Commission Against Corruption (FICAC) on 13 August 2013 and brought before the Suva Magistrate's Court for charges of bribery, obtaining a financial advantage and abuse of office during 2012. The alleged loss caused to the Authority and the Government amount to over \$3 million. The ultimate outcome of the matter cannot presently be determined and, accordingly, neither liability nor receivable has been recognised in the financial statements in respect of the action.
- Claims or potential claims from previous years by individuals, companies or organisations with the former Department of National Roads or the Authority amount to over \$17 million.

Tevita Bolanavanua
AUDITOR GENERAL



Suva, Fiji
23 December 2013



**FIJI ROADS AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 (31 December) \$
Income		
Grants and Contributions	2	228,970,812
Total Income		<u>228,970,812</u>
Expenditure		
Employee Related Expenses	3 (a)	14,297,572
Other Operating Expenses	3 (b)	17,061,988
Maintenance		26,009,450
Depreciation and Amortisation	7	48,653,443
Total Expenditure		<u>106,022,453</u>
Surplus for the Period		<u>122,948,359</u>
Other Comprehensive Income		-
Total Comprehensive Income for the period		<u>122,948,359</u>

(The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 21.)



**FIJI ROADS AUTHORITY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Other Contributed Equity \$	Accumulated Funds \$	Total \$
Balance as at 01 January 2012	-	-	-
Total Comprehensive Income for the year		122,948,359	122,948,359
Increase in Assets from Equity transfer	5,224,266,626		5,224,266,626
Balance as at 31 December 2012	5,224,266,626	122,948,359	5,347,214,985

(The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 21)




**FIJI ROADS AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Notes	2012 (31 December) \$
Current assets		
Cash and Cash Equivalents	4	649,482
Receivables	5	2,742,768
Other Assets	6	11,000,000
Total current assets		14,392,250
Non current assets		
Property, plant and equipment	7	5,358,255,309
Total non current assets		5,358,255,309
Total Assets		5,372,647,559
Current liabilities		
Payables	8	17,432,574
Provision	9	8,000,000
Total current liabilities		25,432,574
Total Liabilities		25,432,574
Net Assets		5,347,214,985
Other Contributed Equity		5,224,266,626
Accumulated Funds		122,948,359
Total Equity		5,347,214,985

(The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 21)

Signed on behalf of the Board:


.....
Director


.....
Director



**FIJI ROADS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 (31 December) \$
Cash Flows from Operating Activities		
Grants and subsidies received		243,839,373
Payments to suppliers and employees		(69,383,578)
Net Cash provided by Operating Activities		174,455,795
Cash Flows from Investing Activities		
Payments for property, plant and equipment		(173,806,313)
Net Cash provided by Investing Activities		(173,806,313)
Net increase in cash		649,482
Cash and cash equivalent at beginning of financial period		-
Cash and cash equivalent at end of financial period	4	649,482

(The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 21)



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. SIGNIFICANT ACCOUNTING POLICIES

Fiji Roads Authority (the "Authority" or "FRA") was established by the Fiji Road Authority Decree 2012 (as amended by the Fiji Road Authority (Amendment) Decree 2012, "Principal Decree") ("FRA Decree") to serve the road system needs of the Republic of Fiji. This decree established the Authority by transferring the operations and assets of the Department of National Roads ("DNR").

The address of the Authority's registered office is Level 1, Building 3, Fiji Revenue and Customs Authority Complex, Nasese, Suva.

The Authority commenced operations on 5 January 2012. The financial statements are reported for the period 5th January to 31st December 2012. Fiji Roads Authority is a corporate body domiciled in Fiji. The significant accounting policies, which have been adopted in the preparation of these financial statements, are noted below.

The financial statements were authorised for issue by the directors on **19 December** 2013.

a) Accounting for the formation of FRA

By virtue of the FRA Decree, the entity was established to form the FRA with effect from 5 January 2012. Following the 2012 Amendment to the FRA Decree, Fiji Road Authority was renamed to Fiji Roads Authority.

Due to insufficient books and records over property, plant and equipment at 5 January 2012, the property, plant and equipment assets of the Department of National Roads were required to be identified, recorded and valued by independent valuers and the resulting adjustment was recorded in other contributed equity. The assets of the DNR were transferred to FRA on 5 January 2012 for a consideration of Nil under the FRA Decree.

The recognised balance of net assets transferred on the establishment date at fair value in other contributed equity was \$5,223,880,886.

b) Statement of Compliance

The financial statements of the Authority have been drawn up in accordance with the provisions of the Financial Management Act 2004 and International Financial Reporting Standards ("IFRS").

c) Basis of Preparation

The financial statements are presented in Fiji dollars, rounded to the nearest dollar. The financial statements have been prepared based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The accounting policies have been consistently applied and are consistent throughout the period.



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Authority, except for IFRS 9 Financial Instruments, which becomes mandatory for the Authority's 2015 financial statements and could change the classification and measurement of financial assets. The Authority does not plan to adopt this standard early and the extent of the impact has not been determined.

e) Use of estimates and judgements

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements includes the note on property, plant and equipment in Note 1(g).

f) Foreign Currency

All foreign currency transactions are translated to Fiji currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling at balance date. Gains and losses arising on such translations are recognised in the result for the period.

g) Property, Plant and Equipment

Property, plant and equipment comprise land and buildings, plant and equipment (vehicles and general plant and equipment) and infrastructure systems (road and bridges).

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other International Financial Reporting Standards. Any gain or loss on disposal of property, plant and equipment is recognised in profit or loss.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. A corresponding amount is also reported as deferred revenue under liabilities and amortised over the period of the useful life of the asset.



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Property, Plant and Equipment (cont'd)

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The cost of assets constructed for own use includes the purchase cost, other directly attributable costs and the initial estimate of dismantling and restoration costs.

Depreciation

Items of property, plant and equipment, are depreciated using the straight-line method over their estimated useful lives. Depreciation methods, useful lives and residual values are reviewed and adjusted, if appropriate, at each reporting date.

The expected useful lives of property, plant and equipment for depreciation purposes are as follows:

	Useful Lives (years)
Buildings	60
Furniture and Fittings	5 - 10
Motor Vehicles	5 - 8
Road Systems	12 - 120
Maritime Systems	50 - 80
Plant and Equipment	10 - 30

Revaluation of property, plant and equipment

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 recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised 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.

As a not-for-profit Authority, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

h) Cash and cash equivalents

Cash and cash equivalents comprises of cash at bank.



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the period when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

j) Payables

These amounts represent liabilities for goods and services provided to the Authority and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

k) Other Operating Expense and Maintenance

Other operating expenses generally represent the day-to-day running costs incurred in the normal operations of the Authority.

Maintenance costs relate principally to road and maritime infrastructure systems.

l) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or a component of an asset, in which case the costs are capitalised and depreciated.

m) Employee Entitlement

(i) Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Income Recognition

Income is recognised and measured at the fair value of the consideration or contribution received or receivable to the extent that it is probable that the economic benefits will flow to the Authority and the income can be reliably measured. The following specific criteria must also be met before income is recognised:

(i) Grants and Contribution

Grants and contributions comprising mainly cash and in kind contributions are recognised as revenues when control passes to the Authority and the contractual obligations have been satisfied. In kind contributions (e.g. roads and bridges from local councils) are measured at fair value on transfer and recognised as property, plant and equipment (Note 1(g)).

o) Impairment

The carrying amounts of the Authority's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

p) Accumulated Funds

The category "Accumulated Funds" includes all current period retained funds.

q) Other Contributed Equity

Other contributed equity represents generally assets less liabilities transferred to the reporting entity by the Government of Fiji.

2. INCOME

	2012
	(31 December)
	\$
Grants and Contributions	
Government of Fiji	
- Policy and Management	14,392,340
- Maintenance and Operations	37,248,695
- Renewals	35,582,592
- New Capital	124,824,322
- Other Costs	16,922,863
	<u><u>228,970,812</u></u>



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 (31 December) \$
3. EXPENDITURE	
(a) Employee Related Expenses	
Salaries	8,811,276
Contribution to Fiji National Provident Fund	220,719
Allowances	214,598
Redundancy Payment	5,050,979
	<u>14,297,572</u>
The number of employees at the at the end of the financial period was 1,239.	
b) Other Operating Expenses	
Consultancy Costs	7,245,399
Leasing of Plant	4,249,089
Materials	4,396,521
Travel and Communications	158,894
Other	1,012,085
	<u>17,061,988</u>
4. CASH AND CASH EQUIVALENTS	
Cash at Bank	649,482
	<u>649,482</u>
Reconciliation of Cash and Cash Equivalent	
For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as disclosed above.	
5 RECEIVABLES	
Receivable	2,401,418
Receivable from the Government of Fiji	121,629
VAT Receivable	219,721
	<u>2,742,768</u>
6 OTHER ASSETS	
Prepayments	11,000,000
	<u>11,000,000</u>



FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012
	(31 December)
	\$
7 PROPERTY, PLANT AND EQUIPMENT	
(a) Property, plant and equipment are stated at cost and have been included in the financial statements on the following basis:	
Land and Buildings	
At Cost	207,068,178
Accumulated depreciation	<u>(4,835,036)</u>
	202,233,142
Motor Vehicles	
At Cost	1,233,958
Accumulated depreciation	<u>(165,162)</u>
	1,068,796
Furniture and Fittings	
At Cost	25,740
Accumulated depreciation	<u>(4,752)</u>
	20,988
Road Systems	
At Cost	4,991,858,388
Accumulated depreciation	<u>(41,150,468)</u>
	4,950,707,920
Plant and Equipment	
At Cost	21,416,583
Accumulated depreciation	<u>(1,251,162)</u>
	20,165,421
Maritime Systems	
At Cost	47,632,009
Accumulated depreciation	<u>(1,246,863)</u>
	46,385,146
Work in Progress	
At Cost	137,673,896
	137,673,896
Net book value	<u>5,358,255,309</u>



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year is set out as follows:

	Land and Buildings	Motor Vehicles	Furniture & Fittings	Road Systems	Plant and Equipment	Maritime Systems	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at 01 January 2012	206,995,852	1,233,958	21,450	4,950,572,562	20,480,583	44,957,932	-	5,224,262,337
Additions	72,326	-	4,290	41,285,826	936,000	2,674,077	137,673,896	182,646,415
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Depreciation charge	(4,835,036)	(165,162)	(4,752)	(41,150,468)	(1,251,162)	(1,246,863)	-	(48,653,443)
	202,233,142	1,068,796	20,988	4,950,707,920	20,165,421	46,385,146	137,673,896	5,358,255,309



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 (31 December) \$
8 ACCOUNTS PAYABLE	
Accruals	194,878
Other Payables	5,166,638
Retention Payable	12,071,058
	<u>17,432,574</u>

9 PROVISION

The provision relates to the various claims made by the contractors for work performed for the Department of National Roads. The obligation was assumed by the Authority upon its establishment for contractors claim of **\$8,000,000**.

10 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Contingent Assets and Liabilities

i) Others

The Authority has a number of contractual disputes with an estimated contingent liability of \$8 million.

(b) Other contract commitments

Contract Commitments 203,757,332

10 RELATED PARTY TRANSACTIONS

Directors

The directors of the Authority in office during the period and up to the date of this report were:

Pio Tikoduadua (Chairman - appointed under section 5 of the FRA Decree)
Filimoni Waqabaca (appointed on April 2012)
Elizabeth Powell (appointed on April 2012)
Parmesh Chand (appointed on April 2012)
Taina Tagicakibau (appointed on April 2012)

Identity of related parties

The Authority is a controlled entity of the Government of Fiji in accordance with the FRA Decree 2012.

Transactions with related parties

Grant income received from Government 228,970,812

The entity receives capital and recurrent grants directly from the Government of Fiji. Amounts receivable from the Government of Fiji was \$121,629 as at 31 December 2012. Amounts payable to the Government of Fiji was \$nil as at 31 December 2012



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

11 RELATED PARTY TRANSACTIONS	2012 (31 December) \$
--------------------------------------	--------------------------------------

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

In February 2012, MWH New Zealand Ltd was appointed and identified as having full executive management responsibility for the Authority, including planning, directing and controlling the activities of the Authority. Personnel from MWH New Zealand Ltd that performed this key management responsibility included:

Name	Current title
Mike Rudge	Senior consultant (Appointed June 2012)
Bruce Buxton	Senior consultant (Appointed January 2012, resigned June 2012)
Brian Sharplin	Senior consultant (Appointed February 2012)

Compensation paid to MWH New Zealand Ltd during the year was as follows:

Consultants	<u><u>4,601,808</u></u>
-------------	--------------------------------

During the period, non executive directors did not receive any form of remuneration from the Authority.

11 PRINCIPAL ACTIVITY

The principal activity of the Authority during the period was that pertaining to the construction, maintenance and development of roads in Fiji.

12 REGISTERED OFFICE

The Authority's registered office is Level 1, Building 3, Fiji Revenue and Customs Authority Complex, Nasese, Suva. It operates from several locations in Fiji, with its head office in Suva.

13 RISK MANAGEMENT DISCLOSURES

Introduction

The operational activities of the reporting entity expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The main risks arising from these financial instruments are outlined below together with the entity's objectives, policies and processes for measuring and managing risk.

Further quantitative and qualitative disclosures are included throughout these financial statements.



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

13 RISK MANAGEMENT DISCLOSURES (cont'd)

The Chief Executive and management of the Authority have overall responsibility for the establishment and oversight of risk management and review and determine policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the entity, to set limits and to monitor risks. Compliance with these policies will be reviewed by internal audit.

The Authority's risk management strategy is set by the Executive Management and approved by the Board.

The Authority has management structures and information systems to manage individual risks and has separated risk initiation and monitoring tasks where practicable.

The following sections describe the risk management framework components:

Market Risk

Market risk is the potential for change in the value of financial instruments caused by a change in the value, volatility or relationship between market rates and prices.

Market risk includes liquidity which is explained as follows:

Liquidity Risk

Liquidity Risk is the risk that the Authority will be unable to meet its payment obligations when they fall due. The Authority manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other advances.

Maturity analysis for financial liabilities

The following analysis of financial liabilities is based on contractual terms.

	31 December 2012		
	At Call	Gross Nominal Outflow	Carrying Amount
	\$	\$	\$
Liabilities			
Payables	17,432,574	17,432,574	17,432,574
	17,432,574	17,432,574	17,432,574



**FIJI ROADS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2012**

13 RISK MANAGEMENT DISCLOSURES (cont'd)

Operational Risk

The Authority's operational risk management framework supports the achievement of the Authority's financial and business goals. Operational risk is defined as the risk of business gain or loss resulting from :

- inadequate or failed internal processes and methodologies;
- people;
- systems; or
- external events.

A formal reporting structure for the management of operational risk is in place. There are also processes and practices for the identification, monitoring, measurement, and day to day management of operational risks.

Heads of all business units have clearly defined roles and responsibilities to ensure that the operational risks inherent in all business activities have been identified, measured and recorded.

14 SUBSEQUENT EVENTS

The following events have arisen in the interval between the end of the financial period and the date of this report:

- (a) On 2 August 2013, two former employees of the Authority (previously Department of National Roads) were charged by the Fiji Independent Commission Against Corruption (FICAC) and brought before the Suva Magistrates Court for charges of bribery, obtaining a financial advantage and abuse of office during 2012. The alleged loss caused to the Authority and the Government amount to over \$3 million. The ultimate outcome of the matter cannot presently be determined and, accordingly, neither liability nor receivable has been recognised in the financial statements.
- (b) The Authority published a notice for lodgement of claims or potential claims by individuals, companies or organisations with the former Department of National Roads or the Authority before 15 February 2013. The Authority has received claims totalling \$17.7 million. The claims are being investigated before any decision is made on their settlements.
- (c) A major contractor of the Fiji Roads Authority went into receivership in September 2013. Blacktop Construction Ltd, a New Zealand based company, was responsible for road works in the Northern Division.

QUALIFICATIONS TO MANAGEMENT REPRESENTATION LETTER TO THE AUDITOR GENERAL**1. INTRODUCTION**

The FRA has to provide a management representation letter to the Auditor General each year for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of (or 'present fairly', in all material aspects) the financial position and of the results of its operations for the year.

As has been mentioned at the commencement of this report 2012 was a quiet extraordinary year and the management representation letter given by the CEO and Financial Controller on this occasion was provided subject to the qualification statements below and to any currently unknown errors and omissions that may subsequently be discovered as a result of the matters listed.

2. BACKGROUND

- 2.1. 2012 was a year of transition – from a government department (the former Department of National Roads (DNR)) to a corporate entity (the Fiji Roads Authority (FRA)) that is structured in a totally different way to the way the roads in Fiji have been managed in the past.
- 2.2. The new entity came into existence on 5 January 2012 but the practical change didn't occur until January 2013 from which time almost all work has been contracted out to the private sector.
- 2.3. All DNR staff transferred to the FRA upon its establishment.
- 2.4. A change of this nature and magnitude is never easy. During the transition period the organisation was managed by a Change Manager (MWH NZ Ltd). While the Change Manager had full Executive Management responsibility ((Section 37(2) Fiji Road Authority Decree 2012) ('The Decree')) many activities continued to be guided by the Acting Director of the DNR and this complicated reporting lines, the decision-making process, the way that things were done (sometimes a reluctance to change from the DNR's traditional way of operating) and accountability.
- 2.5. The Procurement Regulations 2010 don't apply to the FRA (Section 16(3) Fiji Road Authority Decree 2012). However during the transition period these continued to be used (in a modified form) until the FRA was able to adopt its own Procurement Process and Plan – on 16 November 2012.
- 2.6. No new Executive Management appointees commenced work until the end of December 2012 – including the position of Financial Controller. Nor did the Authority (until 1 January 2013) have its own financial management system. Until the end of the year the former DNR continued to operate in the normal way (with the then existing staff of the DNR using the Government FMIS system).



3. GENERAL FINANCIAL MANAGEMENT

The financial management control environment that the FRA inherited was **extremely poor**. Evidence of apparent fraud (\$2m plus) was discovered in July and referred to the Fiji Independent Commission Against Corruption (FICAC). Other areas in which difficulties were experienced included:

- 3.1. Despite significant work the Change Manager wasn't able to, at any time, get a clear picture of the total overall financial state of the organisation. There were continuous problems reconciling with the figures in the FMIS seemingly largely caused by incorrect requirements being made by the FRA (former DNR) staff.
- 3.2. At least two known instances of creditors' double payments occurred;
- 3.3. The charging of costs to the wrong accounts' codes was so widespread it was impossible to correct;
- 3.4. The progressive funding of costs by the Ministry of Finance didn't match the purpose for which the former DNR accounting staff were saying the money was required (or had been spent);
- 3.5. The way that VAT has been charged in the accounts is obviously, in some cases, incorrect (not necessarily resulting in any under or over payment but in the VEP cost of some jobs being overstated and the amount of VAT being understated);
- 3.6. The extent to which cheques were having to be repeatedly cancelled was of real concern;
- 3.7. The bank reconciliation wasn't prepared as promptly each month as it should have been;
- 3.8. Voucher preparation and management was very poor indeed and a major area for concern;
- 3.9. An annual return due to the Asian Development Bank (ADB) at the end of June was filed very late;
- 3.10. Suspension of three of the most senior officers as a part of the fraud investigations mentioned earlier (two since 'cleared' and reinstated) **caused extremely serious management and works' organisation complications**;
- 3.11. At the end of the year several accounts (including one for \$3m) that had been approved for payment weren't paid and were carried forward for payment during 2013 (which will have an adverse impact on the 2013 budget);
- 3.12. Significant difficulties were experienced when calculating the redundancy and final leave entitlements getting a clear understanding of exactly who the FRA (as the successor to the DNR) actually employed and their status – and the correctness of the proposed payments.

4. PLANT AND VEHICLES, QUARRIES AND LABORATORIES

- 4.1. The Decree transferred ownership of plant and vehicles that have in the past been used on the roads from the plant pool of the Ministry of Works, Public Transport & Utilities (MWPTU) to the FRA. Major difficulties were experienced with the MWPTU regarding this issue and the general quality of the plant and machinery items the FRA eventually received, at the very end of the year,



was very poor. An independent valuer's report assessed their total market value as \$4.8m and the overall situation as being:

• Running Condition	46	(24%)
• Under repair	26	(14%)
• Immobile	45	(24%)
• Failed	33	(17%)
• Not Working	24	(13%)
• Not Sighted	9	(5%)
• LTA	4	(2%)
• DISMAC	1	(1%)
TOTAL	188	(100%)

4.2. There are two operating quarries and one closed quarry. Difficulties were experienced obtaining a clear view about the ownership, state and management of these assets – and the correctness of the revenue charged and banked;

4.3. There are a number of laboratories that test the quality of supplied aggregate etc. The Change Manager had concerns about the way these were being managed - and the correctness of the way costs were being charged and the revenue accounted for and banked

5. CONTRACTS' AND PROJECT MANAGEMENT

In some areas project design, contracts' documentation, project management and the way some contracts' costs were recorded wasn't to the required standards – both before (relating to work undertaken during the year) and during the transitional year. For instance:

5.1. a significant number of contracts were let (by the DNR) with poorly scoped designs and poor specifications – causing significant unplanned expenditure and interpretation difficulties;

5.2. some large contracts were let with little understanding of the financial implications of escalation and time extensions – that can again be expected to cause additional unplanned costs for the next three years (2013 – 2016);

5.3. The DNR didn't maintain a master control record of all contracts (from the time of calling tenders until final payment) – making it impossible for the Change Manager to be certain about what the FRA's total contracting obligations were at any time. A particular concern was the payment of contract retentions. The Change Manager was unable to ascertain and reconcile what the balance owing (both during and at the end of the year) was;

5.4. In at least one instance the amount paid to the contractor was significantly in excess of the approved contract sum.



- 5.5. The Change Manager also had a number of concerns about the way some of the contracts had been let and subsequently varied; (and)
- 5.6. Another problem was the magnitude of the outstanding legal disputes and claims 'inherited' from the DNR about which there had been little action in recent times – the most significant one being a major multi-million dollar contract with the Chinese firm COVEC that had been cancelled by the DNR six years earlier – in 2006.

6. DATA MANAGEMENT

Because of the **extremely serious lack of asset data** (relating to both the DNR and the municipal councils' roads and 'which jetties' the FRA was to be responsible for) significant problems were experienced valuing the roads' and bridges' network. A more accurate assessment will be done as more, and more reliable, information comes to hand over the next three years.

7. OTHER MATTERS

- 7.1. Throughout the year the Change Manager experienced regular 'surprises' – with additional hitherto unknown issues being encountered.
- 7.2. Although there were some notable exceptions (which the FRA is very grateful for) little help was forthcoming from key FRA accounting and other personnel after year end relating to the work that had to be done to finalise the transition and prepare this report.
- 7.3. It wasn't possible to solve the foregoing **(obviously longstanding and deep-seated)** weaknesses during the year. The best that could be done was to continuously stress the need for improved management; manage the situation in order to minimise the potential adverse impacts of each identified weakness; to the extent that it was possible correct errors as they occurred; - and concentrate on putting in place a robust financial management system for the future (and that was substantially achieved).
- 7.4. The Fiji Road Advisory Committee, the Ministry of Finance and the Office of the Controller and Auditor General were kept fully apprised, throughout the year, of the difficulties being experienced – and their assistance sought.
- 7.5. Since the close of the year:
 - The FRA has received claims totalling more than \$17m for alleged monies owing by the former DNR (of which during 2012 the FRA was unaware and for which no 2013 budget provision has been made).
 - On 29 July 2013 the FRA was called to appear before the Fiji Public Accounts Committee to answer ten questions relating to the DNR's 2008 audit. The significance of some of those questions and the FRA's inability to satisfactorily answer them is another good illustration of the standard of the former DNR's management and the sort of problems the Change Manager experienced relating to the DNR's whole operation throughout the transition year.
 - The two most senior accountants and a Director of a local contracting firm have been formally charged by FICAC for various offences alleged to have been committed by them during 2012 – including alleged bribery and abuse of office.



4. OTHER FINANCIAL INFORMATION

For further information about the way the FRA manages its financial affairs see FRA's Operations Management Manual (Green Book).



4.1 ASSET VALUES

[WORDING TO COME]

Table 5 – Asset Values

ASSET CATEGORIES	Replacement Cost	Depreciated Replacement Cost	Accumulated Depreciation	Annual Depreciation
Land & Buildings	\$ 194,646,039	\$ 192,064,211	\$ 2,581,828	\$ 210,807
Formation	\$ 2,951,557,753	\$ 2,951,557,753	\$ -	\$ -
Carriageways				
Sealed Road Surfacing	\$ 229,683,032	\$ 217,231,050	\$ 12,451,982	\$ 12,091,880
Sealed First Coat	\$ 178,340,151	\$ 175,149,682	\$ 3,190,469	\$ 3,190,469
Sealed Base	\$ 170,730,715	\$ 167,693,379	\$ 3,037,336	\$ 3,037,336
Sealed Sub Base	\$ 366,389,361	\$ 364,401,222	\$ 1,988,139	\$ 1,988,139
Unsealed Top Course	\$ 53,918,342	\$ 43,134,674	\$ 10,783,668	\$ 10,783,668
Unsealed Base	\$ 232,384,900	\$ 232,384,900	\$ -	\$ -
Sub Total	\$ 1,231,446,501	\$ 1,199,994,907	\$ 31,451,594	\$ 31,091,492
Drainage				
Culverts	\$ 144,534,336	\$ 142,727,657	\$ 1,806,679	\$ 1,806,679
Gullypits	\$ 13,577,793	\$ 13,408,071	\$ 169,722	\$ 169,722
Surface Water Channels	\$ 132,196,622	\$ 130,544,164	\$ 1,652,458	\$ 1,652,458
Sub Total	\$ 290,308,751	\$ 286,679,892	\$ 3,628,859	\$ 3,628,859
Footpaths	\$ 45,327,568	\$ 44,210,070	\$ 1,117,498	\$ 1,117,498
Traffic Control				
Signs (inc Posts)	\$ 8,140,131	\$ 7,564,016	\$ 576,115	\$ 576,115
Markings	\$ 572,265	\$ 572,265	\$ -	\$ -
Traffic Signals	\$ 3,026,884	\$ 2,867,337	\$ 159,547	\$ 159,547
Sub Total	\$ 11,739,280	\$ 11,003,618	\$ 735,662	\$ 735,662
Bridges				
Large Bridges	\$ 246,779,844	\$ 244,580,007	\$ 2,199,837	\$ 2,199,837
Small Bridges	\$ 121,608,188	\$ 120,444,815	\$ 1,163,373	\$ 1,163,373
Large Culverts	\$ 85,400,662	\$ 84,688,990	\$ 711,672	\$ 711,672
Sub Total	\$ 453,788,694	\$ 449,713,812	\$ 4,074,882	\$ 4,074,882
Minor Structures				
Guard Rails	\$ 22,179,142	\$ 21,291,976	\$ 887,166	\$ 887,166
Jetties	\$ 25,452,868	\$ 25,093,170	\$ 359,698	\$ 341,871
Sub Total	\$ 47,632,010	\$ 46,385,146	\$ 1,246,864	\$ 1,229,037
Street Lighting	\$ 1,197,649	\$ 1,163,879	\$ 33,770	\$ 33,770
Motor Vehicles	\$ 1,233,958	\$ 1,068,796	\$ 165,162	\$ 165,162
Plant & Equipment	\$ 21,416,584	\$ 20,165,422	\$ 1,251,162	\$ 1,251,162
Furniture & Fittings	\$ 25,740	\$ 20,988	\$ 4,752	\$ 4,752
Quarries	\$ 12,422,139	\$ 10,168,931	\$ 2,253,208	\$ 2,253,208
Laboratories	\$ 6,492,192	\$ 6,383,989	\$ 108,203	\$ 108,203
Work in Progress	\$ 137,673,896	\$ 137,673,896	\$ -	\$ -
Total	\$ 5,406,908,754	\$ 5,358,255,309	\$ 48,653,444	\$ 45,904,494

4.2 COST OF SERVICE STATEMENT

2012 Budget \$000		Item	2012 Actual	
\$000		Operating Expenditure	\$000	
		Management		
2,635		• Staff & Associated Costs	4,111	
6,200		• Professional Service Fees	4,602	
5,000		• Redundancy Package	5,051	
1,000	14,835	• Establishment Costs	628	14,392
		Bridges & Structures		
6,000		• Government Wage Earners	5,972	
9,000		• Materials, Stores & Supplies & Plant Leasing	8,640	
11,304		• Maintenance Contracts' Establishment	11,000	
1,000		• Bridges Maintenance	390	
21,565		• Storm Damage	21,918	
100		• Traffic Lights' Maintenance	278	
5,723		• 2011 Carryover	5,723	
1,000		• Contingency	200	
130	55,822	• Jetties	50	54,172
	43,060	Depreciation		48,653
	113,717	Total Operating Costs		117,217
		Capital Expenditure		
		Renewals		
35,100		• Roads & Bridges	32,909	
3,500	38,600	• Jetties	2,674	35,583
		New Capital Development		
5,800		• General	5,177	
121,326	127,126	• FRUP Projects	119,647	124,824
	165,726	Total Capital Expenditure (VEP)		160,407
	16,854	VAT & Other Taxes		14,868
	296,297	Total Funding Requirements		292,492
		Funded By:		
	43,060	Unfunded Depreciation		48,653
	144,237	Government Grant		139,581
	109,000	Government Grant - Loans		104,258
	296,297	Total Funding		292,492

Notes:

- 1) Includes \$2,401,417.28 transferred by the MOF to the FRA at the end of the year as a 'carry forward' in 2013.
- 2) Includes \$649,502 VIP transferred by the MOF to FRA at the end of the year as a 'carry forward' for uncompleted establishment costs to 2013.
- 3) For a detailed list of the capital expenditure projects see Table 2 (Statement of Service Performance).

4.3 PROJECTS FUNDED BY THE MALAYSIAN AND CHINESE EXIM BANKS

The FRA manages several road upgrading projects that are funded by loans from the Malaysian and Chinese EXIM Banks and by the Asian Development Bank. These are however Government, not FRA loan liabilities.

The projects funded from these sources, are:

Table 7 – Loan Funding

Bank	Actual	
	\$000	\$000
BANK OF CHINA		
Buca Bay/ Moto Road	63,923	
Sigatoka/Serea	14,179	
Nabouwala – Dreketi	-	78,102
BANK OF MALAYSIA		
Queens Highway		14,653
ASIAN DEVELOPMENT BANK (ADB)		
Waitoa to Wailotua		11,503
TOTAL		104,258



5. KEY FRA PARTNERS



Auditor	The Fiji Controller & Auditor General.
Legal Advisor	Still to be appointed. (The Solicitor General continues to provide legal advice for the Authority)
Financial Advisor	KPMG
Insurance Advisor	Marsh
Banker	The Bank of Baroda
Professional Engineering Services Provider	MWH (New Zealand)

Key Contractors

- Fulton Hogan-Hiways Joint Venture (Maintenance – Central & Eastern Division)
- Blacktop Ltd (Maintenance – Northern Division)
- Higgins Group (Maintenance – Western Division)
- NAIM
- China Rail No 1
- China Rail No 3
- China Rail No 5
- China Gezebou

Central Government

- Office of the Prime Minister
- Ministry of Finance
- Ministry of Provincial Development
- Ministry of Lands
- Ministry of Strategic Planning
- Ministry of Local Government
- Ministry for the Environment
- Ministry of Town and Country Planning
- Land Transport Authority
- Fiji Police

Local Government

- Ba Town Council
- Labasa Town Council
- Lami Town Council
- Lautoka City Council
- Levuka Town Council
- Nadi Town Council
- Nasinu Town Council
- Nausori Town Council
- Rakiraki Town Council
- Savusavu Town Council
- Sigatoka Town Council
- Suva City Council
- Tavua Town Council

Others

The Bus Owners and Operators

FIJI ROADS AUTHORITY FOUNDING LEGISLATION



EXTRAORDINARY



REPUBLIC OF FIJI ISLANDS GOVERNMENT GAZETTE
PUBLISHED BY AUTHORITY OF THE FIJI GOVERNMENT

Vol. 13

THURSDAY, 5th JANUARY 2012

No. 3

[3]

FIJI ROAD AUTHORITY DECREE 2012
(DECREE No. 2 OF 2012)

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FIJI ROAD AUTHORITY DECREE 2012 (DECREE NO. 2 OF 2012)

IN exercise of the powers vested in me as the President of the Republic of Fiji and the Commander in Chief of the Republic of Fiji Military Forces by virtue of the Executive Authority of Fiji Decree 2009, I hereby make the following Decree—

A DECREE TO ESTABLISH THE FIJI ROAD AUTHORITY AND TO PROVIDE FOR ITS FUNCTIONS AND POWERS FOR THE PURPOSE OF MANAGING ROADS, AND FOR RELATED MATTERS.

PART 1—PRELIMINARY

Short title and commencement

1. This Decree may be cited as the Fiji Road Authority Decree 2012 and shall come into force on the date of its publication in the *Gazette*.

Interpretation

2. In this Decree, unless the context otherwise requires—

“Authority” means the Fiji Road Authority established under section 4;

“Change Manager” means the Change Manager appointed by the Minister under section 37;

“Chief Executive Officer” means the person appointed under section 24 and includes the person acting in that office;

“Committee” means the Fiji Road Advisory Committee established under section 34 of this Decree;

“Department” means the Department of National Roads;

“Minister” means the Prime Minister;

“roads” include all national roads, municipal roads and such other public roads as determined by the Authority.

Objectives of this Decree

3. The principal objectives of this Decree are to—

(a) give effect to the re-organisation of the Department of National Roads; and

(b) make provision for the effective management and administration of the road systems.

PART 2—ESTABLISHMENT, FUNCTIONS AND POWERS

Establishment of the Authority

4. This section establishes the Fiji Road Authority, as a corporate body with perpetual succession and a common seal, and the Authority may—

(a) sue and be sued;

(b) acquire, hold and dispose of property;



- (c) enter into contract, agreement or other transactions; and
- (d) do all other acts that may be done in law by body corporate.

Composition of the Authority

5.—(1) The Authority shall consist of a Chairperson and 4 other members appointed by the Minister.

(2) The Chairperson and the other members of the Authority shall hold office for 3 years, and are eligible for re-appointment.

(3) The Chairperson and members may be remunerated in a manner and at rates subject to terms and conditions determined by the Minister.

Functions of the Authority

6. The Authority shall be responsible for all matters pertaining to construction, maintenance and development of roads in Fiji, including but not limited to the following—

- (a) managing (land provision, network planning, designing, constructing, maintaining, renewing and generally managing the use of) all public roads, bridges and jetties;
- (b) traffic management (including road design, traffic signs and markings);
- (c) road safety (relating to provision and management of the road);
- (d) the enforcement of vehicle load limits to avoid road damage (especially logging trucks and cane trucks);
- (e) the issuing of over-width, height and lengths limits;
- (f) Planning and management of Road Survey and Design;
- (g) Provide advice, programme management services, design, supervision services for Capital Works Programme; and
- (h) For such other matters, as the Minister may direct.

Powers of the Authority

7. The Authority shall have all such powers as may be reasonably necessary or convenient for the purpose of carrying out its functions under this Decree and regulating its own procedure, including the power to determine and levy fees and charges, and to make and enforce by-laws.

Delegation of powers

8.—(1) The Authority may from time to time, by writing under the hand of the Chairperson, delegate to any person or committee any of the Authority's powers under this Decree.

(2) A delegation under this section may be made to a specified person or committee or to the holder for the time being of a specified office or to the holders of a specified class.

(3) A delegation may be made subject to such restrictions and conditions as the Authority thinks fit, and may be made either generally or in relation to any particular case or class of cases.

(4) Any person or committee purporting to exercise any power of the Authority by virtue of a delegation under this section shall, when required to do so, produce evidence of his or her or its authority to exercise the power.

Resignation and removal

9.—(1) A member of the Authority may resign from his or her office by giving 30 days written notice to the Minister.

(2) The Chairperson and members may be removed by the Minister for inability to perform the functions of the Authority (whether arising from infirmity of body or mind, absence, misbehaviour or any other cause) or may be otherwise removed by giving one months' notice or one months' remuneration in lieu of notice.

Vacation of office

10.—(1) The office of a member shall become vacant if the member—

- (a) has been absent, without leave of the Authority, from 3 consecutive meetings of the Authority;
- (b) become or has, in Fiji or elsewhere, been declared bankrupt and has not been discharged;



- (c) has, in Fiji or elsewhere, been convicted of an offence that carries an imprisonment term of more than 1 year; or
- (d) has, in Fiji or elsewhere, been disqualified or suspended from practicing his or her profession by any competent authority by reason of misconduct.

(2) The Authority may act notwithstanding a vacancy in its membership.

Meetings and proceedings of the Authority

11.—(1) The Chairperson shall preside at all meetings of the Authority, and if the Chairperson is not present at a meeting then the members present may for that particular meeting choose a member to preside as the Acting Chairperson in the absence of the Chairperson.

(2) At a meeting, 3 members shall form a quorum.

(3) Any issues raised or to be decided shall be decided by a majority of the votes of the members present and voting, and in the event of equality of votes, the Chairperson, or in his or her absence, the member presiding shall have a casting vote.

(4) The validity of any proceedings of the Authority shall not be affected by any vacancy amongst its members or by any defect in the appointment of any member.

Authority may invite others to meetings

12. The Authority may invite a person to attend a meeting of the Authority for the purpose of advising it on any matter under discussion, but the person so attending shall have no vote at the meeting.

Disclosure of interest

13.—(1) A member of the Authority who is, directly or indirectly, interested in a matter under discussion by the Authority shall disclose to the Authority the fact and nature of his or her interest.

(2) A disclosure under subsection (1) shall be recorded in the minutes of the Authority.

(3) After a disclosure under subsection (1) the member in question—

- (a) shall not take part in nor be present during any discussion, deliberation or decision of the Authority; but
- (b) may be counted for the purpose of forming a quorum of the Authority.

(4) A member who fails to disclose his or her interest as required by subsection (1) commits an offence and shall be liable upon conviction to a fine not exceeding \$10,000 and to imprisonment of 5 years or to both.

Minutes

14.—(1) The Authority shall keep minutes of all meetings in a proper form.

(2) Any minutes, if duly signed by the Chairperson or person presiding, shall, in any legal proceedings, be admissible as evidence of the facts stated in them and a meeting of the Authority in respect of which the minutes have been so signed is deemed to have been duly convened and held and the member present at it to have been duly appointed to act.

Common seal

15.—(1) The Authority shall have a common seal of such design as it may decide.

(2) The common seal shall be kept by the Chairperson and its affixing shall be authenticated by any two members generally or specifically authorised by the Authority for the purpose, or by one such member and the Chairperson.

(3) All deeds, documents, and other instruments purporting to be sealed with the common seal and authenticated in accordance with subsection (2) shall, unless the contrary is proved, be presumed to have been validly executed.

(4) The common seal of the Authority shall be officially and judicially noticed for all purposes.

Procurement process and plan

16.—(1) The Authority shall establish and implement a procurement process and plan for the procurement of all goods and services by the Authority.



(2) All goods and services procured by the Authority shall be in accordance with the procurement process and plan established by the Authority under subsection (1).

(3) The provisions of the Procurement Regulations 2010 shall not apply to the Authority.

Minister may give directions

17. The Minister may, in his discretion, give such directions to the Authority, with respect to the performance of the functions of the Authority by the Committee, and the Committee shall comply with any such directions issued by the Minister.

PART 3—TRANSFER AND ACQUISITIONS OF ASSETS AND LIABILITIES

Transfer of assets and liabilities

18.—(1) As from the commencement of this Decree, all moveable property vested in the State immediately before that date and used or managed by the Department, and all assets, interests, rights, privileges, liabilities and obligations of the State relating to the Department shall be transferred to and shall vest in the Authority without conveyance, assignment or transfer.

(2) Every right and liability vested in subsection (1) in the Authority may, on and after the commencement of this Decree, be sued on, recovered or enforced by or against the Authority in its own name and it shall not be necessary for the Authority or the State to give notice to any person whose right or liability is affected by the vesting.

(3) On and after the commencement of this Decree, any agreement relating to any property, rights and liabilities transferred to and vested in the Authority under subsection (1) to which the State was a party immediately before the commencement of this Decree, whether in writing or otherwise, and whether or not of such a nature that rights and liabilities could be assigned by the state, shall have effect as if the Authority had been a party to the agreement.

(4) If a question arises as to whether any particular property, asset, interest, right, privilege, liability or obligation has been transferred to or vested in the Authority under subsection (1), a certificate signed by the Minister shall be conclusive evidence that the property, asset, interest, right, privilege, liability or obligation was or was not so transferred or vested.

Transfer of employees

19.—(1) As from the commencement of this Decree, all persons employed immediately before that date in the Department shall be transferred to the Authority.

(2) Until such time as terms and conditions, including rules as to the conduct and discipline of its employees are drawn up by the Authority, the terms and conditions of employees shall continue to apply to every person transferred under subsection (1).

Rights of transferred employees

20. For the purposes of every enactment, law, award, determination, contract and agreement relating to the employment of a transferred employee, the contract of employment of that employee is deemed to have been unbroken and the period of employment is for all purposes deemed to have been a period with the Authority.

Existing Contracts

21. All deeds, bonds, agreements, instruments and arrangements to which the Department is a party subsisting immediately before the commencement of this Decree shall continue in force after that date and shall be enforceable by or against the Authority as if the Authority had been named therein or had been a party thereto instead of the Department.

Continuation of proceedings

22. Any action, arbitration, proceedings or cause of action that relates to a transferred asset, liability or employee and that immediately before the commencement of this Decree is pending or existing by, against, or in favour of the Department, or to which the Department is a party, may be prosecuted and, without amendment of any writ, pleading or other documents, continued and enforced against, or in favour of the Authority.

No benefit in respect of abolition or re-organisation of office

23. A person who is transferred to the Authority is not entitled to claim any benefit on the ground that he or she has been retired from the Department on account of abolition or re-organisation of office in consequence of the establishment and incorporation of the Authority.



PART 4—MANAGEMENT AND FINANCE OF AUTHORITY

Appointment of Chief Executive Officer

24.—(1) The Authority may appoint a suitably qualified person as the Chief Executive Officer of the Authority, in accordance with other terms and conditions the Authority may approve.

(2) The Chief Executive Officer may be appointed for a term not exceeding three years and is eligible for re-appointment.

(3) The Chief Executive Officer may be remunerated in a manner and at rates subject to terms and conditions determined by the Minister.

Functions of the Chief Executive Officer

25.—(1) The Chief Executive Officer shall be responsible to the Authority for the Management of the Authority.

(2) The Chief Executive Officer shall attend every meeting of the Authority, and if he or she, for any reason, is unable to attend a meeting, the Chief Executive Officer may, in consultation with the Chairperson, nominate an officer to attend on his or her behalf.

(3) The Chief Executive Office shall not engage in any other business without the prior consent of the Authority.

Appointment of staff

26.—(1) The Authority shall appoint such officer, servants or agents as it considers necessary for the efficient exercise, performance and discharge of its duties.

(2) The officers appointed under this section shall be remunerated in a manner, and at rates subject to terms and conditions determined by the Authority and approved by the Minister.

Funds of the Authority

27.—(1) The Funds of the Authority for the purposes of this Decree shall consist of—

- (a) any money appropriated by Government;
- (b) rates, fees and other charges received by or on behalf of the Authority by virtue of this Decree; and
- (c) any other money received by or on behalf of the Authority.

PART 5—REPORTING AND ACCOUNTABILITY

Financial year

28. The Authority's financial year shall be from the 1st day of January to the 31st day of December of each year.

Half yearly reports

29.—(1) The Authority shall furnish to the Minister a report on its activities for the first half of each financial year.

(2) The half yearly report shall include the information required by the Authority's statement of corporate intent to be given in the report.

Annual Reports

30.—(1) Within 3 months after the end of each financial year, the Authority shall in accordance with its statement of corporate intent prepare a report of its activities during that financial year.

(2) The Authority shall send a copy of the Annual Report to the Minister who shall cause it to be laid before Cabinet as soon as practicable.

(3) The annual report required by subsection (1) shall contain, among other things—

- (a) an audited statement of accounts prepared in accordance with generally accepted accounting practice as determined by the Fiji Institute of Accountants;
- (b) a statement of financial performance, including a statement of the financial position of the Authority;
- (c) a statement of cash flows;
- (d) such other information as is required to give a true and fair view of the Authority's financial affairs; and
- (e) a copy of the auditor's report.



(4) The Annual Report shall include the information required by the Authority's statement of corporate intent to be given in it.

Corporate Plan

31.—(1) The Authority shall in each year publish a corporate plan setting out plans for the future operations of the Authority and shall act in accordance with it.

(2) The Minister may issue guidelines as to the format and content of the corporate plan and the Authority shall comply with the guidelines except as otherwise agreed in writing by the Minister.

(3) A corporate plan shall, except as otherwise agreed in writing by the Minister, contain—

- (a) a forecast of profit and loss accounts, balance sheets and cash flows for the current and following 2 financial years; and
- (b) a statement of the assumptions on which the forecasts are based.

(4) The corporate plan shall be consistent with the Authority's statement of corporate intent.

Authority to have statement of corporate intent

32.—(1) The Authority shall, in each year, publish a statement of corporate intent containing a summary of the corporate plan and setting out the financial and non-financial performance targets of the Authority for that year.

(2) In addition to the matters mentioned in subsection (1), the statement of a corporate intent shall include—

- (a) an outline of the objectives of the Authority;
- (b) an outline of the nature and scope of the activities proposed to be undertaken by the Authority;
- (c) an outline of the Authority's main undertakings;
- (d) an outline of the borrowings made and proposed to be made by the Authority, and the corresponding sources of funds;
- (e) an outline of the Authority's policies and procedures relating to the acquisition and disposal of major assets;
- (f) a description of the Authority's accounting policies;
- (g) a description of the financial information to be given to the Minister in the half yearly and Annual Report;
- (h) a description of measures by which the performance of the Authority may be judged in relation to its objectives, in addition to the performance targets required by subsection (1); and
- (i) such other matters as are agreed by the Minister and the Authority or are directed by the Minister to be included in the statement of corporate intent.

(3) The Minister may, in writing, exempt the Authority from including in its statement of corporate intent any matter, or any aspect of a matter, mentioned in subsection (2).

Audit

33.—(1) The Authority is required to be audited at least once a year.

(2) The audit is to be conducted in accordance with the Audit Act (Cap. 70) and the Financial Management Act 2004, except where the audit is conducted by a person appointed by the Authority under subsection 3.

(3) The audit is to be conducted by—

- (a) the Auditor General or a person authorised or contracted under the Audit Act (Cap. 70) to carry it out, unless the Authority is exempted from audit under that Act by the Regulations; or
- (b) a person appointed by the Authority, if the Authority is so exempted from audit under the Audit Act (Cap. 70)

(4) The person appointed by the Authority under section 3(b) is to be—

- (a) a person that the Minister for Finance directs the Authority in writing to appoint; or
- (b) if the Minister for Finance gives no such directions, the person chosen by the Authority.



PART 6—TRANSITIONAL AND SAVINGS

Establishment of the Fiji Road Advisory Committee

34.—(1) Until such time as the members of the Authority are appointed by the Minister under Part 2 of this Decree, the functions of the Authority shall be performed, and the powers of the Authority shall be exercised, by the Fiji Road Advisory Committee which shall consist of the Permanent Secretary for the Prime Minister's Office as the Chairperson and 4 other members appointed by the Minister.

(2) The Chairperson and members of the Committee shall hold office until such time as the Authority is appointed.

(3) The Minister may, in his discretion, give directions to the Committee with respect to the performance of the functions of the Authority by the Committee, and the Authority shall comply with any such directions issued by the Minister.

Meetings and Proceedings

35.—(1) At all meetings, 4 members shall form a quorum.

(2) The Chairperson shall preside at all meetings of the Committee.

(3) Any issues raised or to be decided shall be decided by a majority of the votes of the members present and voting, and in the event of equality of votes, the chairperson, shall have a casting vote.

(4) The validity of any proceedings of the Authority shall not be affected by any vacancy amongst its members or by any defect in the appointment of any member.

Committee may invite others to meetings

36. The Committee may invite a person to attend a meeting of the Committee for the purpose of advising it on any matter under discussion, but the person so attending shall have no vote at the meeting.

Appointment of Change Manager

37.—(1) Following consultation with the Committee, the Minister shall, immediately upon the commencement of this Decree appoint a Change Manager on such terms and conditions as determined by the Minister.

(2) The Change Manager appointed under subsection (1) shall be responsible for the management of the functions of the Authority and exercise such powers and perform such duties as directed by the Committee, including but not limited to the following—

- (a) full Executive Management responsibility for the Authority;
- (b) recommend a staff structure for the Authority including redundancy plans, and new appointment processes;
- (c) identify the future financial management, information technology, asset management systems and records requirements;
- (d) identify office accommodation, office furniture, plant and vehicle requirements;
- (e) prepare a procurement plan for the Committee's consideration;
- (f) review the current road classification system, the continuing appropriateness of the definition of each classification, and the roads that have been allocated to each classification;
- (g) review the current technical service standards;
- (h) review the adequacy or otherwise of, any insurance protection approach, including the clarification of any potential liability should the cause of an accident be a result of the road condition;
- (i) review or prepare a business continuity and emergency response plan; and
- (j) identify and manage disposal of any surplus assets of the Authority.

(3) In the performance of any functions or exercising any powers under the Decree, the Change Manager shall report to and take instructions from the Committee.



(4) The Change Manager shall perform such additional functions and exercise such additional powers as the Committee may delegate to the Change Manager in writing.

(5) The provisions of this Decree shall be applicable and binding on the Change Manager appointed by the Minister under subsection (1).

PART 7—MISCELLANEOUS

Regulations

38. The Minister may make regulations to give effect to the provisions of this Decree.

Consequential

39. This Decree has effect notwithstanding any provision of any written law, and accordingly, to the extent that there is any inconsistency between this Decree and any other written law, this Decree prevails.

Given under my hand this 5th day of January 2012.

EPELI NAILATIKAU
President of the Republic of Fiji



EXTRAORDINARY



REPUBLIC OF FIJI GOVERNMENT GAZETTE
PUBLISHED BY AUTHORITY OF THE FIJI GOVERNMENT

Vol. 13

MONDAY, 14th MAY 2012

No. 76

[545]

GOVERNMENT OF FIJI

FIJI ROAD AUTHORITY (AMENDMENT) DECREE 2012
(DECREE NO. 46 OF 2012)

IN exercise of the powers vested in me as the President of the Republic of Fiji and the Commander in Chief of the Republic of Fiji Military Forces by virtue of the Executive Authority of Fiji Decree 2009, I hereby make the following Decree —

TO AMEND THE FIJI ROAD AUTHORITY DECREE 2012

Short title and commencement

1.—(1) This Decree may be cited as the Fiji Road Authority (Amendment) Decree 2012 and shall come into force on the date of its publication in the *Gazette*.

(2) The Fiji Road Authority Decree 2012 shall be referred to as the “Principal Decree”.

Amendment to all references of “Fiji Road Authority” in the Principal Decree

2. The Principal Decree is amended by deleting “Fiji Road Authority” wherever it appears and substituting “Fiji Roads Authority”.

Amendment to all references of “Fiji Road Advisory Committee” in the Principal Decree

3. The Principal Decree is amended by deleting “Fiji Road Advisory Committee” wherever it appears and substituting “Fiji Roads Advisory Committee”.

Section 2 amended

4. Section 2 of the Principal Decree is amended by deleting the definition of “roads” and substituting the following —

““road” or “roads” means all land and civil infrastructure constructed by any municipal council or government body, or any other body authorised by a municipal council or government body that is used as or facilitates a public right of passage for the movement of vehicles and pedestrians, including but not limited to —

- (a) the vehicle pavement from curb to curb, or where there is no curb, the roadside verges, drains and curbs;
- (b) road signs, road marker posts and other markings, including pedestrian crossings;
- (c) traffic islands;
- (d) bridges and culverts;
- (e) footpaths and pavements adjacent to a vehicle pavement;
- (f) street lights and traffic lights;
- (h) parking meters;
- (i) jetties; and
- (j) all national roads, municipal roads, and such other public roads as may be determined by the Authority.”

Section 6 amended

5. Section 6 of the Principal Decree is amended in paragraph (a) by deleting “public roads, bridges and jetties” and substituting “roads”.



Section 17 amended

6. Section 17 of the Principal Decree is amended by deleting it and substituting the following—

“Minister may give directions

17. The Minister may, in his discretion, give directions to the Authority with respect to the performance of the functions of the Authority, and the Authority shall comply with any such directions issued by the Minister.”

Section 18 amended

7. Section 18 of the Principal Decree is amended by deleting it and substituting the following—

“Transfer of assets, interests and liabilities

(1) As from the commencement of this Decree, all assets, interests, rights, privileges, liabilities and obligations of—

- (a) the State in relation to the Department; and
- (b) municipal councils in relation to municipal roads,

shall immediately be transferred to and shall vest in the Authority without conveyance, assignment or transfer.

(2) Every right and liability vested in subsection (1) in the Authority may, on and after the commencement of this Decree, be sued on, recovered or enforced by or against the Authority in its own name and it shall not be necessary for the Authority, the State or any municipal council to give notice to any person whose right or liability is affected by the vesting.

(3) On and after the commencement of this Decree, any agreement relating to any property, rights or liabilities transferred to and vested in the Authority under subsection (1) to which the State or any municipal council was a party immediately before the commencement of this Decree, whether in writing or otherwise, and whether or not of such a nature those rights and liabilities may be assigned by the State or any municipal council, shall have effect as if the Authority had been a party to the agreement.

(4) If a question arises as to whether any particular property, asset, interest, right, privilege, liability or obligation has been transferred to or vested in the Authority under subsection (1), a certificate signed by the Minister shall be conclusive evidence that the property, asset, interest, right, privilege, liability or obligation was or was not so transferred or vested.”

New section inserted

8. The Principal Decree is amended by inserting the following new section after section 38—

“Indemnity

38A.—(1) Neither the Committee, the Change Manager, the Authority nor any officer, servant, workman or labourer employed or engaged by the Committee, the Change Manager or the Authority shall be liable for any action, suit, proceeding, dispute or challenge in any Court, Tribunal or any other adjudicating body for or in respect of any act or omission done in the exercise or non-exercise of the powers conferred by or duties prescribed under the provisions of this Decree or any other written law.

(2) Notwithstanding anything contained in subsection (1), the Minister may on an ex-gratia basis grant compensation to any person who has suffered any injury or damage to property, caused either directly or indirectly by any act or omission done in the exercise or non-exercise of the powers conferred by or duties prescribed under the provisions of this Decree or any other written law.”

GIVEN under my hand this 14th day of May 2012.

EPELI NAILATIKAU
President of the Republic of Fiji