



ACCOUNTABILITY IN THE PUBLIC SECTOR
THROUGH QUALITY AUDIT SERVICES

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF THE FIJI ISLANDS

**Volume 1 Audit Report on Whole of Government
Financial Statements and Annual
Appropriation Statement - 2009**



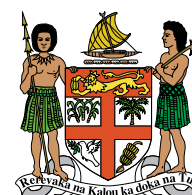


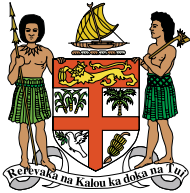
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Volume 1

Audit Report on the Whole of
Government Financial Statements
and Annual Appropriation
Statement - 2009





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ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

File: 102

30 September, 2010

Commodore Josaia V. Bainimarama
Prime Minister & Minister for Finance
Office of the Prime Minister
Government Buildings
SUVA

Dear Commodore Bainimarama

**AUDIT REPORT ON THE WHOLE OF GOVERNMENT FINANCIAL STATEMENTS
AND ANNUAL APPROPRIATION STATEMENT - 2009**

In accordance with section 7(7) of the State Services Decree 2009, I am pleased to transmit to you my audit report on the Whole of Government Financial Statements and Annual Appropriation Statement for 2009.

Tevita Bolanavanua
Auditor - General



FOREWORD

This is our report on the audit of the Whole of Government Financial Statements and Annual Appropriation Statement for 2009 and its 27 ministries and departments as provided in the Appropriation Promulgation.

The purposes of this report are to:

- report on the audit of the Whole of Government Financial Statements and Annual Appropriation Statement for 2009 covered under volume 1 of the report;
- report on the audit of financial statements of Government Ministries and Departments for 2009 covered under volumes 2-5 of the report;
- report on the results of, and matters arising from, our 2009 audits of Government Ministries and Departments also covered under volumes 2-5; and
- raise other matters that we believe warrant consideration by Cabinet.

The 2009 accounts were again prepared under the cash basis of accounting with the use of the FMIS software called SSA Global. FMIS covers the computerization of public expenditure, management process, especially procurement and accounting. As reported in 2008, the financial statements of government ministries and departments which are essential outputs of the system are still to be produced by the system as they were not included in the original scope of works in the development of the FMIS.

The preparation of the 2009 accounts was again affected by insufficient and lack of competent manpower and support from ministries and departments. The Ministry of Finance like all ministries and departments also continued to face high staff turnover and staff reshuffles which contributed to a lot of deficiencies in the preparation of the accounts. The Ministry of Transport, Works and Energy and the Ministry of Health continue to use their own software ACCPAC and EPICOR systems after which records are uploaded to the FMIS on a regular interval. However our audit has noted that when uploading to FMIS only the end-balances and not all the details are uploaded.

All ministries and departments submitted their 2009 accounts for audit. The Prisons and Corrections Department which was reported together with the Ministry of Justice in 2008 is reported separately in 2009.

There has been some improvement for the 2009 accounts submitted for audit compared to 2008 where all accounts were issued qualified audit opinions. Out of the 27 ministries and departments audited for 2009, 13 were issued qualified audit opinions while 14 were issued unqualified opinions. The qualifications include: financial statements were not presented in accordance with the Financial Management Act; there were significant variances noted between the general ledger balances and ministries and departments' records for Trading and Manufacturing Accounts, the failure to provide trust account statement of receipts and payments and the lack of reconciliations.

The issues qualified above were the same as those highlighted in 2008 but at a lesser extent as some ministries and departments had shown much improvement. There however remains a lot of work to improve the requirements of all stakeholders.

The report for each ministry and department has 2 parts. Part 1 discusses the audit of the financial statements and Part 2 reports on the results of and matters arising from our 2009 audits.



Tevita Bolanavanua
Auditor - General



EXECUTIVE SUMMARY

The Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2009 has been audited in accordance with section 5 of the State Service Decree No. 6, sections 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The audit resulted in the issue of an unqualified audit report.

However, matters of concern raised are as follows:

- a) The correctness of operating revenue receipted through the Accounts Receivable module, totaling \$18.6 million, reflected in the Government of the Fiji Islands Consolidated Statement of Receipts and Payments could not be substantiated.
- b) The correctness of the tax revenues collected on behalf of the State, which comprise 77% of Government's total revenue in 2009, could not be substantiated. There is a variance of \$18.9 million between the Ministry of Finance's general ledger and Fiji Islands Revenue & Customs Authority's records.
- c) Revenue recoveries from Lending Fund Account totaling \$5 million was not reflected in the Financial Statement.
- d) Balances in the following accounts could not be substantiated as no supporting documentation was provided:
 - Revolving Fund Account (RFA) – Accounts Payable of \$1.2 million and Accrued Expenses & Deferred Income of \$1.9 million
 - Trading and Manufacturing Account (TMA) surplus and TMA Accumulated surplus totaling \$18 million
 - Credit balances in RFA totaling \$641,044 and Lending Fund account for the Scholarship Unit amounting to \$3.7 million despite the account being asset in nature
 - Revenue in Operating Fund Account totaling \$1.2 million
 - Lending Fund Account balance of \$3.8 million as a result of Mapping to the new accounting system.
- e) Inclusion of TMA credit sales of \$7.6 million in the RFA net receipts in the Statement of Receipts and Payments despite the reporting on cash-basis of accounting.
- f) Balances in the following accounts were not reflected in the Accounts and Finances:
 - RFA balances totaling \$33.6 million
 - TMA balances totaling \$41.6 million made up of Accounts Receivable \$4.4 million, Inventory \$8.1 million, Accounts Payable (\$0.6 million), Deposit & Retention Money (\$0.6 million), TMA appropriation (\$25.0 million) and TMA Accumulated Surplus of (\$29.2 million).
- g) Trial Balance in the respective funds were not balanced i.e. – Fund 4 – TMA by (\$174,681), Fund 1 – Operating Fund by (\$8 million) and Fund 9 Trust Fund by \$8.2 million with the an amount of \$2,671 for Whole of Government.

- h) The Cash at Bank balance of \$94,512,448 as at 31/12/09 has been misstated in view of the errors and omissions amounting \$11,984,331.
- i) An amount of \$2.2 million in respect of trust monies shown in Schedule 1 – Statement of Assets and Liabilities of the Whole of Government Financial Statement is not appropriately supported by cash at bank.
- j) Trust accounts with Ministries/Departments were overdrawn by \$9,123,708.
- k) Term deposit amounting to \$3 million with Colonial National Bank/Bank of South Pacific (CNB/BSP) disclosed in the General Ledger as investment in Economic Services is not reflected in the Accounts and Finances
- l) A prior period adjustment of \$528,793 in the Consolidated Fund Statement of Receipts and Payments could not be verified.
- m) Debt to Government is overstated by \$55.6 million as loan converted to grant are still being reflected in the Lending Fund Account with loan balances of Inoperative Entities amounting to \$1.7 million also being reflected.
- n) Overstatement of the Sinking Fund Account Statement of Assets and Liabilities by \$19.9m.
- o) Investment totaling \$8.6 million in Inoperative Entities recorded in the Consolidated Statement of Assets and Liabilities.
- p) Debts owed to Government totaling \$4.7 million was not recorded in the Lending Fund Account.

The following is a summary of the audit observations.

2009 Accounts and Finance

Cash at Bank

Unpresented cheques have increased significantly from \$59.6 million in 2008 to \$97.9 million in 2009. The increase in unpresented cheques at year end is primarily attributed to spending being concentrated towards the end of the year. However, \$14.3 million was shown as debit balance under drawings in statement of cash and bank balances

Cash balances in departments trust have increased significantly from \$13.7 million in 2008 to \$23 million in 2009. The continuing increase is mainly attributed to the opening of eight new trust fund accounts in 2009.

Domestic bank accounts having balance of \$4,777,660 were not supported with cash.

Investment

Government's total investments held in 31 companies in 2009 was \$441.9 million, an increase of \$1.7 million or 0.4% compared to 2008. Only 8 entities remitted dividends to government totalling \$20.8 million in 2009 compared to \$21.3 million in 2008. Five entities with total government investments of \$8.6 million are in-operative.

Term deposit amounting to \$3 million with Colonial National Bank/Bank of South Pacific (CNB/BSP) disclosed in the General Ledger as investment in Economic Services is not reflected in the Accounts and Finances.

The derivation of the percentage of Government shareholding could not be explained by the Ministry as this are carry forward figures from the previous Statement of Government Investments despite changes in shareholding percentages.

The acquirement sum of \$300,000 of Fiji Ships by Fiji Ports Corporation Limited could not be substantiated as there were no Cabinet decisions and documents obtained pertaining to the acquisition.

Trust Fund

Section 25 of the Financial Management Act (2004) states that trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account. An amount of \$2.2 million in respect of trust monies shown in Schedule 1 – Statement of Assets and Liabilities of the Whole of Government Financial Statement is not appropriately supported by cash at bank.

16 Ministries/Departments had overdrawn their trust fund accounts totalling \$9.1 million as at 31/12/09.

Revenue

The correctness of operating revenue receipted through the Accounts Receivable module, totaling \$18.6 million, reflected in the Government of the Fiji Islands Consolidated Statement of Receipts and Payments could not be substantiated.

The correctness of the tax revenues collected on behalf of the State, which comprise 77% of Government's total revenue in 2009, could not be substantiated. There is a variance of \$18.9 million between the Ministry of Finance's general ledger and Fiji Islands Revenue & Customs Authority's records.

Revenue balances in Operating Fund Account amounting to \$1.2 could not be substantiated as no supporting documentation was provided.

Total income tax and VAT arrears owed by the Fiji Islands Revenue & Customs Authority as at 31/12/09 amounted to \$84.5 million which is 50% of total arrears owed to Government.

Expenditure

The total actual expenditures for 2009 amounting to \$1.9 billion had increased by \$230.9 million or 14% from 2008 and recorded an overall savings of \$133.5 million compared to a savings of \$100.2 million in 2008.

The overall savings arose from savings in established staff by \$2.8 million (0.5%), wage earners by \$0.4 million (0.6%), travel & communications by \$1.9 million (9.3%), maintenance & operations by \$8.7 million (8.5%), purchase of goods and services by \$0.4 million (0.6%), operating grants & transfers by \$7.4 million (3.5%), special expenditures by \$17.2 million (26.9%), capital construction by \$15.7 million (8.8%), capital grants and transfers by \$7.9 million (5.6%), pensions and gratuities by \$1.5 million (4.1%), and charges on account on public debt by \$59.9 million (11.4%) and VAT by \$10.1 million (16.4%).

The Fiji Police Force, the Ministry of Health, Women & Social Welfare, Republic of Fiji Military Forces, the Ministry of Works & Transport and the Department of Information overspent their budgeted appropriation. The reasons for the over – expenditures were mainly due to the over – spending on salaries and allowances.

Borrowing

Public debt in 2009 totalled \$3.1 billion and comprised of domestic loans of \$2.5 billion or 80% of total debt; overseas loans of \$527.2 million or 17%; and Treasury Bills \$97.7 million or 3%.

In 2009, Government borrowings totalled \$503 million of which \$404.2 million or 80% was through domestic bonds, \$97.7 million or 19% treasury bills and \$1.1 million or 0.2% in overseas loans.

In addition, \$24.3 million of new overseas loans were capitalised to finance projects that were not in cash or did not come through the government central account.

This includes the \$15.7 million worth of in - kind (goods and services) loan in respect of the e-government project and \$1.45 million of interest capitalised in respect of the Suva/Nausori Water Supply project.

Also, \$7.1 million of loan were capitalized for the Fiji Road Upgrading Project III (FRUP) that were directly disbursed to the contractors of the project the Asian Development Bank (ADB).

Principal payments for 2009 on government borrowings totalled \$487.3 whilst interest payments amounted to \$191.7

Government in honouring its guarantor obligation paid a total of \$4.7 million on behalf of the Fiji Sports Council (FSC) and the Fiji Sugar Cane Growers Council (FSCGF) to its lenders, namely, the Fiji National Provident Fund (FNPF) and the Fiji Development Bank (FDB) accordingly.

The honour of this government guarantee payment has not been reflected in the Accounts and Finances as debt owed to government in the Lending Fund Account.

Lending

Loans made by Government and outstanding as at 31/12/09 totalled \$96.6 million, a decrease of \$9.3m or 10% compared to 2008. Repayments received in 2009 totalled \$26.3 million whilst additional loans granted and interest capitalised in 2009 was \$17.1 million.

Parliamentary resolutions between 2001 and 2004 and cabinet decisions in 2008 approved the conversion of loans to grant owed by the Fijian Affairs Board, the Fiji Sugar Corporation and the Rabi Council of Leaders. These conversions have not been executed to date.

Unauthorised postings to LFA natural account numbers whereby it has been noted that other ministries and departments are posting into the Lending Fund Account natural account numbers 61,62, and 63 without having any authority to do so. Due to the lack of controls and authorization provided by the Ministry of Finance, the lending fund natural account numbers are open to any user of the FMIS.

Mapping problem whereby certain Ministries are not able to identify whether certain accounts belong to them or not. This is due to the laxity on the part of Ministry of Finance in not undertaking a proper scrutiny on the mapping exercise done when the transfer was made from the old accounting system.

Private Students loan inactive for a considerable number of years but activities are still noted in this account.

There is no proper written instruction to adhere to when loan repayments are being made by these borrowing institutions.

The balance of \$2.3 million lent to Native Land Trust Board (in 1979), Timber Exporters (1983) and Production Loan to Farmers (1990) have remained dormant to date. There have been no additional advances made, nor interest capitalised or recoveries made under these accounts. The recovery of these loans is uncertain due to the lapse in time

Revolving Fund Account

A total of 696 IDC accounts were noted in the Financial Management Information System (FMIS) compared to 540 accounts in 2008, an increase of 156 accounts. Many of the Ministries and Departments were using more than one IDC account in contradiction to the Ministry of Finance requirements.

RFA – Miscellaneous has large outstanding balances for various ministries/departments totalling to \$66.95 million, an increase by 1% compared to 2008 which amounted to \$66.26 million.

The recovery of advances, dishonoured cheques and surcharges over the 5 year seemed to have slowed down compared to year 2005, while the unclaimed monies are yet to be cleared. While the surcharge balance has reduced by 47%, percentage change in unclaimed monies is below 10%. On the other hand, outstanding balance in the form of advances and dishonoured have increased compared to 2008.

Receipts and Payments reflected in the Accounts and Finance of Government from the operation of the Revolving Fund Account totalled \$2,178,371,162.76 and \$ 2,177,876,622.38 respectively. This receipts and payments total included all the debits and credits that have been made in the year to the account, irrespective of whether they are only adjustments to correct mispostings. In comparison, total government revenue totalled \$1,818,235,071 or 84% while government expenditure totalled \$1,911,402,449 or 88%.

Account balances totalling to \$34.2 million is not reflected in the Accounts and Finance as at 31/12/09. The Ministry could not provide explanation for the omission and the misposting of accounts in relation to the Revolving Fund Account balances.

A variance of \$30,273 was noted between the 2008 audited closing balances in the RFA for Ministry of National Planning to that of the 2009 opening balance of the 2009 Appendix submitted for audit. Moreover, the \$30,273 debtor account by nature should not have a credit balance. However, the reason for this credit balance could not explained by the Ministry of National Planning or the Ministry of Finance.

Audit of the RFA revealed Ministries/Departments with credit balances, such as Trade and Communication amounted to (\$148,300), Fiji Military Forces (424,606), Bureau of Statistics (4,267) and Department of Youth & Sports, (63,871) despite the nature of the account being an asset account. Explanation for the credit balances could not be provided by the respective ministry/department or the Ministry of Finance.

Audit could not substantiate TMA surplus and TMA accumulated surplus balance totalling to \$18 million appearing in the balance sheet and the General Ledger.

There were 22 Trading and Manufacturing Accounts (TMA's) that were either operating above/below their appropriated ceiling. Furthermore, the Public Works Department (PWD) Workshop Wages TMA is operating without any appropriation and therefore questions whether this is an authorized TMA.

Audit noted variance between the records of the Ministry of Health (EPICOR – accounting system) and the Financial Management Information System (FMIS) for the TMA receipts and payments of Ministry Health, the receipts variance totalled \$640,967 and the payments totalled \$531,170.

Despite the availability and operation of the TMA accounts on accrual basis, the presentation of TMA balances in the Accounts and Finance is restricted only to receipts and payments.

Balance sheet accounts such as Accounts Receivable, Inventory and Surplus/Deficit totalling \$41,637,294) are not disclosed in the Whole of Government accounts. In addition to this, credit sales of \$7.6 million have been taken as receipts in the Accounts and Finance despite reporting done on cash-basis of accounting.

Audit scrutiny of the TMA Fund Account (Fund 4) for the accounting of TMA balances revealed that debits totalled \$64,301,199 and credits totalled \$64,475,880, as such Fund 4 of TMA has a credit balance at end of year of \$174,681 which could not be explained by the Ministry.

Contingent Liabilities

The Fiji Hardwood Corporation Ltd (FHCL) has been defaulting on its loan agreement with FNPF and FDB since 2008. Discussions and resolutions of a joint meeting for the proposed debt restructure of FHCL on 10 September, 2009 agreed on the consolidation of FHCL debts in the FDB books and a two (2) year grace period has being granted for the company to facilitate and regroup itself and be in a better position to service its debts.

Total guarantee of FHCL loans as at 31/12/09 amounted to \$14.9 million compared to outstanding liability of \$16.9 million, a variance of \$2 million or 13%. The variance noted resulted from the accumulating accrued interest and principal loans outstanding yet to be settled by FHCL.

2009 Accounts of Ministries and Departments

Office of the President

Monthly reconciliations of the Operating Trust Fund and Revolving Fund accounts have not been carried out since 2005.

Office of the Prime Minister and Public Service Commission

Underline accounts reflected under the old account allocations were not included in the monthly reconciliations. A number of Trust Fund, Revolving Fund and Lending Fund accounts have remained dormant from 2006.

A variance of \$354,114 was noted between the Ministry of Finance's Appendix 3 and the Bank Statement balance as at 31 December 2009 of the Chinese Aid – Trust Fund.

VAT and FNFP reconciliations prepared during the audit revealed significant variances between the actual payments to the Authorities and the balances reflected in the general ledger and other related records. In addition, VAT was claimed on zero rated and exempted supplies.

The Rotuma Island Council did not provide acquittal reports to substantiate how government grants have been utilized by the Council.

A substantial amount of loans are still outstanding or have yet to be recovered from recipients of awards through Cost Sharing Scheme and the Student Loan Scheme.

PSC has not been able to claim maximum refunds from the Training and Productivity Authority of Fiji (TPAF) because the Training Division failed to comply with TPAF's assessment criteria.

Government corporations and bodies have made reviews to the salaries of Chief Executive Officers and other senior positions without consulting the Higher Salaries Commission.

Office of the Attorney General and Public Enterprise

VAT was claimed on zero rated and exempted supplies.

Government Companies and Commercial Statutory Authorities have not fully complied with the prescribed requirements of the Public Enterprise Act in regards to submission of plans and reports.

Ministry of Finance

Two virements amounting to \$2.8 million for Head 50 was approved by the Ministry after the closing dates which contradicted the directives of the Ministry's own Circular.

A number of surcharge cases spanning from 2003 to 2006 referred to in past Auditor General's Reports are still pending thus increasing the risk of becoming irrecoverable as responsible officers had either resigned, retired or terminated.

A total of 1,123 accident cases with repair costs totaling \$2,040,373 are yet to be resolved and awaiting Solicitor General's advice. Delays in implementing surcharge action could result in non-recovery of costs from these negligent officers.

Out of the 1,932 government vehicles, around 81% are over 6 years old and need to be replaced. A further 16% or 310 vehicle did not have sufficient information to determine their ages also need to be replaced.

A number of complaints were received by Ministry of Finance on the alleged misuse of vehicles across government; however the Ministry has yet to investigate many of these cases.

Ministry of National Planning

There is a variance of \$67,813 in the FNPF reconciliation undertaken during the audit.

The Department failed to carry out its 2009 annual Board of Survey as a result no Statement of Loss was produced.

A variance of \$18,559 was noted in the drawings account records between Ministry's record and the General Ledger.

The Ministry had not been monitoring the Northern Development Program closely as the release of funds (\$8.2 million) has not been acquitted quarterly.

Despite the payment of \$24.9 million for the Wairiki port development, the port is still not in operation.

Bureau of Statistics

The Department failed to carry out its 2009 annual Board of Survey as a result a Statement of Loss was not produced.

Government Printing and Stationery Department

The arrears of revenue for Government Printing and Stationery Department as at 31/12/09 amounted to \$175,562. This is an increase of \$95,206 or 118% compared to 2008.

A number of machines were under repair and had been out of service for prolonged periods of time.

Dishonored cheques amounting to \$12,133 dating back to 1999 are still to be cleared from the Revolving Fund Account.

The Department failed to carry out its 2009 annual Board of Survey thus could not produce the Statement of Loss.

Government Supplies Department

The Department failed to carry out its 2009 annual Board of Survey as a result a Statement of Loss was not produced.

Ministry of Provincial Development, Indigenous and Multi-Ethnic Affairs

Trust Fund accounts were overdrawn. Community contributions for capital projects have been accounted as government revenue instead of Trust Funds. Bank reconciliations for the Main Trust Fund were not provided for audit.

The absence of regular revenue reconciliations has resulted in the significant variance between the balances reflected in the general ledger (FMIS) and the Ministry's records.

Significant variances were noted between the actual payments of superannuation contributions to the relevant Authority and the balances reflected in the general ledger and other related records.

Internal controls and Standard Operating Procedures established for effective administration of capital projects are not always adhered to.

The risk for misappropriation of fixed assets is high due to inadequate controls over the custody of fixed assets owned by the Ministry.

The Standard Operating Procedure for Scholarship was not complied with in the awarding of scholarship.

Ministry of Defence, National Security and Immigration

VAT and FNFP reconciliations prepared during the audit revealed significant variances between the actual payments to the Authorities and the balances reflected in the general ledger and other related records.

Trust Fund accounts were overdrawn. A variance of \$976,380 was noted between the closing balance of the Trust Fund account reconciliation as at 31 December 2009 and the Ministry of Finance's Appendix 23A.

Revenue records have not been properly reconciled increasing the risk of mismanagement of revenue.

Illegal immigrants continued to live in Fiji without any action taken against them. Soccer professionals often travelled to Fiji on visitors' visa to participate in soccer tournaments for which they are paid, without work permit.

Ministry of Labour, Industrial Relations and Employment

Monthly bank reconciliations were not carried out for the two accounts maintained for Trust Funds.

VAT reconciliations prepared during the audit revealed significant variances between the actual payments to the relevant Authority and the balances reflected in the general ledger and other related records.

The risk for misappropriation of fixed assets is high due to inadequate controls over the custody of fixed assets owned by the Ministry.

Ministry of Foreign Affairs, International Co-operation and Civil Aviation

Operating Trust Fund accounts have been overdrawn with some accounts having balances that could not be explained by the Ministry.

Proper documentations to support the engagement of local staffs in various Fiji Missions overseas are not maintained with the Ministry. Checks and reviews carried out by the Accounts Sections on acquittals submitted by the Missions are questionable.

Provisions of the Public Service (Diplomatic and Consular Services) Regulations 2005 have not always been complied with by some Fiji Missions overseas.

Personal expenses met by public funds have yet to be refunded to government.

Elections Office

Operating Trust Fund accounts have been overdrawn by \$518,239 with most balances carried forward from previous years. Records to substantiate the overdrawn balances have been misplaced.

Judiciary

Two Main Trust Fund accounts were overdrawn. In addition, the preparations of reconciliations for Trust Fund accounts have not been carried out for more than 20 years.

There is a high risk of mismanagement of funds and overpayments with the current system of payments and record keeping for Maintenance.

Legislature

Operating Trust Fund accounts were overdrawn with balances carried forward from previous years.

Personal charges of telecommunication have not been properly monitored.

Office of the Director of Public Prosecutions

VAT and FNFP reconciliations prepared during the audit revealed significant variances between the actual payments to the Authorities and the balances reflected in the general ledger and other related records.

Operating Trust Fund accounts were overdrawn. Monthly Drawings accounts reconciliations were not properly checked as the opening balances of the subsequent months' reconciliations did not correspond to the closing balances of the preceding month.

Department of Justice

VAT reconciliations prepared during the audit revealed significant variances between the actual payments to the relevant Authority and the balances reflected in the general ledger and other related records. In addition, VAT was claimed on zero rated and exempted supplies and VAT on revenue had been debited to the wrong account allocation.

There is a high risk of fraud, theft or mismanagement of funds as large sums of cash are often maintained in the Office over night or over the weekend.

The risk for misappropriation of fixed assets is high due to inadequate controls over the custody of fixed assets owned by the Department

The Department breached Government procurement procedures by not issuing Local Purchase Orders and in some cases, payments were made to suppliers prior to the supply of goods and services to the Department.

Some companies have not lodged their Annual Returns with the Registrar of Companies.

Ministry of Information

VAT was claimed on zero rated and exempted supplies.

Terms and conditions of the Agreement between the Government and the Fiji Broadcasting Corporation Limited in relation to Public Service Broadcasting were not complied with.

Department of Prisons and Corrections Service

VAT and FNFP reconciliations prepared during the audit revealed significant variances between the actual payments to the Authorities and the balances reflected in the general ledger and other related records.

The risk for misappropriation of fixed assets is high due to inadequate controls over the custody of fixed asset as the Department has not maintained a Fixed Assets Register to records items purchased in 2009 and from previous years.

Capital projects undertaken by the PWD were not properly monitored by the Department.

Fiji Police Force

VAT and FNFP reconciliations prepared during the audit revealed significant variances between the actual payments to the relevant Authorities and the balances reflected in the general ledger and other related records. The Department had overpaid superannuation contributions totalling \$1,357,284 to the FNPF.

The Department had incurred over-expenditures totalling \$9,401,385 in 2009 and failed to seek necessary approval from the Ministry of Finance to regularise the over-expenditures.

Underline accounts were not properly reconciled resulting in significant variances noted between the balances reflected in the Department's reconciliation and the general ledger.

As in previous years, numerous Officers were overpaid salaries and allowances in 2009.

The Department did not comply with Government's procurement procedures for various purchases made in 2009.

Substantial negligence claims by members of the public were paid out for which budget was not provided.

High number of the Department's vehicles involved in road accidents.

Republic of the Fiji Military Forces

VAT and FNFP reconciliations prepared during the audit revealed significant variances between the actual payments to the relevant Authorities and the balances reflected in the general ledger and other related records. The RFMF has been making advance payments of superannuation contributions to the FNPF since the 1990s. The RFMF and the FNPF are working to determine the actual amounts of overpayments.

Accountable advances issued for official travels were not always cleared on time.

Operating Trust Fund Account was overdrawn by \$4,019,621 with balances carried forward from previous years.

The RFMF had incurred an over-expenditure of \$2,384,515 against its budgetary provision for 2009.

Leave records have not been properly maintained and administered resulting in overpayments of leave compensation, utilization of leave in excess of entitlement and excessive accumulation of leave.

Numerous Officers were overpaid ration allowances in December 2009.

Officers occupying official quarters were also receiving lodging allowances.

The relocation of the Nadi Camp to Votualevu (Black Rock Project) was not properly monitored. Expenditures incurred were in excess of the budget, proper records were not maintained and Government's procurement procedures were not complied with for purchases made in 2008 and 2009.

Ministry of Education, National Heritage, Culture and Arts

The Ministry has a total salary overpayment of \$528,180 as at 31/12/09 which is still to be recovered. In 2009, the salary overpayment amounted to \$210,583 of which \$76,742 or 36% was overpaid to staffs upon resignations, terminations and retirement.

The audit of the building grants records for primary and secondary noted that some of the grant recipients have not submitted completion certificates and acquittal reports to the Ministry.

Rules and Regulations for General Purpose Trust Fund, Caution Fee Trust Fund Account were not followed and approval was not obtained from Permanent Secretary for Education for use of trust funds by some government primary and secondary schools.

The audit noted the need for urgent maintenance of the dormitories, toilets and bathroom facilities, dining hall and kitchen at Natabua Secondary while the facilities at Ratu Kadavulevu School and Queen Victoria School have been upgraded in 2010.

The problem of overcrowding was evident at Nakoroboya Primary School where two classes were sharing the same room and only separated by curtains. At Lomawai Secondary School the hostel could not accommodate everyone resulting in a classroom doubling as a hostel after school hours while some students were billeted outside the school compound.

Ministry of Health, Women & Social Welfare

A Statement of Losses and Trust Account Statement of Receipts and Payments was not submitted to audit. The general ledger (FMIS) as at 31/12/09 shows that the Ministry of Health has Operating Trust Funds totaling \$10,052,390 of which \$7,495,121 or 75% represent FNPF. In addition, four Trust Fund Accounts showed debit balances totaling \$276,512 while the Department of Women and Social Welfare had overdrawn their FNPF Trust Fund Account by \$9,998.

The transactions from the Trading and Manufacturing Accounts for the operations of the Bulk Purchase Scheme were not being updated in the FMIS on a timely basis resulting in the overstatement of Assets by \$209,988, understatement of Liabilities by \$177,271, understatement of expenses by \$22,148, understatement of Revenue by \$140,347 and the overstatement of Equity by \$378,327 in the general ledger as at 31 December 2009.

The payments of FNPF contributions and VAT could not be reconciled to the accounts.

Audit noted that drugs worth \$564,945 maintained at the Fiji Pharmaceutical Services had expired at the end of 2009.

As at 31/12/09, a total of \$151,210 was recorded as overpayment of salary by the Ministry of which \$92,506 (62%) was overpayment upon resignation. This is a result of divisional officers failing to advise salaries section at Headquarters on time.

The Ministry has an old fleet of vehicles resulting in excessive maintenance costs of \$104,853 in 2009. Eleven vehicles are more than 7 years old. Three vehicles which are more than 10 years old and no longer in use are parked at the Labasa Hospital.

Department of Local Government, Urban Development and Housing

The department's Trust Fund Accounts need to be reconciled as seven accounts have been dormant and had not shown any movements during the last three years.

In addition, the department failed to prepare VAT reconciliations for 2009. A review of VAT Returns and supporting documents carried out during the audit revealed significant un-reconciled balances.

Department of Youth and Sports

The audit noted a number of sporting bodies that failed to submit their acquittals for the financial assistance provided by the Department and that the Department has not been effective in monitoring and following up acquittals with recipients. As a result the audit could not substantiate whether grants have been utilized for intended purposes.

Under the Vatukoula Rehabilitation Program, a total of 210 redundant miners were provided financial assistance amounting to \$422,482 of which the Department was to recover 50% (\$211,241) from the miners. The audit noted that the Department only managed to recover \$16,813 as at 19/11/09.

The Department through its National Youth Service Scheme (NYSS) provided financial assistance to 556 youths amounting to \$209,518 from 01/01/08 to 31/12/09 of which the Ministry was to recover 50% within the stipulated timeframe as per the respective recipient's memorandum of understanding. The audit noted that the Department has only recovered \$5,747.

Department of Agriculture

Arrears of revenue for the Department of Agriculture as at 31/12/09 totaled \$3,992,057; an increase by \$13,139 or 0.3% compared to 2008. \$3,390,720 or 85% of total arrears of revenue comprises of Cocoa Development.

A variance of \$237,010 was noted between the Department of Agriculture TMA cash at bank balance and the general ledger balance as at 31/12/09. Hence, audit could not substantiate the accuracy of cash at bank balance.

Audit noted that excessive compensation of annual and long service leave totaling \$620,476 were made in 2009 for employees who have retired, resigned, terminated and promoted.

Dr. Richard Beyer was overpaid by \$8,993 upon resignation from the Civil Service. A total of \$5,290 was deducted from his leave pay leaving an outstanding balance of \$3,703.

The Ministry engaged Narendras Transport Limited and Pravinesh Singh's Bulldozing Company in 2009 for the drainage works in respect of the Sigatoka Valley Improvement Programme. A contract agreement was not drawn up and signed between the two companies. The companies were paid a total amount of \$61,550 for the work done.

Some of the projects approved and funded through the Rural and Outer Island Programme were not implemented satisfactorily. In some instances, the forecasted outputs stated in the project proposals were not achieved, agro inputs and planting materials were not supplied to the farming groups while there was a general lack of commitment from the executing groups.

Competitive quotations were not obtained in the engagement of Active Media Publication Limited for publication in the Turaga magazines. A total payment of \$55,687 was paid to Active Media Publication Limited in 2009. Local Purchase orders were issued after invoices were received.

Department of Forest

The Department did not account for overhead cost incurred such as electricity, water, and indirect labour when preparing its Trading and Manufacturing Account for 2009.

The Department's TMA had opening and closing stock of \$33,503 and \$48,726 respectively. The total amount of purchase made during the year was \$6,104. Audit noted that the closing stock value was \$9,119 more than the cost of stock available as at 31/12/09. The Department could not justify the inclusion of \$80,088 as equity in the TMA Balance Sheet as at 31/12/09

The Fiji Pine Trust accounts showed negative net assets of \$45,966 and \$103,511 for the years 2008 and 2007 respectively indicating that the Trust's total liabilities exceeded its total assets.

The trust has a liquidity problem which is evident in the Trust's current ratio of 0.55:1 in 2008 and 0.02:1 in 2007.

Department of Fisheries

The Department of Fisheries maintains a Trust Fund bank account with Westpac Banking Corporation with a credit balance of \$14,380. The Department did not provide any records and details of this bank account and the Trust Fund balance did not appear in the FMIS.

The Department of Fisheries failed to set up a feedback and monitoring system for those fishermen assisted under the Subsidy Assistance Scheme.

Department of Lands

The financial statements were not presented in accordance with the Financial Management Act. The Department of Lands did not provide the Statement of Losses contrary to Section 82(1) of the Financial Instruction 2005.

The arrears position of the Crown Land Lease has increased by \$7,811,070 or 84% compared to the arrears recorded in 2008.

Commercial activities were carried out on residential lots.

Crown Leases were mortgaged with the commercial bank; however development has not taken place on these leases as required by the Crown Lands Act.

Department of Mineral Resources

The Department operates a Mining Trust Fund Account for monies received from exploration, mining and borehole activities. However, the Department failed to include trust account statement of receipts and payments in its financial statements.

The Department failed to submit a Statement of Losses; therefore audit was unable to substantiate the losses incurred by the Department.

The Department operates a Mining Trust Account with Westpac Banking Corporation. Audit was unable to verify the variance of \$658,352 noted between the General Ledger and the Bank Statement balance as monthly bank reconciliation was not prepared.

While being appropriated a budget of \$3,000 to meet the expenditure for casual workers, audit noted that payments in respect of casual workers exceeded the budgetary allocation by \$59,572. In addition, \$37,775 was used to meet the casual worker's pay from other allocations such as Groundwater Assessment and Development and Geological Mapping.

Department of Environment

The Department maintains a Trust Fund Account with Westpac Banking Corporation for monies received from Naboro Landfill gate fees and from ODS fines. However, the Department failed to disclose the Trust Fund Account in the Agency Financial Statement.

A major variance of \$432,444 was noted between the general ledger and the bank statement for Environment Trust Account.

Department of Commerce

No supporting documents relating to payments made by Trade commission based in Los Angeles from the grant for 3rd and 4th quarter were available for audit review.

Since inception of Telecommunications promulgation 2008 which required establishment of Telecommunication Authority of Fiji significant non-renewal of license in Telecommunication service were noted. The Telecommunication Authority of Fiji is yet to be fully established.

Department of Tourism

The Department incurred expenditure totalling \$121,862 for period 01/01/08 to 30/10/09 to conduct the IVS survey. For the period 01/01/08 to 30/10/09 the Department only sold 10 copies of the IVS report at \$25 each generating total revenues of \$250.

The Department signed an Agreement with Stollznow Research Pty Ltd of Australia on 22/12/08 amounting to \$72,000 to carry out the data analysis for year 2009. Audit was not provided with documentary evidence to substantiate whether the contract was referred to the Solicitor General Office for vetting and legal clearance. In addition as of the date of audit (05/11/09), the contractor has not provided any analyzed report of data collected by the IVS staff for the year 2009.

Department of Cooperatives

Significant numbers of co-operative societies were being liquidated. Total loans outstanding from these liquidated co-operatives societies were noted to be \$92,580. The recovery of these balances seems to be very uncertain.

Mr. Gani filed a civil action against the Department of Co-operatives and Attorney General's office claiming damages for personal injuries and other consequential losses due to the accident and was awarded damages totaling \$87,531 in October 2005. Nine years has passed since payment of the damages however no surcharge action has been taken against the driver of the government vehicle who is still employed at the Department of Co-operatives.

Department of Works

Trading and Manufacturing Account Accumulated Surplus of \$3,115,127 and Surplus of \$2,043,315 reflected in the Balance Sheet could not be substantiated as supporting documents was not provided for audit.

The Department of Works has not been submitting arrears of revenue return to the Ministry of Finance since they do not have any records at Department's headquarters.

For the Department of Energy, the payments of FNPF contributions and VAT could not be reconciled to the accounts. In addition, audit noted that two Main Trust Fund Accounts for the Rural Electrification Unit were overdrawn by \$1,198,219 as at 31/12/09.

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2. Office of the Prime Minister and Public Service Commission
3. Office of the Attorney General, Solicitor General & Public Enterprise
4. Ministry of Finance
5. Ministry of Provincial Development, Indigenous & Multi-Ethnic Affairs
6. Ministry of Defence, National Security and Immigration
7. Ministry of Labour, Industrial Relations & Employment
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**PART 1: AUDIT CERTIFICATE AND THE
AUDITED ACCOUNTS**



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ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

**WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND APPROPRIATION STATEMENT OF
THE REPUBLIC OF THE FIJI ISLANDS FOR THE YEAR ENDED 31 DECEMBER 2009**

INDEPENDENT AUDIT REPORT

Scope

I have audited the Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2009 in accordance with Part 5 Section 7 of the State Services Decree 2009, sections 46 and 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The financial statements comprise the following:

- Statement of Assets and Liabilities
- Consolidated Fund – Statement of Receipts and Payments
- Consolidated Trust Fund - Statement of Receipts and Payments
- Statement of Contingent Liabilities
- Notes to and forming part of the financial statements

The Ministry of Finance is responsible for the preparation of the financial statements and the information they contain. I have conducted an independent audit of the Whole of Government Financial Statements and Annual Appropriation Statement in order to express an opinion on them.

The audit has been conducted in accordance with the Fiji Standards on Auditing to provide reasonable assurance as to whether the Whole of Government Financial Statements and the Annual Appropriation Statement are free of material misstatements. Audit procedures include examination on a test basis, of evidence supporting the amounts and other disclosures in the Whole of Government Financial Statements, the Annual Appropriation Statement and the evaluation of the accounting policies.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial statement presents fairly in accordance with the Fiji Accounting Standards, the financial position of the Government of the Fiji Islands as at 31 December 2009 and the results of its operations and cash flows for the year then ended.

Without qualification to the opinion expressed above, attention is drawn to the following matters:

- The correctness of operating revenue receipted through the Accounts Receivable module, totaling \$18.6 million, reflected in the Government of the Fiji Islands Consolidated Statement of Receipts and Payments could not be substantiated.

- The correctness of the tax revenues collected on behalf of the State, which comprise 77% of Government's total revenue in 2009, could not be substantiated. There is a variance of \$18.9 million between the Ministry of Finance's general ledger and Fiji Islands Revenue & Customs Authority's records.
- Revenue recoveries from Lending Fund Account totaling \$5 million was not reflected in the Financial Statement.
- Balances in the following accounts could not be substantiated as no supporting documentation was provided:
 - Revolving Fund Account (RFA) - Accounts Payable of \$1.2 million and Accrued Expenses & Deferred Income of \$1.9 million
 - Trading and Manufacturing Account (TMA) surplus and TMA Accumulated surplus totaling \$18 million
 - Credit balances in RFA totaling \$641,044 and Lending Fund account for the Scholarship Unit amounting to \$3.7 million despite the account being asset in nature
 - Revenue in Operating Fund Account totaling \$1.2 million
 - Lending Fund Account balance of \$3.8 million as a result of Mapping to the new accounting system.
- Inclusion of TMA credit sales of \$7.6 million in the RFA net receipts in the Statement of Receipts and Payments despite the reporting on cash-basis of accounting.
- Balances in the following accounts were not reflected in the Accounts and Finances:
 - RFA balances totaling \$33.6 million
 - TMA balances totaling \$41.6 million made up of Accounts Receivable \$4.4 million, Inventory \$8.1 million, Accounts Payable (\$0.6 million), Deposit & Retention Money (\$0.6 million), TMA appropriation (\$25.0 million) and TMA Accumulated Surplus of (\$29.2 million).
- Trial Balance in the respective funds were not balanced i.e. - Fund 4 - TMA by (\$174,681), Fund 1 - Operating Fund by (\$8 million) and Fund 9 Trust Fund by \$8.2 million with an amount of \$2,671 for Whole of Government.
- The Cash at Bank balance of \$94,512,448 as at 31/12/09 has been misstated in view of the errors and omissions amounting \$11,984,331.
- An amount of \$2.2 million in respect of trust monies shown in Schedule 1 - Statement of Assets and Liabilities of the Whole of Government Financial Statements is not appropriately supported by cash at bank.
- Trust accounts with Ministries/Departments were overdrawn by \$9,123,708.
- Term deposit amounting to \$3 million with Colonial National Bank/Bank of South Pacific (CNB/BSP) disclosed in the General Ledger as investment in Economic Services is not reflected in the Whole of Government Financial Statements.
- A prior period adjustment of \$528,793 in the Consolidated Fund Statement of Receipts and Payments could not be verified.

- Debt to Government is overstated by \$55.6 million as loan converted to grant are still being reflected in the Lending Fund Account with loan balances of Inoperative Entities amounting to \$1.7 million also being reflected.
- Overstatement of the Sinking Fund Account Statement of Assets and Liabilities by \$19.9m.
- Investment totaling \$8.6 million in Inoperative Entities recorded in the Consolidated Statement of Assets and Liabilities.
- Debts owed to Government totaling \$4.7 million was not recorded in the Lending Fund Account.

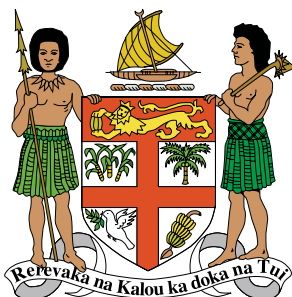


Tevita Bolanavanua
AUDITOR GENERAL

Suva, Republic of the Fiji Islands

20 September 2010





WHOLE OF GOVERNMENT

FINANCIAL STATEMENTS, ANNUAL APPROPRIATION STATEMENT AND ANNUAL BUDGET STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

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GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
STATEMENT OF ASSETS & LIABILITIES
AS AT 31 DECEMBER 2009

Schedule 1

	Notes	31 December 2009 \$	31 December 2008 \$
CURRENT ASSETS			
Cash at Bank	2	94,512,448	151,632,524
Investments	3	<u>441,960,505</u>	<u>440,255,991</u>
TOTAL ASSETS		<u>536,472,952</u>	<u>591,888,515</u>
CURRENT LIABILITIES			
Trust Fund Account	4	55,349,705	57,796,286
Sinking Fund Account	4(i)	<u>68,659,964</u>	<u>68,659,964</u>
TOTAL LIABILITIES		<u>124,009,670</u>	<u>126,456,250</u>
NET ASSETS		<u>412,463,283</u>	<u>465,432,265</u>
CONSOLIDATED FUND	refer Schedule 2	<u>412,463,283</u>	<u>465,432,265</u>

The accompanying notes form an integral part of these financial statements.

Ministry of Finance
Suva, Fiji
17 September 2010



David Kolutagane
Acting Permanent Secretary for Finance

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
CONSOLIDATED FUND
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 2

	Notes	31 December 2009 \$	31 December 2008 \$
RECEIPTS			
Operating Revenue	5	1,003,190,875	1,001,472,718
Value Added Tax	6	404,688,978	452,943,742
Borrowings	7	405,389,740	345,648,652
Treasury Bills Raised	8	253,821,653	391,725,937
Ways & Means	9	152,000,000	83,400,000
Receipts from Debtors	10	26,378,926	12,328,612
Capital Gain	11	1,704,514	10,394,096
Revolving Fund Account Net Receipts	12	494,540	---
TOTAL RECEIPTS		<u>2,247,669,226</u>	<u>2,297,913,757</u>
PAYMENTS			
Operating Expenditure	13	1,061,666,572	988,315,017
Capital Expenditure	14	335,014,525	212,747,865
Value Added Tax	15	51,572,901	51,443,023
Repayment of Loans	16	463,148,452	427,984,117
Redemption of Treasury Bills	8	220,653,349	468,333,380
Ways & Means	9	152,000,000	83,400,000
Loans made to Debtors	17	17,111,204	4,120,666
Revolving Fund Account Net Payments	12	---	8,087,876
TOTAL PAYMENTS		<u>2,301,167,002</u>	<u>2,244,431,945</u>
Surplus for the year		(53,497,776)	53,481,812
Correction of Fundamental Errors	18(a)	528,793	4,223,584
Balance as at 1 January		<u>465,432,265</u>	<u>407,726,869</u>
Balance as at 31 December	refer Schedule 1	<u>412,463,283</u>	<u>465,432,265</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
TRUST FUND
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 3(i)

	Notes	31 December 2009 \$	31 December 2008 \$
RECEIPTS			
Trust Fund Receipts		233,407,075	222,089,595
TOTAL RECEIPTS		<u>233,407,075</u>	<u>222,089,595</u>
PAYMENTS			
Trust Fund Payments		235,824,865	228,736,022
TOTAL PAYMENTS		<u>235,824,865</u>	<u>228,736,022</u>
(Deficit)/Surplus for the year		(2,417,791)	(6,646,428)
Balance as at 1 January		57,796,286	64,442,713
LESS: Error in Opening Balance		(28,790)	---
Balance as at 31 December	4	<u>55,349,705</u>	<u>57,796,286</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
SINKING FUND
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 3(ii)

	Notes	31 December 2009 \$	31 December 2008 \$
RECEIPTS			
Sinking Fund Receipts		---	68,659,965
TOTAL RECEIPTS		---	68,659,965
PAYMENTS			
Sinking Fund Payments		---	2,033
TOTAL PAYMENTS		---	2,033
(Deficit)/Surplus for the year		---	68,657,932
Balance as at 1 January		68,659,964	2,032
Balance as at 31 December	4(i)	68,659,964	68,659,964

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Accounting**

These whole of government financial statements have been prepared in accordance with section 46 of the Financial Management Act 2004. As full accrual information, including the value of assets and liabilities, is not yet available, the statements have been prepared on a cash basis of accounting.

The Financial Management Act 2004 abolished the six separate accounts within the Consolidated Fund in order to give a clearer, consolidated view of the overall financial transactions and balances of the Government.

Accordingly, these financial statements report the receipts and payments and financial assets and liabilities on a consolidated basis. This is in accordance with the Government's move towards accrual accounting and the adoption of international accounting and statistical reporting standards.

The statements are therefore in a significantly different format from that used in previous years' Accounts and Finance reports. Where necessary, and to the extent practicable, previous year figures have been recast to provide a valid comparison.

b) **Consolidated Fund Account**

Revenue, borrowings and other Public Money is paid into the Consolidated Fund and kept in one of the bank accounts listed in Note 2. These accounts are managed centrally to allow for efficient cash management. The Consolidated Fund also holds Other Money for cash management purposes.

As well, some public money is kept outside the Consolidated Fund in accordance with particular legislation. These "extra-budgetary funds" are:

- regulatory fees collected and retained by the Ministry of Labour and Industrial Relations in the OHS Education and Accident Prevention Trust Fund.

Public money can only be withdrawn from the Consolidated Fund in accordance with an appropriation from Parliament. When passing the annual Budget, Parliament approves the Heads of Appropriation by enacting the annual Appropriation Act. Details of the appropriation categories within each Head are set out in the Estimates which are also part of the Budget papers.

Each Head of Appropriation is administered by a particular agency and is the responsibility of the agency's permanent secretary. Within the Head of Appropriation for an agency, expenditure is accounted for against appropriation categories (output groups and outputs) and Standard Expenditure Groups (SEGs). Payments are made for operating expenditure (SEGs 1 to 7), capital expenditure (SEGs 8 to 10). Value-added tax paid by agencies is charged to SEG 13. Debt repayments are accounted for against a separate Head of Appropriation. Loans and advances are the responsibility of various agencies and are accounted for against the revolving appropriation.

Receipts and payments are generally accounted for on a gross basis, instead of being offset. In previous years, revenue paid into one of the Revolving Fund Accounts within the Consolidated Fund was offset against expenditure. Most of the transactions within these accounts related to revenue earned by trading and manufacturing activities.

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

31 December	31 December
2009	2008
\$	\$

This report includes a Statement of Receipts and Payments and a Statement of Assets and Liabilities for the Trust Accounts.

These statements differ from the Consolidated Trust Fund statements in previous years' Accounts and Finances reports. This is because the Consolidated Trust Fund contained public money and other money, as well as "true" trust money. The trust account statements in this report only account for "true" trust money. Public money and other money previously accounted for in the Consolidated Trust Fund is now included in the Consolidated Fund, together with public money and other money generally.

c) Scope

These financial statements include the transactions and balances of budget sector agencies – that is, those that are funded from the Consolidated Fund.

The statements do not yet include off-budget state entities which are also part of the general government sector, as defined in the standards for government finance statistics. The main entity of this type is the Land Transport Authority. In addition, the expenditure of the Fiji Island Revenue and Customs Authority is shown as a grant rather than being allocated to the various types of expenditure.

In future, it is proposed to adopt the government finance statistics standards. Amongst other things, this will mean expanding the scope of these statements beyond the Consolidated Fund to cover the whole general government sector, followed by the public enterprise sector.

2. CASH AT BANK

All Government Ministries/Departments use several bank accounts for their operations but these are cleared daily. There is another bank account that is used solely by entities which operate quasi-commercial activities.

Funds held by overseas banks are for the various Fiji Embassies, Trade Missions and peacekeeping forces.

The balance of Unpresented Cheques for Ministries/Departments in the Statement of Cash and Bank Balances represent the total value of Cheques that were issued but have not been presented to the banks as at the end of the financial year.

Description of Account

Domestic Account	50,840,687	65,865,376
Overseas Agencies	106,093,950	121,299,138
Trading and Manufacturing Account	12,463,558	10,300,257
Cash Balance in Departmental Trust	22,978,529	13,738,076
Less: Unpresented Cheques	(97,864,276)	(59,570,322)
Net Cash	94,512,448	151,632,524

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

	31 December 2009	31 December 2008
	\$	\$

3. INVESTMENTS

Section 55 of the Financial Management Act 2004 provides the authority for the investment of Government moneys through fixed deposit with any bank, in any securities in which trustees are authorised to invest under the Trustee Act, in any security issued by any statutory body in Fiji and as advances authorised by Finance Act and any other Act or by resolution of the House of Representatives.

Investments as at year end were as follows:

Investment Category		
Fully Commercial Co. (Profitable)	346,873,128	345,162,746
Fully Commercial Co. (Non-Profitable)	76,131,697	77,243,721
Semi-Commercial (Agro based)	9,412,970	9,428,838
Dormant Companies	2,000,000	2,000,000
Companies in Liquidation	7,542,710	6,420,686
Total Investments	<u>441,960,505</u>	<u>440,255,991</u>

4. TRUST FUND ACCOUNT

Section 25(1) of the Financial Management Act makes provision for the establishment of a Consolidated Trust Account to record all monies received by the government in trust except for monies received and administered by the Public Trustee or the Official Receiver.

The Act further stipulates that all monies which do not belong to but received and administered by Government shall be accounted for in the Consolidated Trust Fund, which shall not constitute a part of the Consolidated Fund. The authority to open and operate a trust fund is vested with the Chief Accountant.

The Consolidated Trust Fund Account records monies received by the Government which do not belong to it and is therefore considered a liability of Government. Closing balances in this account comprised the following:

Category		
Trust Funds	27,070,826	24,322,672
Trust Funds/Payroll Deductions	37,402,587	36,863,457
Less: Overdrawn Accounts	(9,123,708)	(3,389,843)
Total Trust Fund Account	<u>55,349,706</u>	<u>57,796,286</u>

4(i). SINKING FUND ACCOUNT

Government raised US\$150m through a 5 Year Global Bond Issuance in 2006 to finance budget deficit for 2007. As a prudent measure, Government set aside funds through a provision in the budget to be deposited into Sinking Fund to strengthen debt repayment capacity come 2011.

Category		
Opening Balance	68,659,965	---
Transfers from Operating	---	50,046,966
Dividend on Investment	---	1,949,915
Foreign Exchange Gain or Appreciation	---	16,663,080
Closing Balance on RBF Sinking Fund	---	4
Total Sinking Fund Account	<u>68,659,965</u>	<u>68,659,965</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

	31 December 2009 \$	31 December 2008 \$
5. OPERATING REVENUE		
Operating Revenue consists of Direct Taxes, Indirect Taxes, Fees Fines & Charges, Grant Aid, Interest & Dividends and Other Receipts.		
Direct Taxes	452,920,274	438,546,900
Indirect Taxes	351,614,396	351,566,695
Fees, Fines & Charges	97,621,724	109,294,037
Operating Revenue - Sales	55,622	41,992
Other Receipts	24,268,587	34,501,043
Reimbursements & Recoveries	9,932,225	12,372,987
Grant Aid	6,229,209	12,624,668
Dividends from Investments	22,827,214	21,515,841
Repayments of Term Loans Receivable	532	4,864
Gain in Exchange Rate	5,509,281	722,239
Interest from Bank Balances	30,747,615	19,483,097
Sales of Government Assets	300,000	---
Return of Surplus Capital from Investment	1,164,197	798,352
Total Operating Revenue	<u>1,003,190,875</u>	<u>1,001,472,718</u>
6. VALUE ADDED TAX RECEIPTS	<u>404,688,978</u>	<u>452,943,742</u>

These are the VAT revenue collected by the Fiji Islands Revenue & Customs Authority during the year.

7. BORROWINGS

Fifteen new loans were raised during the year locally, with their respective repayment periods ranging from 2010 to 2028 whilst two overseas loans were drawn from loans that had been approved in previous years but were yet to be fully drawn.

<i>Domestic Loans</i>	404,239,758	341,266,932
	<u>404,239,758</u>	<u>341,266,932</u>
<i>Overseas Loans</i>		
ADB Fiji Road Upgrading III	1,149,982	3,609,702
ADB Suva/Nausori Water Supply & Sewage Project	---	772,019
Total Overseas Borrowings	<u>1,149,982</u>	<u>4,381,720</u>
TOTAL BORROWINGS	<u>405,389,740</u>	<u>345,648,652</u>

In addition to the above cash loans raised during the year, the following lists the direct cash disbursed to contractors, non-cash loans and other loan payables (interest and commitment fee) due:

E government Project	15,746,720	5,088,384
Fiji Road Upgrading Project Stage III	1,044,500	6,560,583
ADB Alternative Livelihood Project	---	219,892
ADB Suva/Nausori Water Supply & Sewage Project	7,535,631	4,552,228
Total Direct Disbursement and Non-Cash Borrowing	<u>24,326,851</u>	<u>16,421,086</u>

8. TREASURY BILLS

The Government through the Reserve Bank of Fiji floats Treasury Bills to raise funds from the domestic market on a short term basis. Treasury Bills are sold at a discount from their face value of which the investor will receive the face value upon maturity.

Treasury Bills Issues during the year	<u>253,821,653</u>	<u>391,725,937</u>
Treasury Bills Redemptions during the year	<u>220,653,349</u>	<u>468,333,380</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

	31 December 2009 \$	31 December 2008 \$
9. WAYS AND MEANS		
The Ways and Means is a short term advance facility provided by the RBF for Government where advances are given to Government for a day to meet cash deficits. The Ways and Means are replenished the day after the advances were made.		
Ways and Means Receipts	<u>152,000,000</u>	<u>83,400,000</u>
Ways and Means Repayments	<u>152,000,000</u>	<u>83,400,000</u>

10. RECEIPTS FROM DEBTORS

Section 17 of the Finance Act makes provisions for a Lending Fund Account to record all moneys lent by the Government to approved borrowers. Funds are appropriated from the Operating Fund Account to finance the operation of the Lending Fund Account. The recoveries from entities that have borrowed monies from the Government through the Lending Fund is as follows:

Advances to Public Officers	880	32,609
Consumer Co-operative Societies	1,433	1,405
Copra Industry for Stabilisation of Earnings	251,886	468,731
Tertiary Education	16,403,080	9,490,542
Private Students	3,383,260	145,605
Advances to Ministers and Members of Parliament	8,955	63,453
Students Loan Scheme	1,363,954	1,607,534
Posts and Telecommunications	---	449,261
Viti Corp Limited	64,500	64,500
NLTB	---	108
FDB	550	---
FAB (94 FAB Loan)	2,000,000	---
FAB (96 FAB Loan)	1,500,000	---
FAB (97 FAB Loan)	<u>1,400,000</u>	<u>---</u>
	26,378,498	12,323,747
Interest	<u>427</u>	<u>4,864</u>
Total Receipts from Debtors	<u>26,378,926</u>	<u>12,328,612</u>

11. CAPITAL GAIN/LOSS

The capital gain resulted mainly from the increase in the value of Government investments in Airports (Fiji) Limited

Capital Gain	<u>1,704,514</u>	<u>10,394,096</u>
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GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

	31 December 2009 \$	31 December 2008 \$
12. REVOLVING FUND ACCOUNT		
<p>Section 57 of the Finance Act allows the Minister to allocate an amount not exceeding \$18,000,000 for the operation of the Revolving Fund Accounts. Ministries/Departments operating Revolving Fund Accounts have to operate within a ceiling set by the Minister. The limit for the Revolving Fund Accounts in 2008 was \$14,922,000.</p> <p>The Revolving Fund Account is made up of the Inter-Departmental Clearance Account (IDC), Imprest, Miscellaneous, Other Administration and the Trading and Manufacturing Accounts. The IDC and Imprest Accounts are cleared to zero at the end of the year. The Trading and Manufacturing Accounts (TMA) are created for the purpose of operating quasi-commercial operations of Ministries and Departments.</p>		
a) <i>Revolving Fund Receipts:</i>		
Revolving Fund Account - Imprests	120,142	190,745
Revolving Fund Account - Other Admin	1,305	2,491
Revolving Fund Account - Miscellaneous	83,807,078	1,108,638,037
Revolving Fund Account - Inter-Departmental Clearance	2,055,566,179	2,196,412,091
Revolving Fund Account - TMA:		
Fiji Islands Maritime Safety Administration	20,603	19,083
Fiji Military Forces	348,633	38,068
Government Printing & Stationery Department	3,453,927	2,613,633
Government Supplies Department	9,253,897	12,121,528
Ministry of Agriculture & Land Resettlement	505,540	566,805
Ministry of Fisheries and Forests	96,864	87,999
Ministry of Health	71,753	594,073
Ministry of Trade & Commerce	226	48,186
Public Works and Infrastructure	25,125,016	22,124,595
Total	<u>2,178,371,163</u>	<u>3,343,457,332</u>
b) <i>Revolving Fund Payments:</i>		
Revolving Fund Account - Imprests	119,735	193,416
Revolving Fund Account - Other Admin	48,996	51,567
Revolving Fund Account - Miscellaneous	84,499,386	1,104,814,733
Revolving Fund Account - Inter-Departmental Clearance	2,055,566,179	2,196,412,091
Revolving Fund Account - TMA:		
Fiji Islands Maritime Safety Administration	7,431	9,817
Fiji Military Forces	260,786	46,391
Government Printing & Stationery Department	2,499,643	2,459,859
Government Supplies Department	7,630,993	21,295,035
Ministry of Agriculture & Land Resettlement	787,246	539,034
Ministry of Fisheries and Forests	92,134	76,198
Ministry of Health	(8,924)	170,233
Ministry of Trade & Commerce	68,277	11,610
Public Works and Infrastructure	26,304,741	25,465,224
Total	<u>2,177,876,622</u>	<u>3,351,545,208</u>
Revolving Fund Account Net (Payments)/Receipts	<u>494,540</u>	<u>(8,087,876)</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

	31 December 2009 \$	31 December 2008 \$
13. OPERATING EXPENDITURE		
The operating expenditure of Government includes the following:		
Established Staff	537,263,289	508,658,127
Unestablished Staff	59,962,093	56,087,955
Travel and Communications	18,415,171	17,271,925
Maintenance and Operations	93,235,363	87,151,178
Purchase of Goods and Services	67,429,023	54,749,777
Operating Grants and Transfers	202,603,359	191,894,032
Special Expenditures	46,664,297	36,968,970
Pensions, Gratuities and Compassionate Allowances	36,093,978	35,533,054
Total Operating Expenditure	<u>1,061,666,572</u>	<u>988,315,017</u>
14. CAPITAL EXPENDITURE		
Capital Expenditures of Government includes on capital constructions works; purchases of property, plant and equipment and capital grants & transfer payments.		
Capital Construction	162,626,526	116,331,843
Capital Purchase	40,230,331	17,381,169
Capital Grants and Transfers	132,157,668	79,034,853
Total Capital Expenditures	<u>335,014,525</u>	<u>212,747,865</u>
15. VALUE ADDED TAX EXPENDITURE	<u>51,572,901</u>	<u>51,443,023</u>
These are the VAT payments made by Ministries/Departments to the the Fiji Islands Revenue & Customs Authority during the year.		
16. REPAYMENTS OF LOANS		
Charges on Account of Public Debt is provided for in the Budget Estimates for the payment of interest on domestic and overseas loans and principal repayments on these loans.		
<i>Interest Payments:</i>		
Overseas Loans	24,358,748	20,787,406
Domestic Loans	165,287,007	147,383,717
Treasury Bills	1,971,651	566,620
<i>Total Interest Paid</i>	<u>191,617,406</u>	<u>168,737,743</u>
<i>Principal Repayments:</i>		
Overseas Loans	21,263,254	62,520,735
Domestic Loans	245,405,000	191,210,000
<i>Total Principal Repayments</i>	<u>266,668,254</u>	<u>253,730,735</u>
Others	4,862,792	5,515,639
Total Charges on Account of Public Debt	<u>463,148,452</u>	<u>427,984,117</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

	31 December 2009 \$	31 December 2008 \$
17. NEW AND ADDITIONAL LOANS		
Additional loans and new loans that were provided in 2009 from recurrent loan provisions include the following:		
Advances to Public Officers	325	258
Consumer Co-operative Societies	108	5,000
Copra Industry for Stabilisation of Earnings	19,056	---
Tertiary Education	12,950,730	2,637,042
Advances to Ministers and Members of Parliament	---	10,058
Students Loan Scheme	757,839	1,242,267
Private Students	3,382,764	226,041
Fiji Development Bank	275	---
NLTB	108	---
Total Loans Given	<u>17,111,204</u>	<u>4,120,666</u>

18. ADJUSTMENTS

a) <i>Correction of Fundamental Errors</i>	<u>528,793</u>	<u>4,223,584</u>
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These are unsubstantiated balances General Ledger.

19. OUTSTANDING DEBT OF GOVERNMENT

Government borrows monies either domestically or from overseas to finance its Capital Programmes. Total debt of Government outstanding as at 31/12/09 are as follows:

Domestic Loans	2,505,092,150	2,346,258,150
Treasury Bills	97,721,294	64,552,990
Overseas Loans	527,248,475	449,038,246
Total Government Debt	<u>3,130,061,918</u>	<u>2,859,849,386</u>

The above includes other loans shown below as at 31/12/09

Overseas Loans - interest capitalised and loan-in-kind	---	16,359,264
- direct cash disbursed to contractors	---	10,596,906
	<u>---</u>	<u>26,956,170</u>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 4

	31 December 2009 \$	31 December 2008 \$
20. ARREARS OF REVENUE		
Arrears of revenue for the government comprises of unpaid taxes by individuals and businesses as well as revenue owed to Ministries and Departments in the form of fees, fines, licences and charges.		
The Arrears of Revenue position of Government as at 31/12/09 are as follows:		
Agriculture	3,992,057	3,978,918
Auditor-General	204,670	263,926
Communications	1,096,944	1,096,944
Co-operatives	175,487	176,053
Education	4,417	5,181
Fiji Islands Maritime Safety Administration	112,367	104,477
Fiji Islands Revenue & Customs Authority - Customs	4,170,038	4,170,038
Fiji Islands Revenue & Customs Authority - IRS	84,509,589	86,348,514
Provincial Development, Indigeneous and Multi Ethnic Affairs	553,729	514,423
Finance	477,635	426,963
Government Printing and Stationery Department	175,562	80,356
Fiji Procurement Office	145,857	258,428
Health	233,754	657,150
Immigration	11,583	14,401
Information Technology & Computing Services	3,042	3,300
Judicial	10,828,342	10,574,640
Labour and Industrial Relation	39,740	102,382
Lands Crown Rent	17,486,274	10,223,341
Loans: <i>Rewa Rice Ltd.</i>	225,382	225,382
Meteorological Services	4,565,163	4,565,163
Police	13,303	20,633
Prisons	890	425
Public Utilities	36,755,411	32,355,792
MFO Sinai	3,240,114	1,567,025
Total Arrears of Revenue	169,021,351	157,733,855

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT
AS AT 31 DECEMBER 2009

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2009	Liability as at 31/12/2009
SECTION A -			\$	\$
Fiji Development Bank	Guarantee of Loans Raised	Approval of House of Representatives 22/02/02; 20/02/03; 30/11/04; 28/11/05; 28/11/06; IGCP 15/01/08; IGCP 02/12/08.....	358,754,848	358,754,848
Fiji Electricity Authority	Guarantee of Loans Raised	Approval of House of Representatives Loan Guarantee Decree 1991; IGCP6/02/2001; 16/10/03; 18/08/05; IGCP26/2/08; IGCP 28/07/08	450,000,000	354,274,159
Fiji Hardwood Corporation	Guarantee of Loan Raised	Approved of the House of Representatives 16/10/03; 9/8/06;16/01/09	14,900,000	16,900,739
Fiji National Provident Fund	Guarantee of Contributors	Act No. 19 of 1966 Section 9.....	865,123,889	865,123,889
Fiji Pine Limited	Guarantee of Loans Raised	Approval of House of Representatives dated 06/12/1994; 17/08/05	15,700,000	11,987,504
Fiji Sugar Corporation	Guarantee of Loans Raised	Approval of House of Representatives 03/03/99, 07/12/01; 25/03/03; 01/04/04; 20/09/04; 17/02/05; 10/8/06;IGCP20/05/08; 05/05/09	196,000,000	138,971,028
Housing Authority	Guarantee of Loans Raised	Approval of House of Representatives 24/10/02; 27/08/03; 29/11/05; 21/10/08.....	292,000,000	86,988,647
Fiji Sports Council	Guarantee of Loans Raised	Approval of House of Representatives 19/05/06.....	2,990,000	1,478,393
Fiji Ports Corporation Limited	Guarantee of Loans Raised	Approval of House of Representatives 17/09/79; Decree No. 22 of 04/08/89; Decree No. 41 of 14/10/91; 23/05/02	48,566,570	44,749,829
Fiji Broadcasting Corporation	Guarantee of Loans Raised	Approval of Cabinet; 14/7/2009.....	17,846,315	11,865,382
National Bank of Fiji	Guarantee of Depositors	Act No. 14 of 1996.....	2,702,035	2,702,035
Pacific Fishing Company Limited	Guarantee of Standby Credit Facility	Approval of House of Representatives 02/01/97, 31/08/00	4,109,700	2,831,945
Public Rental Board	Guarantee of Loans Raised	Decree No. 8 of 20/03/90, Decree No. 9 of 20/03/90; House of Representatives 02/12/02	17,000,000	3,363,267
Section A Total.....			2,285,693,356	1,899,991,664

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT
AS AT 31 DECEMBER 2009

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2009	Liability as at 31/12/2009
SECTION B-			\$	\$
International Agencies-Asian Development Bank	Subscription for Membership	Resolutions of Legislative Council 24/3/70; Act No. 34 of 1974.....	32,470,323	32,470,323
International Bank for Reconstruction & Development	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	30,099,428	30,099,428
International Development Association	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	507,091	507,091
		Section B Total.....	63,076,842	63,076,842

SUMMARY -

Section A	2,285,693,356	1,899,991,664
Section B	63,076,842	63,076,842
Total	2,348,770,198	1,963,068,505

Note:

In addition to the above Contingent Liabilities, Reported Claims Against Government as at 31 December 2009 was approximately \$16.5 million.

NBF AMB	16,384,718.00
From Office of Solicitor	138,728.28
General	16,523,446.28

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
BUDGET RESULT
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 6


	Estimate 2009 \$	Actual 2009 \$	Increase / (Decrease) \$
REVENUE			
Operating Revenue	1,485,133,200	1,352,296,492	(132,836,708)
Investing Revenue	37,255,900	60,548,838	23,292,938
Public Debt - New Borrowings	522,480,800	405,389,740	(117,091,060)
TOTAL REVENUE	<u>2,044,869,900</u>	<u>1,818,235,071</u>	<u>(226,634,829)</u>
EXPENDITURE			
Operating Expenditure	1,101,845,833	1,061,666,572	(40,179,261)
Capital Expenditure	358,304,093	335,014,525	(23,289,568)
Value Added Tax	61,708,854	51,572,901	(10,135,953)
Public Debt Repayments	523,022,600	463,148,452	(59,874,148)
TOTAL EXPENDITURE	<u>2,044,881,380</u>	<u>1,911,402,449</u>	<u>(133,478,931)</u>
BUDGET RESULT	<u>(11,480)</u>	<u>(93,167,379)</u>	<u>(93,155,899)</u>

Note:

- Operating Expenditure includes in Standard Expenditure Group (SEG) 1 - 7 & 11.

- Capital Expenditure includes SEGs 8 - 10.

Ministry of Finance
Suva, Fiji
17 September 2010



David Kolitagane
Acting Permanent Secretary for Finance

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
SUMMARY OF REVENUE
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 7

Heads of Revenue	Estimate	Actual Revenue 2009	Increase	Decrease
	\$	\$	\$	\$
OPERATING REVENUE				
21 Direct Taxes.....	471,740,100	452,920,274	---	18,819,826
22 Indirect Taxes.....	859,468,600	756,303,374	---	103,165,226
23 Fees, Fines & Charges.....	107,829,700	97,621,724	---	10,207,976
24 Operating Revenue Sales.....	25,200	55,622	30,422	---
27 Other Receipts.....	33,993,400	24,268,587	---	9,724,813
28 Reimbursements & Recoveries.....	9,073,400	14,897,703	5,824,303	---
29 Grant Aid.....	3,002,800	6,229,209	3,226,409	---
Operating Revenue Total.....	1,485,133,200	1,352,296,492	9,081,134	141,917,842
INVESTING REVENUE				
31 Repayments of Term Loans Receivable.....	100,000	532	---	99,468
32 Sales of Government Assets.....	---	300,000	300,000	---
33 Dividends from Investments.....	35,457,500	22,827,214	---	12,630,286
34 Interest from Bank Balances.....	900,000	30,747,615	29,847,615	---
35 Return of Surplus Capital from Investment.....	798,400	1,164,197	365,797	---
38 Gain in Exchange Rate	---	5,509,281	5,509,281	---
Investing Revenue Total.....	37,255,900	60,548,838	36,022,692	12,729,754
LOAN PROCEEDS				
15. Overseas Loans.....	---	1,149,982	1,149,982	---
16. Domestic Loans.....	522,480,800	404,239,758	---	118,241,042
Loans Revenue Total.....	522,480,800	405,389,740	1,149,982	118,241,042
Investing/Loans Revenue Total.....	559,736,700	465,938,579	37,172,675	130,970,796
Total Revenue.....	2,044,869,900	1,818,235,071	46,253,808	272,888,638

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2009	Increase	Decrease
	\$	\$	\$	\$
OPERATING REVENUE				
21 - DIRECT TAXES				
1. Income Tax				
01. Income Tax.....	471,740,100	452,920,274.45	---	18,819,825.55
2. Estate and Gift Duty				
01. Estate and Gift Duty.....	---	---	---	---
Total.....	471,740,100	452,920,274.45	---	18,819,825.55
<i>Net Decrease</i>			---	18,819,825.55
22 - INDIRECT TAXES				
1. Value Added Tax				
01. Value Added Tax.....	469,092,300	404,688,977.64	---	64,403,322.36
2. Fiscal Duty				
01. Fiscal Duty.....	365,292,100	223,346,195.88	---	141,945,904.12
3. Excise Dues				
01. Excise Dues.....	---	75,238,158.85	75,238,158.85	---
4. Export Duty				
01. Export Duty.....	---	9,452,325.77	9,452,325.77	---
5. Import Duty				
01. Import Duty.....	---	17,647,405.78	17,647,405.78	---
6. Hotel Turnover Tax				
01. Hotel Turnover Tax.....	23,584,200	24,960,513.11	1,376,313.11	---
7. Water Resource Tax				
01. Water Resource Tax.....	1,500,000	295,887.89	---	1,204,112.11
99. Miscellaneous Fees and Receipts				
01. Miscellaneous Fees and Receipts.....	---	673,908.65	673,908.65	---
Total.....	859,468,600	756,303,373.57	104,388,112.16	207,553,338.59
<i>Net Decrease</i>			---	103,165,226.43
23 - FEES, FINES & CHARGES				
01. Dues				
01. Light Due - Port & Harbour.....	443,400	467,333.62	23,933.62	---
02. Stamp Duty				
01. Stamp Duty.....	16,344,600	14,482,937.61	---	1,861,662.39
03. Fees				
01. Produce and Inspection.....	1,948,800	1,645,408.65	---	303,391.35
02. Native Timber Measurement.....	747,400	457,525.41	---	289,874.59
03. Land and Survey Fees.....	346,200	227,919.89	---	118,280.11
04. Mining Fees.....	59,800	232,500.84	172,700.84	---
06. Passports.....	7,529,500	7,469,694.62	---	59,805.38
07. Town Planning Fees.....	433,700	96,560.08	---	337,139.92
08. Examination Fees.....	26,800	23,818.00	---	2,982.00
09. Government Day Schools-Fees.....	792,800	692,325.00	---	100,475.00
10. Government Boarding Schools-Fees.....	496,400	440,810.45	---	55,589.55
11. Health Fumigation and Quarantine.....	154,800	148,132.90	---	6,667.10
12. Hospital.....	1,102,900	766,408.17	---	336,491.83
13. Fiji School of Nursing.....	891,200	673,774.11	---	217,425.89
14. Cemetery Fees.....	35,000	37,709.14	2,709.14	---
15. Air Licensing Fees.....	9,300	8,150.00	---	1,150.00
16. Departure Tax.....	21,384,100	26,040,575.69	4,656,475.69	---
17. Audit Fees.....	335,200	445,631.47	110,431.47	---
18. Court Fees.....	1,145,200	990,879.53	---	154,320.47
19. Registration.....	469,000	1,147,563.94	678,563.94	---
20. Management Fee.....	229,400	331,162.24	101,762.24	---
21. LTA Fee.....	22,960,000	19,113,437.16	---	3,846,562.84
99. Miscellaneous Fees.....	3,428,700	1,719,880.66	---	1,708,819.34

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2009	Increase	Decrease
	\$	\$	\$	\$
04. Licenses				
01. Arms.....	64,300	139,222.30	74,922.30	---
03. Coasting.....	9,400	9,675.21	275.21	---
05. Liquor.....	299,200	961,598.64	662,398.64	---
06. Trading.....	217,700	194,986.33	---	22,713.67
07. Dogs.....	13,200	7,535.57	---	5,664.43
09. Money Lenders.....	37,400	18,011.15	---	19,388.85
10. Hotels and Guest Houses.....	125,000	131,298.89	6,298.89	---
12. Telecommunications and Television.....	6,000,000	1,501,995.04	---	4,498,004.96
13. Fishing.....	600,000	521,192.57	---	78,807.43
15. Copyright.....	---	---	---	---
99. Other.....	88,500	61,926.38	---	26,573.62
05. Rates - Public Works				
01. Water & Sewerage Rates and Charges.....	17,464,100	14,416,434.54	---	3,047,665.46
02. Sewerage Charges.....	133,400	8,372.46	---	125,027.54
06. Fees Royalties				
01. Royalties Timber.....	600	---	---	600.00
03. Royalties - Sand, Coral, Metal, etc.....	13,500	10,714.46	---	2,785.54
07. Fines				
01. Fines.....	1,400,000	1,961,800.93	561,800.93	---
08. Administrative Fines and Penalty				
01. Overdue, lost & damaged library books.....	1,400	4,044.01	2,644.01	---
02. Administrative Fines and Forfeitures.....	47,800	12,776.08	---	35,023.92
Total.....	107,829,700	97,621,723.74	7,054,916.92	17,262,893.18
Net Decrease.....			---	10,207,976.26
24 - OPERATING REVENUE - SALES				
01. Sale of Government Department.....	24,100	55,621.73	31,521.73	---
02. Sale of Companies.....	1,100	---	---	1,100.00
Total.....	25,200	55,621.73	31,521.73	1,100.00
Net Increase.....			30,421.73	---
27 - OTHER REVENUE AND SURPLUSES				
01. Surplus/Deficit from Agency				
01. RBF Revaluation Reserve Account.....	2,782,000	2,570,260.28	---	211,739.72
04. Fumigation.....	9,900	251.66	---	9,648.34
06. Woodwork and Materials.....	100	57.30	---	42.70
02. Rent and Hire of Government Property				
01. Land.....	12,531,700	9,410,640.05	---	3,121,059.95
02. Official Quarters.....	1,531,700	1,391,755.41	---	139,944.59
03. Building.....	92,700	76,400.46	---	16,299.54
04. Hire of Plant and Vehicles.....	40,800	32,123.29	---	8,676.71
05. Hire of Vessels and Punts.....	---	---	---	---
06. Revenue from Rest Houses.....	3,300	4,915.65	1,615.65	---
07. Crown Schedule 'A' Land Rents.....	22,200	---	---	22,200.00
03. Commission Revenue				
01. Commission.....	1,146,700	913,107.64	---	233,592.36
99. Other Revenue				
01. Photographs.....	300	---	---	300.00
02. Sales of Publications.....	265,900	187,126.09	---	78,773.91
03. Revenue from Production of Films.....	19,800	3,713.40	---	16,086.60
04. Survey & Sales of Navigation Publications.....	1,310,800	374,365.04	---	936,434.96
05. Meat Inspection.....	40,800	20,463.66	---	20,336.34

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2009	Increase	Decrease
	\$	\$	\$	\$
06. Veterinary and Animal Quarantine.....	50,800	21,749.57	---	29,050.43
07. Freight and Charter Receipts.....	301,200	206,949.53	---	94,250.47
08. Chemical Analysis.....	8,400	2,997.32	---	5,402.68
09. Valuation Fees.....	10,800	13,164.49	2,364.49	---
10. Produce-Agricultural Experimental Stations.....	40,600	27,601.94	---	12,998.06
11. Sale of Surplus Farm Produce.....	11,000	45,376.00	34,376.00	---
12. Agricultural Commercial Undertakings.....	1,500	5,030.48	3,530.48	---
13. Sale of Fish and Ice.....	297,000	195,932.61	---	101,067.39
14. Sale of Sheep and Wool.....	59,100	38,272.80	---	20,827.20
15. Irrigation Commercial Undertakings.....	---	15.38	15.38	---
16. Fiji College of Agriculture.....	24,200	28,180.01	3,980.01	---
17. Agricultural Landlord and Tenant Tribunal.....	1,300	3,008.06	1,708.06	---
20. Board Members Fees.....	53,300	76,648.83	23,348.83	---
99. Other.....	13,335,500	8,618,479.65	---	4,717,020.35
Total.....	33,993,400	24,268,586.60	70,938.90	9,795,752.30
Net Decrease.....			---	9,724,813.40
28 - REIMBURSEMENT AND RECOVERIES				
11. Reimbursement of Services				
01. Reimbursement for Meteorological Services.....	909,700	450,000.00	---	459,700.00
02. Reimbursement of Services.....	35,600	1,120.00	---	34,480.00
03. Reimbursement of Debt Servicing.....	200,000	8,930.00	---	191,070.00
99. Reimbursement Others.....	---	---	---	---
12. Refund of Payments				
01. Training & Productivity Authority of Fiji.....	3,300	484,844.02	481,544.02	---
02. Government Employees' Provident Fund.....	200	---	---	200.00
03. Recoveries of Overpayments in Previous Years.....	1,846,500	3,330,386.09	1,483,886.09	---
21. Contributions				
01. Parental Contributions Tertiary Education.....	---	16,760.00	16,760.00	---
22. Contributions for Capital Projects				
01. Village Water Supplies.....	68,300	84,996.63	16,696.63	---
02. Rural Electrification.....	100	12.23	---	87.77
03. Youths contribution.....	9,700	---	---	9,700.00
23. Contributions for Overseas Peace-Keeping				
02. Multinational Force and Observers.....	6,000,000	10,520,653.69	4,520,653.69	---
Total.....	9,073,400	14,897,702.66	6,519,540.43	695,237.77
Net Increase.....			5,824,302.66	---
29 - GRANTS IN AID				
01. Australian Development Grants.....	4,300	---	---	4,300.00
02. New Zealand Bilateral Aid Programme.....	1,094,100	---	---	1,094,100.00
03. United Nations Development Programme.....	1,137,900	30,607.35	---	1,107,292.65
05. Japanese Government Grant.....	---	---	---	---
99. Other Grant Aid.....	766,500	6,198,601.93	5,432,101.93	---
Total.....	3,002,800	6,229,209.28	5,432,101.93	2,205,692.65
Net Increase.....			3,226,409.28	---
Total Operating Revenue.....	1,485,133,200	1,352,296,492.03	9,081,133.67	141,917,841.64
INVESTING REVENUE				
31 - REPAYMENTS OF TERM LOANS RECEIVABLE				
11. Interest for Social Services Term Loans				
01. Interest on Term Loans.....	100,000	427.46	---	99,572.54
21. Interest for Economic Services Term Loans				
01. Interest- Loans to Consumer Co-operatives.....	---	104.65	104.65	---
Total.....	100,000	532.11	104.65	99,572.54
Net Decrease.....			---	99,467.89

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
DETAILED REVENUE COMPARISONS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2009	Increase	Decrease
	\$	\$	\$	\$
32 - SALES OF GOVERNMENT ASSETS				
01. Sales proceeds in Infrastructure services.....	---	300,000.00	300,000.00	---
Total.....	---	300,000.00	300,000.00	---
Net Increase			300,000.00	---
33 - DIVIDENDS FROM INVESTMENTS				
01. Investments in Social Services.....	192,500	604,788.00	412,288.00	---
02. Investments in Economic Services.....	13,417,800	1,068,816.50	---	12,348,983.50
03. Investments in Infrastructure Services.....	21,847,200	21,153,609.36	---	693,590.64
Total.....	35,457,500	22,827,213.86	412,288.00	13,042,574.14
Net Increase			---	12,630,286.14
34 - INTEREST FROM BANK BALANCES				
01. Interest from Overseas Banks	750,000	---	---	750,000.00
02. Interest from Local Banks	50,000	30,747,615.15	30,697,615.15	---
03. Interest from T/D with Local Banks	100,000	---	---	100,000.00
Total.....	900,000	30,747,615.15	30,697,615.15	850,000.00
Net Increase			29,847,615.15	---
35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS				
74. Return of Surplus Capital from TMA Operations.....	798,400	1,164,196.52	365,796.52	---
Total.....	798,400	1,164,196.52	365,796.52	---
Net Increase			365,796.52	---
38 - GAIN IN EXCHANGE RATE				
01. Overseas Banks				
01. Bank in Australia.....	---	---	---	---
03. Bank in India.....	---	---	---	---
04. Bank in Japan.....	---	---	---	---
05. Bank in New Zealand.....	---	---	---	---
08. Bank in America.....	---	---	---	---
09. Bank in Malayasia.....	---	---	---	---
11. Bank in PNG.....	---	---	---	---
02. JP Morgan				
Total.....	---	5,509,280.74	5,509,280.74	---
Net Increase			5,509,280.74	---
Total Investing Revenue.....	37,255,900	60,548,838.38	36,022,692.41	12,729,754.03
41 - OVERSEAS LOANS				
1. International Development Bank Loans				
01. ADB Loan No. 1530 Fiji Road Upgrading Project (FRUP III).....	---	1,149,982.26	1,149,982.26	---
02. ADB Loan Suva/Nausori Water Supply.....	---	---	---	---
Total.....	---	1,149,982.26	1,149,982.26	---
Net Increase			1,149,982.26	---
42 - DOMESTIC LOANS				
01. Development and Conversion Loans.....	522,480,800	404,239,758.00	---	118,241,042.00
Total.....	522,480,800	404,239,758.00	---	118,241,042.00
Net Increase			---	118,241,042.00
Total Borrowing Proceeds.....	522,480,800	405,389,740.26	1,149,982.26	118,241,042.00
Grand Total.....	2,044,869,900	1,818,235,070.67	161,932,199.39	388,567,028.72
Net Decrease				226,634,829.33
SUMMARY OF REVENUE				
Operating Revenue.....	1,485,133,200	1,352,296,492.03	9,081,133.67	141,917,841.64
Investing/Loans Revenue.....	559,736,700	465,938,578.64	37,172,674.67	130,970,796.03
Grand Totals.....	2,044,869,900	1,818,235,070.67	46,253,808.34	272,888,637.67

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Schedule 9

Heads of Appropriation	Original Budget	Redeployment	Revised Estimate	Actual Expenditure 2009	(Over) / Under Expenditure
	\$	\$	\$	\$	\$
GENERAL ADMINISTRATION					
Office of the President	1,815,500	---	1,815,500	1,452,241	363,259
Office of the Prime Minister	6,308,100	---	6,308,100	5,351,394	956,706
Public Service Commission	10,700,100	---	10,700,100	9,909,784	790,316
Office of the Attorney-General and Solicitor General	9,167,700	---	9,167,700	6,280,935	2,886,765
Ministry of Finance, National Planning & Sugar Industry	81,655,800	3,837,500	85,493,300	77,660,019	7,833,281
Ministry of Provincial Development, Indigenous and Multi Ethnic Affairs	48,120,980	6,243,762	54,364,742	51,234,052	3,130,690
Ministry of Defence, National Security and Immigration	6,782,600	---	6,782,600	4,999,729	1,782,871
Ministry of Labour, Industrial Relations and Employment	8,535,400	---	8,535,400	7,713,419	821,981
Ministry of Foreign Affairs, International Cooperation and Civil Aviation	24,498,800	---	24,498,800	22,532,748	1,966,052
Office of the Auditor-General	3,438,800	---	3,438,800	2,835,739	603,061
Elections Office	3,949,400	(2,587,500)	1,361,900	1,038,926	322,974
Judiciary	12,813,900	(1,000,000)	11,813,900	9,510,067	2,303,833
Legislature	1,796,100	---	1,796,100	1,196,282	599,818
Office of the Ombudsman	1,623,900	---	1,623,900	1,044,295	579,605
Office of the Director of Public Prosecutions	4,789,000	---	4,789,000	3,905,018	883,982
Ministry of Justice	19,232,400	---	19,232,400	17,625,471	1,606,929
Department of Information	3,956,000	---	3,956,000	3,977,868	(21,868)
Fiji Military Force	96,840,200	5,200,000	102,040,200	104,424,716	(2,384,516)
Fiji Police Force	76,381,300	---	76,381,300	85,782,685	(9,401,385)
Total for General Administration	422,405,980	11,693,762	434,099,742	418,475,387	15,624,355
SOCIAL SERVICES					
Ministry of Education, National Heritage, Culture and Arts	278,409,000	(25,000,000)	253,409,000	243,995,433	9,413,567
Ministry of Health, Women and Social Welfare	179,509,600	(3,000,000)	176,509,600	180,784,560	(4,274,960)
Ministry of Local Government, Urban Development and Housing	8,323,200	---	8,323,200	6,883,740	1,439,460
Ministry of Youth and Sports	5,491,400	---	5,491,400	4,688,849	802,551
Higher Education Institute	55,056,300	---	55,056,300	55,056,260	40
Total for Social Services	526,789,500	(28,000,000)	498,789,500	491,408,841	7,380,659

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Schedule 9

Heads of Appropriation	Original Budget	Redeployment	Revised Estimate	Actual Expenditure 2009	(Over) / Under Expenditure
	\$	\$	\$	\$	\$
ECONOMIC SERVICES					
Ministry of Primary Industry	75,559,400	6,412,500	81,971,900	71,458,330	10,513,570
Ministry of Lands, Mineral Resources and Environment	41,906,900	7,361,775	49,268,675	44,284,773	4,983,902
Ministry of Industry, Tourism, Trade and Communication	48,098,100	(4,525,300)	43,572,800	39,035,123	4,537,677
Total for Economic Services	165,564,400	9,248,975	174,813,375	154,778,225	20,035,150
INFRASTRUCTURE SERVICES					
Ministry of Works and Transport	150,379,100	22,737,500	173,116,600	174,090,037	(973,437)
Department of Public Utilities and Energy	151,347,600	(14,004,728)	137,342,872	107,446,003	29,896,869
Total for Economic Services	301,726,700	8,732,772	310,459,472	281,536,040	28,923,432
UNALLOCABLE					
Miscellaneous Services	66,744,000	(675,509)	66,068,491	65,961,526	106,965
Pensions, Gratuities and Compasionate Allowances	38,628,200	(1,000,000)	37,628,200	36,093,978	1,534,222
Charges on Account of Public Debt	523,022,600	---	523,022,600	463,148,452	59,874,148
Total for Unallocable Services	628,394,800	(1,675,509)	626,719,291	565,203,956	61,515,335
GRAND TOTALS	2,044,881,380	---	2,044,881,380	1,911,402,449	133,478,931

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS
FOR THE YEAR ENDED 31 DECEMBER 2009

Schedule 10

Heads of Appropriation	Original Budget	Redeployment	Supplementary Appropriation	Virements	Revised Estimate	Actual Expenditure 2009	(Over) / Under Expenditure
SUMMARY BY SEGS							
1. Established Staff	603,347,000	(32,000,000)	---	(31,332,257)	540,014,743	537,263,289	2,751,454
2. Unestablished Staff	59,657,100	---	---	661,024	60,318,124	59,962,093	356,031
3. Travel and Communications	19,752,500	---	---	551,672	20,304,172	18,415,171	1,889,001
4. Maintenance and Operations	94,504,700	6,543,800	---	873,483	101,921,983	93,235,363	8,686,620
5. Purchase of Goods and Services	67,375,500	---	---	436,715	67,812,215	67,429,023	383,192
6. Operating Grants and Transfers	208,302,980	(164,648)	---	1,841,845	209,980,177	202,603,359	7,376,818
7. Special Expenditures	48,768,000	(3,050,000)	---	18,148,219	63,866,219	46,664,297	17,201,922
8. Capital Construction	193,208,800	14,384,686	---	(29,299,656)	178,293,830	162,626,526	15,667,304
9. Capital Purchase	22,937,500	4,622,222	---	12,417,201	39,976,923	40,230,331	(253,408)
10. Capital Grants and Transfers	109,558,400	7,851,351	---	22,623,589	140,033,340	132,157,668	7,875,672
11. Pensions, Gratuities and Compassionate Allowances	38,628,200	(1,000,000)	---	---	37,628,200	36,093,978	1,534,222
12. Charges on Account of Public Debt	523,022,600	---	---	---	523,022,600	463,148,452	59,874,148
13. Value Added Tax	55,818,100	2,812,589	---	3,078,165	61,708,854	51,572,901	10,135,953
Grand Total	2,044,881,380	---	---	---	2,044,881,380	1,911,402,449	133,478,931

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
BUDGET RESULT, ESTIMATE AND PROJECTIONS
FOR THE PERIOD 2007 - 2011

Schedule 11

	Actual 2007 \$	Actual 2008 \$	Estimate 2009 \$	Actual 2009 \$	Projected 2010 \$	Projected 2011 \$
REVENUE						
Operating Revenue	1,347,870,927	1,412,410,799	1,485,133,200	1,352,296,492	1,547,613,500	1,643,375,800
Investing Revenue	43,383,515	42,524,394	37,255,900	60,548,838	43,842,100	51,831,200
Public Debt - New Borrowings	118,862,870	345,648,652	522,480,800	405,389,740	400,295,800	327,636,000
TOTAL REVENUE	1,510,117,312	1,800,583,846	2,044,869,900	1,818,235,071	1,991,751,400	2,022,843,000
EXPENDITURE						
Operating Expenditure	1,023,890,682	988,315,017	1,101,845,833	1,061,666,572	1,101,888,000	1,098,826,000
Capital Expenditure	193,683,674	212,747,865	358,304,093	335,014,525	211,321,500	189,092,500
Value Added Tax	103,023,281	51,443,023	61,708,854	51,572,901	43,133,300	39,972,200
Public Debt Repayments	405,592,568	427,984,117	523,022,600	463,148,452	457,954,700	452,320,300
TOTAL EXPENDITURE	1,726,190,205	1,680,490,023	2,044,881,380	1,911,402,449	1,814,297,500	1,780,211,000
BUDGET RESULT	(216,072,893)	120,093,823	(11,480)	(93,167,379)	177,453,900	242,632,000

Note:

- Operating Expenditure includes in Standard Expenditure Group (SEG) 1 - 7 & 11.

- Capital Expenditure includes SEGs 8 - 10.

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE
FOR THE PERIOD 2007 - 2011

Schedule 12

	Actual 2007 \$	Actual 2008 \$	Estimate 2009 \$	Actual 2009 \$	Projected 2010 \$	Projected 2011 \$
REVENUE						
Operating Revenue						
Direct Receipts (Income Tax)	438,337,401	438,546,900	471,740,100	452,920,274	498,062,500	524,569,100
Indirect Revenue						
Customs	312,812,617	331,487,056	365,292,100	326,357,995	378,299,900	406,631,800
Hotel Turnover Tax	13,381,358	20,079,638	23,584,200	24,960,513	24,999,300	26,424,200
Water Resource Tax	---	---	1,500,000	295,888	1,500,000	1,500,000
VAT	465,831,990	452,943,742	469,092,300	404,688,978	490,440,900	526,569,000
Fees, Fines, Charges and Penalties	64,193,858	109,294,037	107,829,700	97,621,724	110,479,100	113,048,000
Operating Revenue Sales	5,938	41,992	25,200	55,622	25,100	25,100
Other Revenue and Surpluses	31,807,970	34,501,043	33,993,400	24,268,587	34,617,600	35,254,300
Reimbursement and Recoveries	17,981,117	12,891,721	9,073,400	14,897,703	9,080,900	9,139,500
Grant in Aid	3,518,679	12,624,668	3,002,800	6,229,209	108,200	214,800
Total Operating Revenue	1,347,870,927	1,412,410,799	1,485,133,200	1,352,296,492	1,547,613,500	1,643,375,800
Investing Revenue						
Repayment of Term Loans Receivable	39,121	4,864	100,000	532	100,000	100,000
Sale of Government Assets	---	---	---	300,000	---	---
Dividends from Investment	21,971,159	21,515,841	35,457,500	22,827,214	40,092,100	48,831,200
Interest from Bank Balance	19,743,155	19,483,097	900,000	30,747,615	2,650,000	1,900,000
Return of Surplus Capital from Investment	1,630,080	798,352	798,400	1,164,197	1,000,000	1,000,000
Gain on Exchange Rate	---	722,239	---	5,509,281	---	---
Total Investing Revenue	43,383,515	42,524,394	37,255,900	60,548,838	43,842,100	51,831,200
TOTAL REVENUE	1,391,254,442	1,454,935,194	1,522,389,100	1,412,845,330	1,591,455,600	1,695,207,000
EXPENDITURE						
General Administration Services						
Operating Expenditure	355,917,100	329,765,170	359,454,843	353,654,562	356,963,000	353,961,000
Capital Expenditure	49,860,909	47,872,300	61,825,479	54,575,137	36,084,200	36,084,200
Total General Administration	405,778,009	377,637,469	421,280,322	408,229,699	393,047,200	390,045,200
Social Services						
Operating Expenditure	471,975,923	429,265,932	448,932,522	441,645,434	487,670,500	487,670,500
Capital Expenditure	45,085,010	17,886,883	37,755,358	38,568,293	22,913,100	22,283,100
Total Social Services	517,060,933	447,152,815	486,687,880	480,213,726	510,583,600	509,953,600
Economic Services						
Operating Expenditure	83,152,910	76,480,673	94,067,250	83,260,753	87,851,700	87,791,700
Capital Expenditure	15,362,147	31,873,416	72,393,033	64,701,753	43,355,000	43,355,000
Total Economic Services	98,515,056	108,354,089	166,460,283	147,962,505	131,206,700	131,146,700
Infrastructure Services						
Operating Expenditure	53,951,501	94,426,258	124,297,119	109,393,028	114,266,600	114,266,600
Capital Expenditure	49,477,595	102,241,260	159,165,634	150,255,448	93,995,000	72,395,000
Total Infrastructure Services	103,429,096	196,667,518	283,462,753	259,648,476	208,261,600	186,661,600
Miscellaneous Services						
Operating Expenditure	23,325,088	22,843,931	37,465,899	37,618,818	16,508,000	16,508,000
Capital Expenditure	33,898,013	12,874,007	27,164,589	26,913,895	14,974,200	14,974,200
Total Miscellaneous Services	57,223,102	35,717,938	64,630,488	64,532,714	31,482,200	31,482,200
Pensions, Gratuities and Compassionate Allowance	35,568,160	35,533,054	37,628,200	36,093,978	38,628,200	38,628,200
Value Added Tax	103,023,281	51,443,023	61,708,854	51,572,901	43,133,300	39,972,200
Finance Charges on Public Debt	183,474,071	174,253,382	195,191,293	196,480,198	192,269,700	195,840,900
TOTAL EXPENDITURE	1,504,071,708	1,426,759,288	1,717,050,073	1,644,734,196	1,548,612,500	1,523,730,600
NET DEFICIT	(112,817,266)	28,175,906	(194,660,973)	(231,888,865)	42,843,100	171,476,400

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS
ESTIMATE AND ACTUAL BUDGET RESULT
FOR THE PERIOD 2007 - 2009

Schedule 13

	Actual 2007 \$	Actual 2008 \$	Estimate 2009 \$	Actual 2009 \$
REVENUE				
Operating Revenue	1,347,870,927	1,412,410,799	1,485,133,200	1,352,296,492
Investing Revenue	43,383,515	42,524,394	37,255,900	60,548,838
Public Debt - New Borrowings	118,862,870	345,648,652	522,480,800	405,389,740
TOTAL REVENUE	<u>1,510,117,312</u>	<u>1,800,583,846</u>	<u>2,044,869,900</u>	<u>1,818,235,071</u>
EXPENDITURE				
Operating Expenditure	1,023,890,682	988,315,017	1,101,845,833	1,061,666,572
Capital Expenditure	193,683,674	212,747,865	358,304,093	335,014,525
Value Added Tax	103,023,281	51,443,023	61,708,854	51,572,901
Public Debt Repayments	405,592,568	427,984,117	523,022,600	463,148,452
TOTAL EXPENDITURE	<u>1,726,190,205</u>	<u>1,680,490,023</u>	<u>2,044,881,380</u>	<u>1,911,402,449</u>
BUDGET RESULT	<u>(216,072,893)</u>	<u>120,093,823</u>	<u>(11,480)</u>	<u>(93,167,379)</u>

**PART 2: REPORT ON THE WHOLE OF
GOVERNMENT FINANCIAL
STATEMENTS AND ANNUAL
APPROPRIATION STATEMENT**

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1.0 FINANCIAL POSITION OF GOVERNMENT

The Whole of Government financial statements have been presented in accordance with the provisions of the Financial Management Act (2004).

As the Government uses the cash basis system of accounting, the underlying format is cash based with direct reference to the Budget Estimates.

1.1 Financial Performance 2009

The performance of the Fiji Government for the year 2009 is provided in Table 1.1.

TABLE 1.1: GOVERNMENT PERFORMANCE IN 2009

Item	Original Budget 2009 (\$'000)	Revised Budget 2009 (\$'000)	Actual Results 2009 (\$'000)	Variance 2009 (\$'000)	Variance (%)
REVENUE					
Direct Taxes	471,740.1	471,740.1	452,920.3	(18,819.8)	(4)
Indirect Taxes	859,468.6	859,468.6	756,303.4	(103,165.2)	(12)
Others	153,924.5	153,924.5	143,072.8	(10,851.7)	(7)
Total Operating Receipts	1,485,133.2	1,485,133.2	1,352,296.5	(132,836.7)	(9)
Total Investing Receipts	37,255.9	37,255.9	60,548.8	23,292.9	63
TOTAL REVENUE	1,522,389.1	1,522,389.1	1,412,845.3	(109,543.8)	(7)
EXPENDITURE					
Operating	1,333,703.9	1,297,037.1	1,258,146.7	(38,890.4)	(3)
Capital	325,704.7	358,304.0	335,014.5	(23,289.5)	(6.5)
Value Added Tax	55,818.1	61,708.9	51,572.9	(10,136)	(16)
TOTAL EXPENDITURE	1,715,226.7	1,717,050	1,644,734.1	(72,315.9)	(4)
Net Deficit	192,837.6	194,660.9	231,888.8	37,227.9	19
Debt Repayment	329,644.5	327,831.3	266,668.3	(61,163)	(19)
Gross Deficit	522,482.1	522,492.2	498,557.1	(23,935.1)	(4.5)
Net Deficit As A Percent of GDP	3%	3%	4%		
Nominal GDP	6,347,973*	6,347,973*	5,768,400+		

* Original Budget 2009 are sourced from the 2009 Original Budget Book.

+ Provisional Estimate

Source: Reserve Bank of Fiji

The gross deficit for the year was \$498.6 million which was \$23.9 million less or 4.5% less than the 2009 revised forecast of \$522.5 million. This was due to the decrease in expenditures by \$72.3 million or 4% against the revised budget and a decrease in debt repayment of \$61.2 million or 19% during the year.

The loans raised in 2009 to finance the budget deficit were \$405.4 million (Table 1.2). In addition, Treasury Bills were also raised in 2009 to meet short term financing shortfalls. These are discussed in section 1.5 and Table 1.3.

1.2 2009 Appropriation Promulgation 2008

There was a total of 28 appropriation heads in the 2009 budget as detailed in Schedule 1 of the Appropriation Promulgation. Schedule 2 of the Promulgation also provides for the re-current and non-recurrent loans. The expenditures under the various heads and their variances are detailed in **Appendix 1.1 (a) and (b)**.

Against a revised budget of \$2.045 billion, the government spent \$1.912 billion resulting in a savings of \$133.8 million. However, 4 agencies over-spent their budgets and they include the Department of Information (5.5%), Republic of Fiji Military Forces (2.3%), Fiji Police Force (12.3%), Ministry of Health, Women & Social Welfare (2.4%) and Ministry of Works & Transport (0.5%).

Under the Lending Fund appropriation of \$23.4 million, there was an outstanding balance of \$16.1 million at the beginning of 2009. This was reduced considerably by the end of 2009 with the recovery of \$21.4 million during the year with major collection from students of tertiary institutions (\$16.4 million), students under the loan scheme (\$1.4 million), private students (\$3 million). The government approved new loans totalling \$17.1 million during the year.

1.3 Operating Results

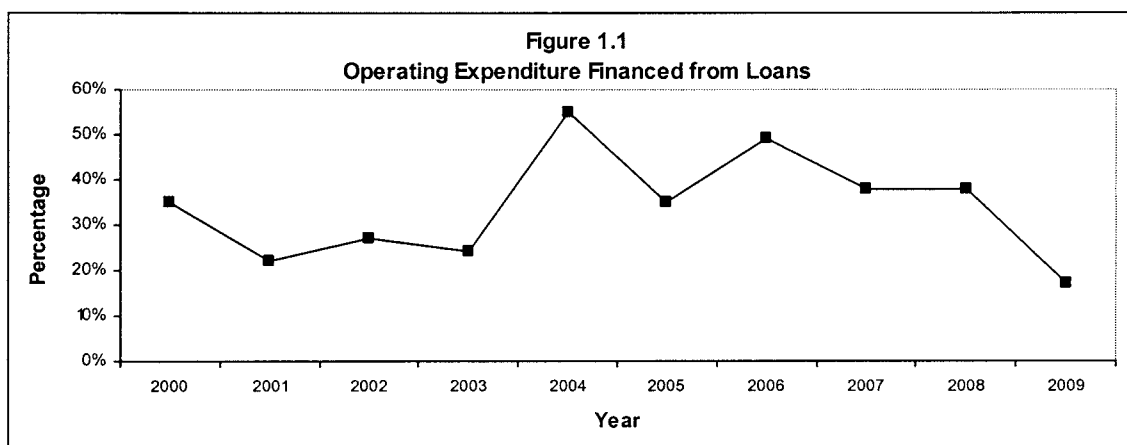
Despite tightening the budget management, the decrease in revenue resulted in a net deficit of \$231.9 million against a revised budgeted deficit of \$194.7 million.

The operating deficit in 2009 of \$231.9 million as compared to a surplus of \$28.2 million in 2008 was attributed to the increase of \$217.9 million in government expenditures and a decrease in revenue by \$42.1 million. The net deficit for 2009 as a percentage of GDP was 4%, a decrease of 1% from the budgeted net deficit.

1.4 Financing of Operating Expenditures

It is generally accepted that capital works should be funded by loans. The funding of operating expenditures by loan would be a concern if there are no efforts to reduce operating expenditures.

Figure 1.1 and Table 1.2 show the percentage of loan that have been used in meeting government's operating expenditures over the last 10 years.



The audit noted that as the budget increased every year, a greater proportion of the operating expenditures of government have been met by loans. The recurring nature of the operating expenditures fundamentally means the continued reliance of the government on loans to meet its day-to-day operations.

TABLE 1.2: CAPITAL EXPENDITURES VS. LOANS RAISED

Details	2000 (\$'000)	2001 (\$'000)	2002 (\$'000)	2003 (\$'000)	2004 (\$'000)	2005 (\$'000)	2006 (\$'000)	2007 (\$'000)	2008 (\$'000)	2009 (\$'000)
Total Loans (Domestic & Overseas)	225,000	239,248	325,197	319,738	458,468	328,608	417,810	334,937	345,649	405,390
Less Capital Expenditures	146,157	186,749	238,639	243,692	205,609	213,509	212,642	206,933	212,748	335,014
Balance for Operating Expenditures	78,843	52,499	86,558	76,046	252,859	115,099	205,168	128,004	132,901	70,376
% Loans Utilised for Operating Expenditures	35%	22%	27%	24%	55%	35%	49%	38%	38%	17%

The percentage of loans which financed operating expenditures varied over the past 10 years. The ratio of loans utilised for operating expenditures decreased from 38% in 2008 to 17% in 2009.

Although the above analysis shows that there was a decrease in the ratio in 2009, the continued utilisation of loan funds for operating expenditures reflects constant reliance by government on its financiers for its day to day operations. This has denied government from investment in capital works which would have contributed to increased employment and economic growth.

1.5 Treasury Bills

As government had raised domestic loans in accordance with the approved budgets over the years, the excess has been in the form of Treasury Bills. As at 31/12/09, outstanding Treasury Bills amounted to \$97,721,294

Table 1.3 details the loans raised by government to finance its budget deficits over the last 10 years.

TABLE 1.3: BUDGET DEFICIT VS. LOANS RAISED

Details	2000 \$	2001 \$	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$	2008 \$	2009 \$
Gross Deficit	230,607,446	339,658,246	334,367,718	380,275,486	302,912,124	366,334,030	394,450,200	369,552,279	225,554,800	498,557,100
Domestic Loans	210,000,000	229,000,000	299,000,000	291,000,000	449,200,000	319,965,000	356,778,570	100,536,321	341,266,932	404,239,758

Details	2000 \$	2001 \$	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$	2008 \$	2009 \$
Overseas Loans	14,997,639	10,247,023	26,196,743	28,745,347	9,267,717	8,641,300	61,031,585	234,400,549	4,381,720	1,149,982
Treasury Bills	72,449,838	176,604,613	196,432,453	276,925,838	126,987,822	136,018,387	141,311,687	141,160,433	64,552,990	97,721,294
Loans	297,449,846	415,852,569	521,629,196	596,664,155	585,455,539	464,626,659	559,121,842	476,097,303	410,201,642	503,111,034
Deficit %	78%	82%	64%	64%	52%	79%	71%	78%	55%	99%
Excessive Borrowings %	22%	18%	36%	36%	48%	21%	29%	22%	45%	1%

There has been an increase in the financing of budget deficits as 99% of the loans raised was sufficient to cover the 2009 budget deficit compared to 55% in 2008, in other words, there is a decrease in excessive borrowings from 45% in 2008 to 1% in 2009.

1.6 Agency Financial Statements

Section 81(2) of the Finance Instructions, 2005 states that commencing with the 2006 financial year, each annual report must include financial statements which have been prepared and signed in accordance with these Instructions, audited and accompanied by an audit opinion prepared by the Auditor General. Furthermore, section 81(3) of the Instructions states that the draft financial statements must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor-General.

All ministries and departments submitted their 2009 accounts for audit.

The Office of the Auditor General had planned to audit 26 accounts of Ministries and Departments of which 13 of them were required to be consolidated. Only 12 of the 13 required consolidated accounts were submitted. The Ministry of Education, Department of Youth and Sports, Justice, and Prisons Department submitted separate financial statements without the required consolidations. Nevertheless, all the accounts submitted were audited, whether or not they were consolidated. A total of 28 financial statements were therefore audited for which a qualified or 'except for' opinion were issued. The audit opinion issued to ministries and departments are detailed in **Appendix 1.2**.

A qualified audit report (or opinion) is issued when the overall financial statement are fairly stated but either the financial data indicated a failure to follow applicable accounting standards, or there was a significant uncertainty concerning certain financial data. An adverse opinion is where the financial statements are materially misstated or misleading that they do not present fairly the state of affairs in the organisation. A disclaimer or inability to form an opinion is where the auditor is unable to determine that the overall financial statements are fairly presented.

Finance instruction 82(1) provided that each agency must include in its annual financial statement (i) a statement of receipts and expenditure; (ii) a statement of output cost; (iii) a profit and loss statement for each trading and manufacturing activity; (iv) an appropriation statement; (v) a statement of assets and liabilities; (vi) notes to the statement of assets and liabilities (vii) a statement of losses and (viii) a trust account statement of receipts and payments. The statements received from ministries and departments are detailed in **Appendix 1.3**.

As the government has yet to adopt accrual accounting, ministries and department have not been required to submit a statement of assets and liabilities and notes to the statement of assets and liabilities.

2.0 CASH AT BANK

A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who shall inform the bank of the agency officers authorised to operate on it. All agency bank accounts shall be kept in the name of the agency or the official title of a unit within the agency¹

The Cash at Bank balance decreased significantly from \$151,632,524.26 in 2008 to \$94,512,447.92 in 2009. This decrease was due to a significant increase in unrepresented cheques by 64%.

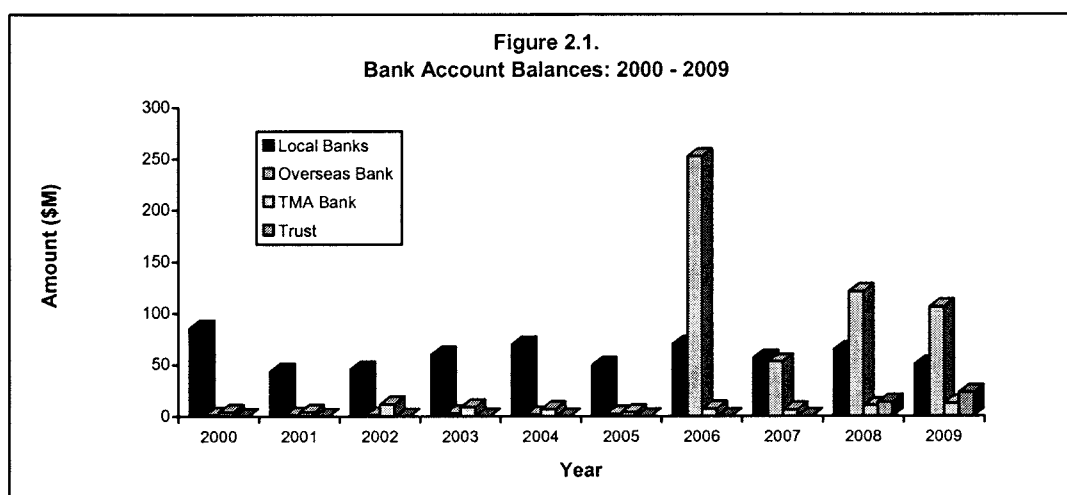
In addition, there was a decrease in domestic and overseas bank balance by 23% and 13% respectively. However, a significant increase is noted in trust bank balances by 67%, while Trading & Manufacturing Account cash increased by 21%.

Refer to Table 2.1 for details.

TABLE 2.1: CASH AT BANK BALANCE AS AT 31/12/09

Account	2008 Balances \$	2009 Balances \$	Variance \$	% Change
Domestic Account	65,865,376	50,840,686	(15,024,690)	23
Fiji Overseas Agents	121,299,138	106,093,950	(15,205,188)	13
Trading & Manufacturing Account (TMA)	10,300,257	12,463,558	2,163,301	21
Trust Fund Account	13,738,076	22,978,529	9,240,453	67
Unrepresented Cheques	(59,570,322)	(97,864,276)	(38,293,954)	64
Net Cash	151,632,524	94,512,448	(57,120,076)	38

A graphical presentation of the major account balances for the past ten years is provided in Figure 2.1.



Cash balances in overseas banks make up majority of the government's cash holdings.

¹ Finance Instructions 2005 – Part 6: Assets – Division 1 – Cash Management – 39(1) & (3)

2.1 Overseas Cash Balance not Supported with Cash

The Cash at Bank balance should reflect all balances of bank accounts operated by ministries and departments as at 31/12/09.

A total of \$ 55,277.69 in Cash Balances with Agencies Overseas is not supported with any documentation. The Fiji Trade Commission – Sydney, FMF – Bank A/C in Darwin and Multinational Force Observer – Sinai's cash balances does not have any records for audit verification. According to the Officer responsible these accounts are closed and the cash balances shown in the Statement of Cash and Bank Balances are carried forward balances.

Table 2.2 below shows the details of the general ledger cash accounts for Overseas Missions and Agents not supported by actual cash.

TABLE 2.2: CASH BALANCE WITH AGENCIES OVERSEAS NOT SUPPORTED BY CASH

Account	Description	Balance \$
10410204202510102	Sydney Trade Commission	28,231.16
10410204202510105	FMF – Bank Account in Darwin	5,090.52
10410204202510701	Sinai	21,956.01
Total		55,277.69

Due to the laxity of the officers responsible, the cash accounts were not closed in the general ledger and are still appearing under the Ministry of Finance cash account, thus overstating the cash balance. As such, the Overseas Cash Balance stated in the statement of cash and bank balance is overstated by \$55,277.69.

Furthermore, audit noted that Government Procurement Office has two bank accounts with a balance of \$204,482.68 and \$92,535.97 in Westpac Australia and Westpac New Zealand respectively. Neither the Ministry of Finance has records of these accounts nor is there any general ledger allocation provided.

Therefore the Ministry of Finance is not able to keep track of these cash balances, which can lead to the funds being misappropriated.

Recommendations

Ministry of Finance should ensure that;

- amounts in the general ledger are supported by actual cash;
- dormant accounts for which balances do not exist are closed;
- all accounts are reflected in the general ledger.

Ministry's Comments

For Government Supplies, these balances are for the encashment of pension cheques.

2.2 Drawings Account Variances

The Accounting Heads are responsible for submitting their monthly drawings reconciliation statements within the stipulated time frame to the Ministry of Finance.²

Audit noted that at the end of 2009, variance exists between departments' drawings reconciliations and general ledger balance for some ministries and departments. No proper explanation or any adjustments was provided by ministries/departments for the variance noted.

In addition, the Lands Department failed to prepare and submit its drawings reconciliation.

Table 2.3 highlight ministries and departments that had variances between their Drawings Accounts reconciliation and the Ministry of Finance General Ledger (GL) balances as at 31/12/09.

TABLE 2.3: BALANCES IN MINISTRIES AND DEPARTMENTS DRAWINGS ACCOUNT

Ministry/Department	Unpresented Cheques \$	GL Balance \$	Difference \$	GL Overstated/ Understated
Agriculture	(7,607,507.57)	(7,931,155.43)	323,647.86	Overstated
Cabinet	(3,547,042.81)	(3,542,569.16)	(4,473.65)	Understated
Education	(8,228,897.88)	(8,228,655.08)	(242.80)	Understated
Forestry	(747,054.43)	(743,434.96)	(3,619.47)	Understated
Health	(57,345.37)	4,738,768.68	(4,796,114.05)	Understated
Home Affairs	(68,418.97)	0.07	(68,419.04)	Understated
Immigration	(121,554.14)	(148,856.79)	27,302.65	Overstated
Housing and Urban Affairs	(54,458.84)	(54,561.74)	102.90	Overstated
Judicial	(135,531.52)	(135,572.92)	41.40	Overstated
Justice	(104,931.74)	(97,747.93)	(7,183.81)	Understated
Met Services	(178,889.57)	(142,126.38)	(36,763.19)	Understated
National Planning	(272,549.50)	(294,765.60)	22,216.10	Overstated
Police	(5,643,827.13)	5,554,381.48	(11,198,208.61)	Understated
Public Service Commission	(1,030,495.08)	(1,101,581.27)	71,086.19	Overstated
Public Works Department (DECE)	(2,053,977.40)	(1,578,355.30)	(475,622.10)	Understated
Roads (PWD HQ)	(7,792,288.35)	(7,793,191.17)	902.82	Overstated
Social Welfare	(1,088,268.87)	(1,004,503.33)	(83,765.54)	Understated
Tourism	(143,022.87)	(100,818.47)	(42,204.40)	Understated
Water & Sewerage (PWD DECE)	(3,780,630.97)	(3,480,991.84)	(299,639.13)	Understated
Water & Sewerage (PWD Lautoka)	(3,876,135.99)	(3,972,074.99)	95,939.00	Overstated
Total	46,532,829	(30,057,812.13)	(16,475,016.87)	Understated

In addition, the following ministries and departments had debit balances in their drawings account.

TABLE 2.4: MINISTRIES AND DEPARTMENTS HAVING DEBIT BALANCES

Ministry/Department	Unpresented Cheques \$	GL Balance \$	Difference \$
Health	(57,345.37)	4,738,768.68	(4,796,114.05)
Lands	Reconciliation not prepared	2,599,936.65	---
Police	(5,643,827.13)	5,554,381.48	(11,198,208.61)
Water Supplies	Not provided	1,396,308.47	---

² Ministry of Finance, Finance Manual S 17.3.1

Furthermore, the Ministry of Agriculture failed to clear its Imprest Account at the year end, having a balance of \$160.09. No satisfactory explanation or adjustment was provided to rectify this.

The major contributing factors for the variances include:

- delays and incorrect bank reconciliations;
- lack of monitoring by Ministry of Finance;
- lack of understanding of Financial Management Information System;
- deficiency in the controls to effect timely adjustments and corrections of the Drawings account;

As a result, these drawings accounts, as well as the affected expenditures were either under or overstated and the net cash figure in the Accounts and Finances distorted.

In addition, no confirmation on drawings accounts was provided by the following departments; Roads (PWD - Lautoka), Water Supplies and Ministry of Women and Culture.

The above issue has been raised in previous years report but no improvement has been made.

Recommendations

- **Ministries and Departments should ensure that the differences in the drawings account reconciliation are updated onto the Financial Management Information System before the closure of the accounts.**
- **Ministry of Finance and the individual ministries and departments should investigate the reason for debits balances and have it corrected accordingly so that true balances are reflected under their accounts.**
- **Ministry of Finance should closely monitor month end drawings reconciliation.**
- **Ministries and Departments should be reminded to adhere to Section 16.3.4 of Finance Manual to ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due.**

Ministry's Comments

MOF have increased its monitoring process with the submission of reconciliations but it depends on the support and commitments of the accounting heads from Ministries and departments on the completion and submission of reconciliation to MOF.

2.3 Unpresented Cheques

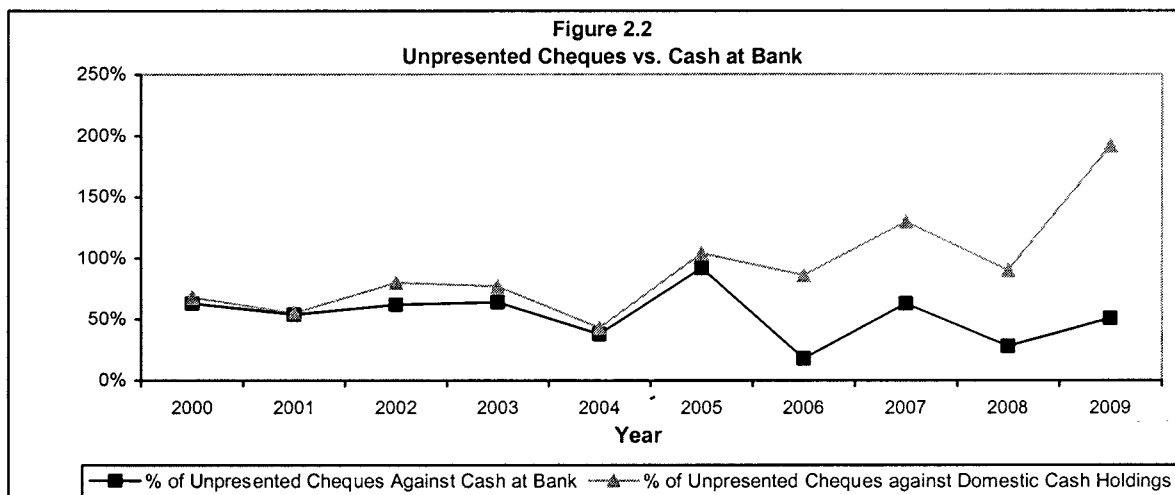
The drawings accounts balances (credits) for Ministries and Departments represent the total value of cheques that were issued but were not presented to the banks as at 31/12/09.

A review of the unpresented cheques balances over the past 10 years provided in Table 2.5 and Figure 2.2 indicate that it accounts for a significant portion of the domestic cash at bank and total cash holdings of Government.

TABLE 2.5: UNPRESENTED CHEQUES

Year	Unpresented Cheques \$	Cash at Bank	% of Unpresented Cheques against Cash at Bank	Domestic Cash Holding \$	% of Unpresented Cheques against Domestic
2000	58,202,508	92,150,492	63	85,718,633	68

Year	Unpresented Cheques \$	Cash at Bank	% of Unpresented Cheques against Cash at Bank	Domestic Cash Holding \$	% of Unpresented Cheques against Domestic
2001	24,031,011	44,104,751	54	43,855,695	55
2002	36,272,562	58,749,914	62	45,525,054	80
2003	45,687,430	70,886,542	64	59,566,056	77
2004	29,749,633	79,080,721	38	69,771,759	43
2005	51,889,269	56,633,778	92	50,071,389	104
2006	60,501,189	330,250,882	18	70,524,396	86
2007	73,586,193	115,983,879	63	56,774,511	130
2008	59,570,322	211,202,847	28	65,865,376	90
2009	97,864,276	192,376,274	51	50,840,686	192



Unpresented cheques have increased significantly by \$38,293,954 or 64% from \$59,570,322 in 2008 to \$97,864,276 in 2009. Table 2.6 shows details of Ministries and Departments which had significant unpresented cheque balances.

TABLE 2.6: MINISTRIES AND DEPARTMENTS WITH SIGNIFICANT UNPRESENTED CHEQUE BALANCES

Ministry/Department	Amount \$	% of Total
Agriculture	7,931,155.43	8
Cabinet	3,542,569.16	4
Education	8,228,655.08	8
Energy	5,982,267.33	6
Fiji Military Forces	4,447,871.63	5
Foreign Affairs	2,821,548.38	3
Government Supplies	10,961,866.51	11
Inland Revenue	5,118,675.81	5
Roads (HQ)	7,793,191.17	8
Roads (Lautoka)	3,294,382.82	3
Roads (DECE)	5,765,521.70	6
Treasury	17,162,873.18	18
Water & Sewerage (Lautoka)	3,972,074.99	4
Water & Sewerage (PWD DECE)	3,480,991.84	4
Others	7,360,630.56	7
Total	97,864,275.59	100

The significant unrepresented cheques balances are an indication that spending is still concentrated towards the end of the year. Such spending often results in uneconomical purchases, overstocking of goods and sometimes abuse of procurement procedures.

Recommendations

- **Cash management should be improved.**
- **Ministries/departments should be encouraged to plan their expenditures well in order to avoid the accumulation of unrepresented cheques at year end.**

Ministry's Comments

Recommendations should be directed to the departments concerned

2.4 Unreconciled TMA Balances

The Accounting Heads are responsible for submitting, their monthly reconciliation statements within the stipulated time frame to the Ministry of Finance.³

Audited noted variances between appendix figure and department figure for following ministries and department. No proper explanations or adjustments were provided for the variance noted. Please refer to Table 2.7 for details.

TABLE 2.7: BALANCES IN MINISTRIES AND DEPARTMENTS TMA ACCOUNT

Ministry/Department	Department Balance \$	GL Balance \$	Difference \$	GL Overstated/ Understated
Agriculture	197,244.37	197,247.97	3.60	Overstated
Government Supplies	6,960,554.28	6,093,945.84	(866,608.44)	Understated
Health	733,420.84	1,007,131.46	273,710.62	Overstated
PWD DECE	297,524.95	306,770.03	9,245.08	Overstated
PWD (Lautoka)	688,482.31	1,160,192.44	471,710.13	Overstated
Trade & Commerce	33,567.46	20,154.53	(13,412.93)	Understated
Total	8,910,794.21	8,785,442.27	(125,351.94)	Understated

In addition, Ministry of Forestry and Public Works and Infrastructure (Water Supply) having General Ledger balances of \$117,934.70 and \$1,386,795.99 failed to prepare and submit their TMA reconciliations.

Furthermore, it was noted that Public Works and Infrastructure had TMA balances under Fund 1 as at 31/12/09, as reflected in Table 2.8.

TABLE 2.8: TMA BALANCES UNDER FUND 1

Ministry/Department	Account No.	Particulars	Amount \$
Public Works & Infrastructure (DECE)	1-40501-95991-540201	TMA Dominion Cash	8,840.08
Total			8,840.08

³ Ministry of Finance, Finance Manual s 17.3.1 -

The department failed to provide any satisfactory explanation for the mispostings.

As such, the correctness of these balances could not be verified.

Recommendations

- **Ministry of Finance should be more vigilant when checking reconciliations and investigate reasons for any variances.**
- **The Ministry should ensure that ministries/departments adhere to Finance Manual Section 17.3.1**

Ministry's Comments

Recommendation is noted for FMIS to take further action

2.5 Unreconciled Cash Balances with Domestic Banks

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.⁴

The Cash Balances with Domestic Bank as at 31/12/09 reflects the following variance between the Bank Certificate of Confirmation and the Appendix/FMIS figure. Refer to Table 2.9 below for details.

TABLE 2.9: BANK CERTIFICATE OF BALANCES IS NOT MATCHING THE APPENDIX/FMIS FIGURE

Bank Account	Bank Certificate of Balance \$	GL Balance \$	Difference \$	GL Overstated/ Understated
Australia & New Zealand Banking Ltd	7,598,736.16	7,602,566.17	3,830.01	Overstated
Colonial National Bank, Suva	3,397,295.02	3,353,464.64	(43,830.38)	Understated
Fiji Government Special IBRD Account No. 31511	47,146.62	38,371.07	(8,775.55)	Understated
Westpac Banking Corporation	3,984,314.58	1,140,540.48	(2,843,774.10)	Understated
Inland Revenue	22,237,639.40	12,237,639.40	(10,000,000)	Understated
Bank of South Pacific Limited – Term Deposit	16,172,047.66	15,652,356.16	(519,691.50)	Understated
Total	53,437,179.44	40,024,937.92	(13,412,241.52)	Understated

Explanation provided by the Ministry of Finance was that the differences in Inland Revenue account and Bank of South Pacific Term Deposit were due to unrepresented cheques and interest not posted in the general ledger respectively. However, this could not be verified as there was no reconciliation provided.

In addition, no explanation was provided by the Ministry for the variance in Fiji Government Special IBRD Account No. 31511.

Furthermore, the explanation provided for the variance noted in Australia & New Zealand Banking Ltd, Colonial National Bank, and Westpac Banking Corporation was that it was due to variances in Consolidated Fund Accounts for following Ministries and Departments.

Please refer to Table 2.10 for details:

⁴ Finance Instructions 2005 – Bank Accounts 39(5)

TABLE 2.10: BANK STATEMENT BALANCE DOES NOT TIE WITH GENERAL LEDGER

Bank	Ministry/Department	Bank Statement Balance \$	GL Balance \$	Difference \$	GL Overstated/ Understated
CNB	Agriculture	6,297.80	4,416.45	1,881.35	Understated
CNB	Auditor General	463,856.15	446,706.39	17,149.76	Understated
CNB	Fisheries & Forestry	1,875,894.48	1,894,668.41	18,773.93	Overstated
CNB	Lands	13,918,490.76	13,918,846.40	355.64	Overstated
CNB	Police	226,972.79	223,975.58	2,997.21	Understated
CNB	Works	5,814,046.03	6,061,088.77	247,042.74	Overstated
ANZ	Government Printer	267,346.67	274,682.20	7,335.53	Overstated
ANZ	Police	886,381.99	885,843.99	538	Understated
WBC	Agriculture	853,446.78	848,914.98	4,531.80	Overstated
Total		24,312,733.45	24,559,143.17	300,605.96	Overstated

The above variances in ministries/departments could not be substantiated by the Ministry of Finance as the Consolidated Fund Account reconciliations were not up to date.

This indicates the laxity of the officers responsible for the reconciliation of the general ledger cash balances in ministries/department and the actual cash holdings with the Ministry of Finance.

As a result the general ledger cash balance is understated by \$13,412,242.

Moreover, three items under Domestic Bank balances could not be verified with actual cash balances. Refer to Table 2.11 below.

TABLE 2.11: DOMESTIC BANK BALANCE NOT VERIFIED

Account	Balance \$
Remittance Between Chests – RBC General	5,457.63
Remittance Between Chests – PWD Western	25,130.25
Westpac (Suva) – Alternative Livelihood Project	873,950.00
Total	904,537.88

In addition, two items under Notes in Statement of Cash and Bank balances could not be verified with actual cash balances. Refer to Table 2.12 for details.

TABLE 2.12: DOMESTIC BANK BALANCE NOT VERIFIED

Account	Balance \$
NBF/AMB Trust Fund	1,490,000
OHS Education and Accident Prevention Trust Fund	2,383,122.06
Total	3,873,122.06

Discussion with the officer in charge revealed that he does not have any records for these balances; it is carried forward balance from previous years.

As such audit could not substantiate the accuracy of the cash balances reflected under the respective natural accounts.

Recommendations

- Ministry of Finance should ensure that Ministries and Departments carry out proper reconciliations on a regular basis so that the two records are reconciled.
- Ministry of Finance should ensure that amount appearing in the Accounts should be supported by bank balances
- Ministry of Finance should ensure that documented reconciliation is carried out on the consolidated fund account.

Ministry's Comments

- (a) Differences shown are due mainly to manual payments done by ministries and department which were not updated into the FMIS system. Accounting heads have been informed numerously to make necessary adjustments and to submit proper reconciliations.
- (b) MOF were requested to open those GL account but the operation of those account (including Bank Statement) is the responsibility of the respective Accounting Heads.

2.6 Overdrawn Domestic Bank Balances

Officers operating official bank accounts shall not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts.⁵

Audit noted an overdrawn account for Agriculture and six overdrawn account under Ministry of Finance in the general ledger totalling \$233,090,737.31. Refer to Table 2.13 for details.

TABLE 2.13: OVERDRAWN DOMESTIC BANK ACCOUNTS

Account	Ministry/Department	Balance \$
1-04102-04202-520501	Finance	(110,626,901.79)
1-04102-04202-520401	Finance	(98,450,794.77)
1-04102-04202-520201	Finance	(13,551,249.40)
1-04102-04202-520601	Finance	(5,889,292.49)
1-04102-04202-520301	Finance	(3,872,928.27)
1-04104-04402-520301	Finance	(667,036.97)
1-20101-30999-520401	Agriculture	(32,533.62)
Total		(233,090,737.31)

No satisfactory explanation was received from the officer concerned for the overdrawn accounts under Ministry of Finance while the overdrawn in Agriculture is due to the mispostings done by Finance.

Recommendations

- Cash management should be improved
- Ministry of Finance should adhere to Finance Instruction Section 39 (4)

Ministry's Comments

No comments received

⁵ Finance Instructions 2005 – Bank Accounts 39(4)

2.7 Unreconciled cash balances in Trust account

Each month, the trust account shall be balanced and reconciled with the trust bank accounts. The names and balances of each account shall be listed and the reconciliation shall be signed by the responsible officer. Unreconciled items should be investigated and resolved.⁶

The Cash Balances in departments trust account as at 31/12/09 reflects the following variance between the Bank Audit Certificate/Bank Reconciliation and the Appendix/FMIS figure.

TABLE 2.14: BANK BALANCES DOES NOT TIE WITH THE APPENDIX/FMIS FIGURE

Bank Account	GL Balance \$	Bank Audit Certificate/Bank Reconciliation \$	Difference \$	GL Overstated/ Understated
Chinese Aid - Prime Minister's Office	652,916.69	1,002,989.07	(350,072.38)	Understated
Immigration Bond	2,161,457.13	3,137,836.73	(976,379.60)	Understated
Workmen's Compensation (Labour)	756,408.33	845,853.34	(89,445.01)	Understated
Department of Environment	(351,399.06)	650,132.77	(1,001,531.83)	Understated
Fisheries Trust	39,490.68	86,105.94	(46,615.26)	Understated
Energy - Rural Electrification Unit	(1,955,055.56)	688,279.82	(2,643,335.38)	Understated
Director of Public Prosecution	131,904.65	126,822.66	5,081.99	Overstated
Agriculture	126,631.12	332,102.63	(205,471.51)	Understated
Provincial Development	859,486.13	1,099,080.01	(239,593.88)	Understated
Government Consolidated Trust Fund Account	8,000,000.00	8,017,012.04	(17,012.04)	Understated
Mineral Resources	1,449,644.61	1,039,173.77	410,470.84	Overstated
Total	11,871,484.72	17,025,388.78	(5,153,904.06)	Understated

No satisfactory explanation was provided by the Ministries and Departments for the variances noted except for Ministry of Finance, the variance in Government Consolidated Trust Fund Account is due to interest earned but not updated in the general ledger.

Further more, it is noted that 53% of the Ministries and Department do not prepare bank reconciliation for the trust fund account, hence the variance between the bank reconciliation and general ledger cannot be substantiated.

In addition, during scrutiny of trust fund account for Ministry of Fisheries and Forestry, a Westpac Banking Corporation account (Account # 9800597610) with a balance of \$14,374.84 as at 30/11/09 was noted, which was not included in the appendix and also, the general allocation for the account could not be located. No satisfactory explanation was received from the officer's in-charge.

The accuracy of these balances therefore could not be established.

Recommendations

- **Ministries and Departments should carry out proper reconciliations on a regular basis so that the two records are reconciled.**
- **All true trust account should be disclosed in order to reflect correct balances in the Accounts and Finance.**

⁶ Finance Instructions 2005 – Trust Money 69 (3)

Ministry's Comments

Ministries and departments have been numerously advised on the importance of submitting proper reconciliations.

MOF have in some instances assist accounting heads of Ministries and departments in reconciling their account.

2.8 Net Impact of Error and Omission on Cash at Bank Balances

The Cash at Bank balance of \$94,512,447.92 as at 31/12/09 has been misstated in view of the following errors and omissions:

TABLE 2.15: ERRORS AND OMISSIONS IN STATEMENT OF CASH AT BANK

Errors and Omissions	Amount \$
Overstatement of Cash Balance with Overseas Agencies	55,278
Variance between Drawings Account of Ministries/Departments and Ministry of Finance	16,475,017
Variance between TMA balances of Ministries/Departments and Ministry of Finance	(125,352)
Drawings account having Debit Balances	(14,289,395)
Domestic Bank Balance not verified	4,777,660
Variance between bank audit certificate and Ministry of Finance	(13,412,242)
Variance between bank audit certificate/bank reconciliation & GL – Trust Fund Account	(5,153,904)
Overseas bank not reflected in general ledger	(297,019)
TMA account not reflected in general ledger	(14,375)
Net Errors and Omissions	(11,984,332)

The net impact on Cash at Bank of the errors and omissions in the 2009 accounts is substantial and reflects the existence of weak internal controls in cash management.

Recommendation

Ministry of Finance should take appropriate action to rectify the anomalies.

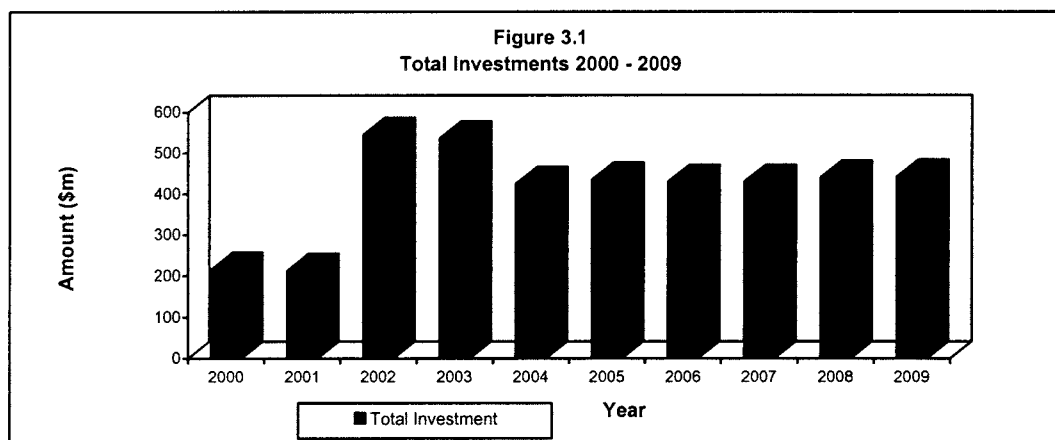
Ministry's Comments

Ministry of Finance in compiling the Whole of government Financial Report take in to account the balances in the GL as the true balance of account. Ministries and departments if necessary must make necessary adjustments in the system if errors are detected during reconciliation.

These errors and omissions will be noted and taken back to Ministries and departments for verifications.

3.0 INVESTMENT

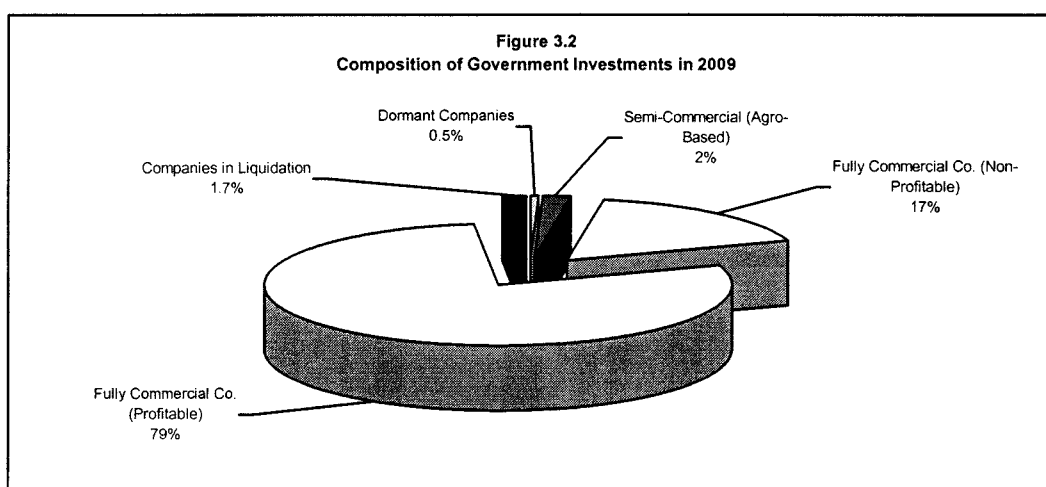
Section 55 (1) (b) of the Finance Act 2004 empowers the Minister to invest public money in securities issued by a statutory authority. Government's total investment held in 31 companies in 2009 was \$441,960,505, an increase of \$1,704,514 compared to 2008. Figure 3.1 shows the government investments over the last 10 years.



The increase in total investment is largely attributed to the inclusion of Air Terminal Services Limited's shares valued at \$765,000 and the gain in exchange rate of \$975,215 as a result of shares held in Pacific Forum Line Ltd.

3.1 Composition of Government Investments

Figure 3.2 below shows the composition of Government Investments as at 31 December 2009.



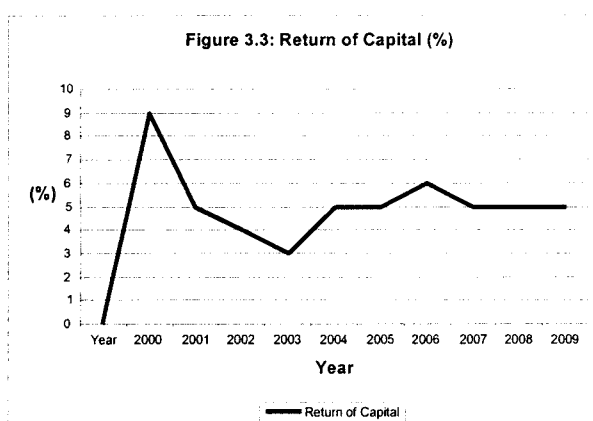
The major component of Government Investments as at 31/12/09 was in profitable Fully Commercial Companies which amounted to \$346,873,128 or 79% of total investments. Fully commercial companies that were not profitable accounted for \$76,131,697 or 17%, Semi-commercial (Agro-Based) accounted for \$9,412,970 or 2% whilst the remaining 2.2% or \$9,542,710 was made up of government investments in dormant companies and companies that are in liquidation.

3.2 Return on Capital

Table 3.1 and Figure 3.3 below outlines Governments return on capital for the past 10 years.

TABLE 3.1: RETURN ON CAPITAL FROM 2000 - 2009

Year	Total Government Shareholding \$	Dividends On Investment \$	Return of Capital %
2000	215,956,469	19,257,619	9
2001	213,289,008	11,000,480	5
2002	545,789,484	21,563,220	4
2003	536,950,162	17,552,494	3
2004	425,216,242	20,834,101	5
2005	435,208,218	23,701,130	5
2006	429,778,664	27,619,234	6
2007	429,861,896	21,971,159	5
2008	440,255,991	21,260,842	5
2009	441,960,505	20,832,214	5



As at 31 December 2009 government received dividend of \$20,832,214, representing a 5% rate of return on Government Investments which remained same for the past 3 years. The average rate of return on investments for the past 10 years was 5% with 2000 being the highest at 9%.

3.3 Analysis of Dividends and Investments

Within two months after receiving the recommendation from the Board of Government Commercial Companies and Commercial Statutory Authorities whether to pay or not to pay Government any dividend for the financial year, the Public Enterprise Minister shall after consulting the Minister of Finance, either:

- approve the recommendation;
- direct the payment of a specified dividend having regard to the adequacy of the capital in relation to the size and nature of its business and the maximum amount that may be declared under the Companies Act.⁷

Government held investments in 31 entities at the end of 2009 compared to 30 entities in 2008. This is due to the inclusion of Air Terminal Services (ATS) shares of \$765,000 in 2009.

TABLE 3.2: INVESTMENTS AND DIVIDENDS RECEIVED FROM 2000 - 2009

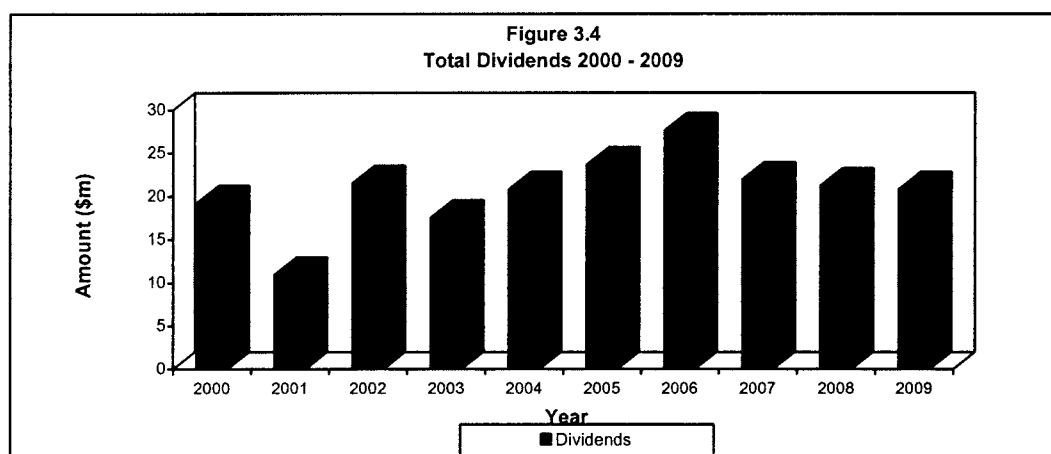
Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% of Entities
2000	215,956,469	19,257,619	---	6	28	21
2001	213,289,008	11,000,480	(43)	8	29	28
2002	545,789,484	21,563,220	96	11	30	37
2003	536,950,162	17,552,494	(19)	12	30	40
2004	425,216,242	20,834,101	19	10	30	33
2005	435,208,218	23,701,130	14	9	30	30
2006	429,778,664	27,619,234	17	12	32	38
2007	429,861,896	21,971,159	(20)	11	30	37
2008	440,255,991	21,260,842	(3)	7	30	23

⁷ Part 3, Division 6, Section 52(4) and Part 4, Division 6, Section 81(4) of the Public Enterprise Act of 1996

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% of Entities
2009	441,960,505	20,832,214	(2)	8	31	26

Of the 31 entities in which Government had investments, 8 remitted dividends totalling \$20,832,214 in 2009, a decrease of \$428,628 or 2% compared to 2008.

Thus, only 26% of the entities have remitted dividend to Government in 2009 while on average, only 31% or 9 entities have remitted dividend over the last 10 years. Figure 3.4 illustrates the dividend received for the past 10 years



The following 8 entities remitted dividends totalling \$20,832,214 to the government in 2009.

TABLE 3.3: DIVIDEND ANALYSIS FOR LAST FOUR YEARS

Entity	Total Shareholding as at 31/12/09	2006 \$	2007 \$	2008 \$	2009 \$	% of Dividend to total Shareholding
Fiji International Telecommunications Ltd	3,570,000	7,055,594	6,924,636	6,411,931	4,113,463	115
Yaqara Pastoral Company Limited	1,191,846	245,122	385,013	---	1,068,816	90
Amalgamated Telecom Holding Limited	36,483,052	8,755,933	8,755,933	5,175,183	11,674,577	32
Fiji Television Limited	1,442,000	259,560	259,560	259,560	201,880	14
Fiji Ports Corporation Limited	73,154,852	1,609,352	2,010,746	2,021,040	875,983	1
Airports (Fiji) Limited	92,300,180	2,759,005	315,780	1,000,000	2,292,707	2
Unit Trust of Fiji (Management) Limited	50,000	65,500	69,800	---	233,016	466
Post Fiji Limited	5,600,000	---	457,148	---	371,772	7
Total	213,791,930	20,750,066	19,178,616	14,867,714	20,832,214	10

Of the total investment of \$441.96 million, only \$213.8 million or 48% worth of investment in 2009 returned dividend to government.

3.4 Non-remittance of Dividend for the last 5 years

Within two months after receiving the recommendation from the Board of Government Commercial Companies and Commercial Statutory Authorities whether to pay or not to pay Government any dividend for the financial year, the Public Enterprise Minister shall after consulting the Minister of Finance, either:

- (a) approve the recommendation;
- (b) direct the payment of a specified dividend having regard to the adequacy of the capital in relation to the size and nature of its business and the maximum amount that may be declared under the Companies Act.⁸

Table 3.4 shows the entities that have not remitted dividend for the last 5 years.

TABLE 3.4: NON-REMITTANCE OF DIVIDEND BY ENTITIES

Entity	Total Government Shareholding \$	Total Government Shareholding %
Fiji Hardwood Corporation	90,000,000	100
Fiji Ships & Heavy Industries Limited	7,662,228	100
Ports Terminal Limited	3,084,300	100
Unit Trust of Fiji (Trustee) Limited	664,742	49
Fiji Shipping Corporation Limited	10,000	100
Air Fiji Limited	171,804	11.45
Daily Post	950,220	44.76
Fiji Pine Limited	61,002,064	99.9
Equity Investment Management Company Limited	51	Not Stated
Food Processor Fiji Limited	687,680	100
Rewa Co-operative Dairy Company Limited	27,218	1.65
Rewa Rice Limited	1,506,224	100
Viti Corps Company Limited	6,000,000	100
International Hotels of Fiji Limited	2,000,000	50
Shipbuilding (Fiji) Limited	3,062,500	49
National Trading Corp. Limited	3,358,185	100

The non-remittance of dividend indicates a non-profitable investment portfolio and therefore warrants a review.

Recommendation

The Ministry should ensure that non-profitable investment portfolios are reviewed to ensure maximum return for the Government.

Ministry's Comments

There is a need for OAG to understand the status of all entities in which Government has invested in. Table 3.4 includes entities which are subsidiaries of a parent company (which is paying dividends), trustee company, entities which are inoperative and entities which we cannot directly say that Government has shares in. Fiji Ships & Heavy Industries as well as Ports Terminal Limited are both subsidiaries of Fiji Ports Corporation Limited which pays dividends. Unit Trust of Fiji (Trustee) Limited is a trust company and does not pay dividends. It holds funds in trust and disburses it to nil balance by the end of its financial year. Fiji Shipping

⁸ Part 3, Division 6, Section 52(4) and Part 4, Division 6, Section 81(4) of the Public Enterprise Act of 1996

Corporation Limited we have continuously raised that they are being funded by the operating budget and Government does not have shares in it. Equity Investment Management Company Limited, International Hotels and Shipbuilding (Fiji) Limited are all inoperative and we therefore cannot claim any dividends from them. It is therefore vital that OAG obtain necessary understanding of the status of these entities before highlighting recommendations as such.

3.5 Fluctuating Share Price

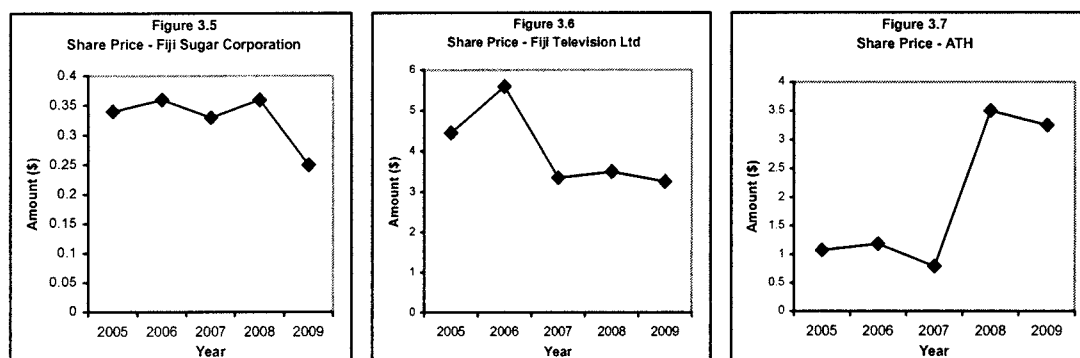
Three of the thirty-one government invested entities are listed on the South Pacific Stock Exchange (SPSE), namely, the Fiji Sugar Corporation Ltd, Fiji Television Ltd and the Amalgamated Telecom Holding Ltd. Share prices over the 5 year period have been fluctuating. Refer to Table 3.5 below for details.

TABLE 3.5: SHARE PRICE FOR THE YEARS 2005 – 2009

Government Commercial Companies	2009 \$	2008 \$	2007 \$	2006 \$	2005 \$
Fiji Sugar Corporation Limited (FSC)	0.25	0.36	0.33	0.36	0.34
Fiji Television Limited (FTV)	3.25	3.50	3.35	5.59	4.45
Amalgamated Telecom Holdings Limited (ATH)	1.07	1.18	0.79	1.04	0.96

The share prices have decreased for FSC by 31%, FTV by 7% and ATH by 9% in 2009 compared to 2008.

Figures 3.5 to 3.7 below illustrate the graphical representation of the fluctuating share prices:



Share prices are susceptible to market conditions and therefore effort should be made to maintain the share prices.

Prudent management of share prices would enhance the value of these Government Investments.

Recommendation

The Ministry should ensure that the volatility in the investment shares with the SPSE is minimized.

Ministry's Comments

We find this recommendation very insensible in the sense that it seems that OAG is holding Ministry of Finance accountable for the volatility in the investment shares when it's a known fact that the market determines the

movement in share prices. It would be appreciated if OAG could come up with practical steps in enhancing the value of Government Investments listed in the Stock Exchange Market.

3.6 Inoperative Entities

Reflected in the Statement of Investments (Appendix 9) as at 31/12/09, are entities that are dormant, in liquidation or have ceased operations. Refer Table 3.6 below for details.

TABLE 3.6: INOPERATIVE ENTITIES

Entity	Status	Status Since	Amount \$
Air Fiji Limited	Ceased Operations	2009	171,804
Equity Investment Management Company Limited	Ceased Operations	1999	51
International Hotels of Fiji Limited	Dormant	2000	2,000,000
Shipbuilding (Fiji) Limited	In Liquidation	2000	3,062,500
National Trading Corporation Limited	In Liquidation	2006	3,358,186
Total			8,592,541

These inoperative entities are being shown in the Statement of Investments over the years because no concrete action on winding up has been taken. This issue has been highlighted in previous audit reports but to date no action has been taken.

Despite numerous requests to Fiji Development Bank (FDB) which holds 50% shares in International Hotels of Fiji Limited and also manages the entity, on the status of the entity, there has been no response.

The Fiji Shipbuilding liquidation is complete, the proceeds of the \$1.011 million is yet to be disclosed.

National Trading Corporation is in the process of liquidation and the sale of NATCO building is to be completed in September 2010. This has been in liquidation status for 3 years.

Recommendation

The Ministry should take effective action as necessary.

Ministry's Comments

The findings and recommendations are noted. We agree that there are funds in these entities which is taking years to recover. However we have always stressed that most entities are still in liquidation process and since we are not in control of the liquidation process, MOF is unable to be as proactive as it wishes to be in the closing up of these investments in the GL and getting these entities to pay its dues to Government.

Furthermore in terms of Shipbuilding (Fiji) Limited we are not able to disclose the proceeds in this FS because we received \$1.011m from Official Receiver Companies Office on 30/3/10 and this has been receipted to consolidated fund revenue. This has not been disclosed in 2009 as it was received in 2010 and hence we will disclose this in 2010 just like normal accounting practice.

For the remaining entities, we note the recommendations and will continuing to pursue any available measures/actions.

3.7 Misplaced Share Certificate

The Minister may invest public money, and other money in accordance with the Financial Management Act, as follows:

- (a) on deposit with a bank;
- (b) in securities issued by a statutory authority;
- (c) by way of advances authorised by an Act or by resolution of the House of Representatives;
- (d) in any way in which trustees are authorised to invest money under the Trustee Act;
- (e) in any way in which the particular money may be invested under the authority of another Act.⁹

The share certificates for the following entities were not produced during the audit:

- Rewa Rice Limited (\$4),
- Fiji Shipping Corporation Limited (\$10,000), and
- PAFCO (\$10,000,000).

The Ministry of Finance did not have the copy of share certificate for Rewa Rice Limited; however, there was a memo received for the replacement of share certificate due to overstatement of shares.

On 19/11/02, Cabinet approved the \$10 million financial assistance given to PAFCO to be converted into ordinary share capital. However, despite this decision, and \$10 million being reflected as equity in PAFCO's financial statement, the Ministry of Finance is yet to receive the actual Share Certificate.

The conversion of the financial assistance to equity is of a significant amount and thus priority should be given to locate the actual share certificate as it is an important document showing the government's ownership of shares and interests in PAFCO and the accounting of the assistance to equity.

Recommendations

- **The Ministry should ensure that the actual share certificate is received as the conversion of the assistance into share capital is now over 7 years,**
- **Investigation should be conducted as to whether the \$10 million was actually converted to equity to trace the share certificate to date,**
- **Alternatively, if the effort to locate the actual share certificate is futile the Management should cancel from its books all records pertaining to the original share certificate and issue the new share certificate to the Ministry.**
- **The Ministry of Finance should ensure that share certificates for Rewa Rice Limited and Fiji Shipping Corporation Limited are obtained.**

Ministry's Comments

The Ministry never did record PAFCO shares of \$10M and Fiji Shipping Corporation Limited (FSCL) shares in the Appendix because for PAFCO we had not received the share certificate from PAFCO and for FSCL it is not a Government owned entity. It is a company set up with an annual budget to facilitate the shipping franchise scheme. These two entities were recorded in the Appendix solely because OAG advised MOF to do so although we had disputed otherwise. Now MOF is being held accountable for actions which we had undertaken as a result of advice from the OAG. In the meantime, we have continuously reminded PAFCO on the issue and they've advised us that they will inform MOF once the exercise is complete.

⁹ Financial Management Act 2004, Section 55 (1)

3.8 Non Submission of Annual Reports and Audited Accounts

Within 5 months after the end of the current financial year of a Government Commercial Company or Commercial Statutory Authority, its Board shall give to the Public Enterprise Minister, its relevant Minister and the Minister for Finance its annual report and the audited consolidated financial statements accompanied by the auditor's report.¹⁰

Only 6 of the 31 companies in which Government held investments submitted their 2009 audited annual accounts. These include:

- Airports Fiji Limited
- Fiji Sugar Corporation Limited
- Air Pacific Limited
- Fiji International Telecommunications Limited (FINTEL)
- Amalgamated Telecom Holdings Limited
- Fiji Television Limited

The Ministry of Finance had been liaising with these entities for the submission of their Annual report. The Ministry of Finance had not taken adequate action to ensure that audited annual accounts are submitted on time.

As at the date of the audit¹¹, the latest annual reports received by Ministry of Finance for the following entities are as follows.

TABLE 3.7: LATEST ANNUAL REPORT

Entities	Latest Annual Report
Government Commercial Companies	
Fiji Hardwood Corporation Ltd	2007
Food Processors Fiji Ltd	2006
Fiji Ships & Heavy Industries	2008
Yaqara	2007
Post Fiji	2008
Viti Corporation Limited	2002
Fiji Broadcasting Corp. Ltd	2007
Fiji Ports Corporation Ltd	2008
Rewa Rice Limited	2007
Unit Trust of Fiji Ltd	2008
Fiji Public Trustee	2006
Commercial Statutory Authorities	
Public Rental Board	2007
Housing Authority	2008
Fiji Electricity Authority	2008
Fiji Meats Industry Board	No comments received
Majority-owned Entities	
Fiji Pine	2007
PAFCO	2007
Air Terminal Services Fiji Limited	Awaiting board clearance

¹⁰ Part 5, Division 4. Section 103 (a-c) of the Public Enterprise Act of 1996 and the Public Enterprise (Amendment) Act 28 of 2002

¹¹ 30 July 2010.

Entities	Latest Annual Report
Minority-owned Entities	
Rewa Dairy Co-op Limited	2008
Air Fiji	No comments received
Pacific Forum Line	2007
Daily Post	Could not be contacted

Viti Corporations Company Ltd has not been submitting their annual reports since 2003.

The submission of annual reports of Equity Investment Company Limited and Fiji Sugar Marketing Company Limited could not be ascertained as the Ministry failed to keep a proper record of their submissions.

In addition, the latest submission of annual reports for Fiji Meats Industry Board, Air Fiji Limited and Daily Post could not be determined since contacts made by the Ministry to the entities for their annual reports were futile.

The annual reports of government commercial companies or commercial statutory authorities contain such information that is necessary to enable an informed assessment of its operations and its subsidiaries, including a comparison of its performance with its statement of corporate intent. Such detailed reporting can enable Government to monitor the financial status and adjust its investment plans accordingly.

As most entities do not submit their annual reports, their performance can not be monitored and the viability of their business operations can not be known. Thus, it is not possible to assess their financial performance which could limit Government from making essential and sound decisions in regards to the operations of these entities.

Recommendations

- **Annual reports should be sought promptly from the relevant entities and used as a tool to facilitate better informed investment decisions that will benefit Government in the long term.**
- **Officers responsible in ensuring the submission of annual reports should be held accountable and disciplined accordingly.**
- **The Ministry's database should be up-dated on the submission of annual report of Equity Investment Company Limited, Air Fiji, Daily Post and Fiji Sugar Marketing Limited.**

Ministry's Comments

Equity Investment Company Limited, Air Fiji, Daily Post and Fiji Sugar Marketing Limited are entities which have not been in operation. MOF tries to be as consistent as it can be in writing to these entities to submit Annual Reports on a timely manner by the second quarter of the year. Therefore in our correspondences to these entities we always request for a justification from these entities on the reasons why there is late submission of the Annual Reports. All in all, we feel that this is historical data and we are looking at means to getting current data in terms of monthly financial accounts and half yearly reports.

3.9 Fiji Ships and Heavy Industries Ltd (FSHIL)

The whole of government financial statements required to be included in the whole of government annual report for a financial year must include for financial years where the Minister is satisfied that

relevant reliable accrual information is not available: (i) a statement of assets and liabilities, including details of cash balances, investments, sinking funds and borrowings. The whole of government financial statements must be signed by the Chief Executive Officer of the Ministry of Finance.¹²

In 2009, Fiji Ships and Heavy Industries Ltd (FSHIL) had been acquired by Fiji Ports Corporation Limited (FPCL).

However, documents such as the Cabinet decision and details of the acquirement costs totaling \$300,000 was not produced during the audit. The Ministry of Finance – Asset Management Unit (AMU) could not provide satisfactory explanation on this matter and referred audit to Ministry of Public Enterprise.

The above indicates that the Ministry of Finance – Asset Management Unit (AMU) is not involved in such acquirement and has not made any effort to have records up-dated for the acquirement, irrespective of the Agency responsible for the accounting of Government Investments as required by Section 46 of the Financial Management Act 2004.

Despite the above acquirement, the Statement of Investments as at 31/12/09 still reflects a total of \$7.7 million of shares for FSHIL.

Recommendations

- **The Ministry should ensure that FSHIL records are updated and all necessary documents for its acquisition are maintained.**
- **The Statement of Government Investments be up-dated should the acquirement affect Government shareholding for FPCL and FSHIL.**

Ministry's Comments

We would like to argue that we did not provide a satisfactory explanation but provided no explanation at all because we were not involved in this acquirement. We feel that this recommendation lacks understanding of the differing roles of the Ministry of Finance and the Ministry of Public Enterprises in as far as GCCs and CSAs are concerned. The decision was made by the Minister for Public Enterprises under the Public Enterprise Act 1996. This is not a privatization but purely an acquirement of a GCC (Fiji Ships) by another GCC (Fiji Ports). We have continuously raised that MOF's role is secondary to Ministry for Public Enterprises in the monitoring of government owned enterprises and thus decisions as such is not in our jurisdiction.

3.10 Colonial National Bank (CNB) Term Deposit

The Minister may invest public money, and other money within the meaning of this Act, as follows:

- (a) on deposit with a bank;
- (b) in securities issued by a statutory authority;
- (c) by way of advances authorised by an Act or by resolution of the House of Representatives;
- (d) in any way in which trustees are authorised to invest money under the Trustee Act;
- (e) in any way in which the particular money may be invested under the authority of another Act.¹³

¹² Financial Management Act 2004, Section 46 (1) (b), 2(a)

¹³ Financial Management Act 2004, Section 55 (1)

Audit noted that a sum of \$3million is appearing in the General Ledger as investment in Economic Services, a term deposit with Colonial National Bank/Bank of South Pacific (CNB/BSP). A bank confirmation was received from the CNB/BSP showing the \$3million invested as a term deposit.

In addition, the term deposit is neither reflected in the Statement of Government Investments nor in the Statement of Cash and Bank Balances as at 31/12/09.

The Ministry of Finance could not provide a satisfactory explanation for the \$3m appearing in the general ledger.

Non-reflection of account balances in the Accounts and Finance raises questions on the integrity with which the balances are reflected in the statement of balances from the general ledger.

Recommendation

The Ministry should provide explanation on the \$3 million term deposit appearing in the general ledger and reflect the balances accordingly in the Accounts and Finance.

Ministry's Comments

The term deposit of \$3m was recorded under a different allocation in the investment account and as such was not included with the total of the investments that appeared in the Accounts & Finance. This \$3m was held by the bank as collateral when the letter of credit facility for Government was increased from the annual \$3m to \$8mm. The increase was due to the urgent payments for the supply of drugs and equipment for the Ministry of Health.

3.11 Government Investment Shareholding

The whole of government financial statements required to be included in the whole of government annual report for a financial year must include for financial years where the Minister is satisfied that relevant reliable accrual information is not available: (i) a statement of assets and liabilities, including details of cash balances, investments, sinking funds and borrowings. The whole of government financial statements must be signed by the Chief Executive Officer of the Ministry of Finance.¹⁴

Audit noted that the derivation of the percentage of shareholding could not be explained by the Ministry. The current shareholding onto the Statement of Government Investments seems to be a carry forward from the previous Statement of Government Investments irrespective of the change in shareholding percentages.

The Ministry of Finance – Asset Management Unit (AMU) lacked necessary documents to trace shareholding percentages.

In addition, the Statement of Investment as at 31/12/09 does not show the percentage of the shareholding for Equity Investment Management Company Limited, Unit Trust of Fiji (Management) Limited and the Fiji Sugar Marketing Company Limited.

The above shows the Ministry's passive approach to the accountability of the Government Investments.

Non-disclosure of accurate percentage of shareholding in the invested entities compromises the reliability and true position of the Government as an investor in entities. Government rights to investments would enhance portfolio management for higher returns.

¹⁴ Financial Management Act 2004, Section 46 (1) (b), 2(a)

Recommendation

As the principal Agency responsible for Government Investment, the Ministry's Asset Management Unit (AMU) should ensure that:

- **The shareholding percentages in entities are verified on a yearly basis to reflect true and reliable data on Government Investments.**
- **The rights (such as voting, dividend etc) are collated to enhance portfolio management and the returns.**

Ministry's Comments

We fail to understand why OAG is basing audit queries from entities which are inoperative as adding the % ownership to see the voting rights and dividends for inoperative entities does not add any value to the information in the Appendix. For Unit Trust we note and will include the 100% in this year's appendix.

3.12 Assessment of Boards of Government held Shares

One of the targeted outputs of the Ministry of Finance is the Financial Asset and Liability Management – Market Operations and Risk Management. This is budgeted through Head 4, Activity 4 of the Ministry of Finance budget with a budget total of \$1,108.3 million.¹⁵

The Ministry of Finance has not received any reports on the performance of the Board in which the Government held shares. In addition, there is no representative from the Ministry of Finance in any Board composition.

This shows the Ministry's passive role in the management of its portfolio and therefore could be attributed as one of the reasons for low returns from the Government investments.

Recommendation

The Ministry should have the board performances assessed on a six-monthly basis and have representatives from the Ministry in the board sittings for enhanced portfolio management.

Ministry's Comments

GCC and CSA Board appointments are made by the Minister for Public Enterprises and hence we do not have any legal justification to assess these Board members and it may be appropriate that OAG indicates that the Ministry of Finance to work closely with the Ministry of Public Enterprises on Board performances, etc, which we are doing.

4.0 TRUST FUND ACCOUNT

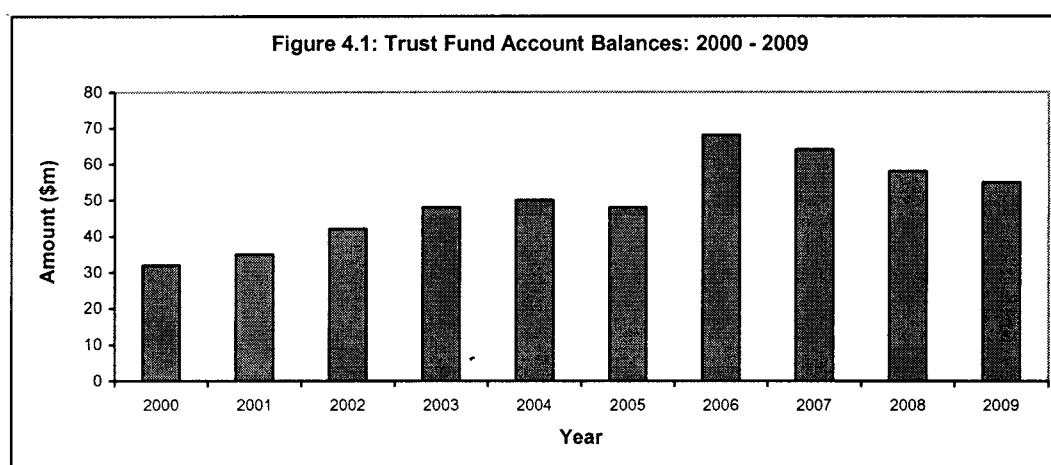
Section 25 of the Financial Management Act (2004) states that trust moneys should be accounted for separately from the public monies and should be kept in a separate bank account pending its withdrawal for use or investment.

¹⁵ Fiji Budget Estimates 2009, Page 31 and 34

The Trust Fund Account consists of main trust funds and operating trust funds. Main trust funds are funds held in trust due to their relationship with the entity's core functions such as tender deposits, bonds, Aid monies from overseas agencies, etc. Operating trust funds on the other hand are maintained to facilitate transactions relating to the entity's administrative role as an employer, such as deductions from employees' salaries/wages with regards to contributions to the Fiji National Provident Fund, housing loan repayments, insurance premiums, etc., for onward payment to the respective payees.

The balance in the Trust Fund Account was \$55,349,705 as at 31/12/09, a decrease of \$2,446,581 or 4.2% from 2008. This is mainly due to an increase in payments of 3.1% for main and operating trust fund account in 2009 compared to 2008. The operating trust account had a significant decline of 10.4% in 2009 compared to 2008. A graphical analysis of the Trust Fund Account maintained by Ministries and Departments is shown below.

Figure 4.1 shows the trend in the Trust Fund Account balances over the last 10 years.



The Main Trust Fund Accounts of 16 Ministries/Department comprise 46% of the trust monies as at 31/12/09. The balance of 54% relates to the Operating Trust Fund Accounts of 50 Ministries/Departments. Refer to Table 4.1 below for details.

TABLE 4.1: SUMMARY OF TRUST FUND ACCOUNT

Title	Amount \$
Main Trust Fund	27,070,826.14
Operating Trust Fund	37,402,586.91
	64,473,413.05
Overdrawn Account	
Main Trust Fund	(1,864,866.80)
Operating Trust Fund	(7,258,840.74)
	(9,123,707.54)
Error in Opening Balance	(28,789.49)
Total Trust Fund	55,320,916.02

Actual monies held in Trust Fund Account as at 31/12/09 amounted to \$55,320,916.02. The Trust Fund account reflects the net balance of \$55,349,705.51 and \$28,789.49 being the difference in the opening balances of overdrawn account carried forward from 2008.

4.1 Departments Unaware Of Their Trust Fund Account

The Accounts Officer shall properly file correspondences, reports, trust agreements and other relevant trust documents and each trust account shall have its own file.¹⁶

Audit noted that the following Ministries/Departments are still using the old Trust Fund accounts:

TABLE 4.2: TRUST ACCOUNTS STILL BEING REFLECTED UNDER OLD HEAD

Ministry/Department	Old Head	New Head	Balance Reflected Under Old Head as at 31/12/09 \$	Trust Fund Type
Prime Ministers Office	1	2	47,726.72	Operating Trust
Public Enterprise	2 & 4	3	87,959.84	Operating Trust
Environment	7	33	15,385.93	Operating Trust
Social Welfare	24	22	17,186.53	Operating Trust
Women's Affairs	24	22	10,875.48	Operating Trust
Energy	40	41	(16,495.84)	Operating Trust
Water	23	41	(12,659.40)	Operating Trust
Presidents Office	60	1	11,640.63	Operating Trust
Tourism and Environment	7	33	8,497.64	Main Trust

No reconciliation for these old accounts were prepared and maintained by the Ministries/Departments. Furthermore, audit noted movements in few of these old accounts in 2009.

Table 4.3 shows the movements in the old Trust Fund Accounts.

TABLE 4.3: MOVEMENT IN TRUST ACCOUNTS STILL BEING REFLECTED UNDER OLD HEAD

Ministry/Department	Account Number (Old Head)	Account Name	Balance as at 31/12/08 \$	Balance as at 31/12/09 \$
Prime Ministers Office	10110101999861204	244 PD-LICI	(371.21)	(468.51)
Public Enterprise	10470104999861202	241 PD CMLA	438.11	197.18
	10470104999861910	383 PD Sundries	(4,115.53)	(128.14)
Presidents Office	16010160101861104	208 PD Rent H/A UNEST	192.00	232.00
	16010160101861202	241 PD CMLA	461.39	443.31
	16010160101861206	246 PD Marsh & McLennan	36.80	36.80
	16010160101861511	301 PD FPS Credit Union	0.00	25.00
	16010160101861515	305 PD GSMA Credit Union	40.00	40.00
	16010160101861532	YYY PD PUBLIC Employees Union	0.00	5.00
	16010160101861533	Wesram Finaance	646.00	646.00
	16010160101861901	201 PD Tax Arrears / PAYE	(2,228.11)	8,610.97
	16010160101861920	501 P D Employees FNPF	29,910.00	30,179.84
Tourism and Environment	90730107999560102	Description lookup failed	7,050.00	8,497.64

The above outstanding balances have yet to be transferred to their new heads of Appropriation. This might be one of the reasons for variances noted between the Department and the FMIS General Ledger balances. Since the accounts were still active under the old head, there were postings made by the departments.

¹⁶ Section 15.3.1 - Finance Manual 2005.

The FMIS section is still in the process of shifting accounts from the old to new heads of appropriation.

Recommendations

- The Ministries/Departments mentioned above should ensure that no posting is done to the accounts still being reflected in their old Head.
- FMIS section should ensure that these accounts are closed and is not accessible once the balances are transferred to new Heads.

Ministry's Comments

The recommendation is noted and FMIS will transfer the balance to new accounts and inactivate old accounts.

4.2 Variance noted in Cash Trust and Main Trust

Trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account pending its withdrawal.¹⁷

A variance of \$2,225,671.62 was noted between the cash trust balances in Appendix 3 and the Main Trust balance reflected in Appendix 23A.

Refer to the Table 4.4 below for details.

TABLE 4.4: VARIANCE BETWEEN CASH BALANCE AND THE MAIN TRUST ACCOUNT BALANCE

Department Trust	Cash Balances \$	Main Trust Balances \$	Variance \$
Chinese Aid – Prime Ministers Office	652,916.69	673,711.01	20,794.32
Immigration Bond	2,161,457.13	2,782,797.09	621,339.96
Workmen's Compensation (Labour)	756,408.33	838,889.50	82,481.17
Department of Environment	(351,399.06)	(666,647.97)	(315,248.91)
Fisheries Trust	39,490.68	202,791.22	163,300.54
Energy Rural Electrification	(1,955,055.56)	(1,198,218.83)	756,836.73
Judiciary Trust Account	10,340,215.71	11,116,357.99	776,142.28
Agriculture	126,631.12	164,443.01	37,811.89
Government Supplies	766,828.38	777,701.44	10,873.06
Provincial Development	859,486.13	891,953.18	32,467.05
Mineral Resources	1,449,644.61	1,488,518.14	38,873.53
Total/Variances	14,846,624.16	17,072,295.78	2,225,671.62

The above implies that the obligation to pay the above funds cannot be met as the cash available for trust is less than the main trust fund account balance.

Recommendations

- Ministries and Department should always ensure that Trust Bank Accounts are reconciled to the Main Trust Fund accounts.
- Variances noted should be justified by the concerned Ministries and Departments.

¹⁷ Section 25, Financial Management Act (2004)

- **Ministry of Finance should verify the reconciliations submitted by the Ministries/Departments**

Ministry's Comments

Balances shown in Appendix 3 shows the actual cash balances at the bank while the balances shown in Appendix 23 are the net transactions within the True trust accounts for individual departments. Ministries and Departments have been advised to reconcile their accounts and to advise on the differences.

4.3 Non Submission of Reconciliations

Section 15.4 of the Finance Manual states that within 5 days after the end of each month, the Accounting Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total, and must submit the trust reconciliation to the Chief Accountant (Treasury) within 10 days of the end of the month.¹⁸

Contrary to the above regulation, some Ministries/Departments failed to submit their Trust Fund reconciliations for 2009 to Ministry of Finance. While some Ministries/Departments who submitted partial reconciliations, some failed to prepare reconciliations for all their trust accounts. Refer to Table 4.5 below for details.

TABLE 4.5: INCOMPLETE RECONCILIATION FROM MINISTRIES/DEPARTMENTS

Departments / Ministries	Reconciliation Status
Agriculture	Incomplete
Agriculture Tribunal	Incomplete
Forestry	Incomplete
Energy	Incomplete
Finance -Salaries	Incomplete
National Planning	Incomplete
Water Sewerage	Incomplete
Presidents Office	Incomplete
Health	Incomplete
Social Welfare	Incomplete
Lands	Incomplete
Government Supplies	Incomplete
National Roads	Incomplete
Environment	Incomplete

Despite the numerous requests sent by the Ministry of Finance to the Ministries/Departments, reconciliations were still not submitted.

In the absence of proper reconciliations, the accuracy of the balances in the accounts could not be substantiated.

Recommendations

The Accounting Officer should be disciplined for failing to prepare the reconciliation statement and submitting it to the Chief Accountant.

¹⁸ Finance Manual 2005 – Section 15.4

Ministry's Comments

The Ministry of Finance teams have sent numerous reminders through memorandum, email and during Accounting Heads meetings the importance of submitting reconciliations on time. We are now visiting those ministries and departments to inform their PS's of their responsibilities in making sure their accounting heads are submitting reconciliations to them before they forward it to Ministry of Finance.

4.4 Overdrawn Trust Accounts

Trust money is to be accounted for separately from public money and other money,¹⁹ and by convention should always have credit balances. Thus, the trust fund accounts should not at any time be overdrawn.²⁰

The following Trust Fund Accounts were overdrawn as at 31 December 2009.

TABLE 4.6: OVERDRAWN TRUST FUND

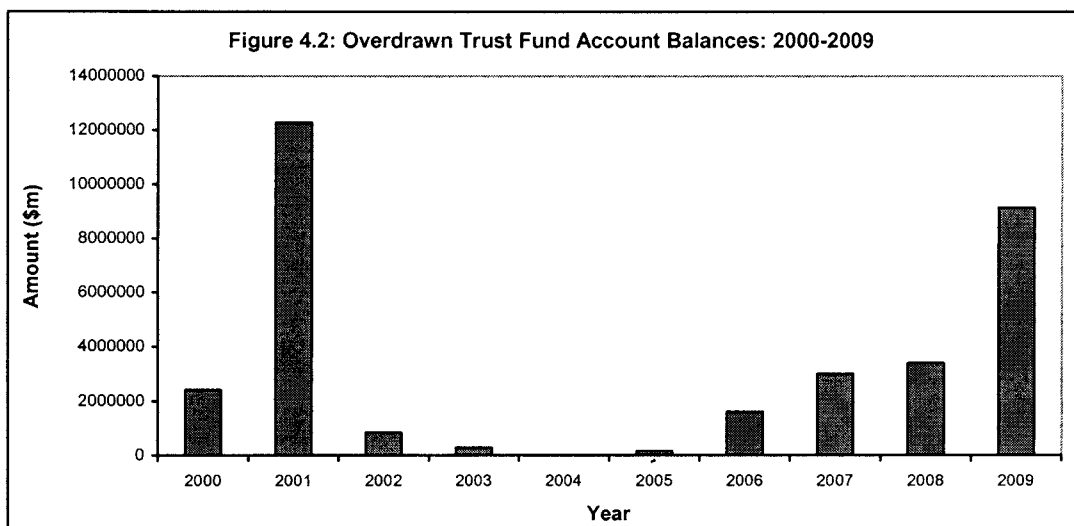
Title of Account	Balance 31/12/09 \$
Main Trust Fund	
Department of Energy	1,198,218.83
Tourism and Environment	666,647.97
Operating Trust Fund	
Agriculture	1,367,181.02
Co-operatives	972.02
Cabinet	44,798.00
Elections Office	518,239.50
FMF	4,019,620.99
Government Printing and Stationery Department	33,272.48
Judicial	1,015,586.02
Labour and Industrial Relations	51,768.72
Meteorological Services	63,054.85
Mineral Resources	12,130.49
Ombudsman's Office	2,943.10
Public Enterprise	95,299.55
Social Welfare	24,224.34
Women's Affairs	9,749.66
Total	9,123,707.54

It was noted that 16 Ministries/Departments had overdrawn the trust fund accounts totalling \$9,123,707.54 as at 31/12/09 contrary to Finance Circular 4/98. Ministries/Departments could not explain why these accounts were overdrawn.

Figure 4.2 shows the trend in the Overdrawn Trust Fund Account balances for the last 10 years.

¹⁹ Section 25(1) of the Financial Management Act

²⁰ Finance Circular No. 4/98 of 30/03/98



The overdrawn trust funds more or less tantamount to unauthorised expenditures. It indicates lack of adequate internal control and supervision and disregard of the Finance Instructions.

Recommendation

Disciplinary actions should be instigated against officers for the overdrawn trust accounts and non-compliance with Finance Circular No. 4/98 of 30/03/98 and section 15.2.5 of the Finance Manual (2005).

Ministry's Comments

All the above are discussed with Accounting Heads during visitations and is their responsibilities to make necessary amendments.

4.5 New Main Trust Accounts Opened With Account Code SAG 53

On 06/01/09, 12 Ministries and Departments who administers various trust funds were instructed by the Ministry of Finance that new bank accounts have been opened for the operation of the various trust fund accounts. In the memorandum, Permanent Secretaries of these 12 Departments/Ministries were informed of the Bank Account details, procedures outlining the operations of the account and the cheques with amounts being General Ledger balance standing to the credit of the various trust funds.²¹

The procedures attached to the Memorandum were noted to have informed these Ministries and Departments that the General Ledger account number for these trust funds were to be under Fund 9 and SAG 53.²²

Audit noted that only 4 Ministries and Departments have been using SAG 53 whereas the other 8 are using SAG 52.

According to the FMIS Chart of account, SAG 53 is Drawings Bank Accounts and is a separate account for individual Ministries and Departments for their operating purposes. Whereas SAG 52 is Domestic Balances, that is Consolidated Fund Accounts and movement in these accounts are limited.

²¹ Memorandum on Operation of Separate Trust Fund sent to various Ministries/Department on 06/01/2009

²² No. 17 of Procedures for the Operation of Separate Trust Accounts

Table 4.7 relates the details of Ministries/Departments with SAG 53 balances.

TABLE 4.7: MINISTRIES/DEPARTMENT WITH SAG 53 BALANCES

Ministry/Department	Memorandum Date	Account ID	Account Description	Balance \$
Mineral Resources Department	06/01/2009	9-33201-33006-530201	Description Lookup Failed	1,449,644.61
Department of Environment	06/01/2009	9-33401-33006-530201	Environment Trust Drawings Account	221,109.92
Department of Energy	06/01/2009	9-41101-41039-530201	Rural Electrification Unit	(639,475.24)
Ministry of Provincial Development	06/01/2009	9-05201-68999-530301	91110111999530201	(170,772.66)

However, FMIS section revealed that these 4 Ministries/Departments who had their bank accounts opened in 2009, use SAG 52 instead of SAG 53.

Improper allocation of account code would result in disrupting the chart of accounts categories and the organisation of accounts in the FMIS system. This can also mislead users over the nature of this account.

Recommendation

The FMIS Section should ensure that correct allocation is provided for opening up new accounts and make appropriate changes to reflect the new bank account under SAG 52.

Ministry's Comments

The recommendation is noted and FMIS will make necessary adjustments.

4.6 Revenue and Asset Accounts reflected in Environment Main Trust Fund Account

The Accounts Officer shall properly file correspondences, reports, trust agreements and other relevant trust documents and each trust account shall have its own file.²³ Financial transactions shall be posted into the automated information system (General Ledger System) using journal entry input forms or directly from source documents such as journal vouchers or payment vouchers.²⁴ Only data entry officers authorised by the Accounting Head shall input transactions into the general ledger system.²⁵ When inputting using journal entry input forms, the data entry officer must check that details on the input form correspond to the attached batch of source documents.²⁶

Audit of the Environment Main Trust Fund account noted the reflection of Standard Revenue Group (SRG) 22 and Standard Asset Group (SAG) 56. These accounts were opened in 2007 and were noted to be active in 2009.

Table 4.8 provides the details of the inclusion of SRG 22 & SAG 56 in the Main Trust Fund account for the past three years.

²³ Section 15.3.1 – Finance Manual 2005.

²⁴ Section 16.2.1 – Finance Manual 2005

²⁵ Section 16.2.2 – Finance Manual 2005

²⁶ Section 16.2.3 – Finance Manual 2005

TABLE 4.8: REFLECTION OF SRG 22 & SAG 56 IN MAIN TRUST FUND ACCOUNT FOR ENVIRONMENT

Account ID	Description	2007 \$	2008 \$	2009 \$
9-33401-33999-560102	AR Companies	0.00	(10.00)	600.00
9-07301-07999-560102	Description lookup failed	500.00	7,050.00	8,497.64
9-33401-33078-220199	Description lookup failed	0.00	(27,521.40)	(14,781.19)

The Value Added Tax and Accounts Receivable accounts are still being reflected under the old and the new appropriation head for Environment Main Trust fund account. The Department is unaware of these accounts and thus no reconciliations are being prepared and maintained.

The Department of Environment is reluctant to adjust these accounts as the Accounts Officer who is just new to the post is unaware of these postings which were made in earlier periods.

The above also shows the laxity of the Data Entry Officer in carrying out his duties diligently and the lack of thorough checks by Senior Officers in the Department.

Recommendations

- The Data Entry Officers and Accounting Heads of the Department should check that all details are correctly inputted and corresponds with source documents.
- Thorough checking and continuous reconciliation should be enforced by Ministry of Finance to ensure Departments and Ministries are aware and informed of their respective trust balances and to avoid such incidence.

Ministry's Comments

Department will be advised to make necessary adjustments.

5.0 REVENUE

5.1 Revenue Overstatement through Accounts Receivable Module (AR)

When a customer is invoiced through the Accounts Receivable (AR) module, a sales journal is created²⁷, whereby a debtor is added and the respective revenue allocation, entered by the user, is affected in the general ledger. When receipting against an invoice²⁸, cash is debited and the relevant debtor credited.

Table 5.1 shows the accounts affected when invoicing and receipting are done through the AR module:

TABLE 5.1: ACCOUNTS AFFECTED WHEN USING AR MODULE

Invoicing			Receipting		
GL Account	Dr	Cr	GL Account	Dr	Cr
AR companies (560202)	xxx		Cash	xxx	
Revenue (VEP)		xx	AR companies		xxx
VAT		x			

²⁷ AR Test Plan - 19 September 2007

²⁸ AR Test Plan - 19 September 2007

Audit noted that the module overstates revenue when an invoice is partially paid. Despite the receipt of only partial payment, the revenue allocation in the general ledger is affected by the full invoiced amount. As such, the general ledger does not accurately show the actual revenue collected by the ministries/departments that are using the AR module.

In addition, the Financial Management Information System is not generating any revenue reports that could distinguish between actual and accrued revenue in their general ledger accounts. The officer in charge of the AR module at Ministry of Finance confirmed that they are not aware if any such report that can be generated through the system.

Since government reports on cash basis accounting, the accrued revenue recorded by the AR module does not conform to this. Ministries/departments also fail to show its true performance in terms of revenue collection.

Recommendations

The Ministry of Finance should:

- ensure that the general ledger show a true account of actual revenue collected by the ministries/departments;
- facilitate the generation of revenue reports portraying the accrued revenue for the ministries/departments using AR module.

Ministry's Comments

Since the posting into AR module is done by users in the Ministries/Departments, MOF is not in a position to know how much was physically collected and will rely on the figures keyed in by the departments.

This is an issue that should be resolved by the Ministries/Departments. If payment is in instalments, then the onus is on the AR user to only receipt the partially paid amount. If the Departments follow the processes that they are required to abide by i.e. that duplicate copies of the invoices are to be attached to the Cash Analysis Sheet as supporting documents for lodgements, this anomaly would have been picked upon early and invoice cancelled and re-raised to reflect the correct amount to be receipted.

5.2 Accounting for Value Added Tax (VAT) on Revenue

With effect from September 2009, all ministries and departments are advised to remit to FIRCA, VAT on all fees and charges revenue collected. To facilitate this, a new Standard Liability Group (SLG) with natural account 863201 has been created which will replace the current revenue code 220199. Ministries and Departments are to create their own appropriation and cost centre codes.²⁹

When receipting revenue, the VAT portion should be credited to the new liability account and the balance to the revenue code. At the end of the month, when making VAT return payments to FIRCA, the VAT portion should be debited to the same liability account, thus making it zero, whilst VAT on expenditure will continue to be met from agencies budgetary funds (SEG 13).³⁰

In addition, Ministries and Departments are required to submit to their budget desk officers at the Ministry of Finance the total vatable revenues received from January 2009 till August 2009.³¹

²⁹ Section 5.0 of Finance Circular 10/2009 dated 17/08/09

³⁰ Section 5.0 of Finance Circular 10/2009 dated 17/08/09

³¹ Section 6.0 of Finance Circular 10/2009 dated 17/08/09

Contrary to the above provision of Finance Circular 10/2009, Ministries and Departments continued to have postings from period 9 to 12 (September to December) under the VAT revenue code 220199. Refer to Table 5.2 below for details.

TABLE 5.2: ACCOUNTS AFFECTED WHEN USING AR MODULE

Account Number	Account Description	Amount \$
13010130999220199	Value Added Tax	(20,425.67)
130A0177101220199	Govt Dept Value Added Tax	(7,549.91)
130B0178999220199	Govt Dept Value Added Tax	(2,183.06)
13320133101220199	Value Added Tax	(13,302.24)
13330179101220199	Value Added Tax	(151,769.01)
13410134101220199	Value Added Tax	20,422.33
13450173999220199	Govt Dept Value Added Tax	168,769.62
10420164101220199	Value Added tax	(20.79)
10440166101220199	Value Added tax	(351.07)
10450167101220199	Value Added tax	2,878.19
10520168999220199	Value Added tax	10,527.05
10620170999220199	Value Added tax	(5,837.72)
10910109101220199	Value Added tax	225.93
11510191992220199	Value Added tax	(148.11)
11510191996220199	Value Added tax	(5.02)
11510192992220199	Value Added tax	(21.86)
11510192993220199	Value Added tax	(0.56)
11520171999220199	Value Added tax	2,782.92
11610116101220199	Value Added tax	9.57
12010120101220199	Value Added tax	3,436.74
14010140101220199	Value Added tax	48.06
14010440491220199	Value Added tax	14,742.54
14030295201220199	Govt Dept Value Added Tax	26,762.48
14050195211220199	Govt Dept Value Added Tax	(115.77)
14120185999220199	Govt Dept Value Added Tax	(246.83)
12210122999220199	Value Added tax	96,188.00
SRG 220199 from period 9-12		144,815.81

Furthermore, it was also noted that SLG 863201 has credit postings of \$780,844 from period 9-12. Refer to *Appendix 2* for details. The postings in this liability account should only have been for the December VAT receipts which would be cleared in January VAT returns.

This is an indication of double postings by some Departments as the general ledger for accounting period 9 to 12 has postings under both SRG 220199 (debit of \$144,815.81) and SLG 863201 (credit of \$780,844).

The Finance Circular 10/2009 came into effect from September 2009; however, Ministry of Justice had created the new liability account in August 2009. Moreover, as per the general ledger, the creation of the new appropriation code was not uniformly done by all Departments in September. There is disparity as some Departments started using the appropriation from October 2009.

Anomalies in adhering to the Circular could be attributed to the short time span given to the Departments to implement the changes as the circular was released on 17/08/09 to be effective from September.

Failure to account for VAT on revenue in accordance with Ministry of Finance directives results in the VAT portion of agency revenue not accurately reflected in the books of Fiji Islands Revenue & Customs Authority (FIRCA).

Recommendations

The Ministry of Finance should:

- ensure that Ministries/Departments are given ample time to execute the Circular directives.
- restrict the Ministries/Departments in posting to Standard Revenue Group 220199 i.e. deactivate the SRG 220199;
- monitor that VAT on revenue is not double posted, that is, postings to be done only to the new appropriation code SLG 863201.

Ministry's Comments

The accounting heads were briefed and already aware of the new procedures. Also, training was conducted by FIRCA. SRG 220199 will be deactivated once the departments clear the outstanding charges that are still lying in it. They have been informed to clear the amounts to allow us to carry out OAG recommendation.

Recommendations noted. Finance will improve its monitoring process to make sure Ministries/Departments do not post to the wrong allocations.

5.3 Payments Charged to Revenue Account

Each accounting Head shall ensure that:

- (a) revenue is recorded against the correct account;
- (b) the recording of revenue is reconciled monthly with the Ministry of Finance;
- (c) the Ministry of Finance is advised of any error or discrepancies within 10 working days after the end of each month; and,
- (d) VAT is correctly accounted for and remitted as required.³²

VAT on expenditure is budgeted for under Standard Expenditure Group (SEG) 13 and payments should be recorded against the SEG 13 budget in the general ledger. Audit noted that the following Ministry/Department are charging the VAT payments to the VAT revenue account in the general ledger:

TABLE 5.3: MINISTRY/DEPARTMENT CHARGING VAT PAYMENTS TO VAT REVENUE ACCOUNT

Ministries/ Departments	General Allocation Ledger	Amount \$	General Ledger Particulars
Justice	1-15101-91993-220199	262.55	VAT payment
	1-15101-91996-220199	1,000.00	Payment of VAT- MAR/APR/09
		1,400.00	Payment of VAT output
	1-15101-91997-220199	2,506.17	VAT payment
		1,659.00	Payment of VAT- MAR/APR/09

³² Finance Instructions 2005 –Section 30 (1) (a-d)

Ministries/ Departments	General Allocation	Ledger	Amount \$	General Ledger Particulars
			1,600.00	Payment of VAT output
	1-15101-92992-220199		1,600.00	Payment of VAT- MAR/APR/09
			1,300.00	Payment of VAT output
Total for Justice			11,327.72	
Provincial Development	1-05201-68999-220199		6,425.56	VAT payment for June/09
			46,261.58	Outstanding Payment from Jan-AP
			5,663.71	VAT payment for July
			11,021.46	Payment of VAT – august 2009
Total for Provincial Development			69,372.31	
Total payments charged to SRG 220199			80,700.03	

Incorrect posting has resulted in understatement of VAT expenditure and overstatement of VAT revenue in the general ledger by \$80,700. Such mispostings indicate that the Accounting Heads failed to scrutinise the revenue reports and carrying out reconciliations for the general ledger postings.

Recommendations

- The Accounting Heads should regularly scrutinize and reconcile payments to the postings in the general ledger.
- Section 30 (1) of the Finance Instruction should be strictly complied with.

Ministry's Comments

No comments received

5.4 Variance in Tax Revenue

FIRCA acts as an agent of the State and provide services in administering and enforcing the laws specified in schedule 1 of the FIRCA Act.³³ Moreover, it advises the State on matters relating to taxation, customs, excise and to liaise with appropriate Ministries and Statutory bodies in such matters.³⁴

Audit noted that tax revenue collections ledgers maintained by the Ministry of Finance for 2009 does not reconcile with the amounts in FIRCA's audited financial statements.

Table 5.4 shows the details of the differences between the two records

TABLE 5.4: VARIANCE IN REVENUE COLLECTION BETWEEN FIRCA REPORT AND MOF GENERAL LEDGER

Account Number	Account Description	Balance as per MoF GL \$	FIRCA Amount \$	Variance \$
1-04102-04251-210101	Income Tax	483,753,046.93	483,559,328.00	193,718.93
1-04102-04252-210101	Refund	(31,519,385.42)	(31,616,444.00)	97,058.58
1-04102-04251-220399	Excise Duty	75,238,158.85	74,869,225.00	368,933.85
1-04102-04251-220101	Customs Import Vat	298,457,148.48	297,691,627.00	765,521.48
1-04102-04251-220199	Value Added Tax	288,230,827.43	288,198,910.00	31,917.43

³³ FIRCA Act 1998, Section 22 (a)

³⁴ FIRCA Act 1998, Section 22 (c)

Account Number	Account Description	Balance as per MoF GL \$	FIRCA Amount \$	Variance \$
1-04102-04251-220299	Fiscal Duty	223,346,195.88	240,297,924.00	(16,951,728.12)
1-04102-04251-220499	Export Duty	9,452,288.34	9,452,288.00	0.34
1-04102-04251-220501	Import Excise Duty	17,647,405.78	17,633,277.00	14,128.78
1-04102-04251-220601	Hotel Turnover Tax	24,960,513.11	24,955,241.00	5,272.11
1-04102-04251-229999	Miscellaneous Fees & Receipts	147,929.12	4,787,378.00	(4,639,448.88)
1-04102-04251-230301	Agricultural Produce and Inspection Fees	1,172,382.58	Not Stated	1,172,382.58
1-04102-04251-220701	Water Resource Tax	295,887.89	295,888.00	(0.11)
1-04102-04251-230101	Light Due Port and Harbor	---	Not Stated in the report	---
1-04102-04251-230403	License Coasting	1,162.10	Not Stated in the report	1,162.10
1-04102-04251-279999	Miscellaneous Revenue	62.73	Not Stated in the report	62.73
Total		1,391,183,623.80	1,410,124,642.00	(18,941,018.20)

Despite the clearance of FIRCA's Inter Department Clearance (IDC) account with Ministry of Finance, the \$18.9 million variance in revenue collection between FIRCA's books and MOF General Ledger remains.

This indicates lack of monitoring and follow-up by both the Ministry of Finance and FIRCA in reconciling the revenue collected and accounting for the variance.

This issue has been highlighted in the previous audit reports; however, no action has been taken by the Ministry.

Recommendation

The Ministry of Finance should obtain monthly revenue reports from FIRCA and reconcile these with the general ledger.

Ministry's Comments

Daily bank lodgements are made by FIRCA into the Consolidated Fund Account (CFA). This bank statement is uplifted from the banks by the MOF. The total amount that appears on the bank statement is credited to the inter departmental clearance account (IDC) of FIRCA, who in turn would zeroise the amount by debiting their IDC and crediting the various revenue allocations in the GL that appear in your table 4. It is FIRCA who would be in a better position to ascertain why the amounts they posted is different to the amounts that appear in their report.

All postings to the above revenue account numbers are done by FIRCA and should always balance with their records. Differences in balances should be highlighted with them.

5.5 Unidentified General Ledger Postings

The Finance Manual provides that where revenue is collected on behalf of other agencies, the Clerical Officer Main Accounts should make appropriate adjustments and inform the other agency of the collections received on their behalf.

The advice form will outline:

- (i) receipt numbers, date of receipt and amounts collected;

(ii) type of revenue that was collected³⁵

The advice form together with the journals vouchers should be verified and signed by the Accounts Officer (AO) Main Accounts. Immediately after signing the advice form, the AO Main Accounts must forward it to the agency concerned³⁶

Audit found non-compliance with the Finance Manual. Ministries/Departments were posting revenue collections that are not in conformance with their operations. Refer to Table 5.5 for details.

TABLE 5.5: MIN/DEPT POSTING TO OTHER REVENUE ALLOCATION

Ministry/Department	General Ledger Allocation	Account Description	Amount \$
Heath	12210122999210105	Income Tax PAYE	(686,612.94)
Department of Immigration	10620170999220499	Export Duty	(37.43)
Meteorological Services	14020181101230101	Light Due Port & Harbour	79.62
PSC	10230102999270101	RBF Revaluation Reserve Acct	825.00
Meteorological Services	14020181101270201	Rental for Land	20.76
Meteorological Services	14020281201270201	Rental for Land	206.04
Meteorological Services	14020381301270201	Rental for Land	82.36
Heath	12210122999270201	Rental for Land	(252.44)
Judiciary	11110111999279904	Revenue from Surveys & Sale of Nav.	(25,061.47)
Legislature	11210112101290301	United National Development Programme	(0.35)
Multi-Ethnic	10540187999299999	Other Grants In Aid	42.00
Transport	14010440491229999	Miscellaneous Fees & Receipts	11.56
Health	12210122999229999	Miscellaneous Fees & Receipts	(525,991.09)

There are no restrictions in the Financial Management Information System (FMIS) to prevent ministries/departments from posting revenue transactions into allocations which are not in conformance with their operations.

This has resulted in unidentified revenue entries in the ledgers which compromises financial data accountability. This has been highlighted in previous years audit; however, audit is yet to see active improvement on this matter.

Recommendations

- **Ministries/Departments should strictly comply with the Finance Manual when collecting revenues for other Departments;**
- **The general ledger should be scrutinised for active accounts that are not in line with the ministries/departments operations;**
- **The Financial Management Information System (FMIS) should have facilities to restrict revenue collections to those authorised to collect.**

Ministry's Comments

Recommendations noted and FMIS will restrict Ministries/Departments from using those revenue allocations and also inform the respective ministries/departments to make sure they are posting to the correct allocations.

³⁵ Section 5.5.8 of Finance Manual 2005

³⁶ Section 5.5.9 of Finance Manual 2005

6.0 ARREARS OF REVENUE

The importance of revenue in the budgetary process is significant since it determines the level of spending possible. Thus, it is essential that the revenue collection process is monitored, including debt collection and the existing credit policies.

Outstanding amounts due to government are classified under two categories as either ‘arrears of revenue’ or ‘other unpaid accounts’. Arrears of revenues generally arise when credit is extended for supply of goods and services. Other unpaid accounts include all outstanding amounts under the revolving (suspense) accounts and other debt accounts

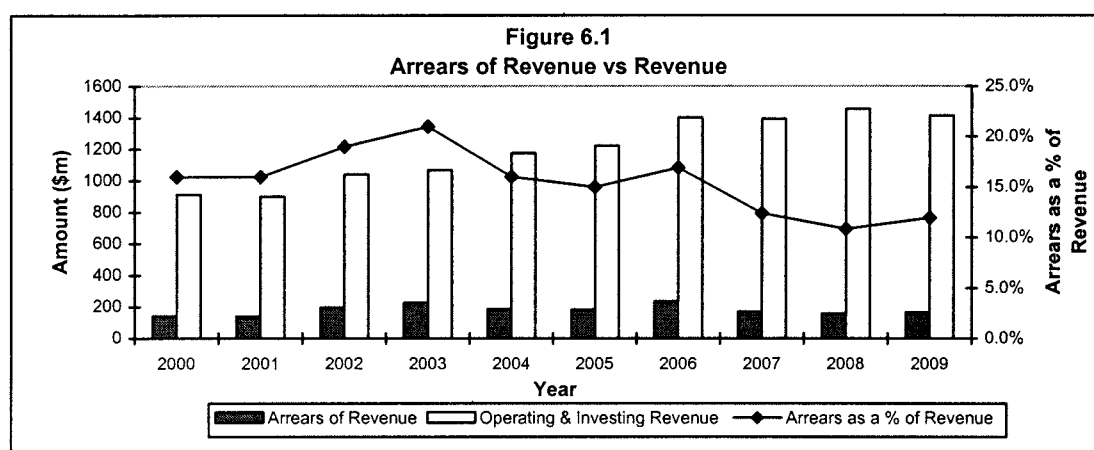
Arrears of revenue for the government comprise of unpaid taxes by individuals and businesses, as well as revenue owed to Ministries and Departments in the form of fees, fines, licences and charges.

6.1 Fluctuating Trend of Arrears for the last 10 Years

The arrears of revenue in 2009 totalled \$169 million, an increase of \$11.3 million or 7.2% over 2008 arrears of \$157.7 million.

The arrears of revenue as a percentage of total operating and investing revenue remained above 11% for the last 10 years averaging at 16%. This is attributed to the weak revenue collection procedures employed by Ministries and Departments.

Figure 6.1 shows the trend of debts owed to government and the operating and investing revenue collections over the last 10 years.



The high level of arrears of revenue is due to substantial outstanding tax arrears owed to FIRCA and increasing amount of fees and charges due to the Public Utilities, Judicial Department, Meteorological Services, Agriculture, Overseas Peace Keeping Missions (MFO) in Sinai, and Lands Department.

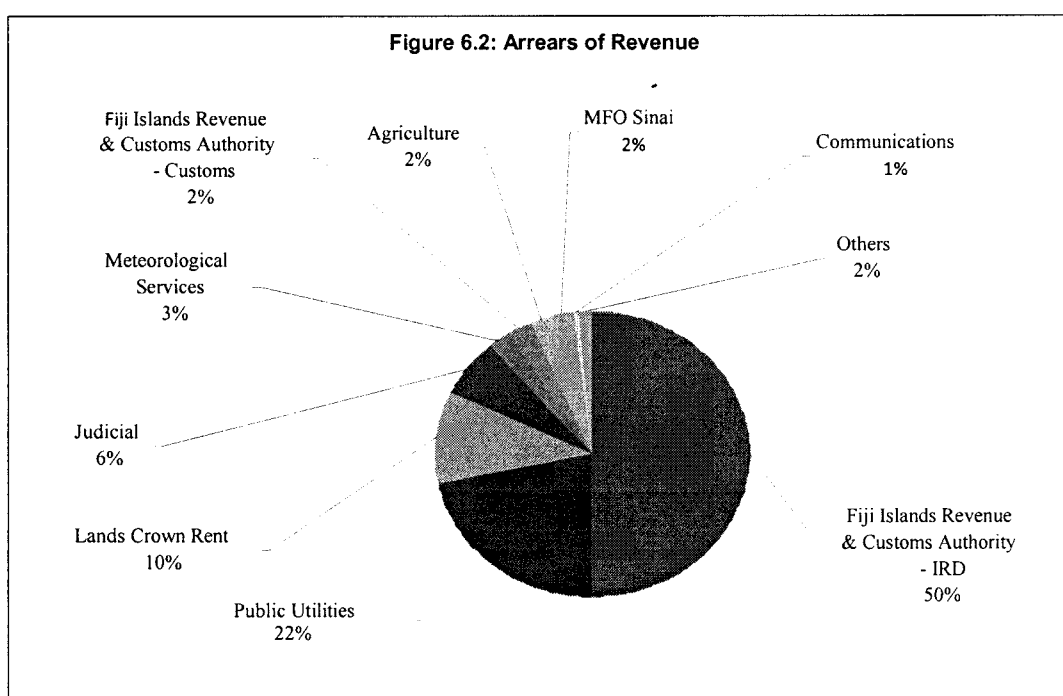
6.2 Significant Balances of Arrears by Departments

The arrears of revenue outstanding as at 31 December 2009 totalled \$169,021,351.

Table 6.1 and Figure 6.2 show debts owed to Ministries/Departments.

TABLE 6.1: ARREARS OF REVENUE

Ministry/Department	2009 Arrears of Revenue \$	% of Total Arrears of Revenue %
Fiji Islands Revenue & Customs Authority - IRD	84,509,589	50.00
Public Utilities	36,755,411	21.75
Lands	17,486,274	10.35
Judicial	10,828,342	6.41
Meteorological Services	4,565,163	2.70
Fiji Islands Revenue & Customs Authority - Customs	4,170,038	2.47
Agriculture	3,992,057	2.36
MFO Sinai	3,240,114	1.92
Communications	1,096,944	0.65
Others	2,377,419	1.39
Total	169,021,351	100.0



Total debt owed by the Fiji Islands Revenue and Customs Authority comprising of Income Tax and VAT arrears amounted to \$84.5 million or 50% of total-debt. The other significant debt is arrears owed by the Public Utilities of \$36.8 million or 22%, Lands of \$17.5 million or 10% and Judicial Department of \$10.8 million or 6% of total debt owed by Government. The other various Ministries and Departments who have arrears of revenue balances as at 31/12/09 make up the rest of the balances outstanding to Government during the year.

6.3 Increase in Arrears of Revenue balances

Significant increases in the arrears of revenue for Government were noted in some Ministries/Departments as shown in Table 6.2.

TABLE 6.2: SIGNIFICANT INCREASES IN ARREARS OF REVENUE

Ministry/Department	2008 \$	2009 \$	Variance \$	%
Fiji Islands Maritime Safety Administration	104,477	112,367	7,890	7.6
Fijian Affairs,, Heritage & Culture & Regional Development	514,423	553,729	39,306	7.6
Finance (Surcharge)	426,963	477,635	50,672	11.9
Government Printing & Stationery	80,356	175,562	95,206	118.5
Lands: Crown Agent	10,223,341	17,486,274	7,262,933	71.0
Prisons	425	890	465	109.4
Public Utilities	32,355,792	36,755,411	4,399,619	13.6
MFO Sinai	1,567,025	3,240,114	1,673,089	106.8

Some request for write-offs have been submitted to Ministry of Finance for arrears that are more than 5 years old. As at the audit no actions has been taken in this matter.

However Ministry of Finance revealed that most listings submitted by the various Ministries/Departments are not acceptable. A draft cabinet paper needs to be passed by the Department's Permanent Secretaries, meaning that the Department has exhausted all avenues of recovery. Only then will Ministry of Finance recommend the submissions to be presented to Cabinet.

The explanations provided by the respective Ministries/Departments for the significant increases in arrears of revenue are as follows:

- Fiji Islands Maritime Safety Administration – the arrears is attributed to light dues that are paid by shipping companies and agencies. Reminders have been sent to agents but arrears are yet to be settled. The Department has also highlighted those company names that do not exist at the Register of Companies Office therefore recoverability will be an issue for the companies concerned.
- Fijian Affairs & Regional Development – arrears comprises of various license fees paid to the Department. No explanations could be obtained from the Department for reasons to the increase in arrears.
- Finance (Surcharge) – revenue arrears comprises of government revenue surcharges against officers. The sudden retirement of officers has resulted in the non-recovery of on-going surcharges. Non-recovery also applies to officers who have been suspended, terminated, resigned and deceased. The Ministry has been advised to liaise with the Solicitor General's Office for further action and recovery matters before the cases are closed and arrears written off.
- Government Printing & Stationery – the arrears relate to sales made to both government and non-governmental departments for printing, stationeries and publication services. Departments normally send their payments in January/February the following year as arrears are mostly for the current accounts. Miscellaneous arrears are also included with total arrears for the year. Recoverability issues is a concern as the Department had highlighted that majority of the debtors could not be traced since no contact details is available with the Department in order to follow up with collection matters.

- **Lands: Crown Rent** – crown land arrears makes up 97.6% of total arrears owed by the Department which are now deemed irrecoverable. No payment has been made despite notices being issued to lessees who owe land rent arrears. All related files have been referred to the Lands Administration section to continue the processing of recovery through legal means. The lack of resources has also been attributed to revenue collection issues.
- **Prisons** – arrears relates to the electricity charges for officers. The bills are directly deducted from officers pay effective from December 2009.
- **Public Utilities** – outstanding arrears relate to unpaid water & sewerage bills from the past years. The increase in arrears has also been due to the late release of RIE to fund the disconnection of overdue accounts and the scarce human resources available to carry out disconnections. No strict collection measures were put in place for defaulters who continue to receive water services.
- **MFO Sinai** – relate to reimbursement for expenses of Fiji Contingent Observers in Sinai. The 3rd quarter payment which was outstanding as at 31st December 2009 was receipted by Ministry of Finance in early January 2010.

The continuous increase in arrears of revenue in most ministries/departments is serious and has a huge impact on revenues and cash flows of Government.

Recommendations

- **Recovery measures for various Ministries/Departments need to be continuously monitored, reviewed and be implemented to avoid the increasing trend of balances.**
- **The Ministry of Finance should review the credit policies of Ministries/Departments.**
- **The Ministry of Finance should advise respective Ministries/Department on the requirements of submission of draft Cabinet papers.**

Ministry's Comments

Recommendations are noted, and MOF had undertaken a field visit in June-July 2010 to Ministries and Departments whereby procedures were explained to them in relation to write off submission-those recommended were Cooperatives and Agriculture whereby we had commented on the draft cabinet paper for Cooperatives but there has been no reported progress on the presentation of the paper to Cabinet, whereas for Agriculture the paper was reported to be with the Hon. Minister.

6.4 Aging and recovery of monies owed to Government

The collection of outstanding monies due to Government has proven to be a challenging exercise for the various Ministries/Departments. Arrears outstanding for a long period of time have a higher risk of becoming irrecoverable.

Aging for arrears that are more than 1 year old amounted to \$144.2 million or 85.3% of Government's total arrears as at 31/12/09.

Table 6.3 shows debts that have been outstanding for more than one year as at 31 December 2009.

TABLE 6.3: ARREARS OF REVENUE OVER YEAR

Ministry/Department	Total Arrears \$	Arrears 1 year & over \$	Arrears 2-5 years \$	Arrears Over 5 years \$	% of Dept Arrears over 5 years
Agriculture	3,992,057	12,093	10,814	3,961,800	99.2
Auditor General	204,670	7,400	75,527	20,921	10.2
Communications	1,096,944	175,608	---	---	---
Co-operatives	175,487	3,934	4,332	167,221	95.2
Education Youth & Service	4,417	---	---	917.00	20.8
Fiji Islands Maritime Safety Administration	112,367	23,891	47,407	6,532	5.8
FIRCA – Customs	4,170,038	243,394	3,028,046	73,269	1.8
FIRCA – Inland Revenue Department	84,509,589	28,673,660	28,314,458	17,313,999	20.5
Fiji Procurement Office	145,857	---	113,548	---	---
Finance (Surcharge)	477,635	206,604	144,559	22,409	4.7
Government Printing & Stationery Department	175,562	69,041	---	---	---
Health	233,754	19,896	49,569	34,759	14.9
Immigration	11,583	---	---	11,583	100
Information Technology & Computing Services	3,042	---	---	---	---
Judicial	10,828,342	652,983	3,101,185	6,798,230	62.8
Labour & Industrial Relations	39,740	7,642	7,592	8,925	22.5
Lands	17,486,274	6,437,672	4,703,653	3,176,482	18.2
Loans: Rewa Rice Ltd	225,382	---	---	225,382	100
Meteorological Services	4,565,163	190,437	2,418,017	1,894,106	41.5
Overseas Peace Keeping Missions (MFO)	3,240,114.11	---	---	---	---
Police	13,303	2,305	5,858	5,140	38.6
Prisons	890	---	---	---	---
Public Utilities	36,755,411	3,266,306	4,949,955	22,993,485	62.6
Provincial Development & Multi Ethnic Affairs	553,729	188,976	218,984	145,769	26.3

The following were noted from Table 3 above:

- 100% of arrears of revenue for Immigration and Loans to Rewa Rice Ltd are over 5 years old. Ministry of Finance has not recovered any arrears from the outstanding balances nor has the arrears been written off. The Ministry of Finance has also failed to charge interest on the outstanding amount and the arrears has therefore remained the same.
- 99.2% of arrears of revenue for Agriculture are over 5 years old. Arrears deemed irrecoverable have been requested for write off. The Ministry of Finance has confirmed that the Department has commenced work on the Cabinet papers for submission to Cabinet requesting approval for the write off of these outstanding loan balances.
- 95.2% of arrears of revenue for Co-operatives are over 5 years old. The arrears could not be recovered as most of the Co-operatives concerned have been liquidated while some are in the process. The Ministry of Finance has also confirmed that the Department has commenced work on the Cabinet papers for submission to Cabinet requesting approval for the write off of these outstanding loan balances.
- 62.8% of arrears of revenue for Judicial are over 5 years old. The execution of warrants for revenue collection is undertaken by the Fiji Police Force therefore collection of arrears is not done on a timely manner.
- 62.6% of arrears of revenue for Public Utilities are over 5 years old. The Department has now been privatised with stringent actions taken such as disconnection of water meters and legal action.

Arrears of revenue that have been outstanding for more than 5 years have a high risk of becoming irrecoverable. Recovery actions for such cases, if necessary can become a very costly exercise.

Recommendations

- **The Ministry of Finance should impose stringent measures and recovery policies on Ministries/Departments which employ inefficient debt recovery procedures.**
- **For debts that have become irrecoverable due to factors such as death, retirement, resignation and migration, necessary write-offs should be made to avoid figures continuously being highlighted in various departments/ministries reports.**

Ministry's Comments

As reported in Section 2.4, MOF had undertaken a field visit in June-July 2010 to Ministries and Departments whereby procedures were explained to them in relation to write off submission-those recommended were Cooperatives and Agriculture whereby we had commented on the draft cabinet paper for Cooperatives but there has been no reported progress on the presentation of the paper to Cabinet, whereas for Agriculture the paper was reported to be with the Hon. Minister.

A copy of the management report is available for audit verification and it highlights the measures put in place by agencies like Water Authority and Judicial in relation to the recovery of debt more than 5 years old. In addition, Immigration Departments have yet to submit in a draft of a cabinet paper to write-off of their outstanding arrears.

Bulk of the arrears that is over 5 years old is still recoverable and the ministries concerned have to put more stringent control in recovering the arrears, most of the department are focusing on the current arrears. Another factor hindering the collection is the department failure to reconcile their figures for debts outstanding for more than 5 years.

6.5 Arrears of Income Tax and Value Added Tax

The function of FIRCA is to act as an agent of the State and provide services in administering and enforcing the laws specified in schedule 1.³⁷ Moreover, the Authority is to advice the State on matters relating to taxation, customs, excise and to liaise with appropriate Ministries and Statutory bodies in such matters.³⁸

FIRCA collects tax revenue for the Government. The tax arrears of revenue, excluding customs duties due, was \$84.5 million or 50% of total arrears of revenue owed to government for the year ending 31 December 2009. The arrears decreased by \$1.8 million or 2.1% when compared to 2008 balance.

Accounting for arrears of Income Tax and VAT

Arrears of Income Tax and VAT are brought into account after assessments have been carried out by FIRCA on the amount of taxes due and payable to Government.

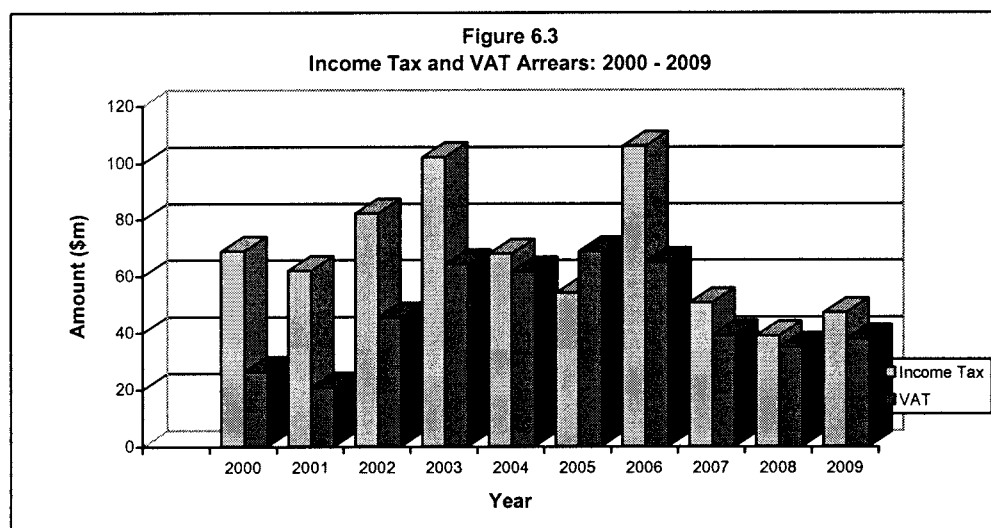
However, the assessments are subject to objections from taxpayers and may lead to reviews or reassessments thus altering the tax payable amounts.

³⁷ FIRCA Act 1998, Section 22 (a)

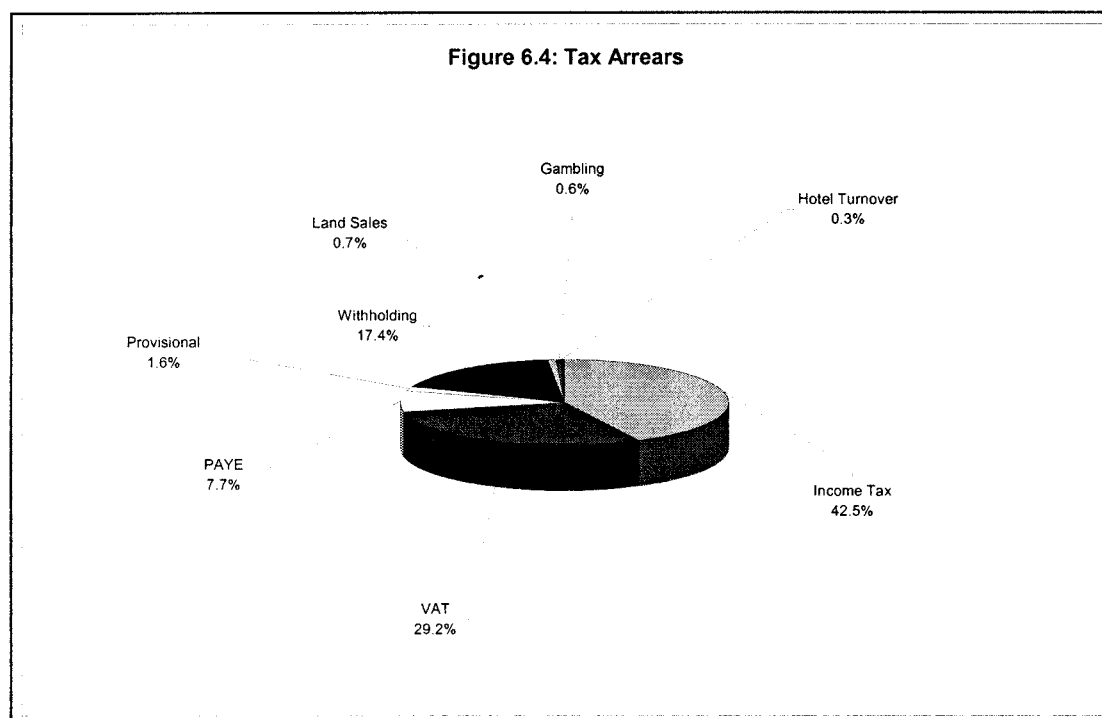
³⁸ FIRCA Act 1998, Section 22 (c)

Tax and VAT Arrears owed per District

Figure 6.3 below illustrates the Income Tax and VAT arrears owed by each respective District in 2009.

**Composition of Tax Arrears**

Income tax and VAT arrears each constitute 43% and 29% respectively of the total tax arrears. Withholding Tax and PAYE constitutes 17% and 8% respectively, while Land Sales, Resident Interest Withholding, Gambling Turnover and Hotel Turnover taxes make up the remaining 3%.



Income tax arrears are owed by individuals on personal income and businesses on their profits. VAT arrears are mainly owed by business entities and VAT registered organisations, including Government Ministries and Departments.

Recommendations

- **A review on the effectiveness and relevance of FIRCA's debt policies and recovery measures is essential in order to manage the substantial arrears of Income Tax and VAT.**
- **FIRCA should design policies and procedures so that all amounts due and payable to the government and VAT refunds outstanding to taxpayers are correctly identified and recorded.**

Ministry's Comments

OAG must also report on the positive trend for Income Tax under this section with reference to Figure 3.(This figure shows the trend in FIRCA arrears by tax type- IRD and VAT and not by District as reported)

FIRCA is implementing best practices with given level of resources and budget for operations when it comes to debt recovery and it can be noted that over the years, the debt level has significantly fallen when compared to the December 2006 levels and this trend must be commended whilst we acknowledge the need for improvement.

Year	2006	2007	2008	2009
FIRCA IRD	\$170.4m	\$105.4m	\$86.3m	\$84.5m

For FIRCA most of the cases are referred to legal for nonpayment prosecution which is held up in the court system and it takes years before a result is provided.

6.6 Non – Submission of Arrears of Revenue Reports

Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Finance.³⁹

Contrary to the above, the following entities failed to submit their arrears of revenue reports as at 31 December 2009 to the Ministry of Finance:

- (1). Communications Department – the balance of \$1,096,944 shown in the Accounts and Finances as at 31/12/09 relates to the 2008 balance as no arrears of revenue report were submitted for 2009. Despite continuous reminders, the Department is yet to submit their arrears report.
- (2). Customs Division – arrears of revenue balances of \$4,170,038 reported in the Accounts and Finances are based on the figures reported by the Division in their 2008 September report.

This issue has also been raised in the FIRCA report on the non – inclusion of Customs arrears of revenue in the agency financial statements. The undisclosed arrears from Customs include customs clearance of goods after working hours (C1's), Short Payment Advices (SPA's) for short paid duties and outstanding outdoor fees for clearance of aircrafts arriving after the normal working hours.

The non – submission of arrears of revenue reports to the Ministry of Finance is due to FIRCA's inability to put together the Customs arrears figures. However, it was revealed that the Customs Division does not have any arrears outstanding as goods are cleared and paid for before being released from the Customs warehouses.

³⁹ Financial Instructions 2005 – Section (50)

The non – inclusion of these arrears results in the understatement of the arrears of revenue balances in the government accounts. As such the reported arrears of revenue balance of \$5.27 million (for both entities) cannot be relied upon as the accurate and true figures as at 31/12/09.

Recommendations

- **The Ministry of Finance should take appropriate action against the entities that fail to submit their arrears reports despite numerous reminders.**
- **Section 50 of the Finance Instruction 2005 should be strictly complied with.**

Ministry's Comments

The Ministry took the initiative to visit the Communications departments and reasons provided by the technical personnel was that there is a serious staff shortage in the department as there were only two technical staffs in the department, thus the difficulty to collate all outstanding data on telecom licenses/arrears due. It was stated that this arrears would be transferred to the new regulatory body TAF. This is also contained in the MOF arrears monitoring report.

Communication Department lacks resources in terms of manpower both on the field and also on the administrative section, department has only 2 officers on the field to inspect the equipment on whether is still operational thus the department cannot write off any of the arrears. Department does not have any accounts officer in terms of reconciling the figures to follow up on the companies.

6.7 Loans to Rewa Rice Limited

Audit noted that the arrears figure for the Rewa Rice Limited (RRL) has been outstanding for over 5 years and has been the same since.

On the 2 September 1985, an agreement was signed where the government lent \$200,000 as a supplementary loan which the company was to pay back to the government together with the interest at the rate of ten dollars and twenty – five cents per annum by 50 equal half – yearly installments of \$11,168.

However, despite several written and verbal reminders, Rewa Rice Limited has not responded since the last payment made in 14 March 1993.

The interest due on the loan amounts to \$225,382. It was noted that RRL is expecting compensation from the government for damages done to their premises by the Army in 1987. They claimed to pay the balance on interest due after the damage costs have been refunded.

This issue has been highlighted in the previous year's report; however, no action has been taken in this matter.

Recommendation

The Ministry of Finance must review the loan policies with RRL and ensure that this matter is resolved appropriately.

Ministry's Comments

We acknowledge the recommendation; however it is also necessary to acknowledge the inability of the company to make repayments. The company is one of those that are under review by the department of Public Enterprise.

6.8 Meteorological Services

The arrears of revenue for the Meteorological Department for the year ending 31 December 2009 amounted to \$4,565,163. This arrears balance has been the same from 2008.

According to Cabinet Decision of 16 August 2005, effective from January 2008, AFL and CAAFI had to reimburse 50% of the aviation costs incurred by the Department.

The AFL refused to pay 50% of the cost indicating that they do not have any control over the expenditures of the Department and will only reimburse \$50,000 per month.

In addition, the Department has failed to bill AFL since April 2008 due to an argument that the VAT portion on the bill would need to be included in their monthly VAT returns. The annual VAT provision is allocated in proportion to their annual budget hence the Department would not be in a position to pay FIRCA this VAT portion due to the non-payment by AFL.

Therefore, AFL had only reimbursed expenditures for 3 months (Jan – March 2008) amounting to \$150,000.

The Department's balance of \$4,565,163 has been carried forward since no other payments have been received from AFL.

If this matter is not resolved, the arrears of revenue for the Department would continue to accumulate and increases the risk of these arrears being irrecoverable.

This matter has been highlighted in the previous years report; however no action has been taken.

Recommendations

The Ministry of Finance should take appropriate action to ensure that the Cabinet Decision of 16/08/2005 is complied with by both AFL and CAAFI.

Ministry's Comments

In our meeting with the Meteorological services in July 2010, we have highlighted the fact that the department must report and highlight this issue to their PS and Minister for actions to be implemented at Ministerial level as oppose to leaving it unattended at departmental level.

MOF has advised the department to inform their permanent secretary on the status of their outstanding arrears with AFL to make it a top priority as this cannot be solved by the department itself.

6.9 Cooperatives – Consumer Loans

As per Accounts and Finances (Appendix 24) the Department of Co-operative's total arrears as at 31 December 2009 amounted to \$175,487. This amount comprises of consumer loans and interest outstanding on various co-operative loans.

Audit of the Consumer – Loans listings noted that the arrears figure shown under the Departments arrears listing has been overstated by the Principle portion of the loan amounting to \$111,381. This principle portion is also reflected as part of the Lending Fund account hence a double posting in the Whole of Government accounts.

Table 6.4 below shows the breakdown of the Principle Loan and interest balances outstanding as at 31/12/09.

TABLE 6.4: ARREARS OF REVENUE OVER 5 YEARS

Account Type	Amount \$
Consumer Loans	111,381
Interest on consumer loans	64,106
Total	175,487

The Ministry of Finance explained that the policy for both the Lending Fund and Arrears of Revenue is still being reviewed by the Ministry.

Double posting such figures in the whole of Government Accounts will not reflect the true financial position of the government for the year end.

Recommendation

The Ministry of Finance should assist the Department in carrying out the necessary reviews for these consumer loans to avoid this double posting in both the Lending Fund and Arrears of Revenue accounts.

Ministry's Comments

Part of the review is seeking Cabinet approval for write off of arrears and MOF had assisted the department in its cabinet paper write up but there has been no reported progress on the presentation of the paper to Cabinet

MOF is working with the Department on a draft cabinet paper to write off the arrears.

6.10 Accounts Receivable (AR) Module

When a customer is invoiced through the Accounts Receivable (AR) module, a sales journal is created⁴⁰, whereby a debtor is added and the respective revenue allocation, entered by the user, is affected in the general ledger. When receipting against an invoice, a payment journal is created⁴¹ which affects cash and the relevant debtors after the AR batch has been processed.

Of the 14 ministries/departments using AR module in FMIS, 7 have outstanding arrears of revenue. These ministries/departments have confirmed that they do not use the AR module to generate arrears of revenue report. Reconciliation are done manually in excel worksheet before submission to Ministry of Finance.

The Ministry of Finance confirmed that some ministries/departments are having problems using AR application on FMIS. The move towards encouraging all ministries/departments to use this application may cause additional problems but all this depends on how well they understand its use and application.

Table 6.5 below illustrates the Ministries/ Departments that use AR Module.

⁴⁰ AR Test Plan created by Ms. Akosita Drova-19 September 2007

⁴¹ AR Test Plan created by Ms. Akosita Drova -19 September 200

TABLE 6.5: DEPARTMENT USING AR MODULE TO GENERATE ARREARS REPORTS

Ministry / Department	Using AR Module to generate Arrears Reports
Public Service Commission	No
Attorney General	No
Bureau of Statistics	No
Government Printing	Yes
ITC Services	Yes
Auditor General	Yes
Police	Yes
Agriculture	Yes
Forestry	No
Fisheries	No
Lands	Yes
Environment	No
Transport	No
Works	Yes

The above indicates that most ministries/departments submit their manual reconciliations without making use of the AR module application. Arrears reports generated could be compared to their manual worksheets.

There is a risk that the quarterly reports submitted to Ministry of Finance may not truly reflect the actual monies owed to government by various ministries/departments.

Recommendations

- **Ministry of Finance should ensure that the Ministries/ Departments listed above make use of the AR Module completely to record all transactions and activities and generate their debtor reports in order to get a true picture of the debts owed.**
- **AR generated reports and returns to be compared with the reconciled amount calculated in excel.**

Ministry's Comments

The initial recommendation from OAG'S office when finalizing the 2008 Accounts resulted in the creation of the Sinking Fund GL as oppose to having one account as Cash account In this case the \$19.9m was funded from Cash Account and the net movements are reflected in the outstanding bank balance at the end of the year 31/12.

It is further suggested that OAG review its recommendation given in 2008 to MOF and reverse the decision from having two accounts and instead work only with JPMorgan Cash as this will avoid confusion and further queries and eliminate claims that Government has 2 bank accounts with JPMorgan. It is the cash account that determines how much Government has to support the 2011 Repayment and not the Liability Account. Government adopts Cash basis accounting. The audit recommendation for a sinking fund was that this was a liability and Government would not use this, however this is not the case as this is just another bank account whereby Government can access it at its discretion.

7.0 EXPENDITURE

7.1 Composition of Total Expenditure in 2009

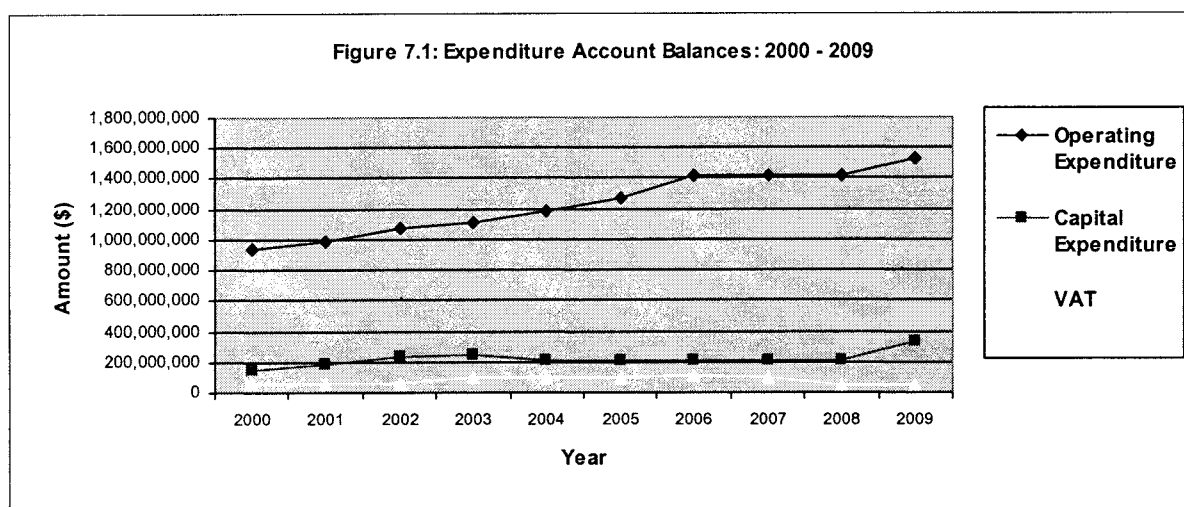
Government spending for the year ending 31st December 2009 totalled \$1,911,402,449 and increase by \$230,912,428 or 14% from 2008.

The total expenditure mix for 2009 was set at 83% and 17% for operating and capital expenditures respectively. Total operating expenditure amounted to \$1,524,815,024 or 80%, capital expenditure totalled \$335,014,525 or 17% and VAT totalled \$51,572,901 or 3%.

Government's operating expenditure for the past years has been increasing at a steady rate. From 2000 to 2009 the operating expenditure increased by \$589.24 million. This expenditure group when compared to 2008 recorded an increment of \$108,515,890 or 8%.

Furthermore, the capital expenditure and VAT payments of government had a fluctuant trend over the past 10 years. Capital expenditure increased in 2008 by \$5,814,900 and continued to increase in 2009 by \$122,266,660. VAT also recorded an increment of more than 0.2%, spending \$51,572,901 in 2009.

A graphical analysis of the Expenditure account components for the past 10 years is summarised in Figure 7.1 below:



The total appropriation increased by \$264.2 million from 2008. Government managed to save \$133.48 million from the revised budget of \$2.04 billion in 2009.

Table 7.1 provides details of savings and excess spending for the past three years.

TABLE 7.1: BUDGET AND EXPENDITURE AT SEG LEVEL FOR THE PAST 3 YEARS

SEG	2009			2008			2007		
	Budget	Actual	Over-Expenditure /(Savings)	Budget	Actual	Over-Expenditure /(Savings)	Budget	Actual	Over-Expenditure /(Savings)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1	540.01	537.26	(2.75)	523.44	508.66	(14.78)	510.25	522.91	12.66
2	60.32	59.96	(0.36)	62.62	56.09	(6.53)	61.21	61.74	0.53
3	20.30	18.42	(1.89)	19.51	17.27	(2.24)	18.97	19.05	0.08

SEG	2009			2008			2007		
	Budget	Actual	Over-Expenditure /(Savings)	Budget	Actual	Over-Expenditure /(Savings)	Budget	Actual	Over-Expenditure /(Savings)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
4	101.92	93.24	(8.69)	85.87	87.15	1.28	88.86	90.09	1.23
5	67.81	67.43	(0.38)	56.75	54.75	(2.0)	52.78	74.51	21.73
6	209.98	202.60	(7.38)	202.89	191.89	(11.0)	181.87	176.98	(4.89)
7	63.87	46.66	(17.20)	46.92	36.97	(9.95)	50.82	43.04	(7.78)
8	178.29	162.63	(15.67)	149.82	116.33	(33.49)	139.33	95.16	(44.17)
9	39.98	40.23	0.25	23.22	17.38	(5.84)	17.05	11.99	(5.06)
10	140.03	132.16	(7.88)	84.43	79.03	(5.4)	117.51	86.54	(30.97)
11	37.63	36.09	(1.53)	38.63	35.53	(3.1)	38.63	35.57	(3.06)
12	523.02	463.15	(59.87)	439.35	427.98	(11.37)	447.22	405.59	(41.63)
13	61.71	51.57	(10.14)	47.27	51.44	4.17	116.7	103.02	(13.68)
Total	2,044.88	1,911.40	(133.48)	1,780.72	1,680.47	(100.25)	1,841.20	1,726.19	(115.01)

The surplus recorded in 2009 was due to the savings made from the following standard expenditure group allocations: Established Staff made a savings of \$2,751,454 (1%), Government Wage Earners \$356,031 (1%), Travel and Communications \$1,889,001 (9%), Maintenance and Operations \$8,686,620 (9%), Purchase of Goods and Services \$383,192 (1%), Operating Grants and Transfers \$7,376,818 (4%), Special Expenditures \$17,201,922 (27%), Capital Constructions \$15,667,304 (9%), Capital Grants and Transfers \$7,875,672 (6%), Pensions, Gratuities and Compassionate Allowance \$1,534,222 (4%), Finance Charge on Public Debt \$59,874,148 (11%) and VAT with a savings of \$10,135,953 (16%).

The Government overspent only in Capital Purchase by \$253,408 (1%).

7.2 Over-Expenditures

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Parliament approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without proper authorisation of the Ministry of Finance, pending approval by Parliament.⁴²

In addition, the Accounting Head or accounts supervisor must not certify a payment correct unless they are satisfied that sufficient uncommitted funds are available for payment of the account.⁴³

The Ministries and Departments that overspent their revised budget as at 31/12/09 are listed in Table 7.2.

TABLE 7.2: EXCESS EXPENDITURE

Ministry/Department	Original Budget \$	Redeployment \$	Revised Budget \$	Actual Expenditure \$	Over Expenditure \$
Department of Information	3,956,000	---	3,956,000	3,977,868	21,868
RFMF	96,840,200	5,200,000	102,040,200	104,424,716	2,384,516
Fiji Police Force	76,381,300	---	76,381,300	85,782,685	9,401,385
Ministry of Health, Women & Social Welfare	179,509,600	-3,000,000	176,509,600	180,784,560	4,274,958

⁴² Finance Instruction 2005 Part 3 Div 1(8)

⁴³ Part 2.8.3(iii) Finance Manual 2005

Ministry/Department	Original Budget \$	Redeployment \$	Revised Budget \$	Actual Expenditure \$	Over Expenditure \$
Ministry of Works & Transport	150,379,100	22,737,500	173,116,600	174,090,037	973,437

TABLE 7.3: EXCESS EXPENDITURE BY SEGs

Department	SEG	Description	Revised Estimate \$	Actual Expenditure \$	Over-expenditure \$
Ministry of Health, Women & Social Welfare	1	Established Staff	70,935,000	72,009,535.57	1,074,535.57
	2	Un-Established Staff	14,741,360	14,982,758.68	241,398.68
	3	Travel & Communication	3,287,000	3,296,804.51	9,804.51
	4	Maintenance & Operations	8,728,275	9,001,339.80	273,064.80
	5	Purchase of Goods & Services	21,430,018	24,800,646.27	3,370,628.27
	8	Capital Construction	5,435,402	5,698,306.56	262,904.56
	9	Capital Purchase	14,755,213	17,268,992.77	2,513,779.77
Fiji Police Force	1	Established Staff	57,668,100	65,857,554.96	8,189,454.96
	2	Un-Established Staff	918,000	1,578,011.83	660,011.83
	5	Purchase of Goods & Services	2,457,450	3,232,541.67	775,091.67
	9	Capital Purchase	2,602,000	2,606,901.70	4,901.70
Ministry of Works & Transport	8	Capital Construction	82,228,083	87,125,864.05	4,897,781.05
Department of Information	2	Un-Established Staff	149,850	185,619.67	35,769.67
RFMF	1	Established Staff	80,877,859	84,033,798.97	3,254,939.97

Fund Accounting was set up to monitor funds availability at the following levels:

- Program and Activity (Appropriation Code)
- Item within all Standard Expenditure Group (SEG), with the exception of SEG 01 (Established Staff) and SEG 02 (Government Wage Earners). Item is the level at which budgets are entered into the General Ledger.

SEGs 01 & 02 are excluded from Fund Accounting as these SEGs cannot be monitored effectively because they involve the payment of salaries and wages through the Payroll system.

The Ministry of Works & Transport and the Ministry of Health, Women & Social Services are not on Fund Accounting. Despite using Fund accounting, the Fiji Police Force still overspent SEG 5 (Purchase of Goods and Services) and SEG 9 (Capital Purchase).

The Accountable Officer should be answerable for allowing payments when there were insufficient uncommitted funds available for payment of the account.

The above also raises questions on the internal controls of the FMIS as it continued to accept postings to the overspent accounts.

The following explanations were provided by the Ministries/Departments that over-spent their revised budgets.

Fiji Police Force:

The increase in Expenditures in SEG 9 could not be explained by the Force. Explanation on the other SEGs are as follows:

- SEG 1 *Established Staff* – increase was due to the absorption of unbudgeted salaries and allowances of 450 PL08 which was part of Police person to post.
- SEG 2 *Unestablished Staff* – was due to the increase in recruitment of contracted staff.
- SEG 5 *Purchase of Goods and Services* – increase was due to procurement of uniforms to provide the 4,397 members, new recruits and those on overseas deployments with 3 pairs of uniforms.

Ministry of Health, Women & Social Welfare:

Increase in expenditure in SEG 1 *Established Staff* was due mainly to the \$3m taken back by MoF thus straining the Budget, as well as the Overtime allowances, arrears of remote allowances for the last 4 to 5 years paid to Nurses and other cadres. There was also an increase in overtime paid to drivers who had to transport Nurses on afternoon and night shift.

SEG 3 *Travel and Communications* increased due to the increase in travelling to remote areas to visit health centers, nursing stations and to conduct awareness workshops. Costs includes subsistence allowance, fuel costs, accommodation and etc. Additionally, there was increase in Telecommunication cost due to the internet and telephone usage during the investigation, laboratory testing and research for non communicable diseases. Maintenance of vehicles was a necessity to be able to safely transport staff, thus contributing to the increase expenses in SEG 4 *Maintenance & Operations*.

Additionally, in SEG 5 *Purchase of Goods and Services*, drugs, Bio medical equipments were the major item purchased. Overspent laboratory budget have been ongoing for the past 10 years and the budget proposal have been increased to accommodate this.

Increase in SEG 7 *Special Expenditure* was due mainly to the Fiji ADOLESCENT Reproductive Health Program which covers all Primary and Secondary schools extensively. Educators had to be paid allowance.

Increase in SEG 8 *Capital Purchase* was because of the purchase of Bio Medical Equipments for urban hospitals, purchase of X-Rays machines and new boiler for Lautoka, Purchase of laundry machines for MoH Institutions, Purchase of CT Scanner for Lautoka and Labasa. Additionally, most of the indents placed in 2008 were received in 2009.

Ministry of Works & Transport:

No explanation received

Department of Information:

No explanation received

Fiji Military Forces:

No explanation received

Recommendations

- The controls in the system should be strengthened and not to accept transactions that will bring the committed expenditure beyond the established Error threshold (100%).
- Further investigation to be carried out with the Fiji Police Force Accounts Section to establish how the over spending occurred despite the system controls.
- Officers found guilty of manipulating the system should be disciplined.

Ministry's Comments

No comments received

7.3 Authorisation of Virements

Chief Executive Officers of agencies, other than parliamentary bodies, may authorise the transfer of funds:

- out from SEG 1 and 2 but shall not transfer funds into SEGs 1 and 2,
- the Operating SEGs (SEGs 1,2,3,4,5,6 or 7) to the capital SEGs (SEGs 8,9,10) but not from capital to operating or capital to capital.⁴⁴

The Chief Executive Officer for Finance except parliamentary bodies may authorise the transfer of the following budgeted funds in respect of all agencies:

- within each of SEGs 1 or 2 or from SEG 1 into SEG 2 or vice versa,
- Within each of the capital SEGs (SEGs 8, 9 or 10) or from SEG 8 into either SEGs 8, 9 or 10 or vice versa as the case may be.⁴⁵

A parliamentary body is defined in the Financial Management Act as:

- The Office of the Auditor General, including staff of or attached to the office,
- The Human Rights Commission, including staff of or attached to the office,
- The Office of the Ombudsman, including staff of or attached to the office,
- The Office of the Secretary General to the Parliament, including staff of or attached to the office.

Contrary to the above regulations, audit noted that some virements were approved in 2009. Refer to *Appendix 3* for details.

Continuation of transfers of funds from Capital to Operating Fund restricts Capital Projects from successful completion within the anticipated timeframe and allocated budget. Likewise, virement into SEGs 1 and 2 may indicate that new position might have been created.

This reflects on the poor budgeting process of the Ministries and Departments in estimating anticipated expenditure thus putting pressure on the Ministry of Finance in recommending the approval of such transfers as committed expenditure will have to be paid.

Recommendations

- **Financial (amended) Instruction 2006 should be adhered to.**
- **Ministries/departments budget submission to be reviewed to accommodate unforeseen expenses to avoid virements of funds from the Capital Allocation.**

Ministry's Comments

No comments received

7.4 Virements Accepted After Closing Date

Permanent Secretaries must ensure that all virement warrants are submitted to the Budget Division of the Ministry of Finance no later than 8th January 2010 for approval and then to FMIS by 15th January

⁴⁴ Part 3(1)a & 3(1)c of Legal Notice No. 10 of 10/03/2006 Financial (Amended) Instruction 2006

⁴⁵ Part 3(2)a & 3(2)b of Legal Notice No. 10 of 10/03/2006 Financial (Amended) Instruction 2006

2010 for processing. Virements will not be accepted at Budget and FMIS after those respective dates.⁴⁶

Notwithstanding the clear instructions on the deadline for Virement Warrants, audit noted that the Ministry of Finance still approved virements from Budget and FMIS after the closing date of 15 January 2010.

Table 7.4 provides the details of virement warrants accepted and processed after 15 January 2010.

TABLE 7.4: EXCESS EXPENDITURE BY SEGS

Virement No.	Ministry/Department	Date of approval – Budget Section	Date of approval – FMIS Section	Amount \$
V41021	Ministry of Public Utilities & Energy	09/02/2010	11/02/2010	210,560
V41022	Ministry of Public Utilities & Energy	09/02/2010	11/02/2010	6,680,600
V41023	Ministry of Public Utilities & Energy	09/02/2010	11/02/2010	71,050
V41024	Ministry of Public Utilities & Energy	09/02/2010	11/02/2010	7,360
V50029	Miscellaneous Services – Ministry of Finance	16/02/2010	17/02/2010	2,117,200
V50030	Miscellaneous Services – Ministry of Finance	16/02/2010	17/02/2010	1,725,603

This reflects the laxity of the Ministries in forwarding virements before due date and the leniency of the Ministry of Finance in allowing virements of other Departments and Ministry's to be processed defeating the directives of the Ministry's own Circular.

Continuation of such practices exposes the Ministry to abuse as other ministries and departments can take advantage of the fact that late submissions will still be processed.

Recommendation

The Ministry should adhere to its own directives and should not entertain late requests for virements.

Ministry's Comments

No comments received

7.5 Unauthorised Utilisation of Funds under Requisition

Expenditure must not be incurred on an item that is noted as "Requisition to Incur Expenditure" until written approval has been obtained from the Ministry of Finance.⁴⁷

Audit noted that Ministry of Agriculture had incurred expenses for the Sigatoka Valley Development Programme (SVDP) without seeking prior approval of the Ministry of Finance as it was under Requisition. The Program had a total Budget allocation of \$1,000,000 which was divided between two accounts of 1-30202-30201-080701 and 1-30202-30102-080701 with a budget of \$970,000 and \$30,000 respectively.

The Ministry of Agriculture only requested the release of funds totalling \$460,325 as tabulated below.

⁴⁶ Part 9.1 Finance Circular 15/2009 2009 Closing of Accounts Procedure issued on the 04/11/2009

⁴⁷ Part 2.1.9 of the 2005 Financial Manual

TABLE 7.5: DETAILS OF EXPENDITURE FOR SVDP

Details	Amount \$	Totals \$
Appropriated Provision in the Budget		
- Valley Improvement Programme [1-30202-30102-080701]	30,000	
- Valley Improvement Programme [1-30202-30201-080701]	970,000	1,000,000
Less RIE's		
RIE # 35/09 of 26/01/2009		(60,325)
RIE # 639/09 of 01/09/2009		(400,000)
Total Appropriated Provision authorised to be utilised		460,325
Total Actual Expenditure as at 31/12/2009		(664,247)
Unauthorised Expenditure		203,922
Appropriated Provision to be remaining as at 31/12/2009		539,675

The Ministry of Agriculture has incurred expenditure totalling \$664,247 against the approved budget of \$460,325, resulting in an over-expenditure of \$203,922. There was no evidence of any further requisition.

According to the FMIS Section, all budgeted funds under Requisition are loaded into Period 12 and once the RIE's are approved from the Budget Section, funds are then transferred to the current period [period it was approved]. The balance of the budgeted funds will remain in period 12 until the next requisition is approved.

This treatment of funds under Requisition exposes the remaining balances to exploitation in Period 12 as this period is still within the financial year and is accessible by the Ministries and Departments.

In the absence of stringent system controls of funds under Requisition, the Government will be inclined to incur additional unauthorised expenditure. The capability of the FMIS is questionable in this regard.

Recommendations

- The FMIS section should tighten the controls of funds under Requisition and load all budgeted funds under Requisition to Period 14.
- Stringent measures to restrict unauthorised utilisation of funds should be placed in the system.
- FMIS to be vigilant in their monitoring role and ensure reconciliations are thoroughly checked for such incidents.
- Officers who ignore the requirements of the Finance Manual and authorised the extra payments should be disciplined.

Ministry's Comments

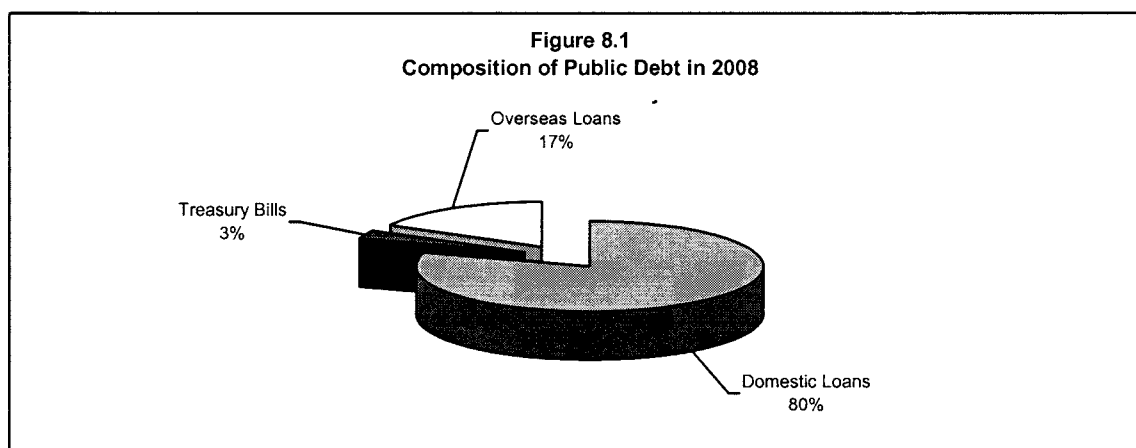
All amounts under 'R' in the budget have now been loaded to period 14 and only be transferred to the current month after the approval of the RIE by budget division,

FMIS only involves in the compilation of data in the system and not on the reconciliations of expenditure.

8.0 BORROWING FUND

The Minister for Finance is authorised under Section 59 of the Finance Management Act, 2004 to raise locally or from abroad loans, overdrafts or short term advances for the purposes of the Government. These loans and advances are recorded in the accounts as receipts from government borrowings.

Public debt in 2009 totalled \$3,130,061,918 and comprised of domestic loans of \$2,505,092,150 or 80% of total debt; overseas loans of \$527,248,475 or 17%; and Treasury Bills \$97,721,294 or 3%. These are illustrated in Figure 8.1.



The government also receives short term advances from the Reserve Bank of Fiji (RBF) referred to as Ways and Means. The advances are raised to meet immediate cash needs of government and are cleared within a day. During the year, government borrowed a sum of \$152,000,000 from RBF through this facility and all were cleared within the year.

8.1 Trends in Government Borrowing by Category

The total Government borrowings outstanding at the end of the year and the composition over the last 15 years is summarised in Table 8.1.

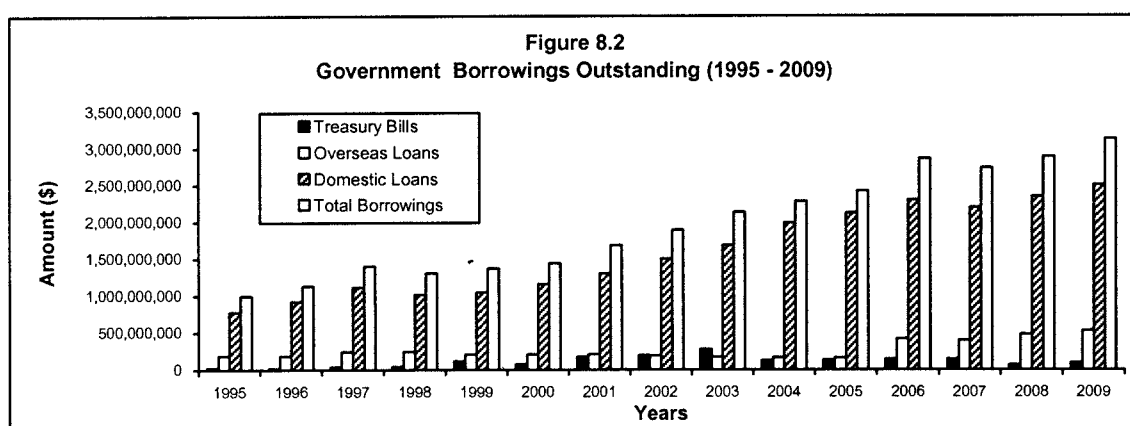
TABLE 8.1: GOVERNMENT OUTSTANDING BORROWINGS (1995 – 2009)

Year	Domestic Bond \$	% of Total Borrowing	Treasury Bills \$	% of Total	Overseas Loan \$	% of Total Borrowing	Total \$
1995	780,223,793	78	27,018,653	3	188,292,993	19	995,535,439
1996	922,468,507	81	20,232,908	2	187,526,025	17	1,130,227,440
1997	1,115,092,450	80	40,527,802	3	243,748,816	17	1,399,369,068
1998	1,016,273,250	78	43,790,072	3	245,557,713	19	1,305,621,035
1999	1,046,595,650	76	117,231,671	9	206,036,450	15	1,369,863,771
2000	1,158,595,650	81	72,449,838	5	207,697,167	14	1,438,742,655
2001	1,302,595,650	77	176,604,613	10	206,889,315	12	1,686,089,578
2002	1,501,095,650	80	196,432,453	10	193,505,879	10	1,891,033,982
2003	1,682,718,650	79	276,925,838	13	174,125,752	8	2,133,770,240
2004	1,986,515,650	87	126,987,822	6	168,665,379	7	2,282,168,851
2005	2,121,422,650	87	136,018,387	6	164,050,924	7	2,421,491,962
2006	2,300,672,650	80	141,311,687	5	416,729,200	15	2,858,713,537

Year	Domestic Bond \$	% of Total Borrowing	Treasury Bills \$	% of Total	Overseas Loan \$	% of Total Borrowing	Total \$
2007	2,196,208,150	80	141,160,433	5	397,103,384	15	2,734,471,967
2008	2,346,258,150	82	64,552,990	2	475,994,415	16	2,886,805,555
2009	2,505,092,150	80	97,721,294	3	527,248,475	17	3,130,061,918

Government bonds mature between 3 to 20 years whilst the term of Treasury Bills ranges between 14 days to 246 days.

Over the last 15 years overseas loans constituted on average 14% of the borrowings. A graphical representation of the outstanding government borrowings position is provided in Figure 8.2.



Government borrowings have increased by 8% compared to the year 2008, surpassing to three billion dollars. This is due to the increase in the issue of local bonds in 2009 as well as the treasury bills and the loans received from overseas creditors.

Figure 8.3 shows the relationship between actual revenues and expenditures over the last 15 years.

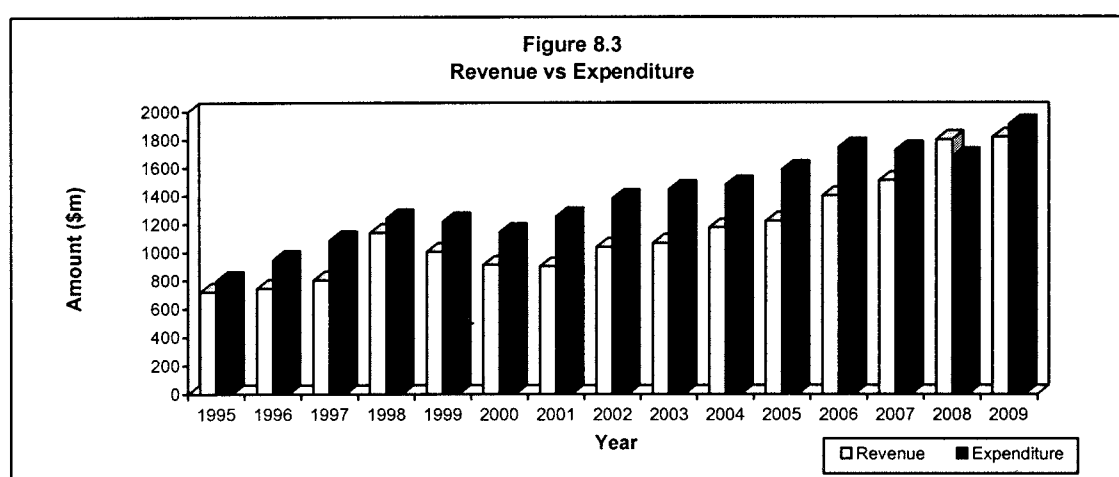
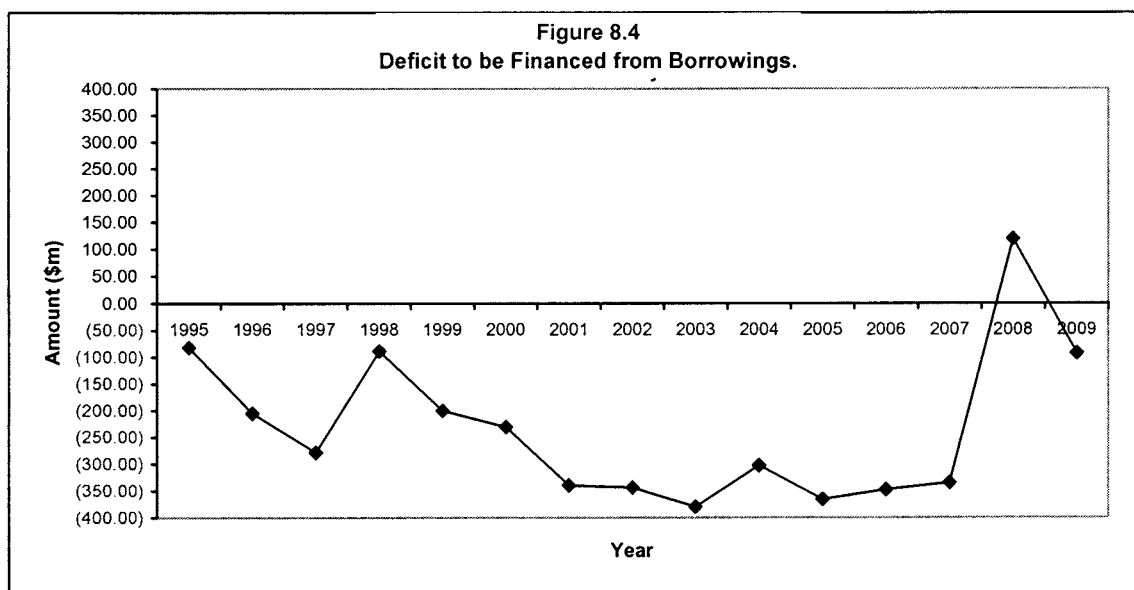


Figure 8.3 reveals that government expenditure has exceeded revenue in 2009. The excess of government expenditure over revenue is reflected in Figure 8.4.



The deficit of \$93.2million is attributed to a larger increase in government expenditure (14%) compared to a percentage point increase in revenue.

8.2 Borrowings over the 15 Year Period

The composition of the Government's borrowings over the last 15 years is summarised in Table 8.2.

TABLE 8.2: ADDITIONAL BORROWINGS PER YEAR 1995 – 2009

Year	Domestic Bonds		Overseas Loans		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
1995	101,000.0	(39)	22,084.8	(31)	27,018.7	(58)	150,103.5	(42)
1996	193,000.0	91	17,531.3	(21)	20,232.9	(25)	230,764.2	54
1997	262,303.0	36	9,140.9	(48)	40,527.8	100	311,971.7	35
1998	105,700.5	(60)	14,117.6	54	43,790.1	8	163,608.2	(48)
1999	186,000.0	76	6,171.5	(56)	117,231.7	168	309,403.2	89
2000	210,002.4	13	14,997.6	143	72,449.8	(38)	297,449.8	(4)
2001	229,000.9	9	10,247.0	(32)	176,604.6	144	415,852.5	40
2002	299,000.0	31	26,196.7	156	196,432.5	11	521,629.2	25
2003	291,000.0	(3)	28,745.3	10	276,925.8	41	596,671.1	14
2004	449,200.0	54	9,267.7	(68)	126,987.8	(54)	585,455.5	(2)
2005	319,965.0	(29)	8,641.3	(7)	136,018.4	7	464,624.7	(21)
2006	356,750.0	11	283,258.7	3178	141,311.7	4	781,320.4	68
2007	100,527.5	(71)	18,326.5	(93)	141,160.4	(0.1)	260,014.4	(66)
2008	341,260.0	239	4,381.7	(76)	64,553.0	(54)	410,194.7	57.8
2009	404,239.00	18	1,150.00	(74)	97,721.30	51	503,110.30	23

The Government's financing needs were largely met from domestic borrowings. Government cash borrowings in 2009 totalled \$503,110,276 of which \$404,239,000 or 80.35% was through domestic bonds, \$97,721,294 or 19.4% being treasury bills and \$ 1,149,982 or 0.2% in overseas loans.

In addition to this, \$24.3 million of new overseas loans were capitalised to finance projects that were not in cash or did not come through the government central account.

This includes the \$15.7 million worth of in-kind (goods and services) loan in respect of the e-government project and \$1.45 million of interest capitalised in respect of the Suva/Nausori Water Supply project.

Also, \$7.1 million of loan were capitalised for the Fiji Road Upgrading Project III (FRUP) that were directly disbursed to the contractors of the project the Asian Development Bank (ADB).

8.3 Loan Repayments

There is an annual obligation for the Government of Fiji to redeem the loans which become due for payment. The terms and conditions of the loans are stipulated in the loan agreements between the Government of Fiji and the lending agency.

The repayment of the loans of the Government of Fiji over the past 15 years is represented in Table 8.3:

TABLE 8.3: REPAYMENT OF LOANS PER YEAR 1995 – 2009

Year	Domestic Bonds		Overseas Loans		Treasury Bills	
	Principal \$	Interest \$	Principal \$	Interest \$	Principal \$	Interest \$
1995	47,684,523	68,931,138	26,166,844	13,582,512	189,642,084	1,757,916
1996	43,453,857	72,909,133	19,669,542	11,170,572	113,737,876	1,462,124
1997	61,307,457	87,911,269	15,760,301	10,184,128	86,666,545	1,233,455
1998	225,991,847	99,232,714	24,273,114	12,209,299	397,939,413	2,163,843
1999	152,913,211	82,728,811	36,130,378	12,958,164	280,400,000	1,440,656
2000	84,500,000	81,846,108	33,342,934	11,404,967	173,910,978	2,505,365
2001	87,000,000	88,493,634	20,294,173	9,755,046	320,504,093	2,207,889
2002	100,500,000	95,284,124	20,772,240	9,297,644	417,637,927	2,362,073
2003	109,377,000	101,997,794	16,265,941	7,150,813	500,141,175	2,597,656
2004	145,403,000	108,597,234	11,173,546	6,114,485	339,194,733	4,310,352
2005	185,058,000	120,220,533	12,721,412	5,473,517	317,920,558	2,392,788
2006	177,500,000	129,455,783	13,459,979	5,737,600	523,422,114	5,746,278
2007	204,992,000	148,023,033	17,126,498	22,201,747	686,040,488	10,514,012
2008	191,210,000	147,383,717	12,473,769	20,787,406	468,333,380	566,620
2009	245,405,000	165,287,007	21,211,637	24,410,365	220,653,349	1,971,651

Principal payments for 2009 on government borrowings totalled \$487,269,986 whilst interest payments amounted to \$191,669,023.

TABLE 8.4: LOANS AND INTEREST REPAYMENTS IN 2009

Description	Principal Repayment \$	Interest Repayment \$
Domestic Bonds	245,405,000	165,287,007
Overseas Loans	21,211,637	24,410,365
Treasury Bills	220,653,349	1,971,651
Total	487,269,986	191,669,023

The interest on domestic loans for 2009 was \$165,287,007 compared to \$24,410,365 for overseas loans and \$1,971,651 for treasury bills. The interest rate on domestic borrowings ranges from 2% to 13.6% whilst interest rates for overseas loans range from 1% to 10.25%.

8.4 Domestic Loans

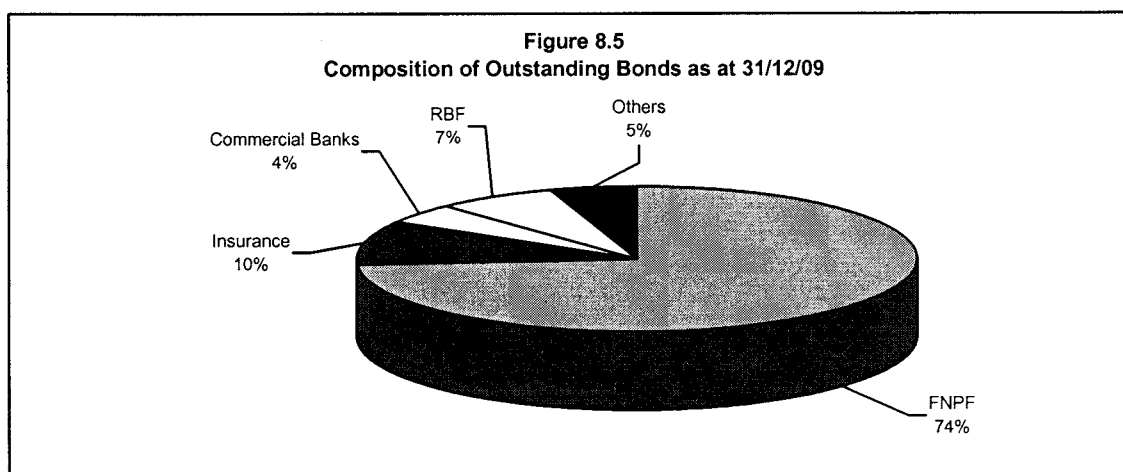
The total domestic loans as at 31/12/09 stood at \$2,505,092,150 and this accounts for 80% of the total Government borrowings. Table 8.5 shows the amounts that are owed by the government of Fiji to bond holders.

TABLE 8.5: COMPOSITION OF OUTSTANDING GOVERNMENT BONDS

Bond Holder	Amount \$	% of Outstanding Debt
FNPF	1,850,331,300	73.9
Insurance	243,972,900	9.7
Commercial Banks	111,012,000	4.4
RBF	174,239,900	7.0
Trust Fund	23,735,000	0.9
Unit Trust of Fiji	24,322,400	1.0
Credit Corporation	1,500,000	0.1
Home Finance	11,740,000	0.5
Merchant Finance & Investment Ltd	6,500,000	0.3
Others	57,738,650	2.3
Total	2,505,092,150	100.0

Fiji National Provident Fund held 73.9% of the bonds totalling \$1,850,331,300 as at 31/12/09; Insurance Companies 9.7%; Commercial Banks 4.4%; RBF 7%; the remaining 5% of the bonds are held by Trust Fund, Unit Trust of Fiji, Merchant Bank of Fiji, Credit Corporation, Home Finance and others.

The composition of outstanding government bonds is shown in Figure 8.5.

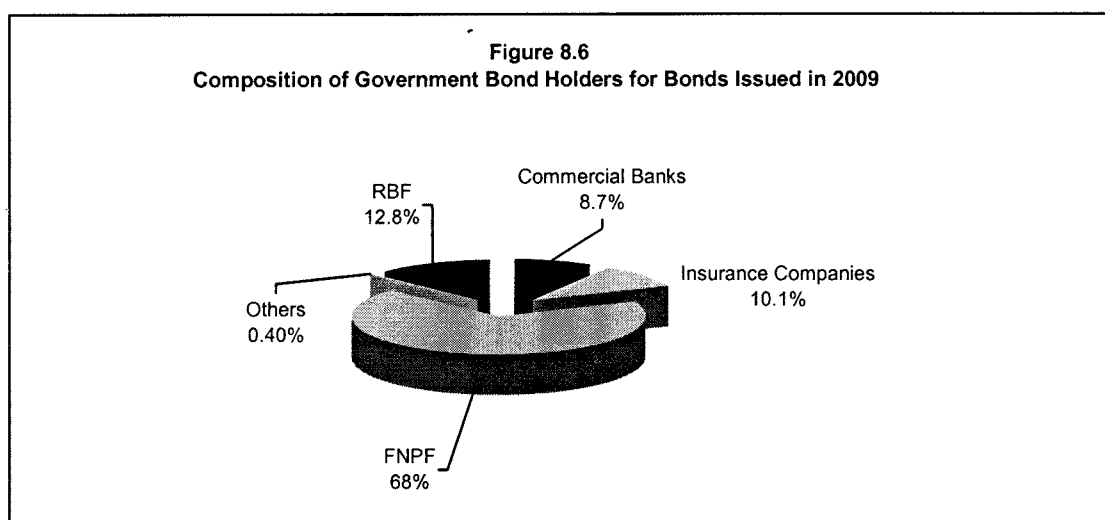


During the year the Government had borrowed \$404,239,000 through the issue of domestic bonds to the public. Table 8.6 shows the holders of these bonds.

TABLE 8.6: BONDS PURCHASED IN 2009

Summary of Bondholders	Amount (\$)
Commercial Banks	35,200,000
FNPF	275,070,000
Insurance Companies	40,867,500
Reserve Bank of Fiji	51,583,000
Others	1,608,500
Total	404,329,000

A total of \$275,070,000 or 68% of the Government bonds issued in 2009 were purchased by the FNPF, 10% by insurance companies, 9% by the commercial banks, 13% by the Reserve Bank of Fiji whilst less than a percent was purchased by individuals, trusts, Home Finance Company and others. This is reflected in Figure 8.6.



8.5 Outstanding Domestic Loans & Interest Payments

Details of outstanding loans over the past 15 years with the total interest paid and its budgetary provision is shown in Table 8.7. Interest payments on bonds are made every six months.

TABLE 8.7: DOMESTIC LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISIONS

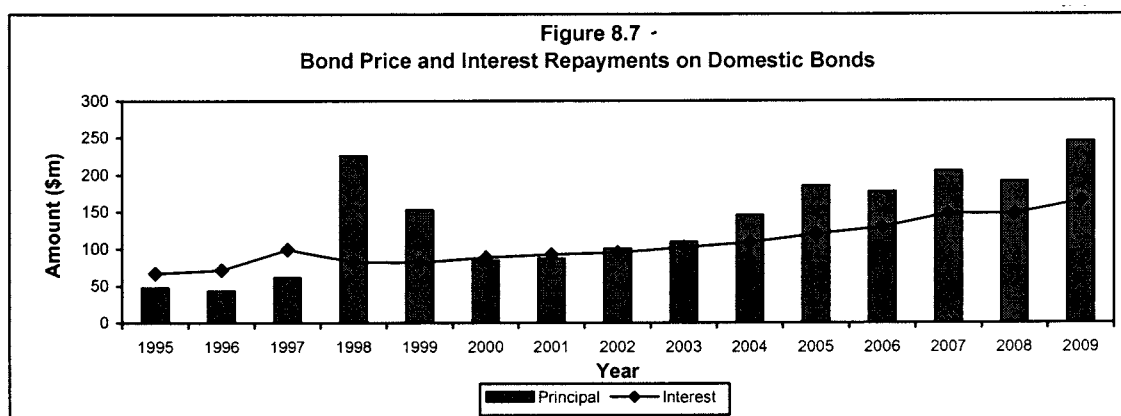
Year	Domestic Loans \$m	% Increase / (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1995	780.2	7	67.2	20	67.6	0.4
1996	922.5	18	71.4	6	70.8	(0.6)
1997	1,115.1	21	87.9	23	88.0	0.1
1998	1,016.3	(9)	99.2	13	100.3	1.1
1999	1,046.6	3	82.8	(17)	98.5	15.7
2000	1,158.6	11	81.8	(1)	85.2	3.4

Year	Domestic Loans \$m	% Increase /(Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
2001	1,302.6	12	88.3	8	92.7	4.4
2002	1,501.1	15	95.3	8	102.0	6.7
2003	1,682.7	12	102.0	7	110.0	8.0
2004	1,986.5	18	108.6	6	121.5	12.9
2005	2,121.4	7	120.2	11	124.0	3.8
2006	2,300.7	8	129.5	8	127.7	(1.8)
2007	2,196.2	(5)	148.0	14	148.2	0.2
2008	2,346.3	7	147.4	(0.4)	151.4	4.0
2009	2,505.1	7	165.3	12	156.7	(8.6)

With the exception of 1998 and 2007, total outstanding domestic loans have been increasing every year. The new loans obtained by the Government on an annual basis have led to an increase in the interest expense.

The Government had allocated \$156,666,700 in the 2009 budget for interest payments. However, actual interest payments for the year totalled \$165,287,007 resulting in an over-expenditure of \$8,620,307.

The interest expense and the principal repayments over the past 15 years are shown in Figure 8.7. It was noted that 76 domestic bonds were redeemed/repaid in 2009 resulting in bond redemptions exceeding the interest payments during the year.



8.6 Future Debt Obligations

The principal component of Government borrowings are domestic loans which mostly comprises of Fiji Development Loans (Government Bonds).

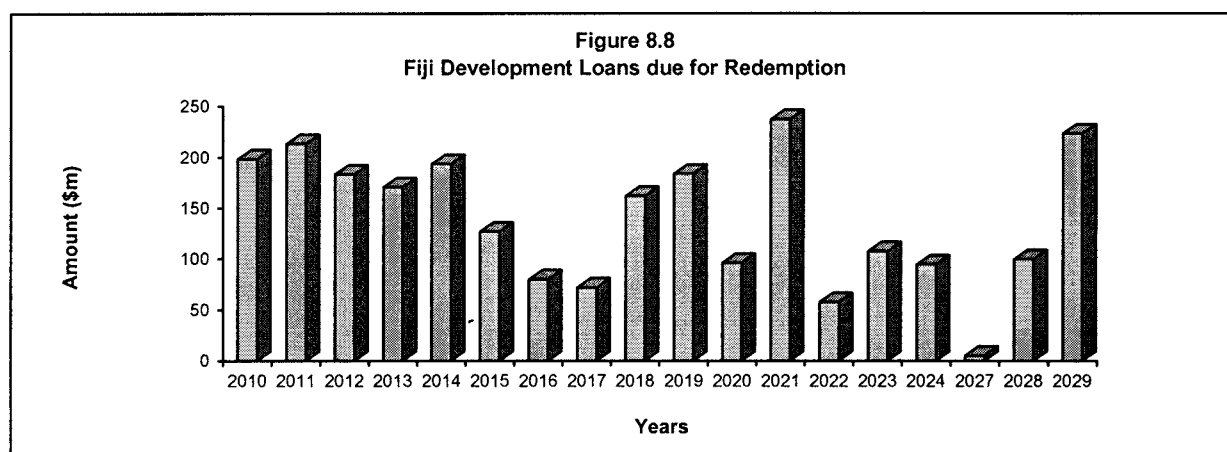
Table 8.8 reflects the redemption schedule of these loans. For the year ending 31 December 2010, a total of \$198,545,650 of Fiji Development Loans (Government Bonds) will be redeemed.

TABLE 8.8: FIJI DEVELOPMENT LOANS REDEMPTION SCHEDULE

Year Fully Redeemed	No. of Loans	Amount \$
2010	71	198,545,650
2011	54	213,380,000

Year Fully Redeemed	No. of Loans	Amount \$
2012	62	183,248,000
2013	43	170,668,000
2014	48	193,620,000
2015	37	126,935,000
2016	28	79,805,000
2017	24	71,800,000
2018	35	161,970,000
2019	41	183,900,000
2020	25	96,080,000
2021	30	237,465,000
2022	8	57,447,500
2023	15	107,615,000
2024	25	94,500,000
2027	1	5,100,000
2028	15	99,572,000
2029	31	223,441,000
Total	593	2,505,092,150

A graphical representation of the government outstanding debt that will be payable in the future years is shown in Figure 8.8.

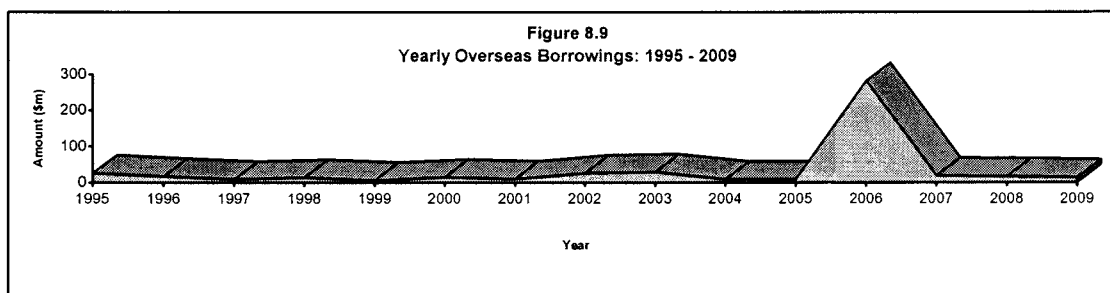


8.7 Overseas Loans

The overseas borrowing of Government as at 31 December 2009 was \$527,248,475 which represents 17% of total borrowings. Most of the overseas loans were obtained to finance capital projects.

8.8 Yearly Overseas Borrowings

Figure 8.9 shows the trend of the yearly overseas borrowings over the past 15 years.



The Government had borrowed \$25,476,834 in 2009 whilst loan repayments totalling \$45,622,002 were made comprising \$24,410,365 interest and \$21,211,637 principal.

Of the \$45.6 million payment for overseas debt servicing, \$5.7 million comprised of loans that were paid in advance as at 31/12/09. Refer to Table 8.9 below for details:

TABLE 8.9: PREPAID OVERSEAS LOANS - 2009

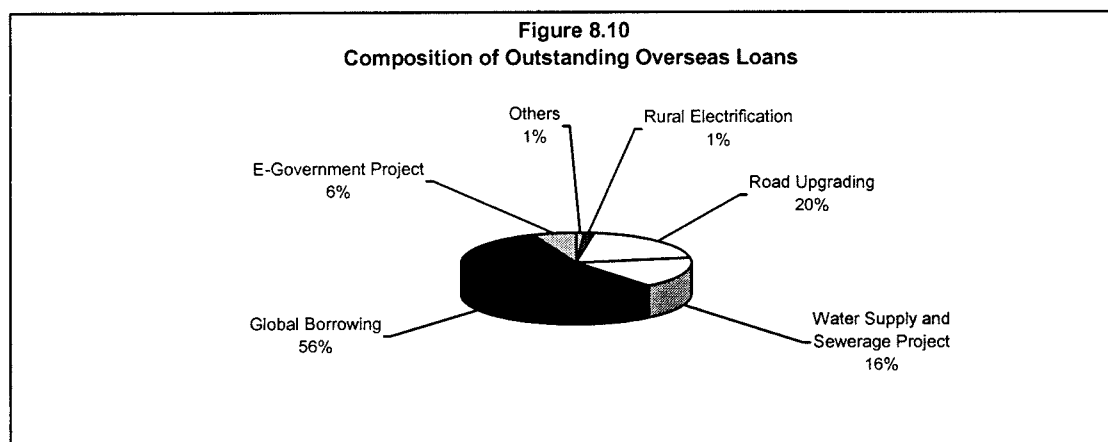
Loan	Amount	
	Principal \$	Interest \$
Outer Island Jetties	1,336,560	6,683
Regional Telecommunications Network	538,208	2,691
Netherland Investment	845,548	7,066
French Treasury Loan	2,922,827	35,177
Total	5,643,143	51,617

In addition to this, the details of additional funds obtained by the Government under the existing loan agreements are as follows.

TABLE 8.10: OVERSEAS LOAN DISBURSEMENTS - 2009

Loan	Cash \$	Capitalisation of Interest \$	Direct Disbursement \$	In-kind \$	Total \$
ADB Suva/Nausori Water Supply & Sewage Project	---	1,447,170	6,088,461	---	7,535,631
Fiji Road Up-Grading (FRUP) Loan III	1,149,982	---	1,044,500	---	2,194,482
E-Government Project	---	---	---	15,746,720	15,746,720
Total	1,149,982	1,447,170	7,132,961	15,746,720	25,476,833

- (a) Loans in relation to the Road Upgrading Project comprised 20% or \$106.8 million of the total outstanding overseas loans. The funds obtained for this project were to be used in improving the efficiency of the road sector through road upgrading and rehabilitation, and the management of road assets and sector resources.
- (b) Loans for Water Supply Projects, namely, the Nadi/Lautoka Regional Water Supply and Suva/Nausori Water Supply & Sewage accounted for 16 % or \$86.5 million of the total loans, which were mainly used for improving the water supply services. The composition of the overseas loans is illustrated in Figure 8.10.



- (c) Rural Electrification Programme had outstanding loans of \$6 million or 1% of the overseas loans as at 31/12/09. Under this project, 10% of the cost is met by the community and the balance is met by the government.
- (d) E-government Project had an outstanding balance of \$32 million or 6% of the overseas loans as at 31/12/09. The project is being implemented with Ministry of Communications (ITC) of US\$20 million with disbursements being in form of goods, technology and services to be purchased from China.
- (e) Fiji Government Global Borrowing had outstanding balance of \$289.3 million or 55% of the overseas loans as at 31/12/09. This loan was raised through the issue of bonds in the international market facilitated by the RBF and agent JP Morgan.
- (f) Other loans totalled to \$6.5 million or 1% of the overseas loans outstanding as at 31/12/09 comprised of loans obtained for the construction airstrips, development loans, namely the Native Land Development Corporation loan, the investment & export development loan and Alternative Livelihood Project (ALP) loan. Nonetheless, the ALP facilitated through the Ministry of Agriculture has been terminated due to concern over the increase in debt.

8.9 Overseas Loans Outstanding & Interest Paid

Table 8.11 provides details on the overseas loans outstanding over the past 15 years with the total interest paid each year.

TABLE 8.11: OVERSEAS LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISION

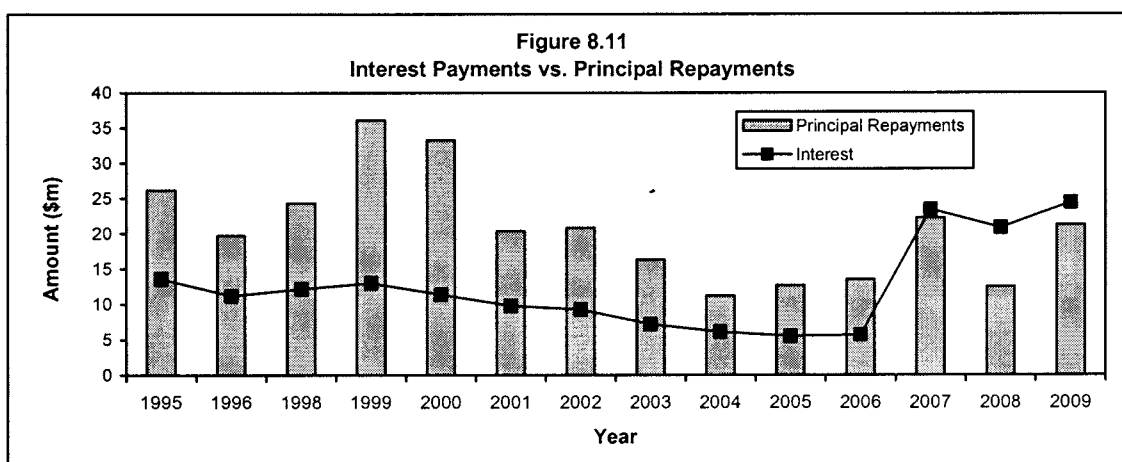
Year	Overseas Loans \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1995	188.3	1	13.6	2.0	15.4	1.8
1996	187.5	0	11.2	(17.6)	16.1	4.9
1997	243.8	30	10.2	(9)	12.9	2.7
1998	245.6	1	12.2	19.6	17.8	5.6
1999	206.0	(16)	13.0	7	16.9	3.9
2000	207.7	1	11.4	(12.0)	13.2	1.8
2001	206.9	0	9.8	14	10.6	0.8
2002	193.5	(6)	9.3	(5)	10.0	0.7
2003	174.1	(10)	7.2	(23)	9.4	2.2

Year	Overseas Loans \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
2004	168.7	(3)	6.1	(15)	7.0	0.9
2005	164.1	(3)	5.5	(10)	6.7	1.2
2006	416.7	154	5.7	4	6.4	0.7
2007	397.1	(5)	22.2	289	23.4	1.2
2008	476.0	20	20.8	(6.3)	24.8	4
2009	527.2	11	24.4	17	29.1	4.7

In 2009 the outstanding overseas loans increased by 11% compared to 2008.

A sum of \$27,266,000 was provided in the 2009 budget for interest expense on overseas loans. A virement of \$1,813,193 was made into the interest expense account increasing the overseas interest expenditure to \$29,079,193. The virement was made from the overseas principal repayment of loans where \$52.7 million was budgeted for sinking fund refinancing.

Interest payments on overseas loans during the year totalled \$24,410,365 resulting in a saving of \$4,668,828. The principal and interest payments are illustrated in Figure 8.11.



8.10 Revaluation of Overseas Loans

Overseas loans are revalued each year by the RBF using the exchange rate as at 31/12/09. Table 8.12 outlines the amounts attributed to overseas loans due to revaluation over a 15 year period. These in turn has an effect on public debt i.e. an increased revaluation increases the debt and vice versa.

TABLE 8.12: REVALUATION OF OVERSEAS LOANS & EXCHANGE GAINS/LOSS

Year	Revaluation Increase/(Decrease) \$	Overseas Loans \$	Exchange (Gain)/Loss as a % of Overseas Loans
1993	3,944,772	188,807,050	2
1994	10,606,630	187,132,643	6
1995	5,242,345	188,292,993	3
1996	5,533,671	187,526,025	3
1997	62,842,240	243,748,816	26

Year	Revaluation Increase/(Decrease) \$	Overseas Loans \$	Exchange (Gain)/Loss as a % of Overseas Loans
1998	11,964,370	245,557,713	5
1999	9,068,963	206,036,450	4
2000	(19,589,702)	207,697,167	(9)
2001	(9,239,298)	206,889,315	(4)
2002	(18,905,125)	193,505,881	- (10)
2003	(31,859,534)	174,125,752	(18)
2004	(3,554,545)	168,665,379	(2)
2005	(534,342)	164,050,924	(0.3)
2006	(17,120,505)	416,729,200	(4.1)
2007	(21,844,864)	397,103,384	(5.5)
2008	70,352,312	475,994,415	15
2009	46,988,862	527,248,475	9

An upward revaluation of \$46,988,862 or 9% of the overseas loans was noted for 2009, the third largest revaluation in loan as a result of exchange rate movement in the 15 year period.

8.11 Treasury Bills

The Government through the RBF floats treasury bills to raise funds in the domestic market to meet its short term needs.

Treasury bills are sold at a discount on face value of which the investor will receive face value upon maturity.

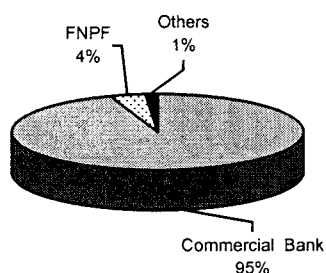
During the year the government raised \$257,880,000 in treasury bills of which \$253,821,652 constituted net borrowings by the government whilst \$4,058,348 represented discount, as summarised in Table 8.13. Treasury bills raised in 2008 and matured in 2009 amounted to \$64,700,000 of which \$147,010 relate to interest.

TABLE 8.13: TREASURY BILL HOLDERS FOR BILLS ISSUED IN 2009

Bank	Face Value \$	%	Discount \$	%	Net Receipts \$	%
Commercial Banks	240,537,237	95	3,625,263	89	244,162,500	95
FNPF	9,739,889	4	260,111	7	10,000,000	4
Others	3,544,526	1	172,974	4	3,717,500	1
Total	253,821,652	100	4,058,348	100	257,880,000	100

It was noted that 95% of the treasury bills raised were purchased by commercial banks and 4% by FNPF.

Figure 8.12
Composition of Treasury Bills Borrowing 2009

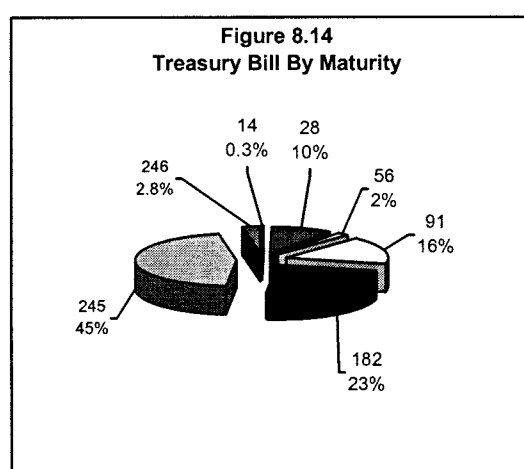
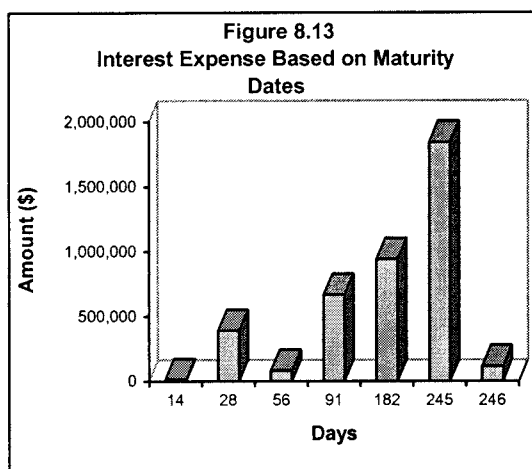


The treasury bills, which are issued by the Government through the RBF, have a maturity period of 14 to 246 days. Table 8.14 details the total Treasury bills that were raised in 2009 together with their maturity dates and interest.

TABLE 8.14: MATURITY OF TREASURY BILLS ISSUED IN 2009

Maturity in Days	Treasury Bill Cost \$	Interest \$	Face value \$
14	7,287,422	12,578	7,300,000
28	127,699,148	393,352	128,092,500
56	11,018,185	81,815	11,100,000
91	39,183,509	668,991	39,852,500
182	29,357,463	942,537	30,300,000
245	34,291,356	1,843,644	36,135,000
246	4,984,570	115,430	5,100,000
Total	253,821,653	4,058,347	257,880,000

The amount raised by the government through Treasury bills with varying maturity dates were bought largely by the Commercial Banks and FNPf as reflected in the pie chart. The interest expense has been fluctuating as the maturity date increases as shown in Figure 8.13 and 8.14.



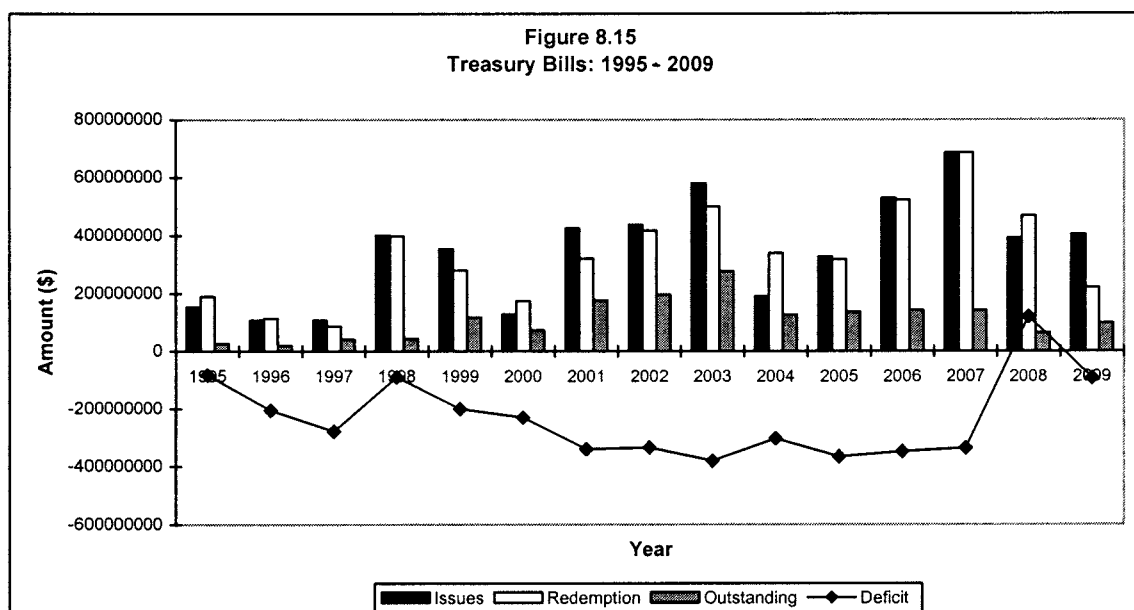
8.12 Treasury Bills Over a 15-year Period

Treasury bills issued and redeemed over the last 15 years is summarised in Table 8.15.

TABLE 8.15: TREASURY BILLS 1995 – 2009

Year	Balance Brought Forward \$	Issues \$	Redemption \$	Outstanding \$
1995	63,674,429	152,986,308	189,642,084	27,018,653
1996	27,018,653	106,952,131	113,737,876	20,232,908
1997	20,232,908	106,961,439	86,666,545	40,527,802
1998	40,527,802	401,201,683	397,939,413	43,790,072
1999	43,790,072	353,841,599	280,400,000	117,231,671
2000	117,231,671	129,129,145	173,910,978	72,449,838
2001	72,449,838	424,654,868	320,500,093	176,604,613
2002	176,604,613	437,465,767	417,637,927	196,432,453
2003	196,432,453	580,634,561	500,141,176	276,925,838
2004	276,925,838	189,256,716	339,194,733	126,987,822
2005	126,987,822	326,951,124	317,920,558	136,018,388
2006	136,018,388	528,715,414	523,422,114	141,311,687
2007	141,311,687	685,889,234	686,040,488	141,160,433
2008	141,160,433	391,725,937	468,333,380	64,552,990
2009	64,552,990	253,821,653	220,653,349	97,721,294

Treasury bills raised by Government over the last 15 years have fluctuated significantly. Similarly, the government deficits have also fluctuated over past 14 years. The trend for Treasury bills issued, redemptions, the bills outstanding at the end of the financial year and the yearly deficit are shown in Figure 8.15.



8.13 Treasury Bills Management

The Treasury Bills are short-term financial instruments, used by the Ministry of Finance to cover shortfalls during the year.

The analysis of budgeted revenue and expenditure as provided in the Budget, and the Treasury Bills for the year is as follows.

TABLE 8.16: REVENUE VARIANCE VS. TREASURY BILLS RAISED

Revenues	1997 \$m	1998 \$m	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m
Budgeted Revenue													
Operating Receipts & Investing	765.4	1006.8	999.0	816.3	951.7	1,011.8	1,115.8	1,149.7	1,257.4	1,346.6	1,430.0	1,411.5	1,522.4
Loan Receipts	282.2	147.9	193.9	234.7	253.1	338.5	315.2	461.5	370.0	394.5	371.0	370.2	522.5
Total	1,036.3	1,123.3	1,191.2	1,041.3	1,204.9	1,350.3	1,431.0	1,611.2	1,627.4	1,741.1	1,801.0	1,781.6	2,044.9
Actual Revenue													
Operating Receipts & Investing	803.5	1141.2	1004.5	911.0	900.5	1,038.4	1,066.3	1,176.2	1,221.9	1,401.3	1,391.3	1,454.9	1,412.8
Loan Receipts	271.0	116.5	192.2	225.0	239.2	325.2	319.7	458.5	328.6	633.9	118.9	345.6	405.4
Total	1,074.4	1,257.7	1,196.7	1,136.0	1,139.8	1,363.6	1,386.0	1,634.7	1,550.5	2,035.2	1,510.2	1,800.5	1,818.2
Revenue Variance	38.1	134.4	5.5	94.6	(65.1)	13.3	(45.0)	23.5	(76.9)	294.1	(290.8)	(18.9)	(226.7)
Treasury Bills as at 31/12/09	40.5	43.8	117.2	72.4	176.6	196.4	276.9	127.0	136.0	141.3	141.2	64.6	97.7
Excess	78.6	178.2	122.7	167.0	111.5	209.7	232.0	150.5	59.1	435.4	149.6	45.8	(129.0)

The operating and investment receipts should pay for operational costs of Government which include SEGs 1 - 7, 11 & 12 and capital development programs. Treasury bills are raised to cover operational

deficits provided that they are no more than the estimated operating and investing receipts to be collected during the year.

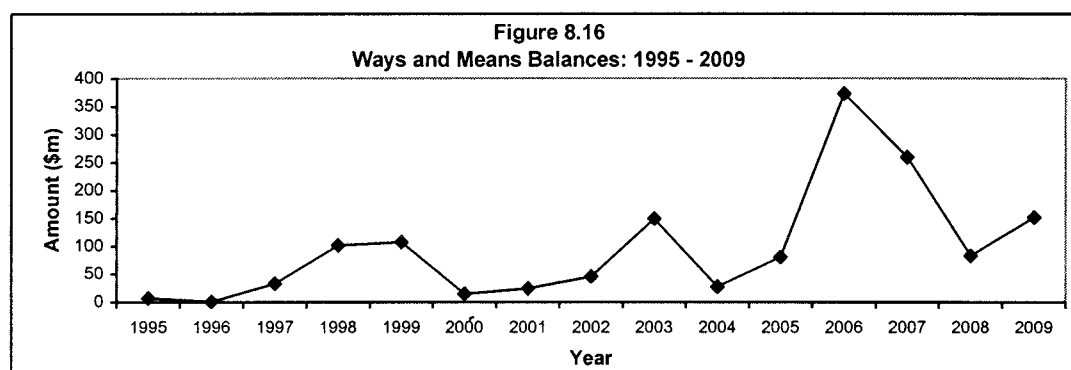
The actual revenue collection in 2009 was less than the budgeted revenue by \$226.7 million. Government revenue and loans from the domestic and the overseas market were insufficient to meet the actual expenditure, hence a total of \$253,821,653 treasury bills was raised in 2009, a decrease by 35% from 2008.

Nonetheless, when treasury bills are raised for specific purposes/projects, details should be shown with respect to the purpose and expected benefit of the projects. Wherever possible, information should also be provided on expected revenue sources and cash flows to finance the debt, and expected life of the projects.

8.14 Ways and Means

The Ways and Means is a short term advance facility provided by the RBF for Government where advances are given to Government for a day to meet immediate cash deficits. The Ways and Means are replenished by Government during the year and are therefore not reflected as part of borrowings.

An analysis of Ways and Means balances for the past 15 years is illustrated in Figure 8.16.



The Government borrowed \$152,000,000 at a cost of \$79,598 (interest) from RBF through this advance facility during the year, which was an increase of \$68,600,000 or 82% from 2008.

8.15 Flexibility

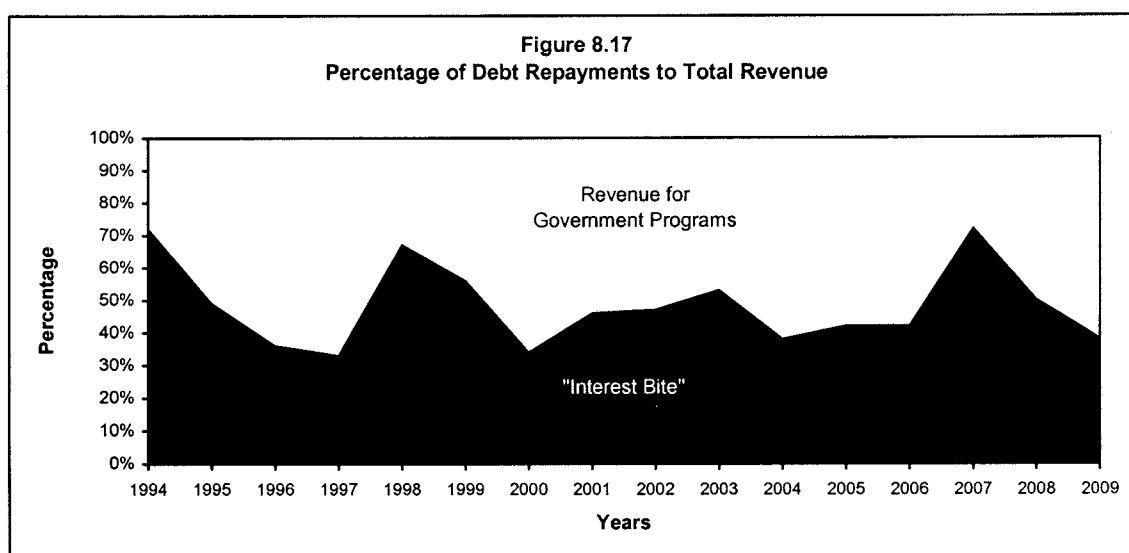
Flexibility is an indicator of the degree a Government can increase its financial resources or revenue to respond to increasing financial commitments either by expanding the revenue or increasing its debt burden.

Table 8.17 contains data for the total revenue and the debt repayments of Government for a period of 15 years. The revenue derived by the Government includes a significant portion which is derived from loans. The revenue data included in the analysis of flexibility does include the loan component.

TABLE 8.17: COMPARISON OF REVENUE AND DEBT REPAYMENTS

Year	Revenue \$	Repayments \$	Interest Bite %
1995	718,904,280	345,653,758	49
1996	729,884,343	264,390,747	36
1997	803,460,047	266,053,922	33
1998	1,141,199,759	764,384,830	67
1999	1,004,505,216	567,251,420	56
2000	1,135,964,892	387,869,552	34
2001	1,139,754,743	528,250,835	46
2002	1,363,992,433	647,020,349	47
2003	1,386,009,960	737,597,477	53
2004	1,634,663,320	617,152,850	38
2005	1,550,489,828	646,463,603	42
2006	2,035,207,842	857,682,649	42
2007	1,510,117,953	1,091,633,056	72
2008	1,800,583,846	896,317,497	50
2009	1,818,235,071	683,801,800	38

The Interest Bite represents the percentage of debt repayment comprising the principal and interest components of the domestic and overseas loans as well as the treasury bills redeemed.



In 2009, the flexibility measure was 38% indicating that the total debt repayment was equivalent to 38% of the revenue received by the Government during the year. Hence, only 62% of revenues collected were available for government programs.

8.16 Vulnerability

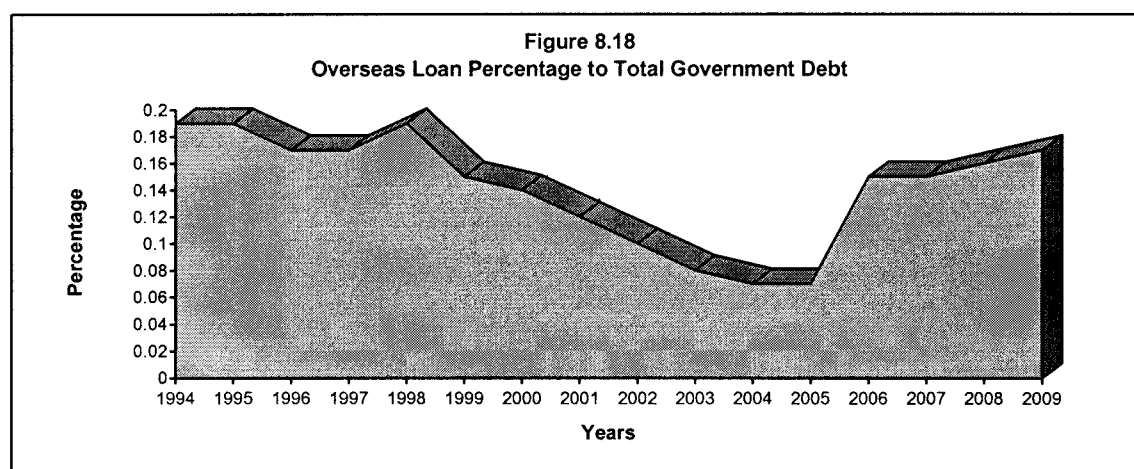
Vulnerability is the measure of the degree of dependence of Government on sources of borrowing outside its control or influence.

A measure of vulnerability is the comparison of overseas loans to the total Government debt. Table 8.18 compares overseas loans to total Government Borrowings for a period of 15 years.

TABLE 8.18: COMPARISON OF OVERSEAS BORROWINGS AND TOTAL BORROWINGS

Year	Outstanding Overseas Loans \$	Total Borrowings \$	%
1995	188,292,993	995,535,439	19
1996	187,526,025	1,130,227,440	17
1997	243,748,816	1,399,369,068	17
1998	245,557,713	1,305,621,035	19
1999	206,036,450	1,369,863,771	15
2000	207,697,167	1,438,742,654	14
2001	206,889,315	1,686,089,578	12
2002	193,505,879	1,891,033,984	10
2003	174,125,752	2,133,770,240	8
2004	168,665,379	2,282,168,851	7
2005	164,050,924	2,421,491,962	7
2006	416,729,200	2,858,713,537	15
2007	397,103,384	2,734,471,967	15
2008	475,994,415	2,886,805,555	16
2009	527,248,475	3,130,061,918	17

In 2009, overseas loans made up 17% of outstanding government borrowings which increased by 1% compared to 2008.



The overall trend indicates less reliance on overseas borrowings over the years; however the increasing trend over the period 2006 to 2009 need to be controlled.

Another measure of vulnerability is the comparison of overseas loans to GDP. Table 8.19 compares overseas loans to GDP for a period of 10 years.

TABLE 8.19: COMPARISON OF OVERSEAS BORROWINGS AND GDP

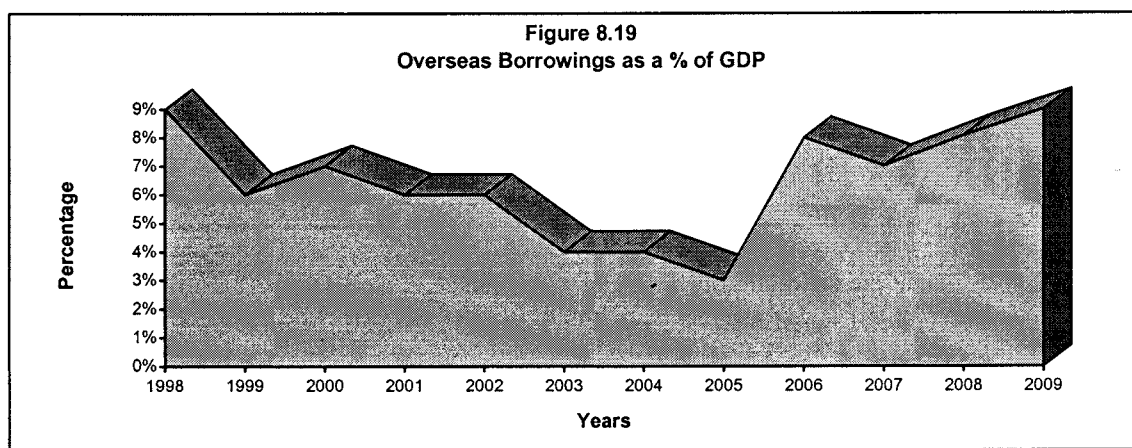
Year	Overseas Loans \$	Nominal GDP \$	% of Overseas Loans/GDP
2000	207,697,167	3,049,124,000	7
2001	206,889,315	3,199,548,000	6
2002	193,505,879	3,442,905,000	6

Year	Overseas Loans \$	Nominal GDP \$	% of Overseas Loans/GDP
2003	174,125,752	4,325,420,000	4
2004	168,665,379	4,539,000,000	4
2005	164,050,924	5,069,432,000+	3
2006	416,729,200	5,431,720,200+	8
2007	397,103,384	5,566,057,664+	7
2008	475,994,415	5,895,900,000	8
2009	527,248,475	5,768,400,000+	9

+ Provisional Estimate

Source: Reserve Bank of Fiji

Figure 8.19 shows that the percentage of the overseas debt to GDP increased by 1% in 2009, and this is a reflection of the nation's capability to meet its external debt obligations.



Moreover, the comparison of the Domestic debt to GDP is another measure of vulnerability. Table 8.20 compares Domestic loans to GDP for a period of 10 years.

TABLE 8.20: COMPARISON OF DOMESTIC BORROWINGS AND GDP

Year	Domestic Loans \$	GDP \$	% of Domestic Loans/GDP
1997	1,115,092,450	2,571,130,000	43
1998	1,016,273,250	2,792,526,000	36
1999	1,046,595,650	3,238,463,000	32
2000	1,158,595,650	3,049,124,000	38
2001	1,302,595,650	3,199,548,000	41
2002	1,501,095,650	3,442,905,000	44
2003	1,682,718,650	4,325,420,000	39
2004	1,986,515,650	4,539,000,000	44
2005	2,121,422,650	5,069,432,000+	42
2006	2,300,672,650	5,431,720,200+	42
2007	2,196,208,150	5,566,057,664+	40
2008	2,346,258,150	5,895,900,000	40
2009	2,505,092,150	5,768,400,000+	43

+ Provisional Estimate

Source: Reserve Bank of Fiji

In 2009 the Domestic Loans as a percentage of GDP increased to 43%, an increase by 3 percentage point.

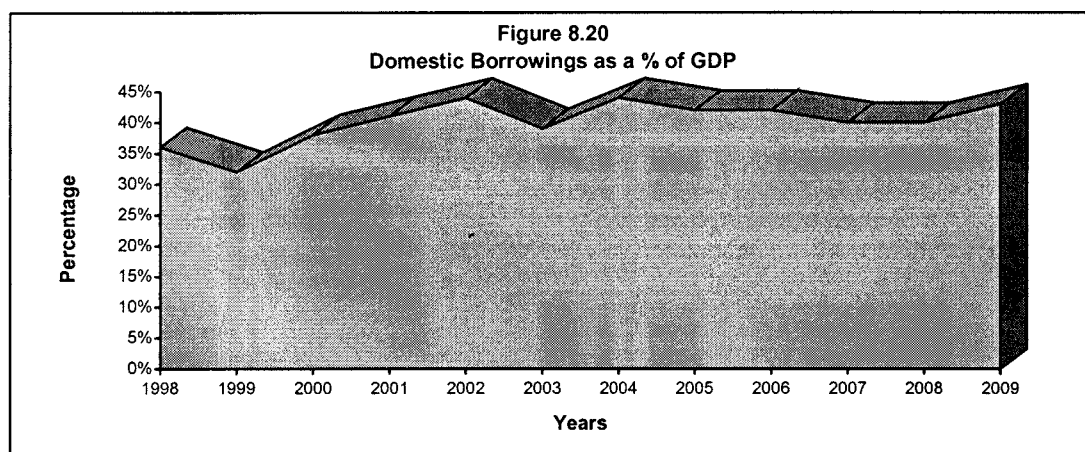


Figure 8.20 shows that the Domestic Borrowing as a percentage of the GDP has been fluctuating over the years. Although it indicates the nation's capability to meet its internal debt obligations when due, the government needs to control its domestic loans, noting the negative relationship between the domestic loans (expanding) GDP (contracting) for year 2009 when compared to the previous year.

Table 8.21 shows the comparison between Tax Revenue and the GDP.

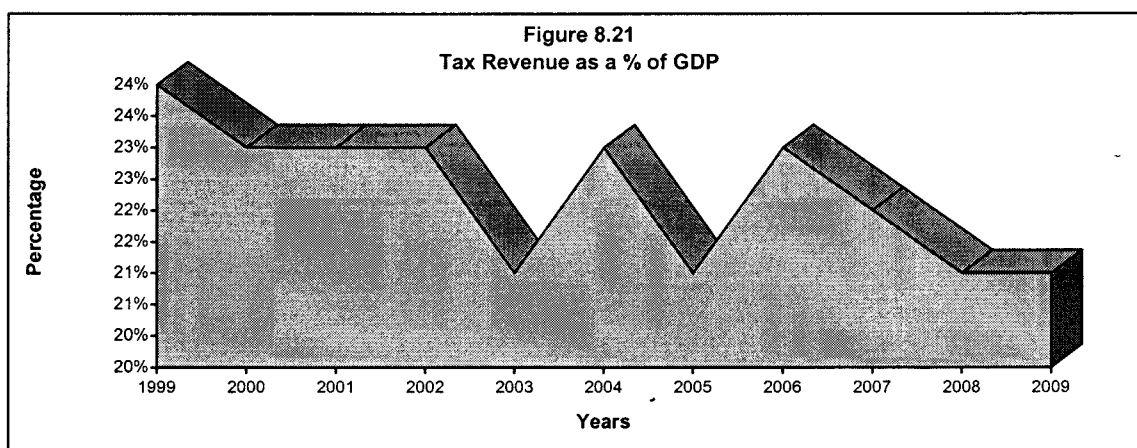
TABLE 8.21: COMPARISON OF TAX REVENUE AND GDP

Year	Tax Revenue \$	GDP \$	% of Tax Revenue/GDP
2000	713,404,155	3,049,124,000	23
2001	740,454,379	3,199,548,000	23
2002	789,721,816	3,442,905,000	23
2003	929,900,966	4,325,420,000	21
2004	1,033,319,644	4,539,000,000	23
2005	1,065,808,942	5,069,432,000+	21
2006	1,227,220,772	5,431,720,200+	23
2007	1,230,363,366	5,566,057,664+	22
2008	1,243,057,337	5,895,900,000	21
2009	1,209,223,648	5,768,400,000+	21

* Provisional Estimate

Source: Reserve Bank of Fiji

Figure 8.21 shows that the Tax Revenue as a percentage of GDP over the last 10 years has been fluctuating, however, remained constant at 21% from year 2008 – 2009.

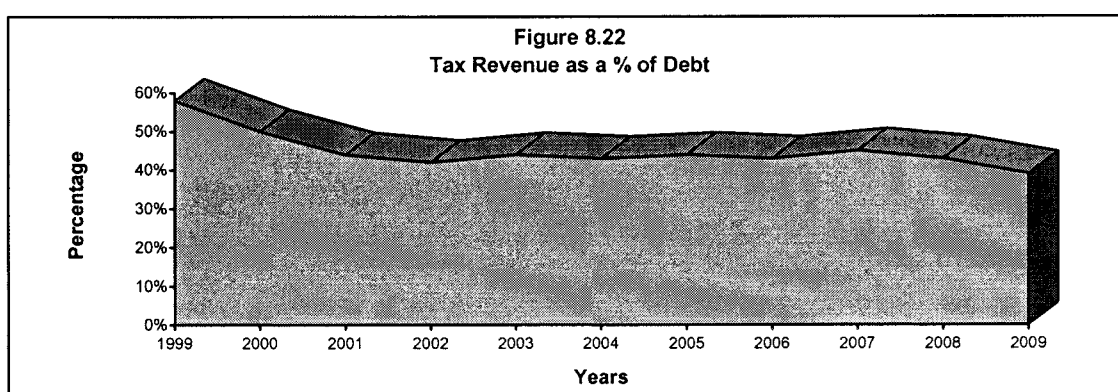


Another measure of vulnerability is the comparison of tax revenue to debt. Table 8.22 compares tax revenue to debt for a period of 10 years.

TABLE 8.22: COMPARISON OF TAX REVENUE AND DEBT

Year	Tax Revenue \$	Debt \$	% of Tax Revenue/Debt
1999	788,503,978	1,369,863,771	58
2000	713,404,155	1,438,742,654	50
2001	740,454,379	1,686,089,577	44
2002	789,721,816	1,891,033,982	42
2003	929,900,966	2,133,770,240	44
2004	1,033,319,644	2,282,168,851	45
2005	1,065,808,942	2,421,491,962	44
2006	1,227,220,772	2,858,713,537	43
2007	1,230,363,366	2,734,471,967	45
2008	1,243,057,337	2,886,805,555	43
2009	1,209,223,648	3,130,061,918	39

The tax revenue as a percentage of debt has been fairly constant over the last 10 years. It shows that 39% of the debt can be met from tax revenue.



In 2009, tax revenue as a percentage of debt decreased by 4% compared to 2008.

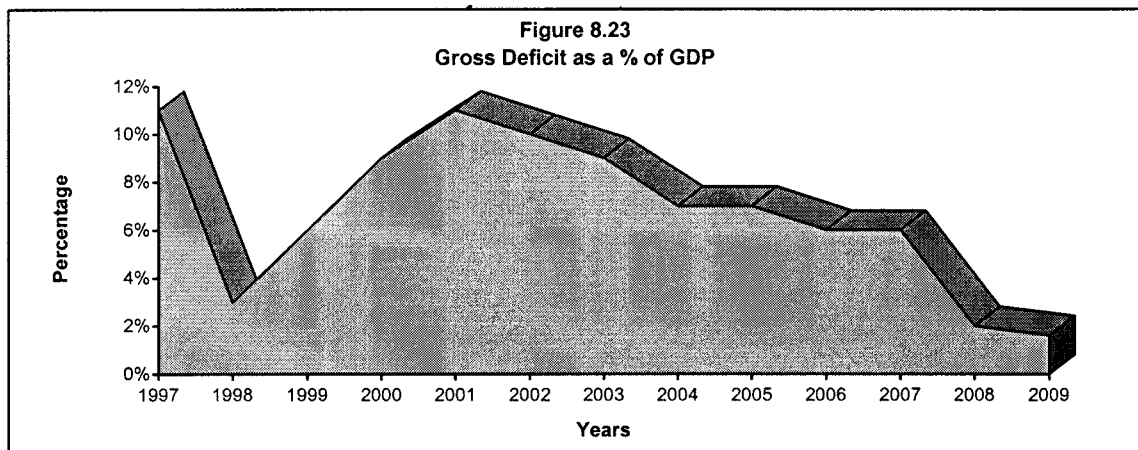
Moreover, Table 8.23 shows the comparison of Government deficit / (surplus) to GDP.

TABLE 8.23: COMPARISON OF GOVERNMENT DEFICIT (SURPLUS) AND GDP

Year	Gross Deficit \$	GDP \$	% of Gross Surplus/GDP
1997	278,550,632	2,571,130,000	11
1998	89,079,211	2,792,526,000	3
1999	199,550,066	3,238,463,000	6
2000	230,607,446	3,049,124,000	8
2001	339,658,246	3,199,548,000	11
2002	334,367,718	3,442,905,000	10
2003	380,275,486	4,325,420,000	9
2004	302,912,124	4,539,000,000	7
2005	366,334,029	5,069,432,000 ⁺	7
2006	346,769,675	5,431,720,200 ⁺	6
2007	334,935,764	5,566,057,664 ⁺	6
2008	(120,093,824)	5,895,900,000	(2)
2009	93,167,378	5,768,400,000 ⁺	1.6

⁺ Provisional Estimate

Source: Reserve Bank of Fiji



In 2009, the gross deficit as a percentage of GDP was 2 percent compared to the gross surplus of 2% in 2008.

8.17 Sustainability

Sustainability is defined as the ability of Government to maintain existing programs and meet existing creditor requirements without increasing the burden on the economy. It is measured by the ratio of Government debt to the Gross Domestic Product.

The total Government debt as a percentage of GDP as at 31/12/09 was 54%, indicating debt sustainability in debt relative to the production of goods and services surpassing the 50% line.

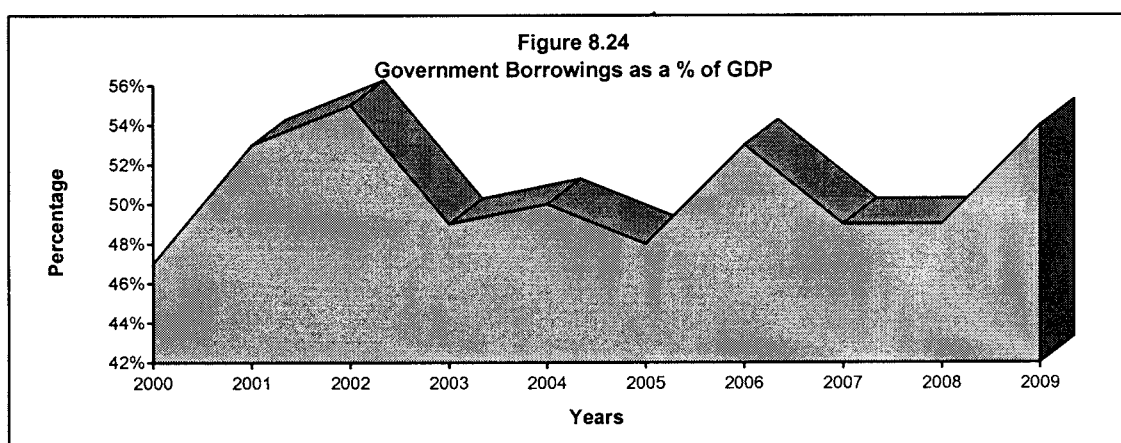
TABLE 8.24: TOTAL GOVERNMENT DEBT TO GROSS DOMESTIC PRODUCT

Year	Government Debt \$	% of Growth	GDP \$	% of Growth	Public Debt as a % of GDP
1998	1,305,621,035	(7)	2,792,526,000	9	47
1999	1,369,863,771	5	3,238,463,000	16	42
2000	1,438,742,654	5	3,049,124,000	(6)	47
2001	1,686,089,577	17	3,199,548,000	5	53
2002	1,891,033,982	12	3,442,905,000	8	55
2003	2,133,770,240	13	4,325,420,000	26	49
2004	2,282,168,851	7	4,539,000,000	5	50
2005	2,421,491,962	6	5,069,432,000	12	48
2006	2,858,713,537	18	5,431,720,200	7	53
2007	2,734,471,967	(4)	5,566,057,664	2	49
2008	2,886,805,555	6	5,895,900,000	6	49
2009	3,130,061,918	8	5,768,400,000+	(2)	54

+ Provisional Estimate

Source: Reserve Bank of Fiji

Table 8.24 shows that the economy is decreasing while the Government debt is increasing, reaching to \$3 billion, indicating that the debt burden to individuals is rising. In 2009, percentage increase in national debt relative to the GDP increased by 5 percentage point to 54% compared to year 2008.



The Government needs to sustain adequate resources to fund existing programs, commence new projects as well as meet existing creditor obligations in order to maintain the level of borrowings at a sustainable level.

8.18 Public Debt per Capita to GDP per Capita Ratio

The ratio of Income per Capita to Public Debt per Capita measures the average debt burden of each person in the population compared to the average per capita income. The ratio indicates the ability of the income earning population to service the debt obligations of Government.

Table 8.25 outlines the Gross Domestic Product per Capita and National Income per Capita over the 10 year period.

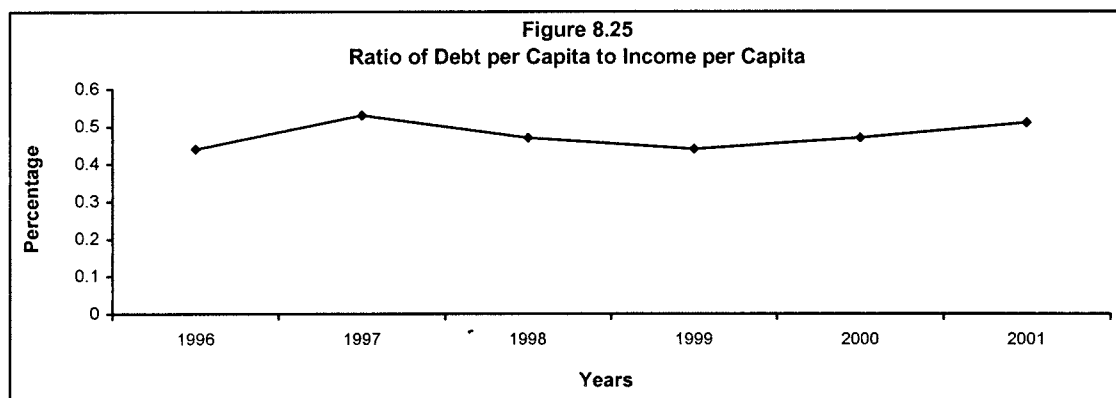
TABLE 8.25: GROSS DOMESTIC PRODUCT PER CAPITA AND NATIONAL INCOME PER CAPITA

Year	Outstanding Debt \$	Estimated Population	Debt/Capita \$	GNP/Capita \$	Ratio of Debt/Capita to GNP/Capita
1998	1,305,621,035	797,643	1,637	3,522	0.47
1999	1,369,863,771	806,212	1,699	3,892	0.44
2000	1,438,742,654	810,421	1,775	3,807	0.47
2001	1,686,089,577	815,013	2,069	4,064	0.51
2002	1,891,033,982	825,478	2,291	*	
2003	2,133,770,240	831,343+	2,567	*	
2004	2,282,168,851	838,317+	2,722	*	
2005	2,421,491,962	846,085+	2,862	*	
2006	2,858,713,537	853,445+	3,350	*	
2007	2,734,471,967	827,900+	3,303	*	
2008	2,886,805,555	839,621	3,438	*	
2009	3,130,061,918	837,271+	3,738	*	

* The GNP for years 2002 to 2009 is not available.

+ Source: Bureau of Statistics, Fiji Facts and Figures as at 01/07/09

The lower the ratio of debt/capita to income/capita, the favourable it is as it is an indication that the populations' income has not been over burdened by the Government debt. The lower the ratio the lesser the average burden of the Government debt on the population.



The ratio as at 31/12/01 was 51% representing the average burden on the population to meet the debt obligations of Government. Ratio for the debt per capita to GNP/capita could not be analysed as the data for the GNP/capita was not available.

8.19 Miscellaneous Payments

Any sum payable by the Government in fulfilment of a guarantee is taken to be a loan to the entity whose financial liability has been guaranteed.⁴⁸ In addition, loans of public money under Lending Fund must be evidenced by an instrument signed by the Minister.⁴⁹

Government in honouring its guarantor obligation paid a total of \$4.7 million on behalf of the Fiji Sports Council (FSC) and the Fiji Sugar Cane Growers Council (FSCGF) to its lenders, namely, the Fiji National Provident Fund (FNPF) and the Fiji Development Bank (FDB) accordingly.

⁴⁸ Financial management Act 2004, Section 62(5.b)

⁴⁹ Financial Management Act 2004 Section 61(3)

These payments were met from the Charges on account of public debt. Details of the payments are tabulated below:

TABLE 8.26: GOVERNMENT GUARANTEE PAYMENT FOR YEAR 2009

Date	Payee	Description	Amount \$
30/01/09	FNPF	Payment of Fiji Sports Council Loan	178,199
30/08/09	FNPF	Payment for Fiji Sports Council Loan	178,199
13/01/09	FDB	Principal Payment – Sugar Cane Growers Fund Loan	3,150,000
30/01/09	FDB	Interest due – Sugar Cane Growers Fund	585,113
31/12/09	FDB	Interest due – Sugar Cane Growers Fund	585,113
Total			4,676,624

Despite the honour of payments by the government, agreement between the government and the guaranteed entity for the loan repayment to the government is yet to be drawn up.

Moreover, the honour of this government guarantee has not been reflected in the Lending Fund Account of the Accounts and Finance as debt owed to government and as a government liability after the invocation of the guarantor clause.

These compromises the reflection of the debt in the Lending Fund Account (LFA) understating the debt owed to government and the Liability of government.

Non reflection of debts owed and due distorts the financial position of government compromising the true and fair status of government finances.

Recommendations

- The Loan agreement between Government and the guaranteed entity to be drawn up to ensure that all debt borne by the government is fully recovered.
- Total debt owed to government is to be reflected in the Accounts and Finance - Lending Fund Account.
- The government should be stringent in the processes of forecasting and monitoring the financial performances guaranteed obligation to avoid or minimise such incidence where entities cannot meet its debt obligations due to financial instability.

Ministry's Comments

It is to be noted that the Repayments to FDB referred to as payments to Sugar Cane Growers Fund is a Repayments by Government to FDB based on a Loan by FDB to Government. The Cabinet made a decision at that time to pay the loan on behalf of Cane growers to increase participation in sugar cane farming. OAG can seek independent confirmation from FDB to ascertain that this is really Government expenditure and not a guarantee payment. We would agree that the Payments to Sports Council be reflected in the Lending Fund once the Loan Agreement is agreed to by the Entity

8.20 Direct Cash Disbursements

In accordance with section 176 of the Constitution, public money is to be paid into the Consolidated Fund, unless it is payable, by or under a written law, into another fund established for a specific

purpose; or it may, by or under a written law, be retained by the authority receiving it for the purposes of defraying the expenses of the authority.⁵⁰

A total of \$7.13 million in loan to Fiji Government was directly disbursed by the Asian Development Bank (ADB) to the contractors of the projects, namely, the Suva/Nausori Water Supply and Fiji Road Up-grading Project III (FRUP III) loan. Refer to Table 8.27 below for the details:

TABLE 8.27: DIRECT DISBURSEMENTS

Loan No.	Lender	Project	Amount \$
2055	ADB	Suva/Nausori Water & Sewerage Project	6,088,461
1530	ADB	Fiji Road Upgrading Project - III	1,044,500
Total			7,132,961

The direct disbursement was due to the inability of the government to meet large cash payments at ad hoc basis from contractors of projects completed that could result in unnecessary held up of projects or lawsuit due to non-payment.

These disbursements have not been recorded as borrowing revenue and neither reflected in the Consolidated Fund Account (CFA). Hence, the borrowing revenue and the CFA for the year 2009 are understated.

In addition to this, the Ministry has not received advices from the ADB for the payments made to the contractors, but rather a credit made to the Fiji Government account to their balance of loan outstanding for the year. This loan balances are accessed by the Ministry through the Loan Financial Information System (LFIS) through the ADB website.

Non-availability of advices for funds disbursed compromises the transparency and accountability with which these funds are disbursed and credited to the Fiji Government.

Recommendation

The Ministry should ensure that:

- **Direct disbursements of funds are reflected in the consolidated fund account and the borrowing revenue.**
- **Advices are received from the ADB upon disbursement of funds to the contractors of the projects.**

Ministry's Comments

The borrowing revenue (direct disbursements) has been reflected in the consolidated fund account as it is recorded as notes in Appendix 12 where funds have not been received directly into the CFA.

Advices have been received by the ministry through ADB's bank statements. For detailed information about disbursements to contractors, this is accessed through the bank's website (LFIS) as advised by the bank. For more detailed information about the contractors, this is to

⁵⁰ Section 10 Financial Management Act 2004

8.21 Extraction of Loan Balances through the Loan Financial Information Services (LFIS)

Borrowing means any borrowing of money (including by way of bonds or treasury bills) or other receipt of credit, whether secured or unsecured, and includes any hire purchase agreement or finance lease arrangement, but does not include the purchase of goods or services on credit for a period of 90 days or less.⁵¹

Audit noted that the Ministry's reliance on the extraction of the loan balances from Loan Financial Information Services (LFIS) provided incorrect classification of the type of borrowing. The LFIS is a loan recording system of the Asian Development Bank (ADB). Refer to Table 8.28 below for details:

TABLE 8.28: LFIS RECORD OF DISBURSEMENTS

Loan	Year	Amount \$	Type	Recorded with LFIS
2055	2008	373,844	Reimbursement – Cash: RBF advice dated 31/12/08	Direct Disbursement
1530	2009	338,351	Reimbursement – Cash: RBF advice dated 09/12/09	Direct Disbursement
Total		712,195		

This is because the Ministry does not receive any advice from the borrowee (ADB) for the loans disbursed, irrespective of the borrowing type.

As such, the borrowing proceeds through the Consolidated Fund Account (CFA) tend to be understated due to the erroneous classification.

Recommendation

The Ministry should liaise with ADB to have the disbursement advices sent over at Debt Management Unit (DMU) irrespective of the loan type for its record and verification to LFIS.

Ministry's Comments

We agree with your recommendation and arrangements would be made for the disbursement advises to be copies to MOF-Director Debt Management Unit.

8.22 Commonwealth Secretariat Debt Recording Management System (CSDRMS)

Borrowing means any borrowing of money (including by way of bonds or treasury bills) or other receipt of credit, whether secured or unsecured, and includes any hire purchase agreement or finance lease arrangement, but does not include the purchase of goods or services on credit for a period of 90 days or less.⁵²

Audit of the borrowing account for Suva/Nausori Water Supply (Loan No. 2055) revealed variances between the Commonwealth Secretariat Debt Recording Management System (CSDRMS) and the LFIS debt system of ADB, where the Ministry extracts its loan balances for disbursements. Refer to Table 8.29 below for details:

⁵¹ Financial Management Act (FMA), 2004, Section 2 (1)

⁵² Financial Management Act (FMA), 2004, Section 2 (1)

TABLE 8.29: CSDRMS v LFIS

Month	US Dollar			Fiji Dollar		
	LFIS Report	CSDRM	Variance	LFIS Report	CSDRM	Variance
January	204,821.59	204,818.30	3.29	364,192.02	378,668.10	(14,476.08)
February	453,770.86	452,067.60	1,703.26	847,852.88	847,852.90	(0.02)
April	268,600.93	268,601.40	(0.47)	472,496.91	591,111.20	(118,614.29)
May	305,166.36	305,170.10	(3.74)	659,288.87	643,268.00	16,020.87
June	85,124.34	85,124.30	0.04	177,120.98	174,757.40	2,363.58
August	682,109.37	681,970.00	139.37	1,364,420.21	1,984,393.60	(619,973.39)
September	223,421.74	223,419.30	2.44	425,094.97	435,265.40	(10,170.43)
October	388,628.88	310,962.00	77,666.88	657,191.84	591,295.00	65,896.84
November	236,771.80	314,438.60	(77,666.80)	445,394.65	---	445,394.65
December	1,312,324.98	1,312,325.00	(0.02)	2,122,577.59	---	2,122,577.59
Total	4,160,740.85	4,158,896.60	1,844.25	7,535,630.92	5,646,611.60	1,889,019.32

While the variance in the US dollar is immaterial, the variance in disbursement in Fiji Dollar has totalled to \$1.9m with the November and December disbursement not being reflected in the CSDRM report.

The reason for the above could not explained by Ministry's Debt Management Unit (DMU).

Variances of such nature question the reliability with which the disbursement loan is capitalised onto the Account and Finance and therefore could result in the under/over statement of loan balances.

Recommendation

The Ministry should ensure that the variances between the LFIS and the CSDRM are reconciled to ascertain the disbursement of loans.

Ministry's Comments

- (1) *In order to update the CS-DRMS regarding the USD amount being disbursed for this loan or any other ADB loan for that matter, the LFIS website was the point of reference as well as the ADB's bank statements. The November and December FJD disbursements were reflected in the CS-DRMS report (refer to CS-DRMS table below). If they were not reflected, then equivalent USD amount shouldn't have appeared as in the case above, hence equivalent FJD amount should have appeared in the report. Note that the loan is disbursed in the USD and converted to FJD using the RBF exchange rates.*
- (2) *By including the Nov & Dec disbursements, variance has come to a negative \$623,454.90. Accordingly, the variance reflects the different exchange rates used by ADB and those used by the ministry. Current practices used by the DCFMU was to convert the direct disbursements to contractors in USD using the respective end of month exchange rates provided to the ministry by the RBF, as these exchange rates are also being used to process the end of month loan balances in the CS-DRMS.*

The ministry proposes that a policy be implemented on which source document to use to record direct disbursements made to local and overseas contractors into the CS-DRMS, whether to use ADB's exchange rates or the RBF's exchange rates to convert the USD direct disbursements made by ADB and this is to be endorsed by OAG.

9.0 LENDING FUND

The Minister may, on behalf of the State, make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit and whether within or outside the Fiji Islands.⁵³

Loans made by Government and outstanding as at 31/12/09 totalled \$96,594,079, a decrease of \$9,267,294 or 9% compared to 2008. Repayments received in 2009 totalled \$26,378,498 whilst additional loans given and interest capitalised in 2009 was \$17,111,204.⁵⁴

9.1 Dormant Loan Accounts

All advances made by the Government are recorded in the Lending Fund Account.⁵⁵

Reflected in the Detailed Statement of Loans made by Government as at 31/12/09 were 3 dormant loans for which no additional advances were made, nor interest capitalised or recoveries made over a considerable period of time. The recovery of these loans has become uncertain due to the lapse in time. Table 9.1 shows details of these dormant loan accounts.

TABLE 9.1: DORMANT LOANS

Borrowing Institution	Amount Lent/Appropriated \$	Balance Outstanding as at 31/12/09 \$	Interest Rate %	Year Lent \$	Period Lapsed (Years)
Native Land Trust Board	2,019,701	1,395,617	6	1979-1980	30
Production Loan to Farmers	72,000	16,288	1	1990	19
Timber Exporters	1,000,000	795,034	Free	1983-1984	26

Although raised in previous audit memorandums, the Ministry has not taken any action to deal with these inactive or dormant loans.

Recommendation

Ministry of Finance should review these loan accounts to establish its recoverability. If these loans cannot be recovered, approval for write off should be sought to regularise this matter.

Ministry's Comments

Recommendation is noted and approval will be sought from Cabinet for write off after consultation with relevant stakeholders.

9.2 Failure to Conduct Budget Loading into the System

The Budget Estimates are presented in a program format that aims to give reasonable accurate estimates of costs of each major activity carried out by the ministries/departments so that they can be weighed against its importance in Government's total budget.⁵⁶ Departments with terminals should

⁵³ Section 61 of Finance Management Act 2004

⁵⁴ Appendix 16 2009

⁵⁵ Ministry of Finance, Finance Manual 2005

⁵⁶ 2006 Budget – Notes to the Budget Estimates

regularly check the budget loadings and liaise with the Financial Management Information System (FMIS) Section for discrepancies.⁵⁷

Funds that have been appropriated for in the 2009 budget for borrowing institution were not loaded into the FMIS despite Ministries and Departments providing their active account allocations to the Ministry of Finance. Even though these are recurrent loans, the budget provision are still not uploaded into the system. Refer to Table 9.2 for details.

TABLE 9.2: APPROPRIATED ACCOUNTS NOT BUDGETED FOR IN THE SYSTEM

Borrowing Institution	Appropriated amount \$	Original Amount as in system \$	Variance \$
Loans to Public Officers	1,000,000	---	1,000,000
Production Loans to Farmers	72,000	---	72,000
Loans to Consumer Co-operative Societies	250,000	---	250,000
Loans to Copra Industry for Stabilization	13,500,000	---	13,500,000
Tertiary Education	5,000,000	---	5,000,000
Private Students	500,000	---	500,000
Timber Exporters	1,000,000	---	1,000,000
Loans to Ministers and Members of Parliament	1,100,000	---	1,100,000
Student Loan Scheme	1,000,000	---	1,000,000
Total	23,422,000	---	23,422,000

Without the loading of the appropriated amounts into the FMIS, the total approved appropriation will not be captured in the system.

Recommendation

Ministry of Finance should ensure that the budgeted amounts are loaded into the FMIS.

Ministry's Comments

The Ceilings for the Lending Fund accounts were not loaded into FMIS, however the recommendations have been noted for future action.

9.3 Loans Converted to Grants without Budgetary Appropriation

Parliamentary Resolutions between 2001 and 2004 and Cabinet Decisions in 2008 approved the conversion of loans owed by the Fijian Affairs Board, Fiji Sugar Corporation and the Rabi Council of Leaders into grants. Refer to Table 9.3 below for details:

TABLE 9.3: LOANS CONVERTED TO GRANTS

Entity	Date of Approval	Years Lapsed (Years)	Authority	Amount \$
FAB	27/11/01	8	Parliamentary Resolution	20,000,000
FSC	28/09/04	5	Parliamentary Paper	34,000,000
Rabi Council of Leaders (1)	07/10/08	1	Cabinet Decision	900,000
Rabi Council of Leaders (2)	07/10/08	1	Cabinet Decision	700,000
Total				55,600,000

⁵⁷ Finance Circular No. 19/2006 – 9.4

Despite being highlighted in previous years' audit memorandums, the Ministry has failed to provide a budgetary provision for the conversion of these debts.

The Rabi Council of Leaders loan, approved for conversion to grant through Cabinet decision dated 10 October 2008, was also not been accounted for in the 2009 budget despite the Ministry of Finance assurance in response to the 2007 report.

The above shows the Ministry's inability to carry out the parliamentary decisions.

The inaction by the Ministry in converting these loans into grants as approved by Parliament has inflated debts owed to Government as at 31/12/09 by \$55.6m.

Recommendation

The Ministry of Finance should ensure that Parliamentary Resolutions and Cabinet Decisions are complied with and are implemented.

Ministry's Comments

Recommendation is noted and we would seek Policy directive from OAG under IPSAS in terms of recognizing these write offs. Moreover, to effect the conversion, a budget appropriation needs to be made to offset the conversion. This has not been budget for considering the high Net Deficit level already exists. The revised amount is now \$35,600,000 as FAB has repaid the \$20 million Interest Free Loan in August 2010

9.4 Unauthorised Postings to Lending Fund Account

No authorisation or controls are in place when postings are made by officers of various Ministries and Departments into the FMIS.

Some Ministries and Departments are posting into the Lending Fund Account natural account numbers 61, 62 and 63 without authority. This has been an ongoing issue for the Lending Fund Account.

Refer to Table 9.4 for details of postings in 2009.

TABLE 9.4: MISPOSTINGS TO THE LENDING FUND ACCOUNT

Year	From Department	Description	Account Number	Amount \$
2009	Ministry of Agriculture	Loans to Copra Industry (Punjas)	1-30101-30101-320202	11.27
2009	Ministry of Works	Loans-Copra Cope Allman	4-40262-90112-620201	(54.00)
2009	Office of the Prime Minister	University of the South Pacific	1-02105-02999-610801	4,559,239.94
2009	Office of the Prime Minister	Fiji College of Agriculture	1-02105-02999-610802	650,974.36
2009	Office of the Prime Minister	Fiji School of Medicine	1-02103-02999-610803	27,986.00
2009	Office of the Prime Minister	Fiji School of Medicine	1-02105-02999-610803	3,638,177.47
2009	Office of the Prime Minister	Fiji Institute of Technology	1-02105-02999-610804	(12,882.36)
2009	Office of the Prime Minister	Lautoka Teachers College	1-02105-02999-610805	1,173,460.46
2009	Office of the Prime Minister	Overseas Students	1-02105-02999-610806	27,874.13
2009	Office of the Prime Minister	Corpus Christi College	1-02105-02999-610807	301,132.48
2009	Office of the Prime Minister	Nasinu Teachers College	1-02105-02999-610808	(366,612.68)
2009	Office of the Prime Minister	Fiji College of Advance Education	1-02105-02999-610809	1,484,675.95
2009	Office of the Prime Minister	Fiji Textile Cloth & Footwear	1-02105-02999-610810	(23,255.39)
2009	Office of the Prime Minister	SLS Corpus Christi College	1-02105-02999-611101	23,400.70

Year	From Department	Description	Account Number	Amount \$
2009	Office of the Prime Minister	SLS Fiji College of Agriculture	1-02105-02999-611103	(40,044.36)
2009	Office of the Prime Minister	SLS Fiji College of Advance Education	1-02105-02999-611104	(5,070.25)
2009	Office of the Prime Minister	SLS Fiji Institute of Technology	1-02105-02999-611105	(92,551.67)
2009	Office of the Prime Minister	SLS Fiji School of Medicine	1-02105-02999-611107	(76,871.14)
2009	Office of the Prime Minister	SLS University of the South Pacific	1-02105-02999-611108	266,386.30
2009	Office of the Prime Minister	Private Students Loan	1-02105-02999-610901	(3,382,763.58)
Total				8,153,213.63

Due to the lack of control and authorisation provided by the Ministry of Finance, the Lending Fund Account natural account numbers are open to any user of the FMIS.

This increases the risk of mispostings into Lending Fund Accounts.

Recommendation

The Ministry should ensure that controls and proper authorizations are put in place to avoid unauthorized Ministries and Departments to access the Lending Fund Account natural account numbers 61, 62 and 63.

Ministry's Comments

Recommendation is noted for future action.

9.5 Mapping of Balances into Lending Fund Accounts

The new FMIS was implemented in 2006 with the transfer of balances from the old accounting system, through the mapping of the accounts.

Audit noted that Ministry of Education was not able to provide an explanation as to how the student loan scheme accounts for various tertiary institutions were posted into their Head of Appropriation.

In addition, the Scholarship Unit with PSC was not able to identify whether the Fiji Textile Clothing & Footwear account belongs to them or not. Table 9.5 provides the details.

TABLE 9.5: MAPPING INTO LENDING FUND ACCOUNT

Year last Active	Account Allocation	Ministry/Department	Amount \$
2005	1-21101-21999-611100	Ministry of Education (Student Loan Scheme)	3,862,796.97
2005	1-02105-02999-610810	Office of the Prime Minister (Tertiary Education)	(23,255.39)
Total			3,839,541.58

The above issue indicates the laxity on the part of Ministry of Finance in not undertaking a proper scrutiny on the mapping exercise done when the transfer was made from the old accounting system.

As a result, the balances for these two Ministries/Departments accounts are still being reflected under the student loan scheme account in government's accounts.

Recommendation

FMIS section should ensure that all mapping problems are addressed accordingly together with the consultants of FMIS on how the problem could be resolved so that they are posted correctly to their correct allocations.

Ministry's Comments

There was no mapping error into the above accounts. For Ministry of Education, they used to control some Student Loan scheme hence the balances showing under their appropriation code. For head 01 this was a case of the changing heads and we will work the two departments now to make necessary adjustments in the system.

9.6 Scholarship Unit

The Fiji Government Scholarship operates on a cost sharing system in which the Government contributes two-thirds (2/3) and the student and or guardians one third (1/3) of the total cost of training. Government pays all fees and allowances at the outset and the 1/3 contribution by the student is treated as an interest free loan which will be paid at the end of their studies and on assumption of employment.⁵⁸

The provisions appropriated for the three PSC accounts in the budget have not been loaded into the FMIS.

In addition, information regarding how these funds have been utilised could not be obtained from the Scholarship Unit of PSC as reconciliations were incomplete.

Reconciliation for the Private Student Loan account, as at 31/12/09 was also not prepared because it had been inactive over a considerable number of years. Despite this, it was noted that activities are still occurring in this account. Refer to Table 9.6 below for details.

TABLE 9.6: PRIVATE STUDENT LOAN

Account	Opening Balance \$	Payments \$	Receipts \$	Closing Balance \$
1-02105-02999-610901	(3,382,763.58)	3,382,763.58	---	---
1-02301-02999-610901	9,669.67	---	---	9,669.67
1-02305-02999-610901	(369,595.21)	---	(3,383,259.54)	(3,752,854.75)
Total	(3,742,689.12)	3,382,763.58	(3,383,259.54)	(3,743,185.08)

Despite being raised in previous year's report, the account still shows a credit balance of \$3,743,185.08, meaning that the Government owes money to the borrowers.

A reason provided by the Scholarship Unit for their inability in providing explanation is that most of their senior staffs have left the Unit.

The above issue indicates the laxity and ineffectiveness on the part of the Unit in maintaining records and the monitoring of funds given out.

Therefore records on the Fiji Government Scholarship provided by the Commission and the FMIS cannot be relied upon.

⁵⁸ PSC Scholarship and Student Loan Scheme Handbook

Recommendation

- The Ministry should ensure that the Commission prepares and submits all lending fund account reconciliation on a monthly basis taking into account all account allocations and their respective receipts and payments.
- Officers responsible should take ownership of the work entrusted to them.
- Inactive accounts are reviewed and removed from FMIS if necessary.

Ministry's Comments

The recommendations are noted, MOF will now work with the two departments to transfer the balances to the correct allocations.

9.7 Viti Corps Company Limited

Due to its financial difficulties, the Viti Corporation Ltd and the Government through the Public Enterprise entered into a lease agreement of the farm owned by the Viti Corporation Ltd for the repayment of the \$3.7million loan for a period of 30 years at \$129,000 per annum.

The year end balance for the Viti Corps Company Limited loan did not reconcile with records provided by the entity.

According to Viti Corporation Ltd loan repayment schedule, the outstanding loan balance as at 31/12/2009 is \$3,145,000 when it should be \$3,206,667.04. This is because loan repayment in 2006 was only \$64,500 instead of \$129,000. The Lending Fund Account Appendix on the other hand shows a balance of \$3,447,667.

This is shown in Table 9.7 below.

TABLE 9.7: INCORRECT GENERAL LEDGER BALANCE

Year	Recovery as per Receipt \$		Posting in the GL (Repayments)		Ending Balance \$	
	Principal	Interest	Principal (620000)	Interest (31000)	General Ledger	Audit
2004	Balance b/f				3,700,000	3,700,000
2005	123,333.32	26,667.00	123,333.32	26,667.00	3,576,666.68	3,576,666.68
2006	61,666.50	2,833.50	---	26,667.00	3,576,666.68	3,515,000.18
2007	123,333.32	5,667.00	---	37,833.00	3,576,666.68	3,391,666.86
2008	123,333.32	5,667.00	64,500	---	3,512,166.68	3,268,333.54
2009	61,666.50	2,833.50	64,500	---	3,447,666.68	3,206,667.04

This has been a continuing issue from 2006 due to the inconsistencies in the recording of loan repayments which resulted in Lending Fund Account being overstated by \$240,999.64.

Despite being raised in previous audit reports, Ministry of Finance has not made any effort to address this issue and therefore government records cannot be relied upon as correct.

Recommendations

The Ministry should ensure that;

- all recoveries receipted should immediately be posted to the General Ledger
- a qualified officer should be responsible for all postings so that postings are done correctly to their respective entries.

Ministry's Comments

Audit recommendation is noted. Transaction from 2008-2010 are now being correctly posted. However measures will be put in place to correct prior year's mis-postings.

9.8 Procedure for Posting of Loan Repayments

An account receivable (or Debtor) generally arises after a sale of goods or services where payment is not immediately received. It is important to have in place a stringent credit policy and debt recovery procedures to counter the risk of losses from irrecoverable debts.⁵⁹

Audit noted that there is no written procedure manual to adhere to when loan repayments are being made by borrowing institutions.

Currently, for any loan repayment, the cashier at the Ministry receipts these loan repayments by referring to a list of chart of accounts to which the payment is posted to. This allocation is entered into the receipt and the loan repayment is then posted to that account allocation.

Loan repayments made by certain debtors did not reduce their accounts because the allocation to which the loan repayment was made to, was either incorrect or incomplete.

Furthermore, accounting entries that would be affected when recoveries are made or when additional loans are given out are not known by some officers at the Ministry of Finance and these has been a major setback for the Lending Fund Account.

Loan repayments made by Viti Corps Co. Ltd and the Fijian Affairs Board faced this problem when their loan repayments were posted into other allocations without the debtors accounts being reduced.

As the two borrowing entities are not being budgeted for in the budget book, any loan repayments made by them should be revenue for the Government and therefore recorded under Standard Revenue Group 28. However, this has not been the case.

Refer to Table 9.8 below for details.

TABLE 9.8: FAILURE TO RECORD REVENUE

Borrowing Institution	Opening Balance-General Ledger	Recovery as per Receipt \$	Posting in the GL (Repayments)		Ending Balance (General Ledger) \$
			SRG 28	SAG 61/62	
FAB (94 Loan-610602)	2,000,000.00	2,000,000	---	2,000,000	---
FAB (96 Loan-610603)	1,500,000.00	1,500,000	---	1,500,000	---
FAB (97 Loan-610604)	1,500,000.00	1,400,000	---	1,400,000	100,000.00
Viti Corp Limited(620901)	3,512,166.68	64,500	---	64,500	3,447,666.68
Total		4,964,500	---	4,964,500	

⁵⁹ Ministry of Finance, Finance Manual 2005– Part 9

Lack of knowledge and laxity of responsible officers at the Ministry in not implementing a standard procedure manual for officers to adhere to when postings are made, have resulted in the above problem.

Recommendation

The Ministry should ensure that a written procedure manual is drawn up and made available to all staffs so that they are aware of the accounting entries that are to be affected when loan repayments are being made.

Ministry's Comments

Necessary adjustments have been made to the Lending Fund account after discussions was held with OAG. The repayments have been posted correctly to show the reduction in debtor balances. Recommendation has been taken on board and all receipts in 2010 are now reducing debtor balances such as FAB receipts in 2010.

9.9 Variances in Figures and Inoperative Accounts

Recording involves keeping accurate records of what happened, what is owned and what is owed. These records are normally kept in terms of money but some are more statistical in nature.⁶⁰

Variances were noted in the Ministry of Finance reconciliation when compared to the general ledger balances for Copra Price Stabilisation Fund and the Post and Telecommunications Loan.

Refer to Table 9.9 for details.

TABLE 9.9: VARIANCES BETWEEN GENERAL LEDGER AND DEPARTMENTAL RECONCILIATION

Particulars	Last Date of Payment	GL Figure \$	Reconciliation Figure \$	Variance \$
Island Industries	06/12/85	1,732,814	1,857,725	(124,911)
Copra Millers of Fiji Limited	13/01/09	7,025,645	6,901,668	123,977
Punja & Sons	31/12/09	2,631,400	2,674,659	(43,259)
Post & Telecommunication Loan No.5	30/06/08	(230,605)	---	(230,605)
Total		11,159,254	11,434,052	(274,798)

The loan made to Telecom Fiji Limited for DIGS Loan 5 has been fully paid but despite this, the General Ledger still show a balance of \$230,605 as owed to the company.

For the variances under the Copra Industry for Stabilisation of Earnings, no satisfactory explanation could be provided by the Ministry of Finance.

Furthermore, out of the seven entities that borrowed under the Copra Stabilisation Fund, only 2 entities are still active and operating and these are the Punjas and Sons Limited and the Copra Millers Fiji Limited. Although the other entities have ceased operations, they still have outstanding balances to their loan accounts. This is tabulated below.

⁶⁰ Ministry of Finance, Finance Manual 2005, Recording, page iv

TABLE 9.10: INOPERATIVE ACCOUNTS

Borrower	Amount \$	Date Outstanding	Years Lapsed
Carl James Patterson Copra Mill	1,805	1988	21
Commodity Traders (Fiji) Ltd	(479,825)	2002	7
Lakeba Cooperatives	676,153	1994	15
Copra Cope Allman	(222,649)	1985	24
Copra Industry-Island Industry	1,732,814	1985	24
Total	1,708,298		

No explanation was provided for accounts having credit balances.

Most of these entities have not been in operation for more than five years and the balances above indicate the ineffectiveness of the debt recovery measures that were in place at that time.

This was due to the poor record keeping of the Ministry's reconciliations and the poor maintenance of the General Ledger as a whole.

Although the issue has been raised in previous year's reports, no action has been taken to address these inoperative accounts.

Recommendations:

The Ministry of Finance should ensure that;

- **reconciliations are updated and that balances reconcile with figures in the general ledger.**
- **variances between the General Ledger and the reconciliations are to be looked into and adjustments made accordingly.**
- **credit balances to be investigated and adjustments made accordingly.**
- **outstanding balances of inoperative entities are recovered.**

Ministry's Comments

Recommendation is noted and efforts will be made to correct the variances which are caused by mis-postings by other Ministries and Departments.

Balances with regards to the inoperative accounts would be communicated to the Coconut Regulatory Unit – Ministry of Agriculture. Agree that this has accounts have been inoperative for the last 25 years and MOF would refer this and request for an update from the Ministry of Agriculture- since they have taken on board the Regulatory arm of the CIDA in order to determine the way forward for the Industry.

9.10 Fiji Pine Limited

A loan of Public money can only be made in accordance with an appropriation of the money concerned. It must be evidenced by an instrument signed by the Minister.⁶¹

From 1991 to 1995, interest free loans were given by the Government to Fiji Pine Limited with loan repayment to commence in 2006. Refer to Table 9.11 below for details.

⁶¹ Clause 61 s. (3) Financial Management Act 2004

TABLE 9.11: INTEREST FREE LOANS TO FIJI PINE LIMITED

Loan No.	Amount Lent \$	Balance Outstanding 01/01/09	Balance Outstanding 31/12/09	Date Amount Lent
13	4,750,000	4,750,000	4,750,000	1991
14	2,200,000	2,200,000	2,200,000	1992
15	2,200,000	2,200,000	2,200,000	1993
16	2,200,000	2,200,000	2,200,000	1994
17	650,000	650,000	650,000	1995

Due the company's cash flow problems, a draft cabinet memorandum dated 18/07/2007 was drawn up by the company requesting for the commencement of the Government loan repayment to be deferred to 2011. However, there is no evidence that the Ministry has acted on this memorandum.

Notwithstanding the above, Fiji Pine Ltd has not made any loan repayment to date as the company is still not in a position to meet its loan commitments.

As a result, the recovery of these loans has become uncertain.

Recommendation

The ministry should put in place appropriate measures to ensure the recovery of these loans.

Ministry's Comments

With reference to Section 4 – Investments, you have raised in subsection 4.4 the “Non Payment of Dividends for the Last 5 years of which Fiji Pine is one. This reflects the poor profitability of the company thus making it difficult for the company to meet loan obligations to Government. It is to be noted that the current Government has taken positive steps to review the operations of FPL and the company is now managed under FHL.

9.11 Advances to Public Officers Account

Loans or advances may be provided to staff to assist in carrying out their official duties or as part of their approved entitlement. The repayment of these advances must be actively pursued to reduce the risk of losses from irrecoverable debts.⁶²

Of the two accounts under Advances to Public Officers, one account has a credit balance of \$3,009.92. This account has had credit balances since 2006. Details are shown in Table 9.12 below.

TABLE 9.12: CREDIT BALANCE

Year	Account Allocation	Amount \$
2005	1-04102-04202-610102	---
2006	1-04102-04202-610102	(508.22)
2007	1-04102-04202-610102	(2,129.48)
2008	1-04102-04202-610102	(2,129.48)
2009	1-04102-04202-610102	(3,009.92)

⁶² Ministry of Finance, Finance Manual 2005 Part 10

Furthermore, two receipts for repayment of Advances to Ministers and Members of Parliament could not be verified as the receipt books were missing.

Details are shown in Table 9.13 below.

TABLE 9.13: MISSING RECEIPTS

Receipt Numbers	Amount \$
176623-176626	250.00
176627-176628	1,524.40
Total	1,774.40

No explanation was also provided for the issues above.

The above shows the Ministry's lack of monitoring of the General ledger and the poor maintenance of its receipt books.

Recommendations

Ministry should ensure that;

- all receipt books are kept in a secure and safe place.
- credit balances should be investigated and proper adjustments to be made accordingly.

Ministry's Comments

The receipt books were not missing. They were packed in a box and stored inside the cashier's room. Please find attached copy of Revenue Receipt No. 1766276 amounting to \$250 which was received from Prime Minister's Office, being payment for car advance for Mr. Joji Banuve and Mr. S. Chand Maharaj for pay 02/09. Also attached is Revenue Receipt No. 176627 amounting to \$1524.10 being payment for car advance for Mr. Rakuita Vakalalabure .

The account was set up to capture the deductions being made from officers' salary from year 2006 onwards. Some of these deductions has been made from year 2002. There were no corresponding debits to offset these deductions. Necessary adjustments would be made accordingly.

9.12 Failure to Make Loan Repayments in 2009

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.⁶³

Most loans under the Lending Fund Account for the year 2009 have not been recovered by Government.

Table 9.14 below shows that no repayment was receipted from borrowing institutions that were required to make loan repayments in 2009.

⁶³ Financial Instructions 2005, Section 48

TABLE 9.14: NON REPAYMENT OF LOAN IN 2009

Borrowing Institution	Amount Lent \$	Balance Outstanding as at 01/01/09 \$	Amount Lent/Interest Capitalised in 2009 \$	Amount of Loan Recovered in 2009 \$	Balance Outstanding as at 31/12/09 \$	Date Amount Lent	Interest (%)
Fiji Pine Limited:							
Loan No.13	4,750,000	4,750,000	---	---	4,750,000	1991	Free
Loan No.14	2,200,000	2,200,000	---	---	2,200,000	1992	Free
Loan No.15	2,200,000	2,200,000	---	---	2,200,000	1993	Free
Loan No.16	2,200,000	2,200,000	---	---	2,200,000	1994	Free
Loan No.17	650,000	650,000	---	---	650,000	1995	Free
Fijian Affairs Board	20,000,000	20,000,000	---	---	20,000,000	1989	Free
Fijian Affairs Board	1,500,000	1,500,000	---	---	1,500,000	1998	Free
Fijian Affairs Board	1,500,000	1,500,000	---	---	1,500,000	1999	Free
Fijian Affairs Board	5,000,000	4,658,924	---	---	4,658,924	2001	Free
National Trading Corporation Ltd	2,900,000	2,900,000	---	---	2,900,000	2001	5
Fiji Sports Council		57,656	---	---	57,656		Free
Rewa Rice Limited		1,900,000	---	---	1,900,000		
NLTB	1,199,701	575,509	108	---	575,617	1979-1980	6
NLTB/NLDC	820,000	820,000	---	---	820,000	1986	6
Timber Exporters	1,000,000	795,034	---	---	795,034	1983-1984	Free
Production Loan to Farmers	72,000	16,288	---	---	16,288	1990	1
Total	45,991,701	46,723,411	108	---	46,723,519		

Explanation obtained from the Ministry of Finance was that most of these borrowing institutions are finding difficulty in making their loan repayment because of the financial position they are in, for example, Fiji Pine Limited, National Trading Corporation Limited, Rewa Rice Limited and Fiji Sports Council.

The Native Land Trust Board, Timber Exporters and Production Loan to Farmers on the other hand have been dormant for a number of years.

The above shows the poor recovery measures put in place by the Ministry of Finance.

Recommendations

- Stringent measures should be put in place to ensure that all loans are recovered by Government.
- Loans that have been dormant for a considerable period of time are to be reviewed.

Ministry's Comments

Recommendation is well received and the dormant accounts will be reviewed in consultation with stakeholders concerned. However this does not reflect poor recovery measures by MOF as stated in your report.

Please note that FAB has honoured the \$20million repayment to Government in 2010 and recoveries have been made for the remaining FAB Loans.

\$4,900,000 was paid by FAB in 2009 and OAG have been provided evidence of payments

10.0 REVOLVING FUND ACCOUNT (RFA)

10.1 Inter-Departmental Clearance (IDC) Account

The Inter-Departmental Clearance (IDC) account is maintained to record transactions effected by one department on behalf of another. The type of transactions referred to include:

- Revenue collections;
- Payment of salaries;
- Re-allocation of costs.⁶⁴

There are Ministries/Departments that have more than one IDC account. Refer to Table 10.1 below for details:

TABLE 10.1: NO. OF IDC ACCOUNTS USED IN 2009

Ministry/Department	No. of Accounts 2008	No. of Accounts 2009	(Increase)/decrease
Director of Public Prosecution	3	3	---
Labour	2	2	---
Local government	4	3	1
Meteorological Services	2	2	---
Ministry of Finance	3	4	(1)
National Planning	2	2	---
Police	2	2	---
Prime Minister's Office	3	2	1
Public Service Commission	3	3	---
Public Enterprise	3	3	---
Roads	26	22	4
Social Welfare	3	3	-
Tourism	4	2	2
Water	28	16	12
Works	449	625	(176)
Youth and Sports	3	2	1
TOTAL	540	696	(156)

A total of 696 IDC accounts were noted in the Financial Management Information System (FMIS) compared to 540 accounts in 2008, an increase of 156 accounts.

The above shows operations of accounts within government with no specific guideline defining the usage of the accounts and the lack of monitoring by the Ministry of Finance on the additional active accounts.

Utilisation of various accounts has resulted in unverified balances and therefore questions the integrity with which the accounts have been cleared. Also, monitoring and reconciling various accounts could become a tedious task.

Despite being raised in previous audit, improvements are yet to materialise.

⁶⁴ Ministry of Finance, Finance Manual, Schedule 1, Page 98

Recommendation

The Ministry of Finance should monitor and ensure that the additional active accounts are de-activated.

Ministry's Comments

The accounts operated by Ministries and Departments were in accordance with the number of projects or DW they received to undergo in a year and they have been numerously advised to reconcile those individual accounts and make sure all necessary adjustments are done to clear those accounts at the end of each year. MOF have now stopped the use of those IDC accounts and will now work with the accounting heads to make sure these accounts are inactivated in the system.

10.2 Non-submission of Reconciliation to Ministry of Finance

Departments should forward monthly Revolving Fund Account reconciliation statements to Treasury and ensure that all operators submit quarterly Trading Accounts for evaluation purposes.⁶⁵ The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

There are Ministries/Departments that failed to submit their reconciliations to Ministry of Finance, despite reminders being sent.

TABLE 10.2: RFA RECONCILIATIONS NOT SUBMITTED

Ministry/Department	RFA Miscellaneous Reconciliation 2009
Presidents Office	None received
Ministry of Agriculture	Received upto September
Forestry	Received upto November
National Planning	None received
Immigration	Received upto November

Moreover, RFA- Miscellaneous account is made up of four natural accounts, namely, Standard Asset Group (SAG) 56 and 57 and Standard Liability Group (SLG) 84 and 85. However, the reconciliations prepared by Ministries/Departments to Ministry of Finance only includes SAG 56 and 57 reconciliations.

As such balances relating to SLG 84 of \$1,205,039 and SLG 85 of \$1,908,276 are unsubstantiated.

The above indicates lack of monitoring on the part of Ministry of Finance on the submission of reconciliations and the passive role of Ministry of Finance in ensuring that Ministries/Departments adhere with Ministry of Finance regulations.

Despite being raised in previous audit, improvements are yet to materialise.

Recommendation

The Ministry should be vigilant on the reconciliations that are submitted and ensure that all account reconciliations are submitted. For those Ministries and Departments whose responsible officers fail to do so should be disciplined.

⁶⁵ Finance Circular No. 10 of 02 April, 1982

Ministry's Comments

The Ministry of Finance teams have sent numerous reminders through memorandum, email and during Accounting Heads meetings the importance of submitting reconciliations on time. We are now visiting those ministries and departments to inform their PS's of their responsibilities in making sure their accounting heads are submitting reconciliations to them before they forward it to Ministry of Finance.

10.3 Large Balances in the RFA-Miscellaneous

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts, inter-departmental accounts, cash clearance accounts, expenditure and commitment accounts.⁶⁶ The ledger reconciliation statement shall be forwarded to the Accountant. The Accountant must ensure that all balances are accurate and adequately supported and any misallocations or outstanding balances from previous month have been dealt with.⁶⁷

RFA – Miscellaneous has large outstanding balances from various Ministries/Departments totalling to \$66.95 million, an increase by 1% compared to 2008. Refer to Table 10.3 below for details:

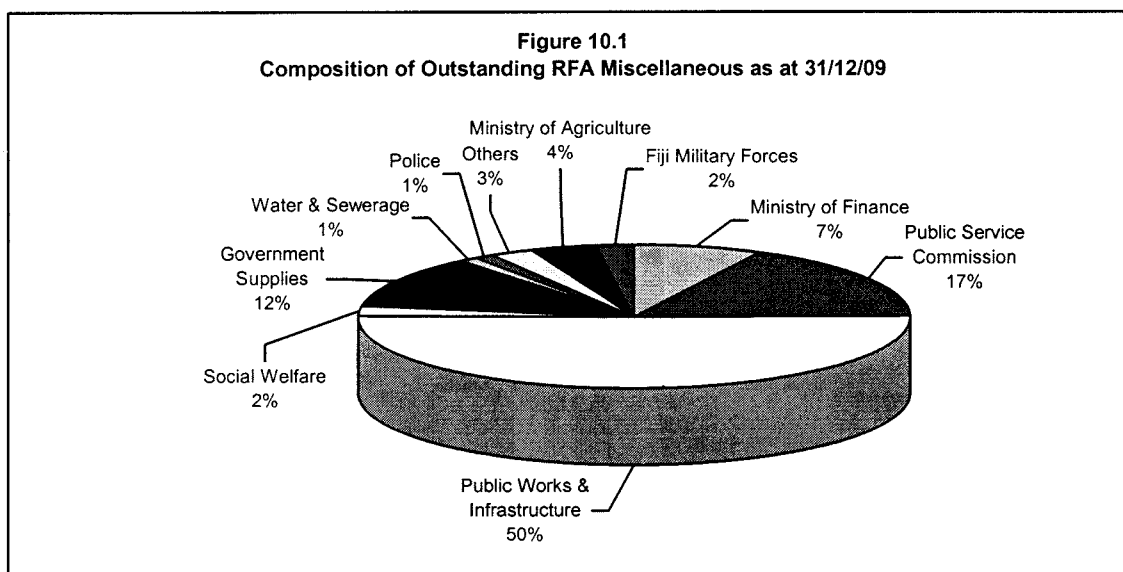
TABLE 10.3: LARGE OUTSTANDING BALANCES IN RFA-MISCELLANEOUS

Ministry/Department	2009		2008		Change in %
	Amount (\$)	%	Amount (\$)	%	
Ministry of Agriculture	2,474,281	4	2,200,090	3	1
Fiji Military Forces	1,556,908	2	1,318,187	2	0
Ministry of Finance	4,929,270	7	4,637,667	7	0
Public Service Commission	11,586,690	17	9,609,698	15	2
Public Works and Infrastructure	33,799,911	50	33,790,825	51	(1)
Social Welfare	1,478,871	2	2,828,408	4	(2)
Government Supplies	7,902,146	12	8,396,175	13	(1)
Water and Sewerage	705,999	1	720,073	1	0
Police	716,846	1	501,506	1	0
Others	1,799,727	3	2,255,712	3	0
Total	66,950,649	100	66,258,342	100	1

Graphical representation of RFA – Miscellaneous balance per Ministry/Department:

⁶⁶ Ministry of Finance - Finance Manual 2005, Section 16.3.1

⁶⁷ Ministry of Finance - Finance Manual 2005, Section 16.3.6



Furthermore, there are Ministries/Departments that have not made any major improvement in the clearance of their outstanding balances, in that percentage change in their outstanding balance is below 10%. Refer to Table 10.4 below:

TABLE 10.4: LACKED IMPROVEMENT IN COLLECTION OF RFA

Ministry/Department	Balance as at 31/12/09	Balance as at 31/12/08	Variance	% Change
Judicial	35,548	35,634	(86)	(0.2)
Legislature	41,874	42,048	(174)	(0.4)
Printing and Stationery Department	12,252	12,445	(193)	(1.5)
Water & Sewerage	705,999	720,073	(14,074)	(2.0)
Trade and Commerce	(148,400)	(152,151)	3,752	(2.5)
Supplies	7,902,146	8,396,175	(494,029)	(5.9)
National Roads	281,746	301,162	(19,416)	(6.4)

Moreover, there were outstanding balances for Ministries/Departments that significantly increased in year 2009 compared to 2008. Refer to Table 10.5 for details:

TABLE 10.5: SIGNIFICANT INCREASE IN OUTSTANDING BALANCES IN RFA

Ministry/Department	Balance as at 31/12/09	Balance as at 31/12/08	Variance	%age Increase
Meteorological Services	12,546	1,196	11,350	949
FIMSA	109,991	14,304	95,687	669
Information	9,336	2,586	6,750	261
Forestry	160,256	52,740	107,516	204
Housing and Urban	(1,123)	(468)	(655)	140
Regional Development	(46,683)	(21,655)	(25,028)	116
Marine & Civil Aviation	(107,287)	(57,333)	(49,954)	87
Immigration	6,791	4,555	2,236	49
Police	716,846	501,506	215,340	43
Energy	(66,699)	(54,853)	(11,846)	22
Public Service Commission	11,586,690	9,609,698	1,976,992	21
Lands	560,894	467,301	93,593	20

Ministry/Department	Balance as at 31/12/09	Balance as at 31/12/08	Variance	%age Increase
Fiji Military Forces	1,556,908	1,318,187	238,721	18
Home Affairs	10,055	8,653	1,402	16
Agriculture	2,474,281	2,200,090	274,191	12
Auditor General	419,583	376,966	42,617	11
Labour & Industrial Relations	8,839	8,030	809	10
Cabinet Office	186,373	171,425	14,948	9
Finance	4,929,270	4,637,667	291,603	6
Environment	(2,361)	555	(2,916)	(525)
Education	(189,105)	38,057	(227,161)	(597)

Substantial accumulating balances if not cleared on time are susceptible to becoming bad debts as a result of resignations or retirement of officers, migration, deaths, closure of companies or change in accounting personnel or management over the years. Furthermore, Ministries and Departments have failed to clear their credit balances in the RFA miscellaneous.

Recommendations

- The Ministry of Finance should ensure that outstanding balances are cleared by Ministries/Departments on a monthly basis;
- Accounting Personnel of Ministries/Departments with accumulating large balances are to be penalised.

Ministry's Comments

MOF have in every meeting with the PS's and Accounting team of Ministries and Departments highlighted these issues to them and Accounting heads of those Departments and Ministries should also be answerable.

10.4 RFA – Advances, Dishonoured Cheque, Unclaimed Monies & Surcharges

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.⁶⁸ The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

The recovery of advances, dishonoured cheques and surcharges over the 5 year seemed to have slowed down compared to year 2005, while the unclaimed monies are yet to be cleared. Refer to Table 10.6 and figures 10.2 below for trend analysis of these accounts:

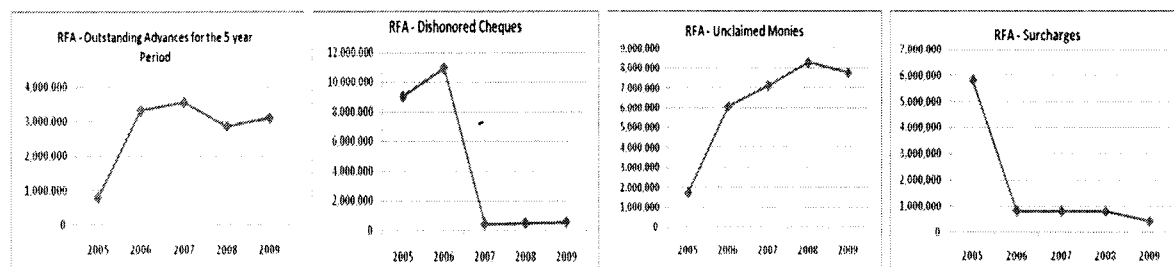
TABLE 10.6: OUTSTANDING BALANCE – RFA BY TYPE

Year	Advances (\$) 570301	%age Change	Dishonoured Cheque (\$) 570302	%age Change	Unclaimed Monies (\$) 570303	%age Change	Surcharge (\$) 570304	%age Change
2005	791,954	---	9,029,114	---	1,738,977	---	5,821,547	---
2006	3,329,010	320	10,978,882	22	6,089,707	250	822,039	(86)
2007	3,566,351	7	454,850	(96)	7,117,853	17	809,413	(2)
2008	2,861,584	(20)	489,021	8	8,279,035	16	807,099	(0)
2009	3,107,139	9	576,037	18	7,783,826	(6)	428,110	(47)
On Average	2,731,208		4,305,581		6,201,880		1,737,642	

⁶⁸ Finance Circular No. 10 of 02 April, 1982

Graphical representation of RFA balances per specific type: Advances, Dishonoured cheques, unclaimed monies and surcharge:

Figure 10.2: Trend Analysis of RFA Balances By Type



While the surcharge balance has reduced by 47%, percentage change in unclaimed monies is below 10%. On the other hand, outstanding balance in the form of advances and dishonoured have increased compared to 2008.

Large balances as above indicate lack of effort made to clear these balances and hence could be susceptible to becoming bad debts as a result of resignations or retirement of officers, migration, deaths, closure of companies or change in accounting personnel or management over the years.

Recommendation

The Ministry should ensure that:

- Outstanding balances in the RFA-Miscellaneous are cleared by the respective Ministries and Departments as prolonged delays could increase the risk of non-recovery.
- All RFA reconciliations submitted by Ministries and Departments are thoroughly scrutinised for regular clearance per month.

Ministry's Comments

All these issues have been raised continuously with Accounting heads of Ministries and Department.

10.5 Receipts and Payments in the RFA

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.⁶⁹ The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

Receipts and Payments reflected in the Accounts and Finance of Government from the operation of the Revolving Fund Account totalled \$2,178,371,162.76 and \$ 2,177,876,622.38 respectively. This receipts and payments total included all the debits and credits that have been made in the year to the account, irrespective of whether they are only adjustments to correct mispostings.

In comparison, government revenue totalled \$1,818,235,071 or 84% while government expenditure totalled \$1,911,402,449 or 88%.

Numerous mispostings and their corresponding adjustments to the Revolving Fund Accounts have distorted the Revolving Fund statement of receipts and payments.

⁶⁹ Finance Circular No. 10 of 02 April, 1982

The receipts and payments in the Revolving Fund Account are overstated as it includes numerous errors, mispostings and their subsequent adjustments.

Despite being raised in previous audit, no improvements was seen.

Recommendation

The Ministry should ensure that the Ministries/Departments, while preparing their reconciliation, identify the actual receipts and payments in the RFA to the entries for adjustments of mispostings.

Ministry's Comments

All these issues have been raised continuously with Accounting heads of Ministries and Department.

10.6 Account Balances not reflected in the Appendix

The draft financial statements must be submitted to the Auditor General by 31 March in the following year, or within such other time as agreed with the Auditor General.⁷⁰

The following account balances totalling to \$34.2 million are not reflected in the Accounts and Finance as at 31/12/09.

TABLE 10.7: ACCOUNTS NOT REFLECTED IN THE APPENDIX

Account Type	Description	Amount \$	Comment
1-00000-00000-567400	Government Departments Accounts Receivable	33,946,876	No explanation could be provided
1-00000-00000-569900	Miscellaneous Receivable	783,720	No explanation could be provided
4-00000-00000-863201	Vat on Revenue	(600,026)	No explanation could be provided
4-00000-00000-860000	Payroll Deductions	31,194	By nature account is a misposting
4-00000-00000-130000	Value Added Tax	10,506	No explanation could be provided
4-00000-00000-230000	Fees, Fines and Charges	149	By nature account is a misposting
4-00000-00000-340000	Interest Income	(48)	By nature account is a misposting
4-00000-00000-410000	Borrowing – Overseas Loans	218	By nature account is a misposting
4-00000-00000-620000	Economic Services	54	By nature account is a misposting
Total		34,172,643	

The Ministry could not provide explanation for the omission and the misposting of accounts in relation to the Revolving Fund Account balances.

Recommendation

The Ministry should ensure that all accounts are correctly accounted and reported to ensure accurate Financial Position of the Government is reflected.

Ministry's Comments

Recommendation noted

⁷⁰ Finance Instruction 2005, Division 2, Section 81(4)

10.7 Variance in the 2009 Opening Balance

Recording involves keeping accurate records of what has happened, what is owned and what is owed. These records are normally kept in terms of money but some are more statistical in nature.⁷¹

A variance of \$30,273 was noted between the 2008 audited closing balance in the RFA for Ministry of National Planning to that of 2009 opening balance of the 2009 appendix submitted for audit.

Refer to Table 10.8 below for details.

TABLE 10.8: DETAIL FOR VARIANCE IN THE OPENING BALANCE

Ministry	Allocation	Amount (\$)
National Planning	1-04107-63101-567463	(30,100)
	1-04107-63999-567463	(173)
Total		(30,273)

The reason for the variance was due to Ministry of Finance removing two allocations, despite the accounts nature being of RFA -debtor.

Moreover, the \$30,273 debtor account by nature should not have a credit balance. However, the reason for this credit balance could not be explained by the Ministry of National Planning or the Ministry of Finance.

As a result the 2009 RFA Miscellaneous account balance for Ministry of National Planning is overstated.

Non-reflection of account balances as in the FMIS general ledger into the Accounts and Finance questions the integrity with which balances are portrayed in form of the financial position of the Government.

Recommendation

The Ministry should ensure that all accounts are properly disclosed and accounted for and the credit nature of the debtor account investigated.

Ministry's Comments

Comments noted for future reference.

10.8 Credit Balances

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.⁷² The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

Audit of the RFA revealed Ministries/Departments with credit balances, despite the nature of the account being an asset account. Refer to Table 10.9 below for details:

⁷¹ Ministry of Finance-Finance Manual 2005, recording, page iv.

⁷² Finance Circular No. 10 of 02 April, 1982

TABLE 10.9: CREDIT BALANCES IN RFA OF MINISTRY/DEPARTMENT

Ministry/Department	Allocation	Amount (\$)	Comment
Trade and Communications	1-34101-34101-560200	(148,300)	Micro-finance lending account
Fiji Military Forces	1-19101-19999-570301	(424,606)	Advance Account
Bureau of Statistics	1-0420164101560203	(469)	AR Individual
	1-04201-64999-570301	(3,798)	Advances
Youth and Sports	1-25101-25101-560101	(20,392)	AR Govt Departments
	1-25101-25101-560203	(36,342)	AR Individual
	1-25101-25101-570101	(7,092)	Prepaid Expenses
	1-25101-25101-570304	(45)	Surcharges
Total		(641,044)	

Explanation for the credit balances could not be provided by the respective Ministry/Department or the Ministry of Finance.

This shows the laxity of the Ministry of Finance in monitoring account balances, despite receiving reconciliations on a monthly basis.

Credit balances denote over-clearance of account and thus is misleading noting the nature of the account.

Recommendation

The Ministry of Finance should ensure that the credit balances with respective Ministries/Departments are cleared and reviewed on the monthly basis to ease adjustment.

Ministry's Comments

Recommendation should be directed to the Department concerned.

10.9 Unsubstantiated Accounts in the TMA

Trading and Manufacturing Accounts (TMAs) are operated on a semi-commercial basis to increase the returns that are realised from them and to provide goods and services or works more cost-effectively.⁷³

Audit could not substantiate TMA surplus and TMA accumulated surplus balance totaling to \$18 million appearing in the balance sheet and the general ledger. Refer to Table 10.10 below for details:

TABLE 10.10: BALANCING ENTRIES IN TMA

Account	Description	Balance as at 31/12/09	Balance as at 31/12/08	Variance
4-19151-19999-940319	TMA Surplus-FMF	57,691	58,544	(853)
4-22251-22999-940322	TMA Surplus-Min Of Health	(42,510)	29,667	(72,176)
4-30351-30999-940330	TMA Surplus-Agriculture	1,858,684	2,098,107	(239,424)
4-34251-34999-940334	TMA Surplus-Commerce	(7,931)	(7,931)	-
4-40153-40999-940340	TMA Surplus-Transport	10,741	(7,370)	18,111

⁷³ Ministry of Finance, Finance Manual, Part 6

Account	Description	Balance as at 31/12/09	Balance as at 31/12/08	Variance
4-04351-65999-940365	TMA Surplus-Supplies	4,496,645	4,500,187	(3,542)
4-04451-66999-940366	TMA Surplus-Printing	(246,803)	(227,935)	(18,868)
4-30651-77999-940377	TMA Surplus-Forests	80,088	94,442	(14,354)
4-40251-91011-940383	TMA Surplus-Works	3,125,207	2,314,809	810,399
4-40253-91071-940383	TMA Surplus-Works	(71,881)	(824)	(71,057)
4-40254-92011-940383	TMA Surplus-Works	(129,073)	(1,883)	(127,190)
4-40263-91011-940383	TMA Surplus-Works	(4,627,880)	(3,211,462)	(1,416,418)
4-40263-92011-940383	TMA Surplus-Works	1,582,886	1,316,936	265,950
4-40263-93011-940383	TMA Surplus-Works	228,202	(1,319,470)	1,547,672
4-22251-22999-940422	TMA Acc Surplus-Health	(1,010,537)	(1,001,190)	(9,347)
4-30351-30999-940430	TMA Acc Surplus-Agriculture	(2,368,630)	(2,559,457)	190,827
4-04351-65999-940465	TMA Acc Surplus-Supplies	(16,372,214)	(15,891,252)	(480,962)
4-40251-91011-940483	TMA Accumulated Surplus/Deficit	(5,104,595)	(4,070,822)	(1,033,773)
4-40253-91071-940483	TMA Acc Surplus-Works	(575,285)	(575,285)	-
4-40254-92011-940483	TMA Acc Surplus-Works	(342,637)	(381,927)	39,290
4-40263-91011-940483	TMA Accumulated Surplus/Deficit	4,021,713	2,844,311	1,177,402
4-40263-92011-940483	TMA Acc Surplus-Works	(2,271,368)	(2,188,767)	(82,601)
4-40263-93011-940483	TMA Acc Surplus-Works	(361,503)	(174,072)	(187,431)
Total		(18,070,990)	(18,362,644)	291,655

There is a risk that these unsubstantiated Balance Sheet items could be used to balance the accounts.

Recommendation

The Ministry should ensure that:

- **postings made to the equity of the TMA are traced and supported and any variances to Net Assets investigated;**
- **TMA Operators to be held liable for the proper record keeping and the production of the balance sheet;**
- **monthly TMA Financial Statements to be prepared and monitored by the Ministry of Finance to trace any variances to Net Assets and Equity;**

Ministry's Comments

TMA's are operated on a semi-commercial basis therefore it will have accrual balance. The postings made to the Equity of the TMA are normally the net figures from the Income Statement which are posted to 940400 and the net figures from the Balance Sheet which are posted to 940300.

This exercise is done annually at the end of the year as it is part of the TMA year-end process. The total balances under these two accounts are the accumulated amount from 2004 to 2009 which are posted to those accounts to close off the TMA at the end of each year before the starting of another year.

We therefore refute that these balance sheet items are being used to balance the accounts and find the comment very insensible in the sense that we have carefully undergone a series of steps to get to figures posted and the exercise is not one that is undertaken to simply balance the accounts.

The OAG should have done a thorough audit and clarification to understand the above process and we are of the view that this is a non-issue. Otherwise, they should provide us an alternative way to close off the accounts annually.

10.10 TMA and their Ceiling

Trading and Manufacturing Accounts (TMA's) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods and services or works more cost-effectively.⁷⁴

There are Trading and Manufacturing Accounts (TMA's) that are either operating above/below their appropriated ceiling. Refer to Table 10.11 for details:

TABLE 10.11: TMA CEILING

TMA	APPROPRIATION (\$)	BALANCE OUTSTANDING (\$)
Bulk Purchase of Drugs	500,000	1,002,062
Livestock Undertaking	80,000	(1,350,851)
Nautical Chart Project	15,000	55,237
Government Printing	500,000	(1,608,973)
Government Supplies	6,000,000	41,945,844
PWD – Concrete Products (Labasa)	15,000	61,467,009
PWD – Fuel and Oil	200,000	10,653,394
PWD – JMS Labasa	50,000	(290,314)
PWD – JMS Lautoka	75,000	(386,830)
PWD – JMS Suva	150,000	(2,147,909)
PWD – Lomolomo Quarry	100,000	(868,267)
PWD – Lomolomo Starmix	120,000	(870,201)
PWD – Lubrication Services	2,000	(40,933)
PWD – Nasinu Quarry	200,000	(1,550,052)
PWD – Nasinu Starmix	250,000	(4,145,685)
PWD - Plant Hire	400,000	(22,932,852)
PWD – PMS Labasa	10,000	(31,670)
PWD – PMS Lautoka	10,000	(57,650)
PWD – PMS Suva	40,000	(287,566)
PWD - Workshop Stock	5,000	(242,313)
PWD – Workshop Wages	NIL	(4,847,035)
PWD – Works Suspense	500,000	(814,366)

The Public Works Department (PWD) Workshop Wages TMA is operating without any appropriation and therefore questions whether this is an authorized TMA.

Furthermore, TMA's operating below their appropriation limit indicates a loss that is payments exceeding receipts and are financially unviable.

Operations of financially unviable TMAs are an added cost to government and therefore could result in difficulty in honouring payments through TMA.

Recommendations

The Ministry should:

- review the financially unviable TMAs either to close off or put in mechanisms to revive the TMAs;
- ensure that balance in excess of the ceiling is remitted to the consolidated fund;

⁷⁴ Ministry of Finance, Finance Manual, Part 6

- ensure that TMA operating without appropriation is investigated.

Ministry's Comments

It is general knowledge that TMAs have and do not operate in the way that they were originally set up to operate and hence the administration and accountability of TMAs have not been as we would have hoped it would be. MOF has conducted reviews on the viability of these TMAs and we are currently working on mechanisms as a way forward for TMAs. However, we are taking precautionary measures via Cabinet approval to ensure that these are workable for Government as a whole. We have in place the Public Sector Reform Programme Technical Committee which oversees the 3 main reforms in totality with clear set guidelines. Included in this programme is the reorganisation of a number of TMAs. OAG needs to observe that this way forward will be slow because we need to rope in the necessary stakeholders to ensure that there are no negative implications to Government. We are soon to complete Government Supplies Department closure and currently facilitating reforms for Government Printing. All in all MOF is committed to putting in place reengineering procedures across all TMAs.

10.11 Understated TMA Receipts and Payments

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.⁷⁵ The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

Audit noted variances between the records of the Ministry of Health (EPICOR – accounting system) and the Financial Management Information System (FMIS) for the TMA receipts and payments of Ministry Health. Refer to Table 10.12 for details:

TABLE 10.12: MOH RECORDS (EPICOR) V MOF (FMIS)

Records	Receipts \$	Payments \$
Ministry of Health Records (EPICOR)	712,720	522,776
FMIS	71,753	(8,924)
Variance	640,967	513,852

This is because Ministry of Health failed to upload its EPICOR postings of receipts and payments onto FMIS.

The lack of monitoring and reviewing of the TMA quarterly reports by the Ministry resulted in the variances which have remained unresolved at the close of accounts.

Hence, the overall TMA receipts and payments are understated.

Recommendations

The Ministry of Finance should ensure:

- that monthly financial statement of receipts and payments are reviewed and verified to balances as per the EPICOR system of the Ministry of Health.
- Accounting Officers of Ministries/Departments are penalised for laxity in the uploading of balances from EPICOR to FMIS.
- Efforts should be made to have a system across Government to avoid such incidence.

⁷⁵ Finance Circular No. 10 of 02 April, 1982

Ministry's Comments*No comments received***10.12 RFA – Suspense Balances in the Accounts and Finance**

The whole of government financial statements required to be included in the whole of government annual report for a financial year must include;

- (a) for financial years where the Minister is satisfied that relevant reliable accrual information is available-
 - (i) a statement of financial position;
 - (ii) a statement of financial performance;
 - (iii) a statement of changes in net assets;
 - (iv) a cash flow statement; and
 - (v) notes on significant accounting policies, prepared in accordance with international accounting standards relevant to whole of government reporting on an accrual basis;
- (b) for financial years where the Minister is satisfied that relevant reliable accrual information is not available-
 - (i) one or more statements of receipts and payments;
 - (ii) a statement of assets and liabilities, including details of cash balances, investments, sinking funds and borrowings;
 - (iii) a statement of contingent liabilities.⁷⁶

Despite the availability and operation of the TMA accounts on accrual basis, the presentation of TMA balances in the Accounts and Finance is restricted only to receipts and payments.

Balance sheet accounts such as Accounts Receivable, Inventory and Surplus/Deficit are not disclosed in the Whole of Government accounts. Refer to Table 10.13 below for details.

TABLE 10.13: BALANCE SHEET ITEM NOT IN ACCOUNT & FINANCE

Account Allocation	Amount \$	Description
4-00000-00000-560000	4,370,546	Accounts Receivable
4-00000-00000-580000	8,148,449	Inventory
4-00000-00000-840000	626,067	Accounts payable
4-00000-00000-860000	(568,832)	Deposit & retention money
4-00000-00000-940300	(25,030,488)	Appropriation-TMA
4-00000-00000-940400	(29,183,036)	TMA Accumulated Surplus
TOTAL	(41,637,294)	

In addition to this, credit sales of \$7.6 million have been taken as receipts in the Accounts and Finance, despite reporting done on cash-basis of accounting. Refer to Table 10.14 for details:

TABLE 10.14: CREDIT SALES INCLUDED IN THE ACCOUNTS AND FINANCE

Ministry/Department TMA	Account Allocation	Description	Amount \$
Commerce	4-34251-34999-240202	Sales Credit	(142)

⁷⁶ Financial Management Act 2004, Section 46(1)

Ministry/Department TMA	Account Allocation	Description	Amount \$
Government Supplies	4-04351-91011-240202	Sales Credit	(418,782)
Government Supplies	4-04351-91012-240202	Sales Credit	(68)
Government Supplies	4-04351-91017-240202	Sales Credit	(4)
Government Supplies	4-04351-92011-240202	Sales Credit	(46,320)
Government Supplies	4-04351-92041-240202	Sales Credit	(23,080)
Government Supplies	4-04351-92071-240202	Sales Credit - Keyasi	(3)
Government Supplies	4-04351-93011-240202	Sales Credit	(476)
Government Supplies	4-04351-93081-240202	Sales Credit	(46)
Government Printing	4-04451-91011-240202	Sales Credit	(25,588)
Government Printing	4-04451-91012-240202	Sales Government Department	(24,539)
Government Printing	4-04451-91013-240202	Sales Credit	(68,795)
Meteorological Services	4-40251-93011-240202	Sales Credit	(250,077)
PMS - Labasa	4-40252-93011-240202	Sales Credit	(33,838)
PWD - Concrete Products Labasa	4-40255-93011-240202	Sales Credit	(67,547)
PWD - Fuel and Oil	4-40257-91011-240202	Sales Credit	(502,970)
PWD - Fuel and Oil	4-40257-92011-240202	Sales Credit	(1,557,028)
PWD - Fuel and Oil	4-40257-93011-240202	Sales Credit	(874,501)
Plant Hire - Lautoka	4-40258-91011-240202	Credit Sales	(5,725)
Plant Hire - Lautoka	4-40258-93011-240202	Sales Credit	(2,031,641)
Workshop Wages	4-40262-91011-240202	Sales Credit	(935,366)
Works Suspence	4-40263-93011-240202	Sales Credit	(605,739)
Workshop Wages	4-41262-91011-240202	Sales Credit	(174,681)
Total Credit Sales			(7,646,956)

The above indicates the inconsistencies in reporting and questions the timeliness and government's commitment for the gradual adoption of accrual basis of accounting.

The Accounts and Finance is not reflecting the TMA accounts and therefore cannot be relied upon to be reflecting all the affairs of the state. Also, inclusion of credit sales as receipts under cash basis of accounting is overstating the cash flow of the Government.

Recommendation

The Ministry should ensure that TMA reporting is enhanced to include accrual basis of accounting financial statements.

Ministry's Comments

We believe it is common knowledge that Government has not fully adopted accrual basis of accounting and hence we are not able to reflect certain items of asset and liability in nature in the Balance Sheet. As stated the \$7.6million has been taken as receipts in the Accounts and Finance report and we feel this is transparent enough that it is reflected in the Accounts and Finance. The Accounts and Finance in Appendix 19 reflect TMA Statement of Receipts and Payments and this has been the normal practice of documenting TMA Accounts basically because of the cash accounting system currently used.

Your recommendation on this issue is not consistent with the current cash basis of accounting and we would be grateful if your office develops key steps or practical solutions to the query raised regarding an alternative solution to current practice. MOF was accounting for these but was advised by OAG in 2007 to take them out as Government's accounting system was on Cash basis. However it may be practical that a note on this issue be provided in the Accounts and Finance Report.

10.13 Unbalanced TMA Fund

Trading and Manufacturing Accounts (TMA's) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods and services or works more cost-effectively.⁷⁷

Audit of the TMA Fund Account (Fund 4) for the accounting of TMA balances is revealed that the fund is not balanced as at 31/12/09. Refer to Table 10.15 below:

TABLE 10.15: UNBALANCED TMA FUND ACCOUNT

Account Number	Description	Debit \$	Credit \$
4-00000-00000-130000	Vat	10,506	
4-00000-00000-220000	Operating Revenue		1,730,254
4-00000-00000-230000	Operating Revenue - Fees	149	
4-00000-00000-240000	Operating Revenue – Sales		37,146,204
4-00000-00000-250000	Operating Revenue - COGS	6,911,735	
4-00000-00000-260000	Operating Revenue – TMA	31,663,066	
4-00000-00000-270000	Operating Revenue – Other Revenue	116,150	
4-00000-00000-340000	Interest from Bank Balances		48
4-00000-00000-410000	Borrowing Revenue – Overseas Loans	218	
4-00000-00000-540000	TMA Cash	12,454,313	
4-00000-00000-560000	Accounts Receivable	4,370,546	
4-00000-00000-580000	Inventory	8,148,449	
4-00000-00000-620000	Term Loan – Economic Services		54
4-00000-00000-840000	Accounts Payable	626,067	
4-00000-00000-860000	Deposits, Deduction and Retention		568,832
4-00000-00000-940000	TMA Appropriation		25,030,488
Total		64,301,199	64,475,880

As such fund 4 of TMA has a credit balance at end of year of \$174,681 which could not be explained by the Ministry.

The unbalanced fund is attributed to misposting in the general and other funds, namely Fund 9 – Trust Fund Account and Fund 1 – Operating Fund Account.

Unbalanced fund distorts the accounting information and contributes to the presence of unsubstantiated balances in the Whole of Government financial statement.

Recommendation

The Ministry should monitor fund balances on a monthly basis and restrict posting in the general ledger across funds.

Ministry's Comments

We are of the view that it is impossible to draw a Trial Balance for Fund 4 alone as it is obvious that most TMA expenses being incurred are being met by the operating fund (Fund 1). In actual practice across various TMAs is that they debit OFA expenditure and credit TMA (Fund 4) and hence because of this interchange between Fund 1 and Fund 4, there may be difficulty in balancing the Trial Balance.

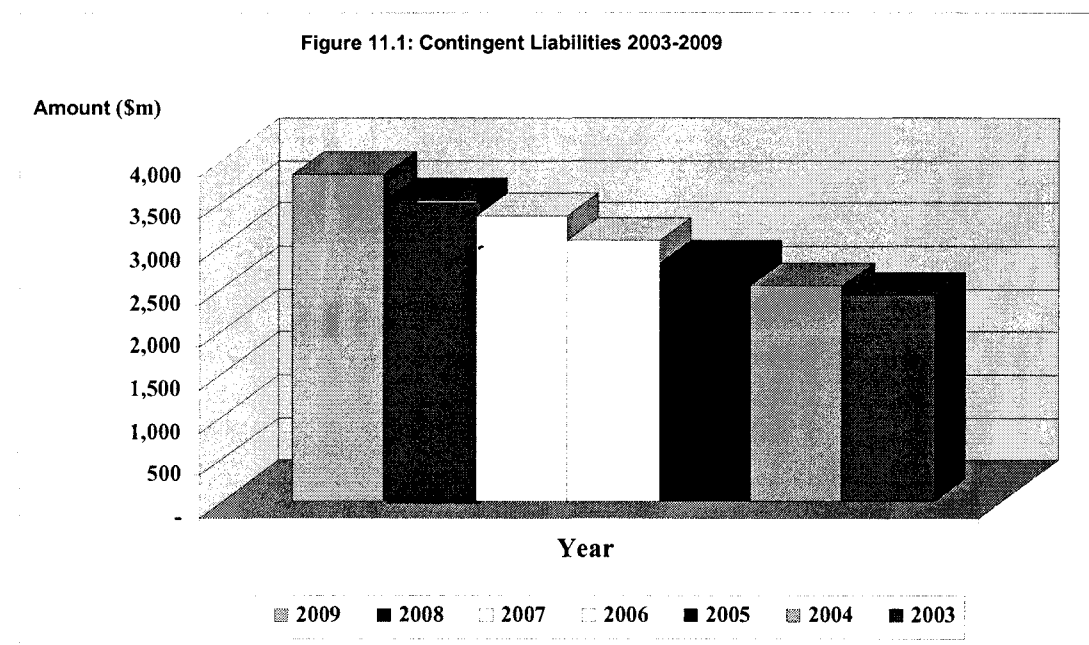
⁷⁷ Ministry of Finance, Finance Manual, Part 6

We express our disappointment on the audit process conducted. There was inadequate audit consultations undertaken to justify the issue raised.

11.0 CONTINGENT LIABILITIES

The Government under the authority of the House of Representatives provides guarantees for the financial liability of entities in respect of loans or otherwise.⁷⁸ Contingent liability is a potential liability that may or may not become due, depending on whether a possible event occurs, such as a claim for compensation, an indemnity or other legal claim.⁷⁹

The Government's total contingent liabilities recorded slight fluctuations over the years. A total of 16 entities have been covered under Government guarantee in 2009. Figure 11.1 below shows the increasing trend in total contingent liabilities for the years 2003 to 2009.



Government guarantee during the year covers both domestic and overseas loans. The total contingent liabilities as at 31st December 2009 amounted to \$1,963,068,505. Domestic loans accounted for \$1,899,991,664 or 96.8% of total liabilities during the year. Overseas loans on the other hand accounted for \$63,076,841.54 or 3.2% of total liabilities as at 31st December 2009.

11.1 Increased liabilities for Domestic Loans guarantee

The guarantee on domestic loans covers most public institutions such as the Fiji Development Bank, Fiji National Provident Fund, Fiji Sugar Corporation, Fiji Electricity Authority and Housing Authority. These institutions form an integral part of Fiji's infrastructure and financial services and the guarantees are a commitment on the part of the government to ensure the delivery of their services.

⁷⁸ Finance Management Act 2004, Section 62(1)

⁷⁹ Financial Instructions 2005, Section 3

The domestic loans are the Government guarantees given in respect of loans taken by the domestic institutions.

There has been a notable increase in liability balances for the following government guaranteed loans as at 31 December 2009.

TABLE 11.1: INCREASED LIABILITIES FOR GOVERNMENT GUARANTEES

Institutions	Government Guarantee 2009 \$	Liability as at 31/12/09 \$	Liability as at 31/12/08 \$	Variance \$	% Change	Reason for increase
Fiji Development Bank (FDB)	358,754,848	358,754,848	347,074,757	11,680,091	3.4	Additional guaranteed loans given
Fiji Electricity Authority (FEA)	450,000,000	354,274,159	235,767,426	118,506,733	50.3	Increased guarantee cover to accommodate increased costs
Fiji Hardwood Corporation (FHCL)	14,900,000	16,900,739	12,571,353	4,329,386	34.4	Financial constraints faced by the entity with accrued interest and principal loan balances
Fiji Pine Ltd (FPL)	15,700,000	11,987,504	11,928,843	58,661	0.5	Inability of FPL to repay loans on time due to global recession issues
Fiji Sugar Corporation (FSC)	196,000,000	138,971,028	65,157,441	73,813,587	113.3	Roll-over of loans and additional issue of loans and bonds
Fiji Ports Corporation Ltd (FPCL)	48,566,570	44,749,829	43,585,421	1,164,408	2.7	Interest charges and exchange rates effects on overseas loans

Audit noted that movement in guaranteed amounts or the outstanding balances for entities are not monitored by the Ministry of Finance. Entities whose loans are covered under government guarantee are only requested to provide outstanding balances as at 31st December. Reasons for the variances are often requested from these various institutions by auditors for verifications.

Without proper recording and monitoring system in place for these guaranteed loans, the government is not aware of the amount of its contingent liability and could run the risk of insolvency when the guarantee clause is invoked.

Also the inclusion of non- guarantees may be taken up as contingent liabilities at year end.

Recommendation

The Ministry should ensure that movements in the loans balances and guarantee are monitored and reconciled on a monthly basis.

Ministry's Comments

The amended total contingent liabilities as at 31 December 2009 amounted to \$1,963,943,878 in line with Cabinet Decision on 18/12/09 on the Exclusion of FNPF Funds Invested in Government Stock. A guaranteed database had been implemented and updated as when there was an approval via cabinet decision.

11.2 Variances in Government Guarantee of Loans through FNPf

The Government may under the authority of a resolution of the House of Representatives, guarantee the financial liability of any person in respect of a loan.⁸⁰

Government guarantee of Loans for entities that borrowed through the Fiji National Provident Fund (FNPf) showed variances between loan balances with FNPf to what has been recorded in the Statement of Contingent Liabilities of Government.

Refer to Table 11.2 below for details.

TABLE 11.2: VARIANCES IN FNPf CONFIRMATIONS OF LOANS

Institution	Loan Reference Number	FNPf Confirmation \$	Statement of Contingent Liability \$	Variance
Housing Authority	H57	10,788.64	9,682.84	1,105.80
Housing Authority	H63	238,676.92	238,406.98	269.94
Total		249,465.56	248,089.82	1,375.74

The above variances could not be explained by the Ministry of Finance as it does not prepare reconciliations of guaranteed loans but rather relies on the entity to provide year end loan balances. As such, the Statement of Contingent Liability is understated by \$1,376.

In addition, FNPf confirmation of government guaranteed loan in respect of Housing Authority, totaling (\$2,332.52), has not been reflected in the Statement of Contingent Liability.

Refer to Table 11.3 below for details.

TABLE 11.3: GOVERNMENT GUARANTEE AS PER FNPf RECORD

Institution	Reference Number	Date-Loan paid	Guaranteed Amount (\$)	Liability Balance (\$)
Housing Authority	H56	01/09/79	1,000,000	(2,332.52)

The above variance indicates that the Ministry is not vigilant of the movement in loan balances and liabilities pending against it.

Failure to follow-up government guaranteed loan balances with lending agencies has resulted in the variances of balances in respect of the Government.

Recommendation

The Ministry should prepare reconciliations of these guaranteed loans and ensure that loan balances are verified with lending agency of the guaranteed entities.

Ministry's Comments

The amended total contingent liabilities as at 31 December 2009 amounted to \$1,963,943,878 in line with Cabinet Decision on 18/12/09 on the Exclusion of FNPf Funds Invested in Government Stock. A guaranteed database had been implemented and updated as when there was an approval via cabinet decision.

⁸⁰ Finance Management Act 2004, Section 62(1)

11.3 Guarantee of Members contributions to Fiji National Provident Fund

The Government under the authority of Act No. 19 of 1966 guarantees members' contributions to the Fiji National Provident Fund.

The government guarantee of members' contribution to the Fund totalled \$865,123,889 or 36.8% of total government guarantee as at 31 December 2009. The Solicitor General, in its memo dated 9 August 2005, highlighted that the maintenance of this guarantee may not depend on the liquidity of the reserves of the Fund but on the responsibility the Fund exercises as custodian of employee funds.

11.4 Invoked Guarantee for Fiji Sports Council

Subject to any other Act, the government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorised by the House of Representatives.⁸¹

Any sum payable by the government in fulfilment of a guarantee given under this section is appropriated from the Consolidated Fund without further appropriation than this Act; and is taken to be a loan to the entity whose financial liability has been guaranteed.⁸²

The guarantee clause for the Fiji Sports Council (FSC) loan was invoked by the lender in 2000, thereby committing the government to meet all payments owed. The Fiji Sports Council has made some payments from the initial stages of the loan and to date; government has been meeting all the payments.

The Fiji Sports Council has become a debtor to government and total liability owing as at 31st December 2009, amounted to \$1,478,393

The Ministry of Finance in its memo dated 9th July 2008 had stated the listing of repayments done by the Government for the Lawaqa Park loan from 2001 to 2008 totalling \$2.1 million. Total scheduled repayments made by Government by 2014 amounted to \$4.4 million, this which is to be repaid by the Council.

According to the Ministry of Finance's records, total payments made by the Government as at December 2009 amounted to \$2.6 million. Reconciliations have been done between the Council and the Ministry's payment records however a loan agreement is yet to be drawn up.

Despite the government honouring the loan repayment to FNPF on behalf of FSC, Fiji Sports Council is still appearing in the Statement of Contingent Liability as a government guarantee.

As such, the government guarantee of loans as at 31st December 2009 is overstated by \$1,478,393, liabilities is understated and neither is it recorded in Lending Fund account as debtor to government.

Recommendation

The ministry should ensure that section 62(5) of the Financial Management Act 2004 is adhered to and recovery measures put in place for the repayment of the loan from Fiji Sports Council to Government.

⁸¹ Financial Management Act 2004, Section 62 (1)

⁸² Financial Management Act 2004, Section 62 (5)

Ministry's Comments

Meeting consultations took place between the Chairman and the then Acting PSF [Mr Prasad] and DCFMU is awaiting an update status from FSC's Board Secretary. However we will continue to seek their confirmations on the likely repayment terms to be factored into the loan agreement.

11.5 Government Guarantee to Fiji Pine Limited

Subject to any other Act, the Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorised by the House of Representatives.⁸³

Fiji Pine Limited's cash flow has been significantly affected by the reduction in woodchips demand in the market. Government has been meeting interest payments owed to shareholders on the bonds issued from August 2007 to February 2008.

The FNPF bond principal of \$1.6 million that matured in July 2009 was unpaid and approval has been given by the Government to extend the maturity date for this guaranteed loan to July 2010. In addition, the European Investment Bank loan of \$3.8 million as at 31st December 2009 is in default and is being renegotiated for deferment of payment.

Fiji Pine Ltd's inability to meet interest and loan payments reflects the poor assessment and financial forecasting carried out and as such has burdened the Government over the years.

Given that Fiji Pine Ltd is unable to meet most of its guaranteed loans and with the continuous trend of loan extension and deferment, it is highly likely that the government will be called upon to repay this loan.

Recommendation

The Ministry should ensure that future guarantees and loans to the company need to be fully scrutinised given the entity's financial performance and inability to service its loan obligations.

Ministry's Comments

Recommendation is noted and MOF always ensures that the necessary assessments are made for decision making at executive Management level and for Cabinet considerations.

11.6 Government Guarantee to Fiji Hardwood Corporation Limited

Subject to any other Act, the Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorised by the House of Representatives.⁸⁴

The Fiji National Provident Fund (FNPF) in its letter dated 8 February 2010, advised the Ministry of Finance that Fiji Hardwood Corporation Ltd. (FHCL) has been defaulting on its loan repayment as arrears continue to escalate despite attempts to have the loans settled by FHCL. Total liabilities as at

⁸³ Financial Management Act 2004, Section 62 (1)

⁸⁴ Financial Management Act 2004, Section 62 (1)

31st December 2009 for the FNPF loans amounted to \$7.6 million and this includes arrears outstanding on the guaranteed loans

FHCL has also been defaulting on its loan agreement with FDB. The Bank had confirmed that the conduct of the company's loan accounts since October 2008 has significantly deteriorated. Despite the Company's present financial situation, concerns are being raised on the government agreeing to further guarantee the approved Export Finance Facility (EEF) of \$2.1 million with FDB.

Discussions and resolutions of a joint meeting for the proposed debt restructure of FHCL on 10 September, 2009 agreed on the consolidation of FHCL debts in the FDB books. A two (2) year grace period has been granted for the company to facilitate and regroup itself and to be in a better position to service its debts.

Details of guarantee and loans liability balances are shown in Table 11.4 below.

TABLE 11.4: FIJI HARDWOOD CORPORATION LIMITED LOAN BALANCES

Entity	Guaranteed Amount \$	Liability Outstanding \$
Fiji National Provident Fund	7,000,000	7,631,441
Fiji Development Bank	7,900,000	9,269,298
Total	14,900,000	16,900,739

The above shows that the liability balance of \$16.9 million is more than the total guaranteed amount of \$14.9 million. The accrued interest and principal loan outstanding have contributed to the increasing liability balances for FHCL.

Failure of FHCL to settle the outstanding loan balances with these lending institutions will create repayment issues as arrears will tend to escalate.

With the government continuing to further guarantee loans taken by FHCL given the company's present financial situation, it is highly likely that the Government will be called upon to honour its guarantee agreement.

Recommendation

The Ministry of Finance should ensure that future guarantees and loans to FHCL need to be fully scrutinised given the entities financial performance and inability to service its loans obligations.

Ministry's Comments

Recommendation is noted and MOF has verified that FHCL has started making progressive payments to FNPF after their export market has improved after a massive decline during and after the financial crisis.

11.7 Fiji Ports Corporation Guaranteed Loan

Subject to any other Act, the government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorised by the House of Representatives. A guarantee given in subsection (1) is to be evidenced in writing by the Minister.⁸⁵

Variances were noted between the guaranteed loan balances in the Statement of Contingent liability to that of the Fiji Ports Corporation Ltd confirmation.

Refer to Table 11.5 below.

TABLE 11.5: VARIANCE IN FIJI PORTS CORPORATION CONFIRMATION OF BALANCE

Details	Amount \$
Balance as per Statement of Contingent Liability	48,566,570
Balance as per Entities (FPCL) Confirmation	48,066,175
Variance	500,395

Explanation for the variances between the balances could not be explained by the Ministry of Finance or the entity.

The above shows the laxity of the Ministry in preparing the statement of contingent liability accounts whereby balances could not be supported or explained.

Recommendation

The Ministry should ensure that balances reflected in the Statement of Contingent Liability are supported and variances to the entities balances are investigated.

Ministry's Comments

Reconciliation will be carried out to investigate the variances

11.8 National Bank of Fiji Guarantee

The repayments of all monies deposited in the bank, together with such interest as may be due thereon, is guaranteed by the state.⁸⁶ These are term deposits outstanding with the then National Bank of Fiji.⁸⁷

Colonial Bank, now acquired by Bank of South Pacific Ltd (BSP) is now administering this account. Colonial has undertaken to use all reasonable endeavours to ensure that the business of the Bank will be carried out in such a manner that the State will not be called upon under or in relation to the guarantee, until the State no longer has any liability under the guarantee.⁸⁸

It was established that upon corporatisation of the National Bank of Fiji (NBF), it (NBF) had disposed off majority of its share to the Colonial National Bank. However, the Government is still providing guarantee to the Bank.

⁸⁵ Finance Management Act 2004, Section 62 (1) & (2)

⁸⁶ Section 62 (1) of Act 14 of 1996

⁸⁷ This is in reference to section 63(3) of the National Bank of Fiji Restructuring Act 1996, whereby all monies deposited between 1 September 1998 and 28 February are subject to the guarantee provided by the State under this Act.

⁸⁸ Clause 7.2 of the 2nd February 1999 Shareholders Agreement.

Deposits guaranteed as at 31st December 2009 amounted to \$2,702,034.61. There has been a notable decrease in deposits when compared to the 2008 guaranteed deposits of \$7,159,221 which was a restatement of the 2007 audited balance due to the unavailability of data caused by a corrupt system with the Bank.

11.9 Guarantees for Subscriptions with International Agencies

Subject to any other Act, the Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorised by the House of Representatives. A guarantee given in subsection (1) is to be evidenced in writing by the Minister⁸⁹

The guarantee for overseas loans comprises of subscriptions for membership with the International Agencies which include the Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The guarantees are over 20 years old and this represents the time in which Fiji joined these international bodies.

Total liability for membership subscriptions with these international agencies amounted to \$63,076,842 as at 31 December 2009. This is an increase of \$4.7 million or 8.1% compared to the 2008 liability balance.

The subscriptions represent callable capital in the books of these international agencies. The Government subscribes for shares as its membership contributions/capital holdings with these institutions. The agencies would call on this callable capital if Fiji is proven not to be complying with the articles of agreement or if Fiji fails to honor its loan commitments under respective agreements with these institutions.

No agreement, resolution and correspondence was available for verification for the guarantees with these international agencies. It was not clear how this figure was derived as only a worksheet was provided from which the Appendix figures could be verified.

The Ministry of Finance had explained that there was no file nor was there any correspondence kept as registry had not maintained any files to keep these historical correspondences on international subscriptions.

Recommendation

The Ministry should ensure that section 62 (1) & (2) of the Financial Management Act 2004 is adhered to and that the necessary files and correspondences are maintained for the guarantees with these international agencies.

Ministry's Comments

This is a repetitive issue and the previous auditors were notified of the same explanations. Whilst the registry unit does not have any records of this historical file, arrangements has been made to obtain confirmation from RBF as the data source.

⁸⁹ Finance Management Act 2004, Section 62 (1) & (2)

11.10 Reported Claims against Government

A register of contingent liabilities must be maintained and must include the following information:

- a description of the contingent liability;
- its value, if this can be measured reliably;
- the way in which the contingent arose
- details of any action required to minimise the potential loss and
- details of progress in managing the risk.⁹⁰

Total reported claims against government as at 31st December 2009 amounted to \$16.5 million, a slight increase by \$14,451 or 0.08% compared to the 2008 claims.

Refer to Table 11.6 below for details.

TABLE 11.6: REPORTED CLAIM AGAINST GOVERNMENT

Entity	Claims Against Government 2009 \$	Claims Against Government 2008 \$	Variance \$	% change
National Bank of Fiji – AMB	16,384,718	16,393,718	(9,000)	(0.05)
Office of the Solicitor General	138,728	115,277	23,451	20.34
Total	16,523,446	16,508,995	14,451	0.08

While there has been a notable increase in claims paid by the Solicitor General, there has been no major change in the claims against National Bank of Fiji - AMB. Claims amounting to \$16,346,718 or 99% of AMB claims have been a carry forward figure from 2008. Explanations received for this was that no decisions has been made from the court regarding the settlement of claims, therefore, the balances have remained the same as at 31st December 2009.

Moreover, the Statement of Contingent Liability for Government has failed to disclose payments for claims against government by ministries/departments across government. For illustration, payments totaling \$553,940 made by the Ministry of Finance have not been disclosed in the Statement for Contingent Liability.

This shows that the reported claims against government in the Accounts and Finance are not reliable and accurate as only few contingent payouts are included.

Failure to collate contingent payouts across government has resulted in an understatement of reported claims against government.

Recommendations

- The Ministry of Finance in its monitoring role should ensure that ministries/departments adhere to section 64 of the Finance Instructions.
- The Ministry of Finance should ensure that all reported claims against government are disclosed in the Statement of Contingent Liability and that measures are put in place to minimise such payouts.

⁹⁰ Finance Instruction 2005, Section 64

Ministry's Comments

DCFMU will ensure that payments for claims against government by ministries/departments across government will be recorded or taken into account.

12.0 SINKING FUND

The JP Morgan cash account is an overseas account where funds are put aside for the repayment of global bonds that were issued by Government in 2006. Repayments for these bonds will be made in 2011. Cash balances with J.P Morgan as at 31 December 2009 amounted to \$103,451,995.

The Sinking Fund account is a liability account set up to record funds set aside for the repayment of the issued bonds. As at 31 December 2009, Sinking Fund account had a balance of \$68,659,964.

12.1 Sinking Fund Account not Updated

The Sinking Fund balances of \$68,659,964 as at 31/12/09 has been carried forward from 2008 as no transaction was posted in the general ledger maintained by Ministry of Finance.

The total interest payment of \$19.9 million on the overseas bond was paid from the Sinking Fund Cash Account with JP Morgan. This interest payment is normally paid from operating fund account; however due to the government's financial condition in 2009, the interest payment was met from the cash account with JP Morgan.

The movement in interest including the payment of \$19.9 million was not posted into the General Ledger account accordingly.

As such, the Sinking Fund account as at 31 December 2009 is overstated by \$19.9 million as interest payments has not been adjusted to account for the transfers made to Government accounts.

Recommendation

The Ministry of Finance should ensure that all transactions are correctly posted into the general ledger.

Ministry's Comments

The initial recommendation from OAG'S Office when finalizing the 2008 Accounts resulted in the creation of the Sinking Fund GL as oppose to having one account as Cash account. In this case the 19.9m was funded from Cash Account and the net movements are reflected in the outstanding bank balance at the end of the year 31/12.

It is further suggested that OAG review its recommendation given in 2008 to MOF and reverse the decision from having two accounts and instead work only with JPMorgan Cash as this will avoid confusion and further queries and eliminate claims that Government has 2 bank accounts with JPMorgan. It is the cash account that determines how much Government has to support the 2011 Repayment and not the Liability Account. Government adopts Cash basis accounting. The audit recommendation for a sinking fund was that this was a liability and Government would not use this, however this is not the case as this is just another bank account whereby Government can access it at its discretion.

12.2 Non-inclusion of Dividend Re-invested in J.P Morgan account

The account statements as at 31/12/09 for J.P Morgan listed trailer fees and dividend reinvestment balances amounting to USD \$11,741 or approximately F\$22,262 after accounting for the December exchange rates. The listings provided to audit were incomplete where monthly exchange rates are to be applied to monthly balances to give an accurate figure at year end.

The above balances comprises of dividend income earned from the J.P Morgan cash balances which are then being re-invested back into the account. Audit noted that this dividend was not accounted for under receipts in the Sinking Fund Account.

Moreover, in 2009, there were no funds receipted into the Sinking Fund account or put aside for the repayment of the loan in 2011. It was confirmed by the Ministry of Finance that no transfers were made in 2009 due to the deteriorating foreign reserves level.

The non-inclusion of receipts understated the Sinking Fund account balance as at 31 December 2009. Also if cash is not set aside in the JP Morgan cash account, the government could be in a difficult situation when the global bonds mature in 2011.

Recommendation

The Ministry should ensure that funds are continually set aside for the repayment of the global bonds and are correctly reflected in the Sinking Fund account.

Ministry's Comments

*Noted. It is the **JP Morgan cash account** that determines how much Government has to support the 2011 Repayment and not the Liability or Sinking Fund GL Account. The December 31 Cash balances incorporates all inward and outward movements from the cash account such as dividends that are deposited as equivalent to interest on bank balances. This is in line with comments to section 3.1 and leaves the question as to: when an interest is received- does this have to be recorded in the liability-sinking fund when it has already increased the cash account and forms part of the 31st December balance?*

*MOF will continue to put finds to increase the amount of the JPMorgan (Sinking) **Cash Account** to support repayments in 2011.*

Appendix 1.1(a): Operating Fund – Expenditures**[Schedule 1 – Appropriation Promulgation 2008]**

Head No	Ministry/Department	Appropriation Amount \$	Revised Amount \$	Actual Expenditure 2009 \$	Savings/(Over-Spent) \$	%
1	Office of the President	1,815,415	1,815,500	1,452,240.80	363,259.20	20%
2	Office of the Prime Minister and People's Charter	17,008,181	17,008,200	15,261,177.76	1,747,022.24	10%
3	Office of the Attorney General, Solicitor General and Public Enterprises	9,167,722	9,167,700	6,280,935.27	2,886,764.73	31%
4	Ministry of Finance and National Planning	81,655,716	85,493,300	77,660,019.03	7,833,280.97	9%
5	Ministry of Provincial Development, Indigenous Affairs and Multi-Ethnic Affairs	48,121,155	54,364,742	51,234,052.44	3,130,689.56	6%
6	Ministry of Defence, National Security and Immigration	6,782,397	6,782,600	4,999,728.60	1,782,871.40	26%
7	Ministry of Labour, Industrial Relations, and Employment	8,535,425	8,535,399	7,713,418.75	821,980.25	10%
8	Ministry of Foreign Affairs, International Co-Operation and Civil Aviation	24,498,667	24,498,800	22,532,747.64	1,966,052.36	8%
9	Office of the Auditor General	3,438,751	3,438,800	2,835,738.71	603,061.29	18%
10	Elections Office	3,949,375	1,361,900	1,038,926.36	322,973.64	24%
11	Judiciary	12,813,994	11,813,900	9,510,066.87	2,303,833.13	20%
12	Legislature	1,796,159	1,796,100	1,196,282.11	599,817.89	33%
13	Office of the Ombudsman	1,623,893	1,623,900	1,044,295.45	579,604.55	36%
14	Office of the Director of Public Prosecutions	4,789,014	4,789,000	3,905,017.86	883,982.14	18%
15	Ministry of Justice	19,232,373	19,232,400	17,625,471.13	1,606,928.87	8%
16	Department of Information	3,956,087	3,956,000	3,977,867.99	(21,867.99)	(1)%
19	Fiji Military Force	96,829,035	102,040,200	104,424,715.54	(2,384,515.54)	(2)%
20	Fiji Police Force	76,381,411	76,381,300	85,782,684.79	(9,401,384.79)	(12)%
21	Ministry of Education, National Heritage, Culture and Arts	278,408,852	253,409,000	243,995,432.86	9,413,567.14	4%
22	Ministry of Health, Women and Social Welfare	179,509,495	176,509,602	180,784,559.52	(4,274,957.52)	(2)%
23	Department Local Government, Urban Development and Housing	8,323,340	8,323,200	6,883,740	1,439,460.00	17%
25	Department of Youth and Sports	5,491,442	5,491,400	4,688,848.99	802,551.01	15%
26	Higher Education Institutions	55,056,261	55,056,300	55,056,260	40.00	0%
30	Ministry of Primary Industries	75,559,517	81,971,900	71,458,329.94	10,513,570.06	13%
33	Ministry of Lands, Mineral Resources and Environment	41,906,767	49,268,675	44,284,772.89	4,983,902.11	10%
34	Ministry of Industry, Tourism, Trade and Communications	48,097,932	43,572,800	39,035,122.56	4,537,677.44	10%
40	Ministry of Works and Transport	150,379,056	173,116,600	174,090,036.81	(973,436.81)	(1)%
41	Ministry of Public Utilities and Energy	151,347,636	137,342,872	107,446,003.13	29,896,868.87	22%
50	Miscellaneous Services	65,743,963	66,068,490	65,961,526.17	106,963.83	0%
51	Pensions, Gratuities and Compassionate Allowance		37,628,200	36,093,977.86	1,534,222.14	4%
52	Charges on Account of Public Debt		523,022,600	463,148,451.54	59,874,148.46	11%
Total		1,482,219,031	2,044,881,380	1,911,402,449.37	133,478,930.63	7%

Appendix 1.1(b): Lending Fund Account
Schedule 1 – Appropriation Promulgation 2008

Ministry/Department	Appropriation Amount	Revised Amount	Recovery 2009	Additional Loan 2009
	\$	\$	\$	\$
Re-current Loans				
Advances to Public Officers	1,000,000	1,000,000	880	325
Production Loans to Farmers	72,000	72,000	---	---
Loans to Consumer Co-operatives Societies	250,000	250,000	1,433	108
Loans to Copra Industry for Stabilization of Earnings	13,500,000	13,500,000	251,886	19,056
Loans to Students Attending Tertiary Education Institutions	5,000,000	5,000,000	16,403,080	12,950,730
Loans to Private Students	500,000	500,000	3,383,260	3,382,764
Loans to Timber Industry for Stabilization of Earnings	1,000,000	1,000,000	---	---
Loans to Ministers and Members of Parliament	1,100,000	1,100,000	8,955	---
Fiji Sports Council				
	22,422,000	22,422,000	20,049,494	16,352,983
Non-recurrent Loans				
Students Loan Scheme	1,000,000	1,000,000	1,363,954	757,839
Total	23,422,000	23,422,000	21,413,448	17,110,822

Appendix 1.2: Summary of Audit Opinion Issued

Head	Ministry/Department	Consolidated	Complete FS	Adverse Opinion (No opinion expressed)	Qualified Opinion (Except-for opinion)	Unqualified Opinion
1	Office of President	N/A	√			√
2	Office of PM & Peoples Charter for Change	√	√			√
	PSC					
3	Office of Attorney General & Solicitor Gen.	√	√			√
	Public Enterprise					
4	Ministry of Finance & National Planning					
	Bureau of Statistics	√	√		√	
	Government Procurement Office					
	Government Printing & Stationery					
	ITC					
5	Ministry of Indigenous Affairs	√	x	√		
	Provincial Development					
	Multi-Ethnic Affairs					
6	Ministry of Defence & National Security	√	x	√		
	Immigration					
7	Labour, Industrial Relations, Employment	N/A	√			√

Head	Ministry/Department	Consolidated	Complete FS	Adverse Opinion (No opinion expressed)	Qualified Opinion (Except-for opinion)	Unqualified Opinion
8	Foreign Affairs & International Co-operation	√	x			√
	Civil Aviation					
9	Auditor General (yet to be finalised)					
10	Elections Office	N/A	√			√
11	Judiciary	N/A	x	√		
12	Legislature	N/A	x		√	
13	Ombudsman	N/A	√			√
14	Director of Public Prosecution	N/A	x			√
15	Justice	x	√			√
	Prisons & Corrections Department		x			√
16	Information & National Archives	N/A	√			√
19	Fiji Military Forces	N/A	x		√	
20	Police	N/A	x		√	
21	Education, National Heritage, Culture & Arts	N/A	√			√
22	Health	√	√		√	
	Social Welfare					
	Women & Gender Development					
23	Local Government & Urban Development and Housing	√	√			√
25	Youth & Sports	N/A	√			√
30	Primary Industries-Agriculture	√	√		√	
30 A	Forestry					
30 B	Fisheries					
33	Lands	√	√		√	
33	Mineral Resources					
33	Environment					
34	Commerce & Industry	√	√			√ EOM
	Co-operatives					
	Communication					
	Tourism					
40	Ministry of Works and Transport	√	√		√	
	GSS					
	Meteorology					
	FIMSA					
	Roads					
41	Energy	√	√		√	
	Provision of Water Supplies					
	Sewerage Services					

Appendix 1.3: Summary of Financial Statement submitted for 2009

Head	Ministry/Department	Financial Statements Submitted for 2009						
		Receipts & Expend	Statement of output Costs	Appropriation Statement	Losses	P & L - TMA	Trust Accounts	Statement of Assets & Liabilities
1	Office of President	√	√	√	√	N/A	N/A	N/A
2	Office of PM & Peoples Charter for Change	√	√	√	√	N/A	√	N/A
	PSC							
3	Office of Attorney General & Solicitor Gen.	√	√	√	√	N/A	N/A	N/A
	Public Enterprise				x			
4	Ministry of Finance, National Planning & Sugar Industry							
	Bureau of Statistics							
	Government Procurement Office	√	√	√	√	√	√	N/A
	Government Printing & Stationery							
	ITC							
5	Ministry of Indigenous Affairs				x			
	Provincial Development	√	x	√	√	N/A	x	N/A
	Multi-Ethnic Affairs				x			
6	Ministry of Defence & National Security	√	√	√	x	N/A	x	N/A
	Immigration							
7	Labour, Industrial Relations, Employment	√	√	√	√	N/A	√	N/A
8	Foreign Affairs & International Co-operation	√	√	√	x	N/A	N/A	N/A
	Civil Aviation							
9	Auditor General							
10	Elections Office	√	√	√	√	N/A	N/A	N/A
11	Judiciary	√	√	√	x	N/A	x	N/A
12	Legislature	√	√	√	x	N/A	N/A	N/A
13	Ombudsman	√	√	√	√	N/A	N/A	N/A
14	Director of Public Prosecution	√	√	√	x	N/A	√	N/A
15	Justice	√	√	√	√			
	Prisons & Corrections Department	√	√	√	x	N/A	N/A	N/A
16	Information & National Archives	√	√	√	√	N/A	N/A	N/A
19	Fiji Military Forces	√	√	√	√	√	N/A	N/A
20	Police	√	√	√	x	N/A	N/A	N/A
21	Education ,National Heritage, Culture & Arts	√	√	√	√	N/A	N/A	N/A
22	Health	√	√	√	√	√	N/A	N/A

Head	Ministry/Department	Financial Statements Submitted for 2009						
		Receipts & Expend	Statement of output Costs	Appropriation Statement	Losses	P & L - TMA	Trust Accounts	Statement of Assets & Liabilities
	Social Welfare							
	Women & Gender Development							
23	Local Govt & Urban develop and Housing	√	√	√	√	N/A	N/A	N/A
25	Youth & Sports	√	√	√	√	N/A	N/A	N/A
30	Primary Industries- Agriculture	√	√	√	√	√	√	x
A	Forestry				x			
B	Fisheries				x			
33	Lands	√	√	√	x	N/A	x	N/A
	Mineral Resources							
	Environment							
34	Commerce & Industry	√	√	√	√	√	x	N/A
	Co-operatives							
	Communication							
	Tourism							
40	Ministry of Works and Transport	√	√	√	x	√	x	x
	GSS							
	Meteorology							
	FIMSA							
	Roads							
41	Energy	√	√	√	√	N/A	x	N/A
	Provision of Water Supplies Sewerage Services							

Appendix 2: Postings under GL Account SLG 863201 from September to December 2009

Account Number	Account Description	Amount \$
13010130999863201	VAT from Provision of Goods and Services	(21,029.64)
130A0177101863201	VAT from Provision of Goods and Services	(114,826.84)
130A0177999863201	VAT from Provision of Goods and Services	20,365.63
130B0178999863201	VAT from Provision of Goods and Services	(15,635.14)
13330179101863201	VAT from Provision of Goods and Services	(157,836.34)
13410134101863201	VAT from Provision of Goods and Services	(3,387.39)
13450173999863201	VAT from Provision of Goods and Services	(2,617.19)
10310103101863201	VAT from Provision of Goods and Services	(894.86)
10410204999863201	VAT from Provision of Goods and Services	(218.26)
10420164101863201	VAT from Provision of Goods and Services	(8.02)
10440166101863201	VAT from Provision of Goods and Services	(7,739.44)
10450167101863201	VAT from Provision of Goods and Services	(291.68)

Account Number	Account Description	Amount \$
10520168999863201	VAT from Provision of Goods and Services	(63,065.88)
10540187101863201	VAT from Provision of Goods and Services	(151.66)
10620170999863201	VAT from Provision of Goods and Services	(90,065.21)
10810108101863201	VAT from Provision of Goods and Services	(1.77)
10820108201863201	VAT on Revenue	(112.50)
10910109101863201	VAT from Provision of Goods and Services	(10,652.65)
11110111999863201	VAT from Provision of Goods and Services	4,179.89
11510115999863201	VAT on Revenue	(14,030.81)
11510191992863201	VAT on Revenue	(7.45)
11520171999863201	VAT on Revenue	(1,656.49)
11610116999863201	VAT on Revenue	(1,135.83)
12010120101863201	VAT from Provision of Goods and Services	(26,005.96)
14010140101863201	VAT from Provision of Goods and Services	(48.06)
14010440491863201	VAT from Provision of Goods and Services	(24,365.90)
14020181101863201	VAT on Revenue	27.95
14030295201863201	VAT from Provision of Goods and Services	(40,862.47)
14050195211863201	VAT on Revenue	(1,912.54)
14120185999863201	VAT on Revenue	(9,986.68)
12110121999863201	VAT from Provision of Goods and Services	(15.00)
12210122999863201	VAT on Revenue	(192,626.75)
12320123999863201	VAT from Provision of Goods and Services	(1,100.13)
12510125101863201	VAT on Revenue	(3,128.90)
SLG 863201 for period 9-12		(780,843.97)

Appendix 3: Virements violating Legal Notice 10 of 10/03/2006

Transfer of funds into Operating Expenditure from Capital Expenditure

Virements No.	Date	Into	Release from	Amount \$	Virements Description
V04/021	18/11/09	1-04501-67101-059114	1-04501-67101-090155	46,000	To fund the annual fee to Microsoft Data 3 Australia according to the enterprise agreement.
V06/004	08/09/09	1-06301-06999-071110	1-06301-06999-090153	10,000	Additional fund to meet cost of Workshops on Emergency Operations and Damage Assessment Capacities.
V15/007	01/09/09	1-15202-71999-040101	1-15202-71999-090142	15,000	To fund fuel requirement for Penal Institutions.
V16/006	14/10/09	1-16102-16201-050649	1-16201-72101-080422	255,000	To meet cost of airing Fiji in Focus.
V16/012	31/12/09	1-16101-16101-071199	1-16201-72101-080422	45,000	To meet cost of airing Fiji in Focus.
V22/005	26/07/09	1-22101-22999-079999	1-22101-22999-090174	19,110	To purchase computers and printers towards FSN Upgrade.
V22/013	14/10/09	1-22202-22999-050164	1-22202-22999-080427	16,000	-
V34/005	21/08/09	1-34501-73999-060625	1-34501-73999-100113	200,000	For payment of arrears to the Commonwealth Telecommunication
V41/001	31/03/09	1-41101-41999-070916	1-41101-41999-080322	146,668	To carry out Energy Security

Virements No.	Date	Into	Release from	Amount \$	Virements Description
					consultancy work.

Transfer of funds into SEG 1 Established Staff & SEG 2 Unestablished Staff from other SEGs

Virements No.	Date	Into	Amount (\$)	Release from	Amount (\$)	Virements Description
V04/028	08/12/09	1-04103-04301-010329	1,942	1-04103-04301-050172	1,942	To cater for Honorary allowance for Budget Officers.
V04/029	18/12/09	1-04107-63999-010101	33,277	1-04107-63999-071199	33,277	To regularise over expenditure in personal emoluments vote of 2009.
V04/030	18/12/09	1-04107-63999-010201	24,152	1-04107-63999-071199	24,152	To regularise over expenditure in SEG 1 FNPF vote for 2009.
V04/031	18/12/09	1-04107-63999-020101	21,074	1-04107-63999-071199	21,074	To regularise over expenditure in wages vote for 2009.
V04/032	18/12/09	1-04107-63999-020201	2,135	1-04107-63999-071199	2,135	To regularise over expenditure in SEG 2 FNPF vote for 2009.
V05/002	12/08/09	1-05102-05401-010399	28,980	1-05102-05401-030101	2,000	To meet anticipated expenditure.
				1-05102-05401-030301	2,000	
				1-05102-05401-030401	2,000	
				1-05102-05401-040101	300	
				1-05102-05401-040201	300	
				1-05102-05401-040203	600	
				1-05102-05401-040421	5,000	
				1-05103-05501-040101	750	
				1-05103-05501-040361	30	
				1-05101-05101-050299	500	
				1-05101-05101-050311	400	
				1-05101-05101-050301	2,500	
				1-05101-05101-059136	5,794	
				1-05101-05101-050801	3,000	
				1-05103-05501-030101	1,750	
V11/006	08/09/09	1-11102-91011-020401	2,000	1-11103-91011-040699	4,000	To pay the drivers and bodyguards who are required to work late due to extended court sitting.
		1-11103-91011-020401	1,000			
		1-11103-91011-020329	500			
		1-11104-91011-020329	500			
V11/019	15/09/09	1-11103-91011-020201	3,000	1-11103-91011-040699	5,500	To cater for shortfall in FNPF payments.
		1-11105-91011-010201	2,500			
V11/032	05/01/09	1-11103-91011-020601	70,000	1-11101-11999-071501	70,000	To regularise over expenditure.

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Virements No.	Date	Into	Amount (\$)	Release from	Amount (\$)	Virements Description
V34/012	15/01/09	1-34501-73999-020101	750	1-34501-73999-030101	1,450	
		1-34501-73999-020401	700			