



ACCOUNTABILITY IN THE PUBLIC SECTOR  
THROUGH QUALITY AUDIT SERVICES

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

**Volume 1    Audit Report on the Whole of  
Government Financial Statements and  
Annual Appropriation Statement - 2010**

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Volume 1

Audit Report on the Whole of  
Government Financial Statements  
and Annual Appropriation  
Statement - 2010

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Excellence in Public Sector Auditing

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File: 102

31 October, 2011

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

Dear Commodore Bainimarama

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**AUDIT REPORT ON THE WHOLE OF GOVERNMENT FINANCIAL  
STATEMENTS AND ANNUAL APPROPRIATIONS STATEMENT - 2010**

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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 2010.

*T Bolanavanua*

Tevita Bolanavanua  
**Auditor-General**





## FOREWORD

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This report covers the results of our audit of the Whole of Government (WOG) Financial Statements and the Annual Appropriation Statement for 2010 and its 32 ministries and departments as provided in the 2010 Appropriation (Amendment) Decree.

The purposes of this report are to:

- report on the audit of the WOG Financial Statements as at 31 December 2010 covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments as at 31 December 2010 covered under volume 2-4 of the report;
- report on the results of, and matters arising from, our 2010 audits of ministries and departments also covered under volume 2-4; and
- raise other matters that we believe warrant consideration by Cabinet.

The WOG Financial Statements have been presented in accordance with the provisions of the Financial Management Act (2004). The Government uses the cash basis system of accounting, therefore the underlying format is cash based with direct reference to the Budget Estimates.

A qualified audit opinion was issued on the WOG Financial Statements as bank accounts held with the Ministry of Finance contained errors and omissions that could not be determined due to absence of bank reconciliations.

The preparation of the 2010 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 Financial Management Information System only the end-balances and not all the details are uploaded.

Section 70 (3) of the Finance Instructions states that the draft agency financial statements for ministries and departments 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. Of the 32 ministries and departments appropriated in the 2010 appropriation decree, 19 failed to submit their agency financial statements by 31/3/10 delaying the issue of their respective audit reports.

Out of the agency financial statements audited, 15 were issued unqualified audit opinions while 16 were qualified. The qualification issues include: trust fund account balances in the general ledger did not reconcile with bank balances; trust fund account statement of receipts and payments were not provided for audit; financial statements were not presented in accordance with the Finance Management Act 2004 and adequate records were not maintained to support Trading and Manufacturing Account balances.

The issues qualified above were the same as those highlighted in 2009 but at a lesser extent as some ministries and departments had shown some improvement. There however remains a lot of work to improve the requirements of all stakeholders.

The results and matters arising from our audits of ministries and departments are covered under volume 2-4 of the report. Some of the matters raised have been reported in past Reports of the Auditor General but very little improvement was noted or in some instances; no action was taken by respective ministries and departments.



Tevita Bolanavanua  
**Auditor General**

**31 October, 2011**



## EXECUTIVE SUMMARY

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The WOG Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2010 have 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 a qualified audit report as the Cash at Bank balance as at 31/12/10 totaling \$185.4 million contained errors and omissions amounting \$44.1 million. In addition, \$52.5 million could not be verified due to the absence of the bank reconciliation statements of various bank accounts as reported in the Schedule 1 - *Statement of Assets and Liabilities*.

The attention of the Ministry of Finance was also drawn to the following matters:

- Term deposits totaling to \$5.5 million have not been recorded in the *Schedule 1 - Statement of Assets and Liabilities* understating the cash at bank balances.
- Income Tax and Value Added Tax Refunds of \$183 million are expenditures of Government which have been off-setted against direct taxes in *Note 5* of the WOG Financial Statements resulting in the understatement of the total operating revenue by the same amount.
- Investments totaling \$6.5 million for Dormant Companies and Companies in Liquidation as disclosed in *Note 3* to the Financial Statements have not been assessed for write down and as a result overstated the investment balance.
- Lending Fund Account contained errors and omission of \$23.64 million in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the WOG Financial Statements with respect to loans, loan recovery to/from government entities in 2010.
- Trust accounts with ministries and departments were overdrawn by \$9.1 million as reflected in *Note 4* to the WOG Financial Statements contrary to Finance Circulars 4 of 30/3/98.
- The interest payment in 2009 of \$19.9 million and the transfer of funds from Operating Fund of \$14.9 million in 2010; were not reflected in the Sinking Fund Account - *Note 4(i)* to the WOG Financial Statements.
- Balances in the following accounts could not be substantiated as no supporting documentations were provided:
  - Trading and Manufacturing Account (TMA) surplus and accumulated surplus of \$22.5 million;
  - Revolving Fund Account – Standard Liability Group (SLG) 85 and SLG 84 balances as at 31/12/2010 totaling \$1.7 million and \$9.66 million respectively;
  - Membership subscriptions for International Agencies for Guarantee of Overseas Loan of \$63.0 million; and
  - General ledger balances totaling \$9 million reflected as outstanding debt of Government.
- The failure of carrying out correct mappings of the RFA Balances of \$10.9 million in 2010 in accordance with the Appropriation Act has resulted in general ledger balances not being correctly reflected;

- Contrary to Note 1(a) to the Accounts, receipts totaling \$26.4 million for the Revolving Fund Account-TMA as reflected in Note 12 included credit sales of \$6.94 million.
- The correctness of operating revenue receipted through the Accounts Receivable Module of the Financial Management Information System, totaling \$25 million as reflected in Schedule 2 - *Consolidated Statement of Receipts and Payments* could not be substantiated and was not accounted in accordance with the cash basis of accounting as in Note 1 to the accounts.
- Balances in the following accounts were not reflected in the WOG Financial Statements:
  - TMA Balances made up of Accounts Receivable \$3.6million, Inventory \$6.3 million, Accounts Payable \$0.53 million, Deposits and Retention Money \$2.1 million, TMA Surplus \$1.5 million and TMA Accumulated Surplus \$24.0 million.
- A prior year adjustments of \$9,568,863 made in the Consolidated Fund Statement of Receipts and Payments in 2010 could not be substantiated.

The following is a summary of the audit observations.

### **2010 WOG Financial Statements**

#### ***Cash at Bank***

The Cash at Bank balance of \$185.4 million as at 31/12/10 contained errors and omissions amounting \$44.1 million and \$52.5 million could not be determined due to the absence of the bank reconciliation statements.

Unpresented cheques decreased significantly from \$97.9 million in 2009 to \$48.8 million in 2010. A \$15.3 million was shown as debit balance under drawings in the statement of cash and bank balances.

Cash balances in ministries and departments' trust had increased significantly from \$23 million in 2009 to \$31.2 million in 2010. Certain trust accounts amounting to \$2.3 million were overdrawn.

#### ***Investment***

Government's investments held in 30 companies in 2010 amounted to \$438.9 million, a decrease of \$3.1 million or 0.7% compared to 2009.

Only 6 entities remitted dividends totalling \$9.2 million to Government in 2010 compared to \$20.8 million in 2009. Six entities with total Government investments of \$6.48 million were in-operative.

Term deposit amounting to \$3 million with Colonial National Bank/Bank of South Pacific (CNB/BSP) and \$2.5 million with Westpac were not reflected in the Whole of the Government Financial Statements for 2010.

### ***Trust Fund***

An amount of \$2.7 million in respect of trust monies were not appropriately supported by cash.

17 ministries and departments had overdrawn their trust fund accounts totalling \$9.1 million as at 31/12/10.

Recurring audit issues highlighted during 2009 audits were not resolved by the Ministry in 2010.

### ***Revenue***

The correctness of operating revenue receipted through the Accounts Receivable module, totaling \$25 million, reflected in the Government of the Fiji Islands Consolidated Statement of Receipts and Payments could not be substantiated.

Controls were not strengthened allowing users to do incorrect postings to VAT revenue codes.

The Ministry failed to provide budgetary provisions for various revenue of which \$150.4 million collected during 2010 had no budgetary provision while budgetary provisions of \$42 million for various revenue accounts did not record any actual revenue during 2010.

Trading & Manufacturing accounts profit of \$4.2 million was not transferred to consolidated fund account as at 31/12/10.

### ***Expenditure***

Government spending totaling \$1,900,081,658 in 2010 declined by \$11.3 million compared to 2009.

Operating expenditure increased by \$522.39 million from 2001 to 2010 with an average increment of \$58 million or 5%. Operating expenditures compared to 2009 recorded a decline of \$13.12 million or 1% in 2010.

There was an overall budget saving of \$93.9 million in 2010 compared to \$133.5 million of budget savings in 2009. Total revised budget in 2010 decreased by \$50.9m from \$2,044.9 million in 2009 to \$1,994 million in 2010.

The surplus recorded in 2010 was due to the savings made from the following standard expenditure group allocations: travel & communications recorded savings of \$1,871,456 (2%), maintenance and operations \$592,886 (1%), special expenditures \$6,544,441 (7%), capital construction \$15,255,403 (16%), capital purchase \$7,240,299 (8%), capital grants and transfers \$17,494,833 (19%), pensions and gratuities \$4,489,648 (5%), and finances charges on public debt \$52,637,341 (56%) and VAT of \$776,211 (1.6%).

### ***Borrowing***

In 2010, Government borrowings totalled \$3.4 billion of which \$2.8 billion or 82% was through domestic bonds, \$75 million or 2% treasury bills and \$548.5 million or 16% in overseas loans.

Government borrowings have increased by 8% compared to the year 2009, where it had surpassed three billion dollars. This was 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.

The Government's financing needs were largely met from domestic borrowings. Government cash borrowings in 2010 totalled \$537.94 million of which \$452.74 million or 84% was through domestic bonds, \$74.97 million or 14% treasury bills and \$10.23 million or 2% being overseas loans.

The total domestic loans as at 31/12/10 amounted to \$2,759,292,150 and this accounted for 82% of the total Government borrowings.

The overseas borrowing of Government as at 31 December 2010 totalled \$548,461,798 which represents 16% of total borrowings. Majority of the overseas loans obtained were to finance capital projects.

In 2010, the flexibility measure was 58% indicating that the total debt repayment was equivalent to 58% of the revenue received by the Government during the year. Hence, only 42% of revenues collected were available for government programs, a decline by 20 percentage point with the year.

In 2010 the Domestic Loans as a percentage of GDP increased to 45%, an increase by 2 percentage point and constitute the highest debt recorded to GDP over the 10 year period.

### ***Lending***

Loans made by Government and outstanding as at 31/12/10 totalled \$73.8 million, a decrease of \$22.8 million or 24% compared to 2009. Repayments received in 2010 totalled \$27.7 million whilst additional loans granted and interest capitalised in 2010 was \$4.9 million.

There was no documented procedure manual in place to dictate the processes in the Lending Fund Account.

The loan of \$35.5 million to Fiji Sugar Corporation Limited was not reflected in the Lending Fund Account during 2010.

Loan recoveries collected in 2010 totalling \$27,538,918 were recorded as revenue in the general ledger (FMIS) after being credited to the Lending Fund Account.

Parliamentary resolutions between 2001 and 2004 and Cabinet Decisions in 2008 approved the conversion of loans to grant owed by the Fiji Sugar Corporation and the Rabi Council of Leaders. These conversions have not been executed to date.

Private Students loan inactive for a considerable number of years but activities were still noted in this account with a credit balance of \$3.7 million as at 31/12/10.

Lending Fund Account Appendix revealed that numerous accounts have been inactive and there was uncertainty for recovery.

### ***Revolving Fund Account***

RFA – Miscellaneous has large outstanding balances for various ministries and departments amounting to \$60.8 million, a decrease by 9% compared to 2009 which amounted to \$66.9 million.

Of the \$26.4 million in TMA (suspense) receipts, \$6.94 million (26%) related to TMA credit sales, as in the general ledger account description (natural account 2402000).

The recovery of advances and dishonoured cheques over the 5 year appeared to have slowed down compared to year 2009. There was only a 3% movement in the balance for unclaimed monies.

The audit could not substantiate TMA surplus and TMA accumulated surplus balance totalling to \$22.5 million appearing in the General Ledger.

There were 26 TMA out of which 7 were operating above their appropriated ceiling.

The Standard Liability Group (SLG) 85 despite being a liability had a debit balance of \$1.8 million while SLG 84 had a balance of \$9.7 million, an increase of \$8.5 million or 701% compared to 2009. In addition, there was no policy/procedure manual for SLG 84 and 85.

TMA (suspense) of \$26.4 million in receipts included credit sales of \$6.9 million despite reporting being done on cash-basis of accounting. As such, the statement of receipts and payments in schedule 2 of the WOG Financial Statements was overstated by \$5.4 million.

The TMA Fund Account (Fund 4) for the accounting of TMA balances revealed that debits totalled \$24,143,138 and credits totalled \$24,119,986, as such Fund 4 of TMA had a debit balance at end of year of \$23,152 which could not be explained by the Ministry.

### ***Contingent Liabilities***

The total contingent liabilities as at 31/12/10 amounted to \$1.8 billion of which domestic loans accounted for \$1.7 billion or 96.5% while overseas loans accounted for \$63.1 million or 3.5%.

Total liability for membership subscriptions with the international agencies amounted to \$63.1 million as at 31/12/10. Records prepared by Ministry of Finance for the total subscriptions outstanding in 2010 were lacking.

## **2010 Accounts of Ministries and Departments**

### ***Office of the President***

The Underline Accounts reconciliations were not prepared; hence variances were noted between the Office records and the General Ledger (FMIS).

### ***Office of the Prime Minister***

The Poverty Monitoring Unit was provided a sum of \$300,000 in the 2010 budget to facilitate the Integrated National Poverty Eradication (INPEP) Programme to be undertaken in the first quarter of the year. However, funds totaling \$28,772.37 were used for purposes which did not relate to the INPEP Programme.

Prime Minister's Office provided grants known as Government Seed Donation to FENC Fiji since 2009. However no grant agreement was drawn up with FENC Fiji. In addition, there was no evidence to suggest that the utilisation of grants provided in 2009 and 2010 to FENC Fiji was monitored to determine whether it achieved expected outcomes.

In 2010 the Prime Minister's (PM's) Office engaged Ajiliti Pty Ltd to implement Performance Management System (PMS) for the Government of Fiji. The following irregularities were noted the firm's engagement:

- Tender Board and PSC approvals were not obtained by the PM's Office for appointing the consultant and no contract agreement was drawn up.
- No cost-benefit and needs analysis was carried out before installation of Performance Management System software.

### ***Public Service Commission***

Contrary to PSC Circular 13/2009 of 13/03/09, PSC continued to pay overtime and honorarium allowance to its staffs in the accounts section during the closing of accounts in December 2010.

### ***Cuba Scholarship***

- Despite the student disclosing her previous outstanding student loan in the scholarship form, she was awarded the scholarship
- The bond forms filled and signed by students were incomplete.

Students on overseas scholarships were incorrectly paid book allowances which resulted in overpayment of allowances.

Numerous discrepancies such as incomplete bond forms, form not endorse by Permanent Secretary, work experience not met and unauthorized study programme were noted in the awarding of overseas scholarship for 2010.

Revenue collected by the Commission was not posted to FMIS general ledger in a timely manner; hence the Commission was unable to provide the amount owed for each year and under which scheme or institute as the breakdowns for the total amount outstanding were not maintained.

### ***Office of the Attorney General and the Solicitor General***

The Operating Trust Fund Account as at 31/12/10 had a balance of \$396,438. Significant portion or \$310,753 of this amount was brought forward from previous years and has remained uncleared.

Censorship fees collected were not sufficient and could not cover the total expenses incurred for censoring a film.

### ***Ministry of Finance***

\$12.9 million was utilized from the Head 50 – Miscellaneous expenditure to cover shortfall in payroll expenditure for certain ministries and departments. The Ministry credited payroll expenditure and debited Head 50-Miscellaneous resulting in the understatement of the actual payroll expenditures for these ministries and departments.

A total of \$1.8 million was incurred for the Minister's salaries from Head 50 - Miscellaneous expenditure on the strength of invoices of the private accounting firm.

### ***Fiji Procurement Office (FPO)***

The Department did not take any action and provided no explanation for the outstanding RFA balances of \$7.7 million.

Net loss of \$4.6 million was recorded for 2010 compared to net loss of \$244,772 in 2009.

TMA cash at bank balance held in excess of the appropriated ceiling of \$2.04 million was not remitted to Ministry of Finance.

### ***Government Printing and Stationery Department (GPSD)***

Revenue recorded for the year in the department's general ledger was overstated as the department is using the AR module when invoicing and receipting revenue.

A net loss of \$1.1 million was recorded in 2010 compared to a net profit of \$2.1 million in 2009.

TMA cash at bank balance held in excess of the appropriated ceiling of \$859,727 was not remitted to Ministry of Finance.

No reconciliation was prepared for domestic bank balance for the department, Standard Asset Group 52 despite the accumulation of the balances over the years.

Bookshop items were sold at half price without any written approval from the Ministry of Finance.

### ***Information Technology and Computing Services***

Revenue recorded for the year in the department's general ledger was overstated as the department is using the AR module when invoicing and receipting revenue.

## **Ministry of Strategic Planning, National Development and Statistics**

### ***National Planning Office***

Payment procedures and regulations were not followed and controls were overridden for numerous acquisitions made at the end of the year resulted in the over expenditure for SEG 5 – Purchase of Goods and Services.

In December 2010, the Office spent \$638,933 of which a total of \$326,416 or 51% of the total spent was incurred between 27<sup>th</sup> and 31<sup>st</sup> December 2010.

A Statement of Losses was not submitted for audit.

Integrated Human Resources Development Programme (IHRDP) projects implemented from 2008 have failed to sustain their operations and continued to rely on funding from the Ministry.

### ***Fiji Bureau of Statistics***

Leave records have not been properly administered resulting in excessive leave for some officers.

The Department was not following up with staff for the clearance of the outstanding accountable advances.

### ***Ministry of iTaukei Affairs***

Eleven Operating Trust Fund Accounts of the Ministry were overdrawn as at 31/12/2011.

Excessive annual leaves due to staffs and long service leave records were not provided for audit

The Ministry has not published its Annual Reports for the past 20 years

The last audited accounts for Fijian Affairs Board were for the year 1996. The accounts for 1997 to 2000 were yet to be finalized. All Provincial Council's accounts were also not up to date and most accounts have not been submitted for audit since 2000 or 2001.

A sum of \$1,069,713 (VAT) was still outstanding to FIRCA with the final assessment yet to be made.

The Ministry did not prepare and sign grant agreements with agencies which were provided grants.

The Ministry did not monitor or review grants provided to iTaukei Affairs Board for Implementation of Fijian Administration Reform (\$4,650,200) and NLTB Committee on Better Utilization of Land (\$5,998,155.84).

Ministry did not maintain any information on students who had completed their studies to ensure that they are employed in Fiji for the number of years as required under the scholarship agreement.

### ***Department of Defence***

The Department was unable to provide any details on account allocation 1-06200-00000-910000 - *Accumulated surplus/deficits* which had a credit balance of \$293,060.83 as at 31/12/10.

### ***Department of Immigration***

Some discharged and suspended Officers continued to receive salaries after the effective dates of their discharge.

Excessive annual leaves due to staffs and long service leave records not provided for audit.

The IBMS Software was not acquired due to delay in the Evaluation Process.

### ***Ministry of Labour, Industrial Relations and Employment***

21 Operating Trust Fund Accounts of the Ministry were overdrawn as at 31/12/2011.

3 Main Trust Fund Accounts of the Ministry were also overdrawn on 31/12/2011. In addition a variance of \$29,624.08 was noted in the Main Trust Fund account balance between the Ministry's record and general ledger (FMIS) balance.

## *Ministry of Foreign Affairs*

### Fiji Mission – New Zealand

In the general repair and maintenances work at the Fiji Embassy properties in Wellington the following anomalies were noted.

- The Ministry failed to submit the projects monthly and quarterly progress Reports to the PWTB.
- The Ministry failed to provide a completion report with a completion certificate to the PWTB after the completion of the Project.
- The Ministry failed to submit a copy of the signed Contract Agreement between Freear Philip Limited and Fiji High Commission to the Secretary to the PWTB.
- Several variations totalling \$17,923.76 were approved and paid by the Mission without prior approval of PWTB. This resulted in the total contract price to be exceeded by NZ\$16,512.67.

### Fiji Mission – India

The Mission instead of serving three months prior notice in writing gave only seven days notice on 07/04/10 of its intention not to renew the lease. The Mission failed to comply with the lease agreement. As a result, the Mission paid three months rent totaling \$61,235.01 to the landlord as a penalty for giving short notice.

### Fiji Mission – United Kingdom

Significant disparity existed in the post allowances paid to the Head of Mission and Officers serving at the Fiji Mission in London when compared to other Fiji Missions overseas and taking into account London's ranking in Mercer's Cost of Living Ranking 2010 Report.

The Mission properties were in an appalling condition and not suitable for entertaining guests as required in the diplomatic world. At the date of audit<sup>1</sup>, very little has been done in term of repairs to the Mission properties

There was no evidence of any valuation being undertaken on the chancellery after 2004 to determine the correct rebuilding cost and it appears that the property may be under insured.

### Fiji Mission – Sydney

The Consular has been charging different rates for the same revenue allocation.

Stale cheques have been carried forward for over a year without being regularised

Consulate General's business plans was not synchronised with the Annual Corporate Plan for the Ministry with outputs, targets and KPIs not being aligned. Business plan did not have realistic measurable targets such as the proposed and converted foreign trade and investments dollars per business sector (tourism, agriculture, fisheries, forests, mining, garment etc.).

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<sup>1</sup> 14 June 2011

### Fiji Mission – Canberra

Mission failed to make prompt payment of their bills. As a result, disconnection of meters, late payment penalty and using the following year budget to settle the current year dues were recurring activities

### Fiji Mission – Beijing

An Officer who did not meet the Minimum Qualification Requirement (MQR) of a Third Secretary was appointed to the position. The new approved establishment of the Mission (approved in 2009 through 2009 Staff Establishment Register) did not have the position of a Third Secretary

### ***Department of Civil Aviation***

The Department failed to carry out an annual board of survey of its assets for the year 2010. The last board of survey done was undertaken in 2006.

### ***Elections Office***

Office's Operating Trust Fund Accounts was overdrawn and had a debit balance of \$519,156.06 as at 31/12/10.

The Board of Survey for 2010 was not carried out. Without a Board of Survey report, the Statement of Losses (other than money) cannot be substantiated.

The Office did not obtain approval from PSC for engaging consultants in 2009. In addition, the consultancy reports were not made available for audit hence the work carried out by the Consultants and the payments made could not be substantiated.

### ***Judiciary***

Arrears of revenue totaling \$10,970,177) was outstanding as at 31/12/10.

Some Main Trust Fund accounts and Operating Trust Fund Accounts were overdrawn as at 31/12/10.

Irregularities were noted in the maintenance and storage of Court exhibits at Nausori Magistrate Court.

### ***Legislature Department***

Government employee (EDP: 42526) was paid from the Department's vote despite not being an employee of the Department.

10 Operating Trust Fund accounts had overdrawn balances totaling \$110,663.63 as at 31/12/10.

Department failed to prepare VAT reconciliation for the year ended 31 December 2010.

### ***Office of Accountability and Transparency***

The Office failed to conduct a Board of survey for 2010. Without a board of survey report, the Statement of Losses (other than money) could not be substantiated.

### ***Ministry of Provincial Development and Disaster Management***

Some officers who retired, resigned, or were terminated from the Ministry continued to be remunerated resulting in overpayments of salaries.

1/3 cash contribution from the community was recorded as revenue by the Ministry.

6 out of 31 Main Trust Fund Accounts of the Ministry were overdrawn, resulting in the overall debit balance of \$230,852.98 as at 31/12/10.

Community contributions were not cleared from the Trust Fund Account at the completion of the projects.

The Ministry did not have Standard Operating Procedure for the release of building grants to the non government schools.

Procedures established by the Ministry for effective administration of capital projects were not always adhered to

Divisional offices only submitted one acquittal reports together with project progress report for each project to the Ministry. No further acquittal reports or project progress reports were submitted for continuing projects.

### ***Department of Multi Ethnic Affairs***

The Nausori Cultural Centre did not provide any financial records for 2010 for audit despite several requests. Grant of \$20,000 is given annually.

The Suva Cultural Centre was not handed over to the Department despite it ceased operation. All records, office furniture and equipments were still maintained at Suva Cultural Centre Office which has continued to incur monthly rentals expenses.

Anomalies were noted in the upgrading of 4.2km Tuvarara Road.

Students were paid top up allowance at the end of the year in addition to allowances paid under the scholarship awards.

Some students who are on scholarship voluntarily discontinue studying without informing the Department. The Department was unable to recover the scholarship expenses neither from these students nor from their guarantors.

The Department failed to keep proper records of the students who have completed their studies, their current status of employment and the whereabouts of these students.

### ***Fiji Military Forces***

The Force had certain Operating Trust Fund accounts overdrawn amounting to \$5,669,267.79 as at 31/12/2010.

37 discharged officers continued to be paid after the effective date of their discharge.

Some officers were also paid lodging allowance while occupying quarters.

Certain officers were occupying government quarters but were not charged rent by the Force.

The Office had two RFA accounts (comprising of accountable advances) with a total balance of \$15,283.61 which has been carried forward from 2004 and 2005. No further detail was provided to audit relating to these balances.

#### ***Office of the Director of Public Prosecutions***

The Office had annual leave liability of approximately \$107,988.64. Records for long service leave due to staffs were not provided for audit by the Office.

Officers were paid excessive leave compensation upon their termination or resignation.

Officers were overpaid salary upon their resignation or termination.

The Office failed to issue local purchase orders (LPO) for procurements in 2010.

Officers attended overseas training in 2010 but failed to submit training reports to Public Service Commission.

Anomalies were noted for payment of witness allowance.

#### ***Department of Justice***

A significant portion of RFA balance (\$220,847) had been carried forward from previous years which were yet to be cleared.

Full acting allowance was paid contrary to the Public Service Commission approval which clearly state that only 2/3rd of the total acting allowance should be paid to the Officer acting as Administrator General.

Anomalies noted in the appointment of the Commissioner of Stamp Duties.

#### ***Prisons and Corrections Department***

The Department of Prison failed to submit Arrears of Revenue Quarterly Reports for the year 2010.

The Department failed to provide any detail about the account allocation 1-15200-00000-910101 - Accumulated surplus/deficits which had a debit balance of \$582,858.41 as at 31/12/10.

Some officers continued to receive salaries after the effective dates of discharge due to delays in notifying Ministry of Finance to cease salaries.

A number of Officers were paid lodging allowances even though they were occupying quarters during the year 2010.

Several vehicles belonging to the Prison's Department were involved in accidents in 2009. Investigation revealed that all accident resulted due to the driver's fault; however none of the Officers was surcharged by the Department.

#### ***Ministry of Information, National Archives and Library Services***

The Ministry was not able to provide any details about the account allocation 1-16000-00000-910000 - Accumulated surplus/deficits which had a debit balance of \$251,648.64 as at 31/12/10.

### ***Ministry of Primary Industries***

Recovery of arrears of revenue for the Department of Agriculture has been unsatisfactory. Total arrears of revenue for the Department as at 31/12/10 were \$3,995,811.

The operations and maintenance of records for Trading and Manufacturing Accounts (TMA) need to be improved. Accounting records were inadequate and could not substantiate the balances reported in the TMA.

The reliability of information provided through the reconciliation of accounts is doubtful as there were variances noted between the various reconciliations prepared by the Ministry and the balances reflected in the General Ledger (FMIS).

Management of overtime should be improved as there were inadequate internal controls to closely monitor overtime costs to minimize overtime resulting from inefficiencies.

To avoid or minimize the risk of mismanagement of public funds, compliance with Government's procurement and payment procedures should be improved. Goods and services were paid on pro-forma invoices and in some cases goods were paid before they were supplied. Evidence such as delivery dockets to substantiate delivery of farming materials/equipment to farmers has been misplaced.

Monitoring the utilization of grants has not been effectively carried out. A number of statutory authorities and other agencies that receive grants from the Ministry did not submit acquittals.

### ***Ministry of Lands and Mineral Resources***

The re-engagement of retired officers were done without due regard to instructions and policies issued by the Public Service Commission.

Management of overtime should be improved. Continuous overtime for routine tasks, appeared to be prevalent indicated that officers were unproductive during official working hours.

There were considerable delays in processing applications for tenement and petroleum licenses. Some applications have been outstanding for years.

### ***Ministry of Industry and Trade***

Tenders were not called for the restructure of the Rewa Co-operative Dairy Company Limited casting doubt on the transparency of the process in awarding the consultancy contract to Aliz Pacific. In 2010, Government paid \$562,500 to Aliz Pacific in consultancy fees, with additional fees paid in 2011.

The Principal Accounts Officer did not reimburse the Ministry unutilized funds of more than \$30,000 from funds that were advanced to her for the World Expo in Shanghai, China. Acquittal and supporting documents for funds utilized totaling \$29,328 could not be relied upon to validate the claims of expenses incurred. In addition, the same officer did not reimburse per diem allowance of \$3,980 paid to her when she did not attend the closing ceremony of the Expo in Shanghai.

The Ministry has not complied with the Fiji Diplomatic and Consular Services Regulations – 2005.

### ***Ministry of Public Enterprises, Tourism and Communications***

The number of staff responsible for the accounting functions of a Ministry, which currently comprises four Departments, was insufficient. In 2010, the Accounts Section was manned by only three officers consisting of an Assistant Accounts Officer and two Clerical Officers.

Despite directive given by the Commander that Omega Computers must not be allowed to service any official RFMF computers, the Force continued to acquire the services of the Omega Computer for maintenance of computers.

Construction of the accommodation buildings at Blackrock in Nadi was delayed.

The Force paid a total of \$89,716.25 to RC Manubhai and Standard Concrete Industries for the purchase of building materials for the Blackrock project in Nadi of which materials were yet to be delivered to the site.

Payments for goods and services purchased for RFMF projects in Labasa were made in cash by the Force Clerk and not paid directly to the suppliers through cheques.

The Force Engineers failed to prepare the monthly bank reconciliation for the separate bank accounts maintained for capital projects.

No inspection report prepared by the Grants Officer or Officer in Charge of the project.

### ***Fiji Police Forces***

The Force's Drawing account reconciliation as at 31/12/10 had a closing balance of \$667,008.25 while general ledger (FMIS) balance was \$10,014,288.36, resulting in a variance of \$9,347,280.11.

The Operating Trust Fund Accounts (1-20101-20101-899988 – Miscellaneous Fund) of the Force was overdrawn (debit balances) as at 31/12/10 by \$111,276.50.

The Force was not able to provide any details about the account allocation 9-200000-00000-910000 - Accumulated surplus/deficits which had a credit balance of \$12,002,703.22 as at 31/12/10.

Some officers continued to receive salaries after the effective dates of their resignations, dismissals or directives to stop payment of salaries due to delays in ceasing the payment of salaries.

Proper procedures were not followed for recruiting 64 special constables in 2010.

Proper procedures and guidelines governing the procurement of goods and services were not followed when procurements were made.

Local Purchase Orders were not issued.

Funds were used for purposes other than it was approved for.

Some payment vouchers were missing whilst some payments were made on the strength of a photocopied or proforma invoices.

Payments for meals were made without adequate details such as number of suspects, suspects name, report numbers and cost of each meal.

Police officers were accommodated in hotels on transfer for up to two weeks in some cases resulting in extravagant hotel bills for the Force.

Several instances were noted where the Tuition Fee Grants provided to schools was used to meet other expenses and not for the purpose it was provided for.

#### Aryan's Home Solution

Conflict of Interest - Mr. Elvin Arvindra Prasad (TPF 67790), a Technical Teacher at the Lomary Secondary School was the husband of one of the Directors, Mrs. Shirley Prasad, of Aryan's Home Solution. The company was engaged for renovation and construction works to Lomary Secondary School at a cost of \$35,000.

The Company in its certificate of registration stated its place of business as Pacific Harbour but was operating its business from the Lomary Secondary School quarters.

Tender documents relating to the awarding of the contract to Aryan's Home Solution by the Ministry to construct a staff room at Lomary Secondary School and 4 class rooms with toilet and washroom at Nuku Secondary School for contract sum of \$35,000 and \$196,000 respectively were not made available for audit.

#### ***Ministry of Health***

The Ministry did not submit its draft agency financial statements to the Auditor-General for audit by 31 March 2011. The Ministry submitted its accounts on 01/04/11 which contained numerous errors and was returned to them for corrections. The final copy of the draft financial statements was received on 02/05/11.

The Ministry of Health included TMA Accumulated Surplus of \$744,810 and TMA Surplus Capital Retained of \$42,510 in the Balance Sheet as at 31/12/10. The Ministry did not provide any detail of these amounts.

The figures for the TMA 2009 audited accounts were obtained from Epicor system where as the figures for TMA 2010 accounts were obtained from FMIS. Consequently the brought forward account balances stated in the balance sheet for 2010 were not the same as closing balances for 2009.

The TMA Profit and Loss account had a net profit from the TMA operation of \$7,984 for the year ending 31/12/10. The net profit was not transferred to the balance sheet. If the amount was transferred to Balance Sheet there would be a variance of \$7,894 between net assets and total equity.

A variance of \$21,108.83 existed between the TMA sales revenue in the FMIS (general ledger) and the Epicor System.

The Ministry employed maintenance workers on a casual basis throughout the year. Some of these casual workers were paid overtime in excess of their total gross annual wages.

The Ministry overpaid salaries totalling \$162,601.99 as at 31/12/10. Out of this total of \$93,519 or 58% was salary overpaid upon resignation.

A sum of \$1,986,105 was vired from the Ministry's drug allocation to Global Fund in May 2010 to assist the setting up and operation of Global Fund. The funds vired to Global Fund was not reimbursed to the Ministry.

The Ministry of Health paid \$235,762.38 to Shantilal Brothers Fiji Limited for the procurement of uniforms, mosquito nets, bed linings and curtains for Fiji School of Nursing (FSN) during 2010 even though it had been transferred to FNU.

The Ministry's roles in monitoring the utilisation of government grants have not been effectively carried out. With limited resources available at the Accounts Section, acquittals submitted by grant recipients were not properly verified before subsequent quarterly grants were paid.

### ***Ministry of Works and Transport***

The operations of the TMA should be improved. Most TMA have continuously operated at substantial losses. Accounting records were inadequate to provide sufficient appropriate audit evidence to substantiate the balances reported in the financial statements of the TMA.

The reliability of information provided through the reconciliation of accounts was doubtful as there were variances noted between the various reconciliations prepared by the Ministry and the balances reflected in the General Ledger (FMIS).

Circumventions of procurement and payment procedures were prevalent as in previous years, increasing the risk of fraud and mismanagement of public funds.

Record keeping should be improved across the Ministry including Divisional Engineers and Depots. Misplacing of accounting records was a common occurrence. Over \$1.1 million of purchases and payments by the Divisional Engineer Central Eastern could not be substantiated as records have been misplaced.

The inadequate and poor maintenance of stores records, including fixed assets was widespread. In many instances, goods/inventories received and issued out by the stores were not recorded.

Monitoring for compliance of contracts with suppliers of goods and services to the Ministry before payments are effected should be improved.

### ***Ministry of Education***

The Ministry overspent its budgetary allocation for the year ended 31/12/10 by \$14,070,990.64.

The Ministry had shortfall in SEG 1 and SEG 2 to pay salaries for pay 25 and pay 26 of 2010 due to payments made for bus fares to school students. The Ministry made a request to the Ministry of Finance for additional funds. Instead of redeploying the funds into the Ministry's Budget allocation, Ministry of Finance passed a negative journal entry (credit entry) of \$8,198,467.74 in the expenditure allocation for SEG 1 and SEG2.

A total of \$46,620.85 was noted by audit as overpayment of salaries by the Ministry. The overpayments comprised of double payment of acting allowances, payment of maternity leave on fourth confinements and overpayment due to rescindment of promotion and late arrivals.

Some of the Officers who resigned continued to be paid for a few pay periods by the Ministry. This amounted to \$55,168.

Some of the staffs had outstanding PSC loan amounting to \$13,318 and had resigned from the service.

A total of \$12,300,695 was vired by the Ministry from its operating and capital budget to fund the unbudgeted bus fare scheme.

The Ministry made payments in excess of \$30,000 without Ministry of Finance approval which totaled \$1,272,378.

The Ministry paid total of \$1,450,686.09 from 2008 to 2010 for litigations claims due to negligence by medical professionals.

Total of \$3,455,432 worth of drugs were expired as at 30/6/2011 at FPS. In addition, 149 different types of drugs/consumables were out of stock at FPS as at 15/12/10. Out of this 77 types of drugs/consumables were ordered in November 2010 but not received as at 15/12/10. The other 72 types of drugs/consumables were not ordered since September 2010.

FPS overspent its overall budget allocation by \$6,054,023.14 or 30% for the year 2010.

### ***Local Government, Urban Development, Housing and Environment***

The Ministry did not submit its draft financial statement to the Auditor-General for audit by 31 March 2011. The account was submitted on 18/04/11 which contained numerous errors and was returned for correction. The Ministry resubmitted the final draft copy on 27/04/11.

The Department of Environment maintains a trust fund account at Westpac Banking Corporation. As at 31/12/10, the trust balance at the bank was \$1,220,948 however the FMIS record showed a balance of \$644,907 resulting in a variance of \$576,041.

### ***Women, Social Welfare and Poverty Alleviation***

The draft financial statement was submitted by the Ministry on 30/03/11 and it contained numerous errors. The financial statement was returned to the Ministry for corrections. The final draft copy was received on 14/04/2011.

The Ministry received sewing machines in donation from All China Women's Federation of China which arrived at the Suva wharf on 01/02/10. However, the machines were not cleared from the wharf until 07/04/10. As a result, Fiji Ports Corporation Limited (FPCL) charged the Ministry a demurrage fee of \$13,891.50 being the storage and handling cost for the 65 days.

Family Assistance Scheme (FAS) records showed that some recipients of family assistance had same reference numbers despite having different names and bank account numbers.

Review of family assistance recipients was not conducted regularly and this could result in the Ministry not knowing whether:

- The recipient was still alive or has passed away.
- The recipient's children could have grown up and found employment.
- Single mothers might have re-married and could financially support themselves.
- The husband of the recipient might have been released from the prison and thus would be in a position to support the family.

### ***Youth and Sports***

The Ministry did not submit its draft financial statement to the Auditor-General for audit on 31 March 2011. Instead it was submitted on 12/04/2011.

The Department failed to obtain competitive quotes from other hotels within Suva area to hold its annual staff workshop.

The Department from its budgetary allocation financed 50% of the staff corporate uniform costs. This was an unbudgeted expenditure amounting to \$2,777.75.

The Department through its National Youth Service Scheme (NYSS) provided financial assistance to 556 youths amounting to \$209,518 as at 31/12/09. Of this \$209,518, the Department was to recover 50% (or \$104,759) of the grant within the stipulated timeframe as per the respective recipient's memorandum of understanding. The Department only managed to recover \$10,776 as at 24/05/11.

Under the Emperor Gold Mine (EGM) Redundant Workers Rehabilitation Programme, a total of 222 redundant miners were provided financial assistance amounting to \$428,905. The Department was to recover 50% (or \$214,452.50) from the total financial assistance provided to the miners. The Department has only managed to recover \$23,640 as at 25/4/11.

The Department through its Small Micro Enterprise scheme provided financial assistance to 107 recipients in 2006 and 83 recipients in 2007. However, no site visits were carried out by the Department in 2010 to monitor the progress of this project.

### ***Ministry of Public Utilities & Energy***

The Ministry did not submit its draft financial statement to the Auditor-General for audit by 31 March 2011. The draft financial statement was submitted on 16/05/11 after numerous follow up.

The Department of Public Utilities incurred over expenditure amounted to \$3,403,695 for the year ended 31/12/10.

The Department of Public Utilities staffs failed to clear their advances totaling \$26,245.

The Department of Public Utilities purchased 3 electrical scooters amounting to \$6,413 from Westside Motorbike Rentals for Department staffs. The scooters have not been received by the Department as at the date of audit.<sup>2</sup>

The Department of Energy incurred over expenditure totalling \$33,649 for the year ended 31/12/10.

The Department failed to submit its trust account statement of receipts and payments contrary to section 71(1) (g) of the 2010 Finance Instructions. The Department's main trust account was also overdrawn by \$506,290.

A sum of \$334,850 was paid to contractor for supply and installation of two biodiesel processing plants in Lau and Rotuma but no work was carried out by the contractor.

The Department of Energy on 20/10/09 entered into a Contract Agreement with Powerlite Generators Fiji Limited for the maintenance works on 1,039 solar home systems in Bua, Cakaudrove and Macuata for a contract sum of \$95,930 for a three year period. The maintenance works were not satisfactorily carried out by the contractor.

The Department of Energy did not undertake any biogas digester project in 2010 despite the provision of a budget of \$250,000.

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<sup>2</sup> 2 March 2011

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3. Office of the Attorney General and The Solicitor General
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6. Ministry of Defence, National Security and Immigration
7. Ministry of Labour, Industrial Relations and Employment
8. Ministry of Foreign Affairs, International Co-operation and Civil Aviation
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**PART 1:      AUDIT CERTIFICATE AND THE  
AUDITED ACCOUNTS**





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Excellence in Public Sector Auditing

**WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND APPROPRIATION STATEMENT OF THE  
REPUBLIC OF FIJI FOR THE YEAR ENDED 31 DECEMBER 2010**

**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 Fiji for the year ended 31 December 2010 in accordance with Part 5 Section 7 of the State Services Decree 6 of 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.

**Qualifications**

The Cash at Bank balance of \$185.4 million as at 31/12/10 contained errors and omissions amounting \$44.1 million. In addition, \$52.5 million could not be determined due to the absence of the bank reconciliation statements of various bank accounts as reported in the Schedule 1 - *Statement of Assets and Liabilities*.

In my opinion, except for the effect of the matter referred to in the qualification paragraph, the Financial Statements presents fairly in accordance with the accounting policies in Note 2, the financial position of the Government of the Republic of Fiji as at 31 December 2010 and the results of its operations and cash flows for the year then ended.



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

- Term deposits totaling to \$5.5 million have not been recorded in the *Schedule 1 - Statement of Assets and Liabilities* understating the cash at bank balances.
- Income Tax and Value Added Tax Refunds of \$183 million are expenditures of Government which have been offset against direct taxes in *Note 5* of the Whole of Government Financial Statements resulting in the understatement of the total operating revenue by the same amount.
- Investments totaling \$6.5 million for Dormant Companies and Companies in Liquidation as disclosed in *Note 3* to the Financial Statements have not been assessed for write down and as a result overstated the investment balance.
- Lending Fund Account contained errors and omission of \$23.64 million in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the Whole of Government Financial Statements with respect to loans, loan recovery to/from government entities in 2010.
- Trust accounts with Ministries/Departments were overdrawn by \$9.1 million as reflected in *Note 4* to the Whole of Government Financial Statements contrary to Finance Circulars 4 of 30/3/98.
- The interest payment in 2009 of \$19.9 million and the transfer of funds from Operating Fund of \$14.9 million in 2010; were not reflected in the Sinking Fund Account - *Note 4(i)* to the Whole of Government Financial Statements.
- Balances in the following accounts could not be substantiated as no supporting documentations were provided:
  - Trading and Manufacturing Account (TMA) surplus and accumulated surplus of \$22.5 million;
  - Revolving Fund Account – Standard Liability Group (SLG) 85 and SLG 84 balances as at 31/12/2010 totaling \$1.7 million and \$9.66 million respectively;
  - Membership subscriptions for International Agencies for Guarantee of Overseas Loan of \$63.0 million were not made available;
  - General ledger balances totaling \$9 million reflected as outstanding debt of Government.
- The failure of carrying out correct mappings of the RFA Balances of \$10.9 million in 2010 in accordance with the Appropriation Act have resulted in general ledger balances not being correctly reflected;
- Contrary to *Note 1(a)* to the Accounts, receipts totaling \$26.4 million for the Revolving Fund Account-TMA as reflected in *Note 12* included credit sales of \$6.94 million.
- The correctness of operating revenue receipted through the Accounts Receivable module of the Financial Management Information System, totaling \$25 million, reflected in the *Schedule 2 - Consolidated Statement of Receipts and Payments* could not be substantiated and was not accounted in accordance with the cash basis of accounting as in *Note 1* to the accounts.
- Balances in the following accounts were not reflected in the Whole of Government Financial Statements:
  - TMA Balances made up of Accounts Receivable \$3.6million, Inventory \$6.3 million, Accounts Payable \$0.53 million, Deposits and Retention Money \$2.1 million, TMA Surplus \$1.5 million and TMA Accumulated Surplus \$24.0 million.



- A prior year adjustments of \$9,568,863 made in the Consolidated Fund Statement of Receipts and Payments in 2010 could not be substantiated.

*T Bolanavanua*

Tevita Bolanavanua  
**AUDITOR GENERAL**

Suva, Republic of Fiji  
19 October 2011





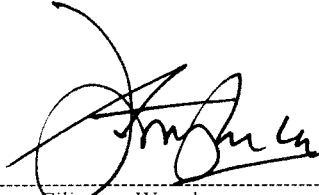
**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**STATEMENT OF ASSETS & LIABILITIES**  
**AS AT 31 DECEMBER 2010**

Schedule 1

	Notes	31 December 2010 \$	31 December 2009 \$
<b>CURRENT ASSETS</b>			
Cash at Bank	2	185,443,615	94,512,448
Investments	3	438,862,904	441,960,504
<b>TOTAL ASSETS</b>		<u>624,306,519</u>	<u>536,472,952</u>
<b>CURRENT LIABILITIES</b>			
Trust Fund Account	4	56,292,229	55,349,707
Sinking Fund Account	4(i)	68,659,964	68,659,964
<b>TOTAL LIABILITIES</b>		<u>124,952,193</u>	<u>124,009,669</u>
<b>NET ASSETS</b>		<u>499,354,326</u>	<u>412,463,283</u>
<b>CONSOLIDATED FUND</b>	refer Schedule 2	<u>499,354,326</u>	<u>412,463,283</u>

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

Ministry of Finance  
Suva, Fiji  
12 October 2011

  
-----  
Filimone Waqabaca  
Permanent Secretary for Finance



**GOVERNMENT OF THE REPUBLIC OF FIJI  
CONSOLIDATED FUND  
STATEMENT OF RECEIPTS & PAYMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 2

	Notes	31 December 2010 \$	31 December 2009 \$
<b>RECEIPTS</b>			
Operating Revenue	5	1,021,121,982	1,003,190,875
Value Added Tax	6	494,895,149	404,688,978
Borrowings	7	462,965,102	405,389,740
Treasury Bills Raised	8	687,313,133	253,821,653
Ways & Means	9	306,500,000	152,000,000
Receipts from Debtors	10	27,741,224	26,378,925
Capital Gain	11	---	1,704,514
Revolving Fund Account Net Receipts	12	1,509,755	494,540
<b>TOTAL RECEIPTS</b>		<u>3,002,046,345</u>	<u>2,247,669,226</u>
<b>PAYMENTS</b>			
Operating Expenditure	13	1,056,348,375	1,061,666,572
Capital Expenditure	14	339,654,347	335,014,525
Value Added Tax	15	48,735,276	51,572,901
Repayment of Loans	16	455,343,659	463,148,452
Redemption of Treasury Bills	8	710,064,626	220,653,349
Ways & Means	9	306,500,000	152,000,000
Loans made to Debtors	17	4,980,100	17,111,204
Capital Loss	11	3,097,602	---
<b>TOTAL PAYMENTS</b>		<u>2,924,723,985</u>	<u>2,301,167,002</u>
<b>Surplus for the year</b>		77,322,360	(53,497,776)
Correction of Fundamental Errors	18(a)	9,568,683	528,793
Balance as at 1 January		<u>412,463,283</u>	<u>465,432,265</u>
<b>Balance as at 31 December</b>	refer Schedule 1	<u><b>499,354,326</b></u>	<u><b>412,463,283</b></u>



GOVERNMENT OF THE REPUBLIC OF FIJI  
TRUST FUND  
STATEMENT OF RECEIPTS & PAYMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 3(i)

	Notes	31 December 2010 \$	31 December 2009 \$
<b>RECEIPTS</b>			
Trust Fund Receipts		281,736,018	233,407,075
<b>TOTAL RECEIPTS</b>		<u>281,736,018</u>	<u>233,407,075</u>
<b>PAYMENTS</b>			
Trust Fund Payments		280,778,713	235,824,865
<b>TOTAL PAYMENTS</b>		<u>280,778,713</u>	<u>235,824,865</u>
<b>Surplus/(Deficit) for the year</b>		957,305	(2,417,791)
Balance as at 1 January		55,349,705	57,796,286
<b>LESS: Error in Opening Balance</b>		<u>(14,781)</u>	<u>(28,790)</u>
<b>Balance as at 31 December</b>	4	<u><b>56,292,229</b></u>	<u><b>55,349,705</b></u>



GOVERNMENT OF THE REPUBLIC OF FIJI  
SINKING FUND  
STATEMENT OF RECEIPTS & PAYMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 3(ii)

	Notes	31 December 2010 \$	31 December 2009 \$
<b>RECEIPTS</b>			
Sinking Fund Receipts		---	---
<b>TOTAL RECEIPTS</b>		---	---
<b>PAYMENTS</b>			
Sinking Fund Payments		---	---
<b>TOTAL PAYMENTS</b>		---	---
<b>(Deficit)/Surplus for the year</b>		---	---
Balance as at 1 January		68,659,964	68,659,964
<b>Balance as at 31 December</b>	4(i)	<b>68,659,964</b>	<b>68,659,964</b>



## I. 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 Cabinet. When passing the annual Budget, Cabinet approves the Heads of Appropriation by enacting the annual Appropriation Decree. 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 are related to revenue earned by trading and manufacturing activities.



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 4

31 December 2010 \$	31 December 2009 \$
---------------------------	---------------------------

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 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	82,425,719	50,840,687
Overseas Agencies	106,409,431	106,093,950
Trading and Manufacturing Account	14,133,097	12,463,558
Cash Balance in Departmental Trust	31,245,508	22,978,529
Less: Unpresented Cheques	(48,770,140)	(97,864,276)
<b>Net Cash</b>	<b>185,443,615</b>	<b>94,512,448</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 4

	31 December 2010 \$	31 December 2009 \$
<b>3. INVESTMENTS</b>		
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:		
<b>Investment Category</b>		
Fully Commercial Co. (Profitable)	346,838,026	346,873,128
Fully Commercial Co. (Non-Profitable)	76,131,698	76,131,697
Semi-Commercial (Agro based)	9,412,970	9,412,970
Dormant Companies	2,000,000	2,000,000
Companies in Liquidation	4,480,210	7,542,709
<b>Total Investments</b>	<u>438,862,904</u>	<u>441,960,504</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:

<b>Category</b>		
Trust Funds	34,766,530	27,070,826
Trust Funds/Payroll Deductions	30,609,680	37,402,586
Less: Overdrawn Accounts	<u>(9,083,981)</u>	<u>(9,123,707)</u>
<b>Total Trust Fund Account</b>	<u>56,292,229</u>	<u>55,349,705</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.

<b>Category</b>		
Opening Balance	68,659,965	68,659,965
Transfers from Operating	---	---
Dividend on Investment	---	---
Foreign Exchange Gain or Appreciation	---	---
Closing Balance on RBF Sinking Fund	---	---
<b>Total Sinking Fund Account</b>	<u>68,659,965</u>	<u>68,659,965</u>



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 4

	31 December 2010 \$	31 December 2009 \$
<b>5. OPERATING REVENUE</b>		
Operating Revenue consists of Direct Taxes, Indirect Taxes, Fees Fines & Charges, Grant Aid, Interest & Dividends and Other Receipts.		
Direct Taxes	425,983,347	452,920,274
Indirect Taxes	381,252,082	351,614,396
Fees, Fines & Charges	138,863,131	97,621,724
Operating Revenue - Sales	45,407	55,622
Operating Revenue - TMA	(5)	---
Other Receipts	25,435,733	24,268,587
Reimbursements & Recoveries	(11,815,163)	9,932,225
Grant Aid	8,886,821	6,229,209
Dividends from Investments	12,726,623	22,827,214
Repayments of Term Loans Receivable	175	532
Gain in Exchange Rate	---	5,509,281
Interest from Bank Balances	39,728,048	30,747,615
Sales of Government Assets	---	300,000
Return of Surplus Capital from Investment	15,783	1,164,197
<b>Total Operating Revenue</b>	<u>1,021,121,982</u>	<u>1,003,190,875</u>
<b>6. VALUE ADDED TAX RECEIPTS</b>	<u>494,895,149</u>	<u>404,688,978</u>
These are the VAT revenue collected by the Fiji Revenue & Customs Authority during the year.		
<b>7. BORROWINGS</b>		
Thirty Six new loans were raised during the year locally, with their respective repayment periods ranging from 2012 to 2040 whilst five overseas loans were drawn from loans that had been approved in previous years but were yet to be fully drawn.		
<i>Domestic Loans</i>	<u>452,734,100</u>	<u>404,239,758</u>
	<u>452,734,100</u>	<u>404,239,758</u>
<i>Overseas Loans</i>		
ADB Fiji Road Upgrading III	6,194,074	1,149,982
ADB Suva/Nausori Water Supply & Sewage Project	4,036,928	---
<b>Total Overseas Borrowings</b>	<u>10,231,002</u>	<u>1,149,982</u>
<b>TOTAL BORROWINGS</b>	<u>462,965,102</u>	<u>405,389,740</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	14,224,429	15,746,720
Fiji Road Upgrading Project Stage III	3,991,269	1,044,500
Emergency Food Recovery	184,686	---
Suva/Nausori Water Supply Supp	5,228	---
Fiji Low Cost Housing	11,226,939	---
Fiji Public Rental Housing Project	4,494,400	---
ADB Suva/Nausori Water Supply & Sewage Project	17,591,563	7,535,631
<b>Total Direct Disbursement and Non-Cash Borrowing</b>	<u>51,718,514</u>	<u>24,326,851</u>
<b>8. TREASURY BILLS</b>		
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>687,313,133</u>	<u>253,821,653</u>
Treasury Bills Redemptions during the year	<u>710,064,626</u>	<u>220,653,349</u>



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 4

	<b>31 December 2010 \$</b>	<b>31 December 2009 \$</b>
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**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>306,500,000</u>	<u>152,000,000</u>
Ways and Means Repayments	<u>306,500,000</u>	<u>152,000,000</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	1,113	880
Consumer Co-operative Societies	202,657	1,433
Copra Industry for Stabilisation of Earnings	262,607	251,886
Tertiary Education	2,905,041	16,403,080
Private Students	2,030	3,383,260
Advances to Ministers and Members of Parliament	6,100	8,955
Students Loan Scheme	3,863,501	1,363,954
Viti Corp Limited	258,000	64,500
FDB	---	550
FAB (89 FAB Loan)	20,000,000	2,000,000
FAB (97 FAB Loan)	100,000	1,500,000
FAB (98 FAB Loan)	140,000	1,400,000
	<u>27,741,049</u>	<u>26,378,498</u>
Interest	175	427
<b>Total Receipts from Debtors</b>	<u>27,741,224</u>	<u>26,378,925</u>

**11. CAPITAL GAIN/LOSS**

The capital loss resulted mainly from the decrease in the value of Government investments.

Capital (Loss) Gain	<u>(3,097,602)</u>	<u>1,704,514</u>
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GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 4

	31 December 2010 \$	31 December 2009 \$
<b>12. REVOLVING FUND ACCOUNT</b>		
Ministries/Departments operating Revolving Fund Accounts have to operate within a ceiling set by the Minister. The limit for the Revolving Fund Accounts in 2010 was \$15,122,000.		
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.		
a) <i>Revolving Fund Receipts:</i>		
Revolving Fund Account - Imprests	115,003	120,142
Revolving Fund Account - Other Admin	3,818	1,305
Revolving Fund Account - Miscellaneous	292,574,356	83,807,078
Revolving Fund Account - Inter-Departmental Clearance	1,831,611,284	2,055,566,179
Revolving Fund Account - TMA:		
Fiji Maritime Safety Administration	8,790	20,603
Fiji Military Forces	230,660	348,633
Government Printing & Stationery Department	1,234,404	3,453,927
Fiji Procurement Office	2,208,059	9,253,897
Ministry of Agriculture & Land Resettlement	1,212,854	505,540
Ministry of Fisheries and Forests	147,858	96,864
Ministry of Health	676,414	71,753
Prison Farm	324,793	---
Ministry of Trade & Commerce	23,301	226
Public Works and Infrastructure	20,322,893	25,125,016
<b>Total</b>	<b>2,150,694,487</b>	<b>2,178,371,163</b>
b) <i>Revolving Fund Payments:</i>		
Revolving Fund Account - Imprests	114,843	119,735
Revolving Fund Account - Other Admin	49,860	48,996
Revolving Fund Account - Miscellaneous	286,430,604	84,499,386
Revolving Fund Account - Inter-Departmental Clearance	1,831,611,284	2,055,566,179
Revolving Fund Account - TMA:		
Fiji Maritime Safety Administration	4,560	7,431
Fiji Military Forces	297,332	260,786
Government Printing & Stationery Department	1,983,796	2,499,643
Fiji Procurement Office	2,279,416	7,630,993
Ministry of Agriculture & Land Resettlement	1,334,626	787,246
Ministry of Fisheries and Forests	178,799	92,134
Ministry of Health	707,151	(8,924)
Prison Farm	186,725	---
Ministry of Trade & Commerce	149	68,277
Public Works and Infrastructure	24,005,587	26,304,741
<b>Total</b>	<b>2,149,184,732</b>	<b>2,177,876,622</b>
<b>Revolving Fund Account Net (Payments)/Receipts</b>	<b>1,509,755</b>	<b>494,540</b>



GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 4

	31 December 2010 \$	31 December 2009 \$
<b>13. OPERATING EXPENDITURE</b>		
The operating expenditure of Government includes the following:		
Established Staff	516,827,808	537,263,289
Unestablished Staff	47,273,958	59,962,093
Travel and Communications	18,020,653	18,415,171
Maintenance and Operations	67,717,865	93,235,363
Purchase of Goods and Services	58,308,043	67,429,023
Operating Grants and Transfers	263,155,225	202,603,359
Special Expenditures	51,906,271	46,664,297
Pensions, Gratuities and Compassionate Allowances	33,138,552	36,093,978
<b>Total Operating Expenditure</b>	<b>1,056,348,375</b>	<b>1,061,666,572</b>
<b>14. CAPITAL EXPENDITURE</b>		
Capital Expenditures of Government includes capital constructions works; purchases of property, plant and equipment and capital grants & transfer payments.		
Capital Construction	143,323,665	162,626,526
Capital Purchase	19,640,531	40,230,331
Capital Grants and Transfers	176,690,151	132,157,668
<b>Total Capital Expenditures</b>	<b>339,654,347</b>	<b>335,014,525</b>
<b>15. VALUE ADDED TAX EXPENDITURE</b>	<b>48,735,276</b>	<b>51,572,901</b>
These are the VAT payments made by Ministries/Departments to the the Fiji Revenue & Customs Authority during the year.		
<b>16. REPAYMENTS OF LOANS</b>		
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	22,901,709	24,358,748
Domestic Loans	190,736,707	165,287,007
Treasury Bills	4,295,960	1,971,651
<i>Total Interest Paid</i>	<b>217,934,376</b>	<b>191,617,406</b>
<i>Principal Repayments:</i>		
Overseas Loans	32,850,575	21,263,254
Domestic Loans	198,540,500	245,405,000
<i>Total Principal Repayments</i>	<b>231,391,075</b>	<b>266,668,254</b>
Others	6,018,208	4,862,792
<b>Total Charges on Account of Public Debt</b>	<b>455,343,659</b>	<b>463,148,452</b>



GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 4

	31 December 2010 \$	31 December 2009 \$
<b>17. NEW AND ADDITIONAL LOANS</b>		
Additional loans and new loans that were provided in 2010 from recurrent loan provisions include the following:		
Advances to Public Officers	3,010	325
Consumer Co-operative Societies	202,132	108
Copra Industry for Stabilisation of Earnings	17,983	19,056
Tertiary Education	2,189,544	12,950,730
Advances to Ministers and Members of Parliament	---	---
Students Loan Scheme	2,567,431	757,839
Private Students	---	3,382,764
Fiji Development Bank	---	275
NLTB	---	108
<b>Total Loans Given</b>	<b>4,980,100</b>	<b>17,111,204</b>

**18. ADJUSTMENTS**

a) <i>Correction of Fundamental Errors</i>	9,568,683	528,793
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These are unsubstantiated balances in the 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 31/12/10 are as follows:

Domestic Loans	2,759,292,150	2,505,092,150
Treasury Bills	74,969,800	97,721,294
Overseas Loans	548,461,798	527,248,475
<b>Total Government Debt</b>	<b>3,382,723,748</b>	<b>3,130,061,918</b>

The above includes other loans shown below as at 31/12/10

**Overseas Loans** - interest capitalised and loan-in-kind  
- direct cash disbursed to contractors

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GOVERNMENT OF THE REPUBLIC OF FIJI  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 4

	31 December 2010 \$	31 December 2009 \$
<b>20. ARREARS OF REVENUE</b>		
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 31/12/10 are as follows:		
Agriculture	3,995,810	3,992,057
Auditor-General	427,442	204,670
Communications	5,007,611	1,096,944
Co-operatives	11,313	175,487
Education	18,534	4,417
Fiji Maritime Safety Administration	47,120	112,367
Fiji Revenue & Customs Authority - Customs	11,530,304	4,170,038
Fiji Revenue & Customs Authority - IRS	132,520,763	84,509,589
Provincial Development, Indigeneous and Multi Ethnic Affairs	507,899	553,729
Finance	469,396	477,635
Fisheries & Forests	13,457	
Government Printing and Stationery Department	153,703	175,562
Fiji Procurement Office	121,729	145,857
Health	126,196	233,754
Immigration	10,928	11,583
Information Technology & Computing Services	2,500	3,042
Judicial	10,970,177	10,828,342
Labour and Industrial Relation	19,339	39,740
Lands Crown Rent	17,970,765	17,486,274
Loans: <i>Rewa Rice Ltd.</i>	225,382	225,382
Meteorological Services	4,565,162	4,565,163
Police	14,600	13,303
Prisons	1,349	890
Public Utilities	34,843,653	36,755,411
MFO Sinai	3,368,626	3,240,114
<b>Total Arrears of Revenue</b>	<b>226,943,758</b>	<b>169,021,351</b>



GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT  
AS AT 31 DECEMBER 2010

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2010	Liability as at 31/12/2010
			\$	\$
<b>SECTION A -</b>				
<b>Fiji Development Bank</b>	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; CP(10)13 19/01/10.....	322,915,069	322,915,069
<b>Fiji Electricity Authority</b>	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; CP(10)291	551,000,000	346,454,651
<b>Fiji Hardwood Corporation</b>	Guarantee of Loan Raised	Approved of the House of Representatives 16/10/03; 9/8/06; 9/8/06;16/01/09.....	14,900,000	17,290,858
<b>Fiji National Provident Fund</b>	Guarantee of Contributors	Act No. 19 of 1966 Section 9; CP(09)325	758,368,125	758,368,125
<b>Fiji Pine Limited</b>	Guarantee of Loans Raised	Approval of House of Representatives dated 06/12/1994; 17/08/05.....	15,700,000	8,478,103
<b>Fiji Sugar Corporation</b>	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;	316,000,000	121,938,038
<b>Housing Authority</b>	Guarantee of Loans Raised	Approval of House of Representatives 24/10/02; 27/08/03; 29/11/05; 21/10/08.....	292,000,000	86,067,281
<b>Fiji Sports Council</b>	Guarantee of Loans Raised	Approval of House of Representatives 19/05/06	2,990,000	1,187,478
<b>Fiji Ports Corporation Limited</b>	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 .....	48,066,175	41,553,518
<b>Fiji Broadcasting Corporation</b>	Guarantee of Loans Raised	Approval of Cabinet; 14/7/2009.....	17,846,315	14,252,810
<b>National Bank of Fiji</b>	Guarantee of Depositors	Act No. 14 of 1996.....	2,540,459	2,540,459
<b>Pacific Fishing Company Limited</b>	Guarantee of Standby Credit Facility	Approval of House of Representatives 02/01/97, 31/08/00 .....	4,109,700	5,387,361
<b>Public Rental Board</b>	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	1,950,667
<b>Section A Total.....</b>			<b>2,363,435,843</b>	<b>1,728,384,419</b>



GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT  
AS AT 31 DECEMBER 2010

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2010	Liability as at 31/12/2010
<b>SECTION B-</b>			\$	\$
<b>International Agencies-</b>				
<b>Asian Development Bank</b>	Subscription for Membership	Resolutions of Legislative Council 24/3/70; Act No. 34 of 1974.....	32,470,323	32,470,323
<b>International Bank for Reconstruction &amp; Development</b>	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	30,099,428	30,099,428
<b>International Development Association</b>	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	507,091	507,091
		<b>Section B Total.....</b>	<b>63,076,842</b>	<b>63,076,842</b>

**SUMMARY -**

Section A

2,363,435,843 1,728,384,419

Section B

63,076,842 63,076,842

**Total**

**2,426,512,685 1,791,461,261**

**Note:**

In addition to the above Contingent Liabilities, Reported Claims Against Government as at 31 December 2010 was approximately \$16.6 million.

NBF AMB	16,384,718.00
From Office of Solicitor	236,068.59
<b>General</b>	
	<b>16,620,786.59</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI  
BUDGET RESULT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 6

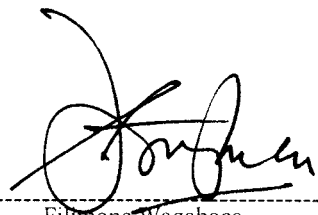
	<b>Estimate 2010 \$</b>	<b>Actual 2010 \$</b>	<b>Increase / (Decrease) \$</b>
<b>REVENUE</b>			
Operating Revenue	1,458,000,900	1,484,044,676	26,043,776
Investing Revenue	38,506,700	52,470,630	13,963,930
Public Debt - New Borrowings	497,455,700	462,965,103	(34,490,597)
<b>TOTAL REVENUE</b>	<u>1,993,963,300</u>	<u>1,999,480,409</u>	<u>5,517,109</u>
<b>EXPENDITURE</b>			
Operating Expenditure	1,056,825,977	1,056,348,375	(477,601)
Capital Expenditure	379,644,882	339,654,348	(39,990,534)
Value Added Tax	49,511,487	48,735,276	(776,212)
Public Debt Repayments	507,981,000	455,343,659	(52,637,341)
<b>TOTAL EXPENDITURE</b>	<u>1,993,963,346</u>	<u>1,900,081,658</u>	<u>(93,881,688)</u>
<b>BUDGET RESULT</b>	<u>(46)</u>	<u>99,398,751</u>	<u>99,398,797</u>

**Note:**

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

- Capital Expenditure includes SEGs 8 - 10.

Ministry of Finance  
Suva, Fiji  
12 October 2011

  
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Filimone Waqabaca  
Permanent Secretary for Finance



GOVERNMENT OF THE REPUBLIC OF FIJI  
SUMMARY OF REVENUE  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 7

Heads of Revenue	Estimate	Actual Revenue 2010	Increase	Decrease
	\$	\$	\$	\$
<b>OPERATING REVENUE</b>				
21 Direct Taxes.....	424,656,900	425,983,347	1,326,447	---
22 Indirect Taxes.....	843,228,900	876,147,231	32,918,331	---
23 Fees, Fines & Charges.....	120,035,600	138,863,131	18,827,531	---
24 Operating Revenue Sales.....	40,200	45,407	5,207	---
26 Operating Revenue - Trading & Manufacturing Ac.....	---	(5)	---	5
27 Other Receipts.....	47,424,100	25,435,733	---	21,988,367
28 Reimbursements & Recoveries.....	10,719,500	8,683,012	---	2,036,488
29 Grant Aid.....	11,895,700	8,886,821	---	3,008,879
<b>Operating Revenue Total.....</b>	<b>1,458,000,900</b>	<b>1,484,044,677</b>	<b>53,077,516</b>	<b>27,033,739</b>
<b>INVESTING REVENUE</b>				
31 Repayments of Term Loans Receivable.....	400	175	---	225
33 Dividends from Investments.....	36,642,100	12,726,623	---	23,915,477
34 Interest from Bank Balances.....	700,000	39,728,048	39,028,048	---
35 Return of Surplus Capital from Investment.....	1,164,200	15,783	---	1,148,417
<b>Investing Revenue Total.....</b>	<b>38,506,700</b>	<b>52,470,630</b>	<b>39,028,048</b>	<b>25,064,118</b>
<b>LOAN PROCEEDS</b>				
15. Overseas Loans.....	42,598,600	10,231,002	---	32,367,598
16. Domestic Loans.....	454,857,100	452,734,100	---	2,123,000
<b>Loans Revenue Total.....</b>	<b>497,455,700</b>	<b>462,965,102</b>	<b>---</b>	<b>34,490,598</b>
<b>Investing/Loans Revenue Total.....</b>	<b>535,962,400</b>	<b>515,435,732</b>	<b>39,028,048</b>	<b>59,554,716</b>
<b>Total Revenue.....</b>	<b>1,993,963,300</b>	<b>1,999,480,409</b>	<b>92,105,564</b>	<b>86,588,455</b>



GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2010	Increase	Decrease
	\$	\$	\$	\$
<b>OPERATING REVENUE</b>				
<b>21 - DIRECT TAXES</b>				
<b>1. Income Tax</b>				
01. Income Tax.....	424,656,900	425,983,347.09	1,326,447.09	---
<b>2. Estate and Gift Duty</b>				
01. Estate and Gift Duty.....	---	---	---	---
Total.....	424,656,900	425,983,347.09	1,326,447.09	---
<i>Net Increase</i> .....			1,326,447.09	---
<b>22 - INDIRECT TAXES</b>				
<b>1. Value Added Tax</b>				
01. Value Added Tax.....	479,942,600	494,895,149.14	14,952,549.14	---
<b>2. Fiscal Duty</b>				
01. Fiscal Duty.....	329,643,300	238,149,956.56	---	91,493,343.44
<b>3. Excise Dues</b>				
01. Excise Dues.....	---	80,929,993.30	80,929,993.30	---
<b>4. Export Duty</b>				
01. Export Duty.....	---	9,492,347.16	9,492,347.16	---
<b>5. Import Duty</b>				
01. Import Duty.....	---	20,209,086.01	20,209,086.01	---
<b>6. Hotel Turnover Tax</b>				
01. Hotel Turnover Tax.....	25,837,800	30,611,584.12	4,773,784.12	---
<b>7. Water Resource Tax</b>				
01. Water Resource Tax.....	305,200	469,773.25	164,573.25	---
<b>8. Superyacht Charter Fee</b>				
01. Superyacht Charter Fee.....	7,500,000	---	---	7,500,000.00
<b>99. Miscellaneous Fees and Receipts</b>				
01. Miscellaneous Fees and Receipts.....	---	1,389,341.28	1,389,341.28	---
Total.....	843,228,900	876,147,230.82	131,911,674.26	98,993,343.44
<i>Net Increase</i> .....			32,918,330.82	---
<b>23 - FEES, FINES &amp; CHARGES</b>				
<b>01. Dues</b>				
01. Light Due - Port & Harbour.....	573,800	520,588.17	---	53,211.83
<b>02. Stamp Duty</b>				
01. Stamp Duty.....	13,875,000	19,389,769.33	5,514,769.33	---
<b>03. Fees</b>				
01. Produce and Inspection.....	1,857,100	992,685.92	---	864,414.08
02. Native Timber Measurement.....	650,000	570,574.78	---	79,425.22
03. Land and Survey Fees.....	199,300	620,972.97	421,672.97	---
04. Mining Fees.....	560,000	238,340.26	---	321,659.74
06. Passports.....	6,681,500	8,893,775.18	2,212,275.18	---
07. Town Planning Fees.....	167,600	92,487.29	---	75,112.71
08. Examination Fees.....	---	18,788.50	18,788.50	---
09. Government Day Schools-Fees.....	---	23,448.00	23,448.00	---
10. Government Boarding Schools-Fees.....	757,500	436,824.36	---	320,675.64
11. Health Fumigation and Quarantine.....	255,000	191,411.58	---	63,588.42
12. Hospital.....	900,000	1,020,469.56	120,469.56	---
13. Fiji School of Nursing.....	843,800	405,966.13	---	437,833.87
14. Cemetery Fees.....	62,600	51,113.38	---	11,486.62
15. Air Licensing Fees.....	10,800	8,100.00	---	2,700.00
16. Departure Tax.....	31,384,600	40,012,315.00	8,627,715.00	---
17. Audit Fees.....	611,600	819,547.16	207,947.16	---
18. Court Fees.....	1,514,100	1,234,921.83	---	279,178.17
19. Registration.....	1,695,000	969,621.42	---	725,378.58
20. Management Fee.....	79,300	452,341.73	373,041.73	---
21. LTA Fee.....	25,746,600	23,822,411.93	---	1,924,188.07
99. Miscellaneous Fees.....	4,489,600	3,004,834.97	---	1,484,765.03



GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2010	Increase	Decrease
	\$	\$	\$	\$
<b>04. Licenses</b>				
01. Arms.....	172,500	67,604.95	---	104,895.05
03. Coasting.....	9,400	14,565.60	5,165.60	---
05. Liquor.....	714,000	1,086,638.18	372,638.18	---
06. Trading.....	686,500	229,922.19	---	456,577.81
07. Dogs.....	6,900	13,047.39	6,147.39	---
09. Money Lenders.....	31,200	55,782.97	24,582.97	---
10. Hotels and Guest Houses.....	130,900	193,142.87	62,242.87	---
12. Telecommunications and Television.....	6,000,000	4,675,272.67	---	1,324,727.33
13. Fishing.....	334,900	109,631.66	---	225,268.34
15. Copyright.....	---	---	---	---
99. Other.....	53,000	756,245.20	703,245.20	---
<b>05. Rates - Public Works</b>				
01. Water & Sewerage Rates and Charges.....	14,400,000	25,247,864.60	10,847,864.60	---
02. Sewerage Charges.....	10,500	---	---	10,500.00
<b>06. Fees Royalties</b>				
01. Royalties Timber.....	550,900	---	---	550,900.00
03. Royalties - Sand, Coral, Metal, etc.....	12,500	14,855.47	2,355.47	---
<b>07. Fines</b>				
01. Fines.....	3,992,400	2,485,878.55	---	1,506,521.45
<b>08. Administrative Fines and Penalty</b>				
01. Overdue, lost & damaged library books.....	1,400	2,102.64	702.64	---
02. Administrative Fines and Forfeitures.....	13,800	119,266.21	105,466.21	---
Total.....	120,035,600	138,863,130.60	29,650,538.56	10,823,007.96
Net Increase.....			18,827,530.60	---
<b>24 - OPERATING REVENUE - SALES</b>				
01. Sale of Government Department.....	40,200	45,326.00	5,126.00	---
02. Sale of Companies.....	---	81.28	81.28	---
Total.....	40,200	45,407.28	5,207.28	---
Net Increase.....			5,207.28	---
<b>26 - OPERATING REVENUE - TRADING &amp; MANUFACTURING ACCOUNT</b>				
13. VAT.....	---	(5.11)	---	5.11
Total.....	---	(5.11)	---	5.11
Net Decrease.....			---	5.11
<b>27 - OTHER REVENUE AND SURPLUSES</b>				
<b>01. Surplus/Deficit from Agency</b>				
01. RBF Revaluation Reserve Account.....	22,647,000	---	---	22,647,000.00
04. Fumigation.....	---	---	---	---
06. Woodwork and Materials.....	100	---	---	100.00
<b>02. Rent and Hire of Government Property</b>				
01. Land.....	9,589,200	11,466,351.56	1,877,151.56	---
02. Official Quarters.....	2,078,200	1,683,277.45	---	394,922.55
03. Building.....	92,900	25,287.85	---	67,612.15
04. Hire of Plant and Vehicles.....	24,600	54,480.22	29,880.22	---
06. Revenue from Rest Houses.....	3,600	5,705.04	2,105.04	---
07. Crown Schedule 'A' Land Rents.....	21,500	453.67	---	21,046.33
<b>03. Commission Revenue</b>				
01. Commission.....	1,083,400	920,331.56	---	163,068.44
<b>99. Other Revenue</b>				
01. Photographs.....	---	698.89	698.89	---
02. Sales of Publications.....	184,400	242,802.77	58,402.77	---
03. Revenue from Production of Films.....	9,700	2,573.56	---	7,126.44
04. Survey & Sales of Navigation Publications.....	358,200	598,506.12	240,306.12	---
05. Meat Inspection.....	30,500	21,643.16	---	8,856.84



GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2010	Increase	Decrease
	\$	\$	\$	\$
06. Veterinary and Animal Quarantine.....	23,000	29,085.00	6,085.00	---
07. Freight and Charter Receipts.....	178,700	178,350.19	---	349.81
08. Chemical Analysis.....	3,500	659.56	---	2,840.44
09. Valuation Fees.....	10,700	10,572.99	---	127.01
10. Produce-Agricultural Experimental Stations.....	25,600	59,313.51	33,713.51	---
11. Sale of Surplus Farm Produce.....	43,600	52,710.43	9,110.43	---
12. Agricultural Commercial Undertakings.....	4,800	2,257.62	---	2,542.38
13. Sale of Fish and Ice.....	235,100	225,485.05	---	9,614.95
14. Sale of Sheep and Wool.....	35,300	52,623.86	17,323.86	---
15. Irrigation Commercial Undertakings.....	---	8.71	8.71	---
16. Fiji College of Agriculture.....	28,800	---	---	28,800.00
17. Agricultural Landlord and Tenant Tribunal.....	3,200	3,557.07	357.07	---
20. Board Members Fees.....	74,300	128,153.14	53,853.14	---
99. Miscellaneous.....	10,634,200	9,670,844.03	---	963,355.97
Total.....	47,424,100	25,435,733.01	2,328,996.32	24,317,363.31
Net Decrease.....			---	21,988,366.99
<b>28 - REIMBURSEMENT AND RECOVERIES</b>				
<b>11. Reimbursement of Services</b>				
01. Reimbursement for Meteorological Services.....	441,900	608,988.24	167,088.24	---
02. Reimbursement of Services.....	1,100	---	---	1,100.00
03. Reimbursement of Debt Servicing.....	129,000	---	---	129,000.00
<b>12. Refund of Payments</b>				
01. Training & Productivity Authority of Fiji.....	484,800	264,198.04	---	220,601.96
03. Recoveries of Overpayments in Previous Years.....	3,076,800	(94,464.43)	---	3,171,264.43
<b>21. Contributions</b>				
01. Parental Contributions Tertiary Education.....	---	---	---	---
<b>22. Contributions for Capital Projects</b>				
01. Village Water Supplies.....	85,400	---	---	85,400.00
02. Rural Electrification.....	500	281.73	---	218.27
<b>23. Contributions for Overseas Peace-Keeping</b>				
02. Multinational Force and Observers.....	6,500,000	7,904,007.99	1,404,007.99	---
Total.....	10,719,500	8,683,011.57	1,571,096.23	3,607,584.66
Net Decrease.....			---	2,036,488.43
<b>29 - GRANTS IN AID</b>				
02. New Zealand Bilateral Aid Programme.....	217,400	---	---	217,400.00
03. United Nations Development Programme.....	2,131,700	---	---	2,131,700.00
99. Other Grant Aid.....	9,546,600	8,886,820.97	---	659,779.03
Total.....	11,895,700	8,886,820.97	---	3,008,879.03
Net Decrease.....			---	3,008,879.03
<b>Total Operating Revenue.....</b>	<b>1,458,000,900</b>	<b>1,484,044,676.23</b>	<b>166,793,959.74</b>	<b>140,750,183.51</b>
<b>INVESTING REVENUE</b>				
<b>31 - REPAYMENTS OF TERM LOANS RECEIVABLE</b>				
<b>11. Interest for Social Services Term Loans</b>				
01. Interest on Term Loans.....	400	85.50	---	314.50
<b>21. Interest for Economic Services Term Loans</b>				
01. Interest- Loans to Consumer Co-operatives.....	---	89.94	89.94	---
Total.....	400	175.44	89.94	314.50
Net Decrease.....			---	224.56
<b>33 - DIVIDENDS FROM INVESTMENTS</b>				
01. Investments in Social Services.....	2,779,300	700,624.30	---	2,078,675.70
02. Investments in Economic Services.....	17,668,800	3,000,000.00	---	14,668,800.00
03. Investments in Infrastructure Services.....	16,194,000	9,025,998.63	---	7,168,001.37
Total.....	36,642,100	12,726,622.93	---	23,915,477.07
Net Decrease.....			---	23,915,477.07



GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILED REVENUE COMPARISONS  
FOR THE YEAR ENDED 31 DECEMBER 2010

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2010	Increase	Decrease
	\$	\$	\$	\$
<b>34 - INTEREST FROM BANK BALANCES</b>				
01. Interest from Overseas Banks .....	500,000	---	---	500,000.00
02. Interest from Local Banks .....	---	39,728,048.27	39,728,048.27	---
03. Interest from T/D with Local Banks .....	200,000	---	---	200,000.00
Total.....	700,000	39,728,048.27	39,728,048.27	700,000.00
Net Increase.....			39,028,048.27	---
<b>35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS</b>				
74. Return of Surplus Capital from TMA Operations.....	1,164,200	15,783.38	---	1,148,416.62
Total.....	1,164,200	15,783.38	---	1,148,416.62
Net Increase.....			---	1,148,416.62
<b>41 - OVERSEAS LOANS</b>				
<b>1. International Development Bank Loans</b>				
01. ADB Loan No. 1530 Fiji Road Upgrading Project (FRUP III).....	---	---	---	---
02. ADB Loan Suva/Nausori Water Supply.....	10,000,000	---	---	10,000,000.00
03. ADB Loan No. 2541 Flood Recovery.....	10,598,600	4,036,927.93	---	6,561,672.07
05. ADB Loan No. 2514 Supplementary FRUP III....	10,000,000	6,194,074.40	---	3,805,925.60
06. Malaysia EXIM - Road Rehabilitation.....	4,500,000	---	---	4,500,000.00
07. China Exim - E Government Projects.....	7,500,000	---	---	7,500,000.00
Total.....	42,598,600	10,231,002.33	---	---
Net Decrease.....			---	32,367,597.67
<b>42 - DOMESTIC LOANS</b>				
01. Development and Conversion Loans.....	454,857,100	452,734,100.00	---	2,123,000.00
Total.....	454,857,100	452,734,100.00	---	2,123,000.00
Net Decrease.....			---	2,123,000.00
<b>Total Borrowing Proceeds.....</b>	<b>497,455,700</b>	<b>462,965,102.33</b>	<b>---</b>	<b>34,490,597.67</b>
<b>Grand Total.....</b>	<b>1,993,963,300</b>	<b>1,999,480,408.58</b>	<b>206,522,097.95</b>	<b>201,004,989.37</b>
Net Decrease.....			5,517,108.58	---
<b>SUMMARY OF REVENUE</b>				
Operating Revenue.....	1,458,000,900	1,484,044,676.23	53,077,515.79	27,033,739.56
Investing/Loans Revenue.....	535,962,400	515,435,732.35	39,028,048.27	59,554,715.92
<b>Grand Totals.....</b>	<b>1,993,963,300</b>	<b>1,999,480,408.58</b>	<b>92,105,564.06</b>	<b>86,588,455.48</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 9

Heads of Appropriation	Original Budget	Redeployment	Revised Estimate	Actual Expenditure 2010	(Over) / Under Expenditure
	\$	\$	\$	\$	\$
<b>GENERAL ADMINISTRATION</b>					
Office of the President	1,156,200	---	1,156,200	1,043,252	112,948
Office of the Prime Minister	30,990,400	(7,833,641)	23,156,759	21,641,209	1,515,550
Attorney General and Solicitor General	6,148,300	(893,099)	5,255,201	4,318,967	936,234
Ministry of Finance	58,071,700	883,105	58,954,805	50,643,203	8,311,602
Ministry of Indigenous Affairs	25,615,700	1,685,327	27,301,027	27,240,175	60,852
Ministry of Defence, National Security and Immigration	5,294,200	(1,687,500)	3,606,700	3,612,759	(6,059)
Ministry of Labour, Industrial Relations and Employment	10,550,600	(331,072)	10,219,528	9,322,885	896,643
Ministry of Foreign Affairs, International Co-operation and Civil Aviation	27,832,700	(4,485,689)	23,347,011	20,937,015	2,409,996
Office of the Auditor General	2,500,200	---	2,500,200	2,528,816	(28,616)
Elections	1,367,100	(374,106)	992,994	894,008	98,986
Judiciary	11,474,400	---	11,474,400	10,536,444	937,956
Legislature	1,063,200	---	1,063,200	925,690	137,510
Office of Accountability and Transparency	1,017,100	(365,000)	652,100	610,494	41,606
Office of the Director of Public Prosecutions	3,602,200	---	3,602,200	3,790,172	(187,972)
Ministry of Justice	17,129,600	---	17,129,600	17,576,287	(446,687)
Ministry of Information	3,490,900	---	3,490,900	3,405,559	85,341
Ministry of National Planning	10,000,400	(2,596,464)	7,403,936	6,633,932	770,004
Ministry of Provincial Dev, Disaster Management and Multi-Ethnic Affairs	48,334,300	(1,037,621)	47,296,679	43,134,188	4,162,491
Fiji Military Forces	101,118,400	92,520	101,210,920	101,016,582	194,338
Fiji Police Force	77,679,000	2,719,527	80,398,527	81,171,995	(773,468)
<b>Total for General Administration</b>	<b>444,436,600</b>	<b>(14,223,713)</b>	<b>430,212,887</b>	<b>410,983,634</b>	<b>19,229,253</b>
<b>SOCIAL SERVICES</b>					
Ministry of Education, National Heritage, Culture and Arts	239,138,400	944,482	240,082,882	239,149,971	932,911
Ministry of Health, Women and Social Welfare	138,714,500	---	138,714,500	153,830,178	(15,115,678)
Ministry of Local Government, Urban Development and Housing	11,258,600	(650,000)	10,608,600	10,236,251	372,349
Ministry of Social Welfare and Women	32,963,300	(1,086,159)	31,877,141	31,216,409	660,732
Ministry of Youth and Sports	2,692,700	---	2,692,700	2,498,145	194,555
Higher Education Institute	61,697,200	---	61,697,200	61,697,203	(3)
<b>Total for Social Services</b>	<b>486,464,700</b>	<b>(791,677)</b>	<b>485,673,023</b>	<b>498,628,157</b>	<b>(12,955,134)</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI  
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 9

<b>Heads of Appropriation</b>	<b>Original Budget</b>	<b>Redeployment</b>	<b>Revised Estimate</b>	<b>Actual Expenditure 2010</b>	<b>(Over) / Under Expenditure</b>
	\$	\$	\$	\$	\$
<b>ECONOMIC SERVICES</b>					
Ministry Primary Industries	75,984,104	(7,606,006)	68,378,098	66,279,948	2,098,150
Ministry of Lands and Mineral Resources	39,122,600	2,182,586	41,305,186	42,991,700	(1,686,514)
Ministry of Industry and Trade	11,962,300	(177,900)	11,784,400	10,651,617	1,132,783
Ministry of Public Enterprise, Tourism and Communication	29,882,900	1,699,054	31,581,954	31,224,281	357,673
<b>Total for Economic Services</b>	<b>156,951,904</b>	<b>(3,902,266)</b>	<b>153,049,638</b>	<b>151,147,546</b>	<b>1,902,092</b>
<b>INFRASTRUCTURE SERVICES</b>					
Ministry of Works and Transport	170,321,900	3,656,187	173,978,087	158,665,807	15,312,280
Department of Public Utilities and Energy	104,549,800	(4,210,734)	100,339,066	94,106,837	6,232,229
<b>Total for Economic Services</b>	<b>274,871,700</b>	<b>(554,547)</b>	<b>274,317,153</b>	<b>252,772,643</b>	<b>21,544,509</b>
<b>UNALLOCABLE</b>					
Miscellaneous Services	85,629,300	19,472,144	105,101,444	98,067,467	7,033,977
Pensions, Gratuities and Compassionate Allowances	37,628,200	---	37,628,200	33,138,552	4,489,648
Charges on Account of Public Debt	507,981,000	---	507,981,000	455,343,659	52,637,341
<b>Total for Unallocable Services</b>	<b>631,238,500</b>	<b>19,472,144</b>	<b>650,710,644</b>	<b>586,549,678</b>	<b>64,160,966</b>
<b>GRAND TOTALS</b>	<b>1,993,963,404</b>	<b>(59)</b>	<b>1,993,963,345</b>	<b>1,900,081,658</b>	<b>93,881,686</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI  
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

Schedule 10

Heads of Appropriation	Original Budget	Redeployment	Supplementary Appropriation	Virements	Revised Estimate	Actual Expenditure 2010	(Over) / Under Expenditure
<b>SUMMARY BY SEGs</b>							
1. Established Staff	510,645,878	13,842,789	---	(16,885,506)	507,603,161	516,827,808	(9,224,647)
2. Unestablished Staff	42,047,187	2,984,381	---	189,950	45,221,518	47,273,958	(2,052,440)
3. Travel and Communications	19,940,518	---	---	(48,409)	19,892,109	18,020,653	1,871,456
4. Maintenance and Operations	66,496,175	970,038	---	844,538	68,310,751	67,717,865	592,886
5. Purchase of Goods and Services	58,586,763	1,556,035	---	(3,103,678)	57,039,120	58,308,043	(1,268,923)
6. Operating Grants and Transfers	263,383,647	(85,874)	---	(617,368)	262,680,405	263,155,225	(474,820)
7. Special Expenditures	55,350,100	(6,952,885)	---	10,053,497	58,450,712	51,906,271	6,544,441
8. Capital Construction	159,756,420	(4,110,717)	---	2,933,365	158,579,068	143,323,665	15,255,403
9. Capital Purchase	37,157,210	(6,739,571)	---	(3,536,809)	26,880,830	19,640,531	7,240,299
10. Capital Grants and Transfers	188,079,000	(2,892,161)	---	8,998,145	194,184,984	176,690,151	17,494,833
11. Pensions, Gratuities and Compassionate Allowances	37,628,200	---	---	---	37,628,200	33,138,552	4,489,648
12. Charges on Account of Public Debt	507,981,000	---	---	---	507,981,000	455,343,659	52,637,341
13. Value Added Tax	46,911,306	1,427,964	---	1,172,218	49,511,488	48,735,276	776,212
<b>Grand Total</b>	<b>1,993,963,404</b>	<b>(1)</b>	<b>---</b>	<b>(57)</b>	<b>1,993,963,346</b>	<b>1,900,081,657</b>	<b>93,881,689</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**BUDGET RESULT, ESTIMATE AND PROJECTIONS**  
**FOR THE PERIOD 2008 - 2012**

Schedule 11

	<b>Actual 2008 \$</b>	<b>Actual 2009 \$</b>	<b>Estimate 2010 \$</b>	<b>Actual 2010 \$</b>	<b>Projected 2011 \$</b>	<b>Projected 2012 \$</b>
<b>REVENUE</b>						
Operating Revenue	1,412,410,799	1,352,296,492	1,458,000,900	1,484,044,676	1,643,375,800	1,595,645,100
Investing Revenue	42,524,394	60,548,838	38,506,700	52,470,630	51,831,200	26,406,700
Public Debt - New Borrowings	345,648,652	405,389,740	497,455,700	462,965,103	327,636,000	574,123,000
<b>TOTAL REVENUE</b>	<u>1,800,583,845</u>	<u>1,818,235,071</u>	<u>1,993,963,300</u>	<u>1,999,480,409</u>	<u>2,022,843,000</u>	<u>2,196,174,800</u>
<b>EXPENDITURE</b>						
Operating Expenditure	988,315,017	1,061,666,572	1,056,825,977	1,056,348,375	1,098,826,000	1,081,406,000
Capital Expenditure	212,747,865	335,014,525	379,644,882	339,654,348	189,091,500	249,168,100
Value Added Tax	51,443,023	51,572,901	49,511,487	48,735,276	39,972,200	38,396,700
Public Debt Repayments	427,984,117	463,148,452	507,981,000	455,343,659	781,129,600	408,800,000
<b>TOTAL EXPENDITURE</b>	<u>1,680,490,023</u>	<u>1,911,402,450</u>	<u>1,993,963,346</u>	<u>1,900,081,658</u>	<u>2,109,019,300</u>	<u>1,777,770,800</u>
<b>BUDGET RESULT</b>	<u>120,093,822</u>	<u>(93,167,379)</u>	<u>(46)</u>	<u>99,398,751</u>	<u>(86,176,300)</u>	<u>418,404,000</u>

**Note:**

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

- Capital Expenditure includes SEGs 8 - 10.



GOVERNMENT OF THE REPUBLIC OF FIJI  
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE  
FOR THE PERIOD 2008 - 2012

Schedule 12

	Actual 2008 \$	Actual 2009 \$	Estimate 2010 \$	Actual 2010 \$	Projected 2011 \$	Projected 2012 \$
<b>REVENUE</b>						
<b>Operating Revenue</b>						
Direct Receipts (Income Tax)	438,546,900	452,920,274	424,656,900	425,983,347	524,569,100	455,407,800
Indirect Revenue						
Customs	331,487,056	326,357,995	329,643,300	350,170,724	406,631,800	377,489,100
Hotel Turnover Tax	20,079,638	24,960,513	25,837,800	30,611,584	26,424,200	27,892,000
Water Resource Tax	---	295,888	305,200	469,773	1,500,000	329,500
Superyacht Charter Fee	---	---	7,500,000	---	7,762,500	8,096,300
VAT	452,943,742	404,688,978	479,942,600	494,895,149	526,569,000	536,568,200
Fees, Fines, Charges and Penalties	109,294,037	97,621,724	120,035,600	138,863,131	113,048,000	128,399,600
Operating Revenue Sales	41,992	55,622	40,200	45,407	25,100	41,800
Other Revenue and Surpluses	34,501,043	24,268,587	47,424,100	25,435,733	35,254,300	49,450,900
Reimbursement and Recoveries	12,891,721	14,897,703	10,719,500	8,683,012	9,139,500	10,723,000
Grant in Aid	12,624,668	6,229,209	11,895,700	8,886,821	214,800	1,246,900
<b>Total Operating Revenue</b>	<b>1,412,410,799</b>	<b>1,352,296,492</b>	<b>1,458,000,900</b>	<b>1,484,044,681</b>	<b>1,651,138,300</b>	<b>1,595,645,100</b>
<b>Investing Revenue</b>						
Repayment of Term Loans Receivable	4,864	532	400	175	100,000	400
Sale of Government Assets	---	300,000	---	---	---	---
Dividends from Investment	21,515,841	22,827,214	36,642,100	12,726,623	48,831,200	25,042,100
Interest from Bank Balance	19,483,097	30,747,615	700,000	39,728,048	1,900,000	200,000
Return of Surplus Capital from Investment	798,352	1,164,197	1,164,200	15,783	1,000,000	1,164,200
Gain on Exchange Rate	722,239	5,509,281	---	---	---	---
<b>Total Investing Revenue</b>	<b>42,524,394</b>	<b>60,548,838</b>	<b>38,506,700</b>	<b>52,470,630</b>	<b>51,831,200</b>	<b>26,406,700</b>
<b>TOTAL REVENUE</b>	<b>1,454,935,194</b>	<b>1,412,845,330</b>	<b>1,496,507,600</b>	<b>1,536,515,311</b>	<b>1,702,969,500</b>	<b>1,622,051,800</b>
<b>EXPENDITURE</b>						
<b>General Administration Services</b>						
Operating Expenditure	329,765,170	353,654,562	354,978,416	348,928,113	353,961,000	349,486,800
Capital Expenditure	47,872,300	54,575,137	63,627,042	52,554,339	36,084,200	44,324,600
<b>Total General Administration</b>	<b>377,637,469</b>	<b>408,229,699</b>	<b>418,605,458</b>	<b>401,482,452</b>	<b>390,045,200</b>	<b>393,811,400</b>
<b>Social Services</b>						
Operating Expenditure	429,265,932	441,645,434	451,161,366	461,451,321	487,670,500	436,173,400
Capital Expenditure	17,886,883	38,568,293	24,357,383	24,588,140	22,283,100	25,099,100
<b>Total Social Services</b>	<b>447,152,815</b>	<b>480,213,726</b>	<b>475,518,749</b>	<b>486,039,461</b>	<b>509,953,600</b>	<b>461,272,500</b>
<b>Economic Services</b>						
Operating Expenditure	76,480,673	83,260,753	82,589,077	82,278,453	87,791,700	79,298,000
Capital Expenditure	31,873,416	64,701,753	59,233,239	58,215,099	43,355,000	54,290,600
<b>Total Economic Services</b>	<b>108,354,088</b>	<b>147,962,505</b>	<b>141,822,316</b>	<b>140,493,551</b>	<b>131,146,700</b>	<b>133,588,600</b>
<b>Infrastructure Services</b>						
Operating Expenditure	94,426,258	109,393,028	92,995,766	94,056,950	114,266,600	161,282,000
Capital Expenditure	102,241,260	150,255,448	167,429,912	145,084,112	72,395,000	89,412,000
<b>Total Infrastructure Services</b>	<b>196,667,518</b>	<b>259,648,476</b>	<b>260,425,678</b>	<b>239,141,062</b>	<b>186,661,600</b>	<b>250,694,000</b>
<b>Miscellaneous Services</b>						
Operating Expenditure	22,843,931	37,618,818	37,473,152	36,494,986	16,508,000	17,537,600
Capital Expenditure	12,874,007	26,913,895	64,997,306	59,212,658	14,974,200	36,040,800
<b>Total Miscellaneous Services</b>	<b>35,717,938</b>	<b>64,532,714</b>	<b>102,470,458</b>	<b>95,707,644</b>	<b>31,482,200</b>	<b>53,578,400</b>
Pensions, Gratuities and Compassionate Allowance	35,533,054	36,093,978	37,628,200	33,138,552	38,628,200	37,628,200
Value Added Tax	51,443,023	51,572,901	49,511,487	48,735,276	39,972,200	38,396,700
Finance Charges on Public Debt	174,253,382	196,480,198	229,471,400	223,952,584	195,840,900	205,598,100
<b>TOTAL EXPENDITURE</b>	<b>1,426,759,287</b>	<b>1,644,734,196</b>	<b>1,715,453,746</b>	<b>1,668,690,583</b>	<b>1,523,730,600</b>	<b>1,574,567,900</b>
<b>NET DEFICIT</b>	<b>28,175,907</b>	<b>(231,888,865)</b>	<b>(218,946,146)</b>	<b>(132,175,271)</b>	<b>179,238,900</b>	<b>47,483,900</b>



**GOVERNMENT OF THE REPUBLIC OF FIJI**  
**ESTIMATE AND ACTUAL BUDGET RESULT**  
**FOR THE PERIOD 2008 - 2010**

Schedule 13

	<b>Actual 2008 \$</b>	<b>Actual 2009 \$</b>	<b>Estimate 2010 \$</b>	<b>Actual 2010 \$</b>
<b>REVENUE</b>				
Operating Revenue	1,412,410,799	1,352,296,492	1,458,000,900	1,484,044,676
Investing Revenue	42,524,394	60,548,838	38,506,700	52,470,630
Public Debt - New Borrowings	345,648,652	405,389,740	497,455,700	462,965,103
<b>TOTAL REVENUE</b>	<u>1,800,583,845</u>	<u>1,818,235,071</u>	<u>1,993,963,300</u>	<u>1,999,480,409</u>
<b>EXPENDITURE</b>				
Operating Expenditure	988,315,017	1,061,666,572	1,056,825,977	1,056,348,375
Capital Expenditure	212,747,865	335,014,525	379,644,882	339,654,348
Value Added Tax	51,443,023	51,572,901	49,511,487	48,735,276
Public Debt Repayments	427,984,117	463,148,452	507,981,000	455,343,659
<b>TOTAL EXPENDITURE</b>	<u>1,680,490,023</u>	<u>1,911,402,450</u>	<u>1,993,963,346</u>	<u>1,900,081,658</u>
<b>BUDGET RESULT</b>	<u>.20,093,821</u>	<u>(93,167,379)</u>	<u>(46)</u>	<u>99,398,751</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 2010

The performance of the Fiji Government for the year 2010 is provided in Table 1.1.

TABLE 1.1: GOVERNMENT PERFORMANCE IN 2010

Item	Original Budget 2010 (\$'000)	Revised Budget 2010 (\$'000)	Actual Results 2010 (\$'000)	Variance <sup>1</sup> 2010 (\$'000)	Variance (%)
<b>REVENUE</b>					
<b>Operating Receipts</b>					
Direct Taxes	424,656.9	424,656.9	425,983.3	1,326.4	0.3
Indirect Taxes	843,228.9	843,228.9	876,147.2	32,918.3	3.9
Others	190,115.1	190,115.1	181,914.1	(8,201.0)	(4.3)
Total Operating Receipts	1,458,000.9	1,458,000.9	1,484,044.6	26,043.7	1.8
Total Investing Receipts	38,506.7	38,506.7	52,470.6	13,962.9	36.3
<b>TOTAL REVENUE</b>	<b>1,496,507.6</b>	<b>1,496,507.6</b>	<b>1,536,515.2</b>	<b>40,006.6</b>	<b>2.7</b>
<b>EXPENDITURE</b>					
Operating	1,283,549.2	1,286,297.4	1,280,301.0	(5,996.4)	(0.5)
Capital	384,992.7	379,644.9	339,654.4	(39,990.5)	(10.5)
Value Added Tax	46,911.5	49,511.5	48,735.3	(776.2)	(1.6)
<b>TOTAL EXPENDITURE</b>	<b>1,715,453.4</b>	<b>1,715,453.8</b>	<b>1,668,690.7</b>	<b>(46,763.1)</b>	<b>(2.7)</b>
Net Deficit	218,945.8	218,945.2	132,175.5	(86,769.7)	(39.6)
Debt Repayment	278,509.6	278,509.6	231,391.1	(47,118.5)	(16.9)
<b>Gross Deficit</b>	<b>497,455.4</b>	<b>497,454.8</b>	<b>363,566.6</b>	<b>(133,888.2)</b>	<b>(26.9)</b>
Net Deficit As A Percent of GDP	3.5%	3.5%	5.9%		
Nominal GDP	6,188,337*	6,188,337*	6,111,648+		

\* Original Budget 2010 is sourced from the 2010 Revised Budget Book.

+ Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

The gross deficit for the year totalled \$363.6 million which was \$133.9 million or 27% less than the 2010 revised forecast of \$497.5 million.

<sup>1</sup> Variance = Actual Results less Revised Budget

There were declines in operating expenditure by \$46.7 million (2.7%) and debt repayment by \$47.1 million compared to the revised budget.

The increase in revenue collected by \$40 million (2.7%) against the revised forecast in collection of revenue also contributed to actual gross deficit against the forecasted gross deficit.

The loans raised in 2010 to finance the budget deficit totalled \$462.97 million (Table 1.3). In addition, Treasury Bills were also raised in 2010 to meet short term financing shortfalls. These are discussed in section 1.5 and Table 1.4.

## 1.2 Appropriation Decree 2010

There was a total of 33 appropriation heads in the 2010 budget as detailed in Schedule 1 of the Appropriation Decree 2010. 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.

Against a revised budget of \$1.993 billion, the government spent \$1.9 billion resulting in a savings of \$93 million. However, 7 agencies over-spent their budgets that totalled to \$18.2 million as outlined in Table 1.2 below:

TABLE 1.2 MINISTRY'S WITH OVERSPENT BUDGET

Heads of Appropriation	Original Budget	Redeployment	Revised Estimate	Actual Expenditure 2010	(Over) / Under Expenditure	% Over - spent
Ministry of Defence, National Security and Immigration	5,294,200	(1,687,500)	3,606,700	3,612,759	(6,059)	(0.2)
Office of the Auditor General	2,500,200	---	2,500,200	2,528,816	(28,616)	(1.1)
Office of the Director of Public Prosecutions	3,602,200	---	3,602,200	3,790,172	(187,972)	(5.2)
Ministry of Justice	17,129,600	---	17,129,600	17,576,287	(446,687)	(2.6)
Fiji Police Force	77,679,000	2,719,527	80,398,527	81,171,995	(773,468)	(1.0)
Ministry of Health, Women and Social Welfare	138,714,500	---	138,714,500	153,830,178	(15,115,678)	(10.9)
Ministry of Lands and Mineral Resources	39,122,600	2,182,586	41,305,186	42,991,700	(1,686,514)	(4.1)

Under the Lending Fund appropriation of \$23.4 million, there was an outstanding balance of \$11.8 million at the beginning of 2010. At the end of 2010, balance outstanding totalled to \$9.6 million, a decrease by 19%.

The decrease is attributed to the recovery of loans made for tertiary education (\$2.9 million) and Student Loan Scheme (\$3.9 million). The government approved new loans totalling \$4.98 million during the year.

## 1.3 Operating Results

Increase in revenue collection to the forecasted collection and decrease in actual expenditure to the revised budget forecast resulted in a net deficit of \$132.2 million against a forecasted net deficit of \$218.9 million.

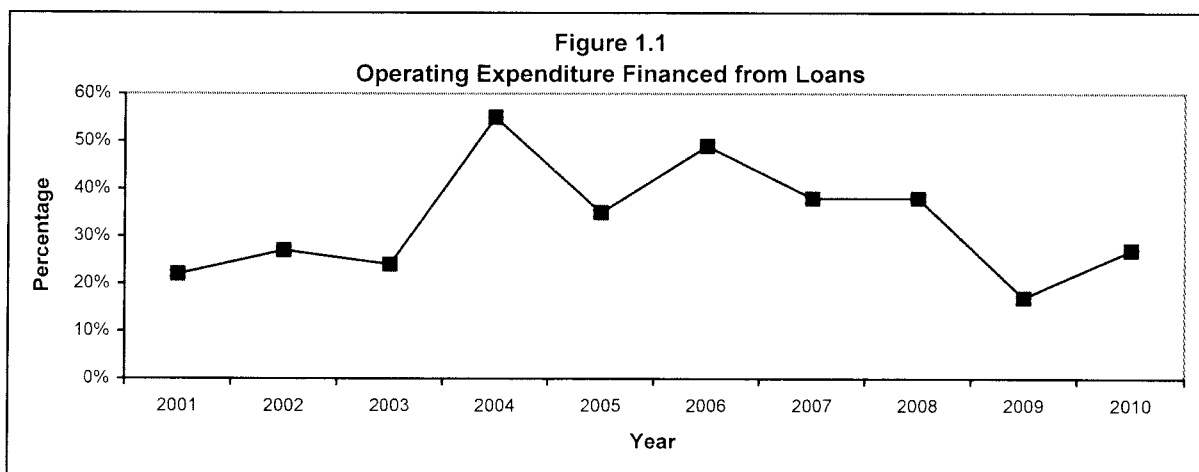
The improvement in operating deficit in 2010 of \$132.2 million compared to the net deficit in 2009 of \$231.9 million is attributed to the increased revenue collection.

The net deficit for 2010 as a percentage of GDP was 5.9%, an increase by 2.4% 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 1.3 show the percentage of loan that has 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 1.3: CAPITAL EXPENDITURES VS. LOANS RAISED

Details	2001 (\$'000)	2002 (\$'000)	2003 (\$'000)	2004 (\$'000)	2005 (\$'000)	2006 (\$'000)	2007 (\$'000)	2008 (\$'000)	2009 (\$'000)	2010 (\$'000)
Total Loans (Domestic & Overseas)	239,248	325,197	319,738	458,468	328,608	417,810	334,937	345,649	405,390	462,965
Less Capital Expenditures	186,749	238,639	243,692	205,609	213,509	212,642	206,933	212,748	335,014	339,654
Balance for Operating Expenditures	52,499	86,558	76,046	252,859	115,099	205,168	128,004	132,901	70,376	123,311
% Loans Utilised for Operating Expenditures	22%	27%	24%	55%	35%	49%	38%	38%	17%	27%

The percentage of loans which financed operating expenditures varied over the past 10 years. The ratio of loans utilised for operating expenditures increased from 17% to 27% in 2010 compared to 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 borrowing has been in the form of Treasury Bills. Outstanding Treasury Bills as at 31/12/10 amounted to \$74,969,800. Table 1.4 details the loans raised by government to finance its budget deficits over the last 10 years.

TABLE 1.4: BUDGET DEFICIT VS. LOANS RAISED

Details	2001 \$	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$	2008 \$	2009 \$	2010 \$
Gross Deficit	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	363,566,600
Domestic Loans	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	452,734,100
Overseas Loans	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	10,231,002
Treasury Bills	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	74,969,800
Loans	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	537,934,902
Deficit %	82%	64%	64%	52%	79%	71%	78%	55%	99%	68%
Excessive Borrowings %	18%	36%	36%	48%	21%	29%	22%	45%	1%	32%

The 2010 revised budget funding programme<sup>2</sup> appropriated \$497.5 million (equal to the forecasted gross deficit) to be loan funds to be borrowed to finance the gross deficit. However, the year 2010 noted a total of \$537.9 million being raised in loan funds, an excess borrowing of \$40 million (8%).

Furthermore, despite the gross deficit being only \$363.5 million, which only amount to 68% of the total borrowing, an excess borrowing of \$174 million (32%) was undertaken in 2010.

## 1.6 Agency Financial Statements

Section 30 (3) of the Finance Instructions 2010 states that 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 70 (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.

Of the 32 Ministries/Departments appropriated in the 2010 appropriation decree, 19 failed to submit their AFS on 31/3/10 delaying the issue of their audit reports.

Table 1.4 outlines Ministries/Departments that failed to submit their AFS by 31 March in accordance to section 70 (3) of the Finance Instruction 2010.

TABLE 1.5: LATE SUBMISSION OF DRAFT AFS

Ministry/Department	Date AFS Submitted	Appropriated Budget (\$)
Ministry of Health	1/4/2011	138,714,523

<sup>2</sup> Revised Budget Estimate 2010, Page 8.

Ministry/Department	Date AFS Submitted	Appropriated Budget (\$)
Ministry of Labour, Industrial Relation and Employment	15/04/11	10,550,680
Elections Office	6/4/2011	1,367,093
Ministry of Education	7/4/2011	239,138,411
Department of Youth and Sports	12/4/2011	2,692,728
Office of the Director of Public Prosecution	14/04/11	3,602,187
Ministry of Provincial Development	14/04/11	48,334,309
Ministry of Industry and Trade	14/04/11	11,962,310
Ministry of Local Government and Environment	18/04/11	11,258,583
Ministry of Foreign Affairs	27/04/11	27,832,759
Ministry of Information	3/5/2011	3,490,922
Ministry of Primary Industries (Fisheries and Forest)	12/5/2011	75,832,930
Ministry of Public Utilities (Water & Sewerage and Energy)	16/05/11	104,549,849
RFMF	17/05/11	101,118,550
Ministry of Works and Transport (FIMSA)	30/05/11	170,321,903
Presidents Office	6/6/2011	1,156,231
Ministry of Lands and Mineral Resources	9/6/2011	39,122,423
Legislature	30/06/11	1,063,231
Ministry of Public Enterprise, Tourism and Communication	6/7/2011	29,882,840
<b>Total</b>		<b>1,021,992,462</b>

Moreover, Finance instruction 71(1) provided that each agency must include in its annual financial statement:

- (i) a statement of receipts and expenditure;
- (ii) a profit and loss statement for each trading and manufacturing activity;
- (iii) an appropriation statement;
- (iv) a statement of assets and liabilities for each TMA;
- (v) notes to the statement of assets and liabilities
- (vi) a statement of losses and
- (vii) A trust account statement of receipts and payments.

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 for the operating fund account.

## 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 must inform the bank of the agency officers authorised to operate on it. All agency bank accounts must be kept in the name of the agency or the official title of a unit within the agency.<sup>3</sup>

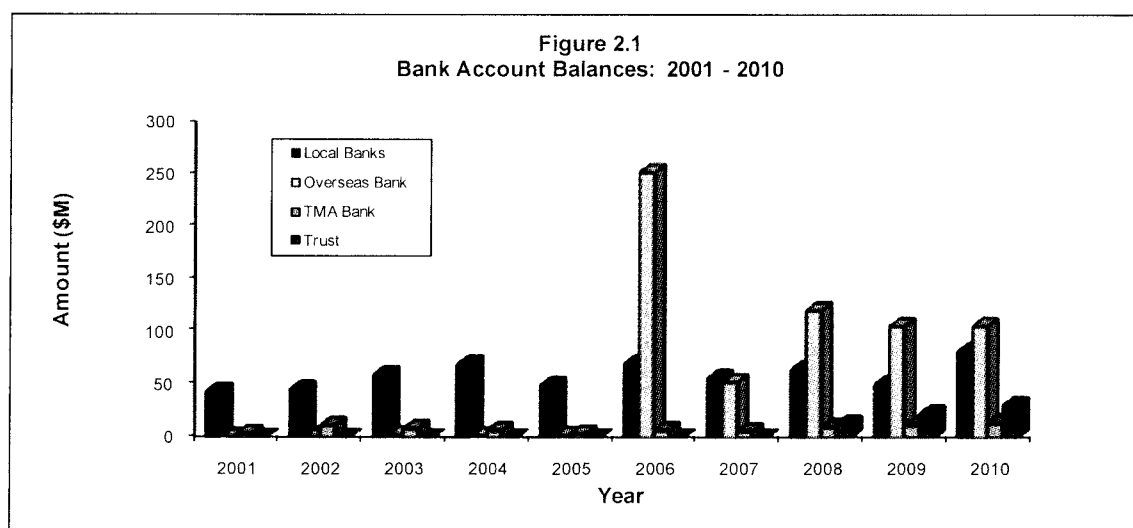
<sup>3</sup> Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – 32(1) & (4)

The Cash at Bank balance increased significantly from \$94,512,448 in 2009 to \$185,443,815 in 2010. This increase was due to a significant increase in domestic bank balance and decrease in unrepresented cheques by 62% and 50% respectively. In addition, there was an increase in Trading & Manufacturing Account bank balances and Trust Fund bank balance by 13% and 36% respectively and there was a minimal increase in overseas bank balances by 0.3%. Refer to Table 2.1 for details.

TABLE 2.1: CASH AT BANK BALANCE AS AT 31/12/10

Account	2009 BALANCES \$	2010 BALANCES \$	VARIANCE \$	% CHANGE
Domestic Account	50,840,686	82,425,719	31,585,033	62
Fiji Overseas Agents	106,093,950	106,409,431	315,481	0.3
Trading & Manufacturing Account (TMA)	12,463,558	14,133,097	1,669,539	13
Trust Fund Account	22,978,529	31,245,508	8,266,979	36
Unrepresented Cheques	(97,864,276)	(48,770,140)	49,094,136	(50)
<b>Net Cash</b>	<b>94,512,447</b>	<b>185,443,615</b>	<b>90,931,168</b>	<b>96</b>

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



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

## 2.1 Non Preparation of Bank Reconciliations

Bank reconciliation is a process that explains the difference between the bank balances shown in an organisation's bank statements provided by the bank with the corresponding amount in the entity's records at a particular point in time.

All bank accounts must be reconciled monthly with the bank reconciliation showing all the outstanding cheques and other reconciling items and signed and dated by the responsible officer.<sup>4</sup>

<sup>4</sup> Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

The audit noted that numerous bank accounts for the Domestic, Overseas Agents, Trading & Manufacturing Accounts, and Trust Fund Accounts did not have bank reconciliations statements for the year ended 31/12/2010.

Variances between Bank Statements and FMIS balances could not be explained by the Ministry as there was no bank reconciliation to verify their statements of whether the variances were unrepresented cheques, interest received or other relevant charges incurred. Refer to Table 2.2 for examples of accounts without reconciliations:

TABLE 2.2: SAMPLE BANK ACCOUNTS WITHOUT RECONCILIATIONS

Account ID	Description	GL Balance \$
<b>Domestic Bank</b>		
1292446	Australia & New Zealand Banking Ltd	6,406,407.69
42055600	Westpac Banking Corporation	5,687,487.92
7347548	Inland Revenue	26,922,075.06
31501	Reserve Bank of Fiji	(2,900,717.54)
719354	Colonial National Bank	12,134,758.78
<b>Overseas Agents</b>		
10410204202510500	Fiji Trade Commission - LA	194,233.83
10410204202510700	Sinai	21,956.01
10410204202510105	FMF-Bank Account in Darwin	5,090.52
10410204202510904	Taiwan Trade Commission	63,874.72
10410204202510100	Sydney Trade Commission	26,203.75
104102204202510200	Crown Agents London	30,508.21
<b>Trust Fund Account</b>		
93340133006520300	Department of Environment	(593,030.59)
90520168999530300	Provincial Development	(449,579.78)
930B0178068520301	Fisheries Trust	(25,715.57)
94110141039520300	Energy- Rural Electrification Unit	(1,191,117.24)
90210102999520400	Chinese aid – PMO	(69,127.60)
<b>Trading &amp; Manufacturing Account</b>		
43065177999540301	Forestry	176,825.69
44025191011540201	Public Works & Infrastructure (Water Supply)	940,666.61

In the absence of proper bank reconciliation statements, correctness of cash at bank balances could not be substantiated and verified.

### **Recommendations**

- **The Ministry should ensure that consolidated bank accounts with respect to Domestic, Overseas Agents, Trading & Manufacturing Accounts, Trust Fund Accounts are regularly reconciled with the entity's records.**
- **Bank reconciliation should be prepared for all the bank accounts.**

### **Ministry's Comments**

#### **Domestic Bank**

*Treasury has reconciled the Consolidated Fund Accounts for Domestic Banks for year ending 31/12/2010. Overseas Agents - In Treasury, Crown Agents posting is done in GL but for recon, not sure who should do.*

**Trust Fund Account**

1. Department of Environment – Ministries have already been reminded so many times. The delay is due to the movement of this department from one Ministry to another for the past few years and they are still trying to update their record.
2. Provincial Development – account is zero now as the balances have been transferred to the new account.
3. Fisheries – Reconciliation submitted to FMIS
4. Energy- Rural Electrification – Reconciliation submitted to FMIS
5. Chinese aid – PMO – Accountant has already been reminded to update their reconciliation report.

**Trading & Manufacturing Account**

1. 4-30351-77999-540301 - Forestry \$176,825.69

**Response**

The Department of Forestry Bank Reconciliation Report for December 2010 had been submitted to the Asset Management Unit of the Ministry of Finance and a copy of the report can be obtained from the unit to substantiate the \$176,825.69 closing cash balance.

2. 4-40251-91011-540201 – Public Works & Infrastructure (Water Supply) \$940,666.61

**Response**

There Water Supply Department under the Public Works and Infrastructure is not operated under Trade and Manufacturing Account. The account mentioned above is the DECE Building allocation and not of the Water Supply. A copy of the DECE Building Bank Reconciliation report can be obtained from the Asset Management Unit substantiating the cash balance.

**2.2 Overseas Bank Accounts without Bank Confirmations**

The Cash at Bank balances should reflect all bank accounts operated by Ministries/ Departments for the year 31 December 2010.

The following cash at bank totalling \$311,359 with Agencies Overseas do not have overseas bank confirmations provided to audit for review. In addition, this issue was raised in previous years audit and explanation provided was that these accounts have been closed but exists only in the general ledger. Refer to Table 2.3 for examples.

TABLE 2.3: OVERSEAS BANK ACCOUNTS WITHOUT BANK CONFIRMATIONS

Account	Description	Balance \$
10410204202510500	Fiji Trade Commission - LA	194,233.83
10410204202510700	Sinai	21,956.01
10410204202510105	FMF-Bank Account in Darwin	5,090.52
10410204202510904	Taiwan Trade Commission	63,874.72
10410204202510100	Sydney Trade Commission	26,203.75
<b>Total</b>		<b>311,358.83</b>

The following overseas mission accounts: Fiji Trade Commission Sydney, Crown Agents London and Fiji Consulate General Sydney were overdrawn and bank confirmations were not produced to substantiate the overdrawn balances.

Moreover, the Fiji Procurement Office has two bank accounts with a balance of \$135,116 and \$49,567 in Westpac Australia and Westpac New Zealand respectively. However, the Ministry of Finance did not disclose these in the Overseas Bank Account allocation but have been disclosed into Appendix 3 in the notes.

Furthermore, the JP Morgan Cash Accounts is understated by \$9,783,336 in the general ledger; reason being the foreign exchanges differences in 2010 of \$5.1 million and funds transferred from operating fund to JP Morgan Account of \$15 million for 2010 has not been updated in the general ledger.

The above reflects the lack of proper supervision, monitoring and reconciliation of bank accounts with the entity's records.

### **Recommendations**

- **Ministry of Finance should ensure that all bank accounts are verified with bank statements and adjustment are carried out for accounts that do not exists and updated in the general ledger in order to reflect correct balances; and**
- **The Ministry should request the Banks for production of bank statements and confirmations for all bank accounts for audit verification purposes.**

### **Ministry's Comments**

## **2.3 Drawings Accounts**

### **2.3.1 Discrepancies in Drawings Account**

The Accounting Head must verify balances in the bank reconciliation to the cashbook, bank statements, unrepresented cheque list and the previous month's bank reconciliation before certifying it.<sup>5</sup>

The following anomalies were noted:

- (i) The drawings accounts of some Ministries and Departments had debit balances which indicated that there was no unrepresented cheque but there are cash balances in the respective accounts. This is an unusual trend as the drawing accounts by convention should have credit balances which should reflect the unrepresented cheques at a point in time. Furthermore, no explanation was furnished by the Ministries and Departments concerned. Refer to Table 2.4 for details.

TABLE 2.4: MINISTRIES AND DEPARTMENTS HAVING DEBIT BALANCES

Account	Department/Ministry	GL Balance \$
12010120101530101	Police	10,014,288.36
14120195991530201	Water Supplies	1,396,308.47
13330179101530301	Lands	2,803,965.81
10210302999530301	Cabinet	771,011.07
14120185999530381	Water & Sewerage (PWD DECE)	299,673.13
<b>Total</b>		<b>15,285,246.84</b>

<sup>5</sup> Ministry of Finance. Pro-forma Finance Manual 2011 Section 7.4.11

- (ii) No movement was noted in the drawing accounts for the Ministry of Women & Culture and the Department of Water Supplies account for 2010 compared to 2009. No explanation was provided for the static account. Refer to Table 2.5 for details:

TABLE 2.5: MINISTRIES AND DEPARTMENTS – NO MOVEMENTS IN DRAWINGS ACCOUNTS

Account	Ministry/Department	GL Balance \$
1-41201-95991-530201	Water Supplies	1,396,308.47
1-24301-75999-530401	Women & Culture	(60,720.17)
<b>Total</b>		<b>1,335,588.30</b>

The major contributing factor for the anomalies was that checks were not carried out on the reconciliations submitted by the Ministries/Departments to Ministry of Finance.

### **Recommendations**

- **Effective control measures should be implemented to ensure that the differences in the drawings account reconciliations for Ministries/Departments are corrected and updated onto the Financial Management Information System before the closure of the accounts.**
- **The Ministry should adopt a check and review mechanism for all reconciliations to ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due.**
- **Surcharge action should be taken against responsible officers for not updating the cash books and preparing the reconciliations for the drawings account.**
- **Proper supervision should be carried out as reconciliation is an important control check in order to ensure that balances reflected in the accounts are correctly and fairly stated.**

### **Ministry's Comments**

*This question should be directed to the Accounting Head of the Ministries/Departments concerned. We produce monthly reports to the Ministries/Departments which should be thoroughly reconciled and any variance/misallocation, anomalies etc rectified. FMIS has been advising/reminding these Ministries/Departments on the steps to be taken in clearing these debit balances. Accounting Heads should be checking on balances and for any anomalies should be detected before certifying reconciliations.*

### **2.3.2 Unpresented Cheques**

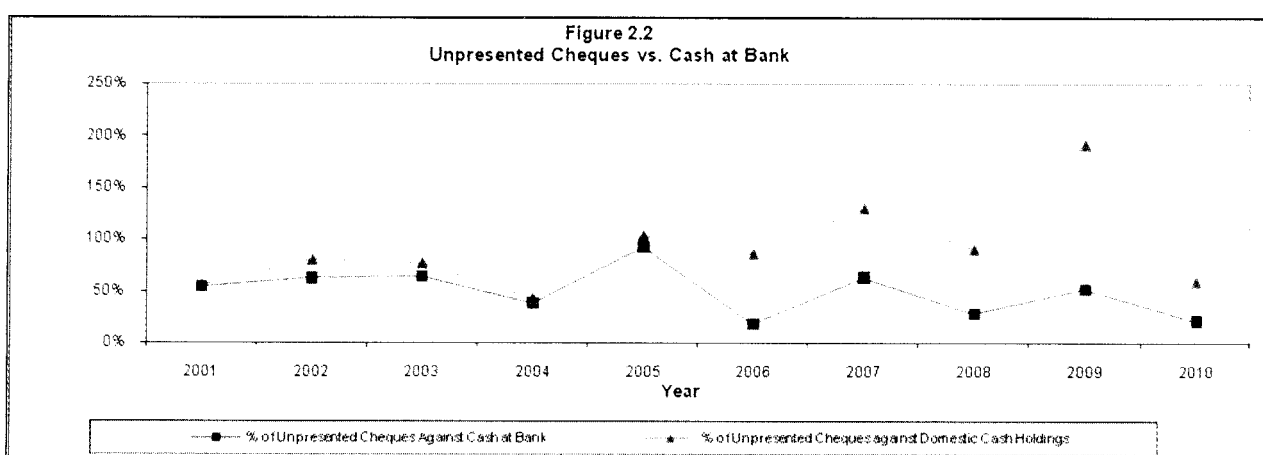
The accounts supervisor shall prepare bank reconciliation within 5 days of the end of the month. Details of unpresented cheques and other reconciling items should be attached to the reconciliation statement.<sup>6</sup>

A review of the unpresented cheques balances over the past 10 years is provided in Table 2.6 and Figure 2.2 indicate that it accounts for a significant portion of the domestic cash at bank and total cash holdings of the Government.

<sup>6</sup> Proforma Finance Manual 2011 – Part 7 Cash Management Section 7.4.8 & 7.4.9

TABLE 2.6: UNPRESENTED CHEQUES

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
2010	48,770,140	234,213,755	21	82,425,719	59



A decrease was noted in unpresented cheques for 2010 compared to 2009 of \$49,094,136 or 50%. However, some Ministries and Departments continued to have significant unpresented cheque balances as at 31/12/10. Refer to Table 2.7 for details.

TABLE 2.7: MINISTRIES AND DEPARTMENTS WITH SIGNIFICANT UNPRESENTED CHEQUE BALANCES

Ministry/Department	Amount \$	% of Total
Agriculture	9,465,753	19
Energy	2,033,717	4
Fiji Military Forces	1,979,361	4
Health	6,516,124	13
Inland Revenue	2,381,372	5
Public Enterprise	7,338,832	15
Roads (PWD DECE)	5,332,493	11
Roads (PWD HQ)	3,582,841	7
Roads (PWD Labasa)	1,166,189	2
Roads (PWD Lautoka)	2,425,886	5
Social Welfare	2,009,499	4
Treasury	7,390,080	15
Others	(2,852,007)	-6
<b>Total</b>	<b>48,770,140</b>	<b>100</b>

The significant un-presented cheques balances indicated that spending for some Ministries and Departments is concentrated towards the end of the year. Such spending often results in uneconomical purchases, which affect the following year's budgetary allocations and sometimes did not comply with procurement procedures.

### **Recommendations**

- **Ministries/Departments should be encouraged to plan their expenditures well in order to avoid the accumulation of un-presented cheques at year end.**
- **The Ministry should monitor such end of year purchases; analysis needs to be prepared and justifications with compliance to Finance Circulars.**

### **Ministry's Comments**

*We agree with your recommendations. The Ministry is embarking on a new project (Electronic Funds Transfer). This process will basically mean that cheques will no longer be issued to customers. Funds will be transferred from the Government Consolidated Fund Account to the customer's account. This process will ultimately reduced un-presented cheques issues with ministries/departments.*

## **2.4 TMA Balances under Operating Fund 1**

The Fund Code 4 and 9 are in use for the Revolving Fund and Consolidated Trust Fund respectively in the new Chart of Accounts. The Fund Type 4 – Revolving Fund consists of only the Revolving Fund – TMA operation.<sup>7</sup>

Some Ministries and Departments have their TMA and Domestic bank balances reflected under Operating Fund 1 as Standard Asset Group (SAG) 54 instead of being recorded in Revolving Fund 4 as Standard Asset Group 54 and Operating Fund 1 Standard Asset Group 52. Refer to Table 2.8 for details.

TABLE 2.8: TMA BALANCES UNDER FUND 1 SEG 54

Account ID	Ministry/Department	Particulars	Amount \$
1-40501-95991-540201	Public Works and Infrastructure (DECE)	TMA Dominion Cash WBC Suva	8,840.08
1-40501-97991-540201	Public Works and Infrastructure (Labasa)	TMA Dominion Cash WBC Suva	405.00
1-21101-91015-540200	Education	TMA Dominion Cash WBC Suva	(16,918.00)
<b>Total</b>			<b>(7,672.92)</b>

Ministries and Departments failed to provide satisfactory explanation or the journal entries to have the above balances adjusted to its rightful accounts.

### **Recommendation**

**Ministry of Finance should be more vigilant when checking reconciliations and investigate reasons for such mispostings and get the balances adjusted accordingly.**

### **Ministry's Comments**

*The reasons why such TMA particulars are appearing in the Operating Fund allocations in the GL is that of miss postings that were mostly due to human error. These errors are most of the time picked up during compilation of*

<sup>7</sup> FMIS Chart of Accounts – Part 1 Account Number Structure for Fiji Government, August 2005

*the Bank Reconciliation Reports. TMAs have been constantly reminded to pass the reversals entries immediately once mispostings are detected that is within the same months the miss postings occurred. Reversals that has to do with inter-funding sometimes takes time and complicated for clerks to undertake whom Bank Reconciliation Reports are left at their disposal. However assistance is offered by the AMU unit should they insist. These particulars might have been the adjusting entries for the mispostings, however query should be directed to the respective ministries and departments.*

*Please note that there is no TMA in the Education Ministry. This issue has always been addressed and discussed in the annual TMA training conducted by the AMU and the matter is anticipated to be alleviated.*

## 2.5 DOMESTIC BANK BALANCES

### 2.5.1 Anomalies with Domestic Bank Account Balances

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>8</sup>

The following anomalies were noted:

- (i) Variances between the Bank Certificate of Confirmation and the Appendix/FMIS balances for the Cash Balances with Domestic Bank as at 31/12/10. Refer to Table 2.9 for the variances.

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

Account No.	Bank Account	GL Balance \$	Bank Certificate of Balance \$	Difference \$	GL Overstated/ Understated
1292446	Australia & New Zealand Banking Ltd	6,406,407.69	6,521,324.53	(114,916.84)	Understated
42055600	Westpac Banking Corporation	5,687,487.92	8,551,664.32	(2,864,176.40)	Understated
7347548	Inland Revenue	26,922,075.06	26,915,881.17	6,193.89	Overstated
31501	Reserve Bank of Fiji	(2,900,717.54)	9,605,964.24	(12,506,681.78)	Understated
719354	Colonial National Bank	12,134,758.78	11,815,930.58	318,828.20	Overstated
	<b>Total</b>	<b>48,250,011.91</b>	<b>63,410,764.84</b>	<b>(15,160,752.93)</b>	<b>Understated</b>

This indicates the lack of reconciliation between the general ledger cash balances in Ministries/Departments and the actual cash holdings with the Ministry of Finance. As a result the general ledger cash balance is understated by \$15,160,753.

- (ii) In addition, bank audit certificates were not received for the following accounts despite numerous requests to the Ministry.

TABLE 2.10: BANK AUDIT CERTIFICATE NOT RECEIVED

Account ID	Bank	GL Balance \$
1-04102-04352-520413	BSP/CNB – Water Authority of Fiji	327,841.68
1-04102-04353-520414	BSP/CNB – TAF	2,642,803.32
1-02301-02999-520415	BSP/CNB – PSC Scholarship	53,326.54
1-24101-24999-520601	Bank of South Pacific	107,592.66
<b>Total</b>		<b>3,131,564.20</b>

<sup>8</sup> Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

(iii) Moreover, the following bank accounts have been closed which was confirmed<sup>9</sup> during audit but the balances were still appearing in the general ledger. Refer to Table 2.11 for details.

TABLE 2.11: DOMESTIC BANK BALANCES WHICH DOES NOT EXISTS

Account	GL Acct/Bank Acct	Balance \$
Remittance Between Chests – RBC General	1-50101-50999-525201	5,457.63
Westpac Tavua	1-30101-30999-520304	(265.67)
Westpac (Suva) – Alternative Livelihood Project	1-30101-30999-520101	873,950.00
Westpac Levuka	1-30101-30999-520303	(10.14)
CNB Taveuni	1-30101-30999-520412	(2,688.95)
<b>Total</b>		<b>876,442.87</b>

No satisfactory explanation was received for the non clearance of balances from the general ledger.

(iv) In addition, no bank statements, confirmation or supporting document were produced for the following accounts which have the same balances as 2009 and audit was unable to verify whether the bank accounts did exist. Refer to Table 2.12 for details.

TABLE 2.12: DOMESTIC BANK BALANCE NOT VERIFIED

Account	Balance \$
Reserve Bank of Fiji Prepayment Account	1,000.00
Reserve Bank of Fiji, Special Account IBRD 3188	38,371.07
NBF/AMB Trust Fund	1,490,000.00
Remittance Between Chests – PWD Western	25,130.25
<b>Total</b>	<b>1,554,501.32</b>

(v) Term deposits with Westpac (Account No.'s 98025954304 & 9802675711) amounting to \$3,540,448 and at Bank of South Pacific (Account No. 7253580) of \$3,023,224 as confirmed through bank audit certificates were not reflected in the Cash Appendix and in the general ledger. Thus understating the cash balances with domestic banks by \$6,563,671.

### **Recommendations**

**The Ministry of Finance should ensure that**

- bank reconciliations are regularly prepared for all the bank accounts ; and
- bank statements/confirmation are made readily available to audit for verification purposes.

### **Ministry's Comments**

#### *2.5.1 (i)*

- *Reconciliations have been prepared by Treasury for all domestic Banks.*
- *The recons are sent to Ministries and Departments for verification of differences found.*
- *The cash analysis is matched with the bank statements and the postings done to GL*
- *Any differences found are to be adjusted by the Ministries/Departments and not by Ministry of Finance.*
- *GL Excess has been given to Min/Dept to post revenues in to CFA via AR and JV and majority of the Min/dept are not positing on a daily basis before lodgement is done in the bank.*

<sup>9</sup> Email from Ministry of Finance Official (Ms Joy Khan) dated 15/7/2011, (Ms Roselyn V Karan) dated 06/06/11 and Ministry of Agriculture Official (Ms Unaisi Korologa) dated 02/06/11.

- For RBF Account we would require additional time to verify and explain the differences.

## 2.5.1. (ii)

- Letters were sent to BSP requesting for bank audit certificate for the following accounts:

1-04102-04352-520413	BSP/CNB – Water Authority of Fiji	327,841.68
1-04102-04353-520414	BSP/CNB – TAF	2,642,803.32

**2.5.2 Overdrawn Domestic Bank Balances**

Officers operating official bank accounts must not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts.<sup>10</sup>

The following domestic bank accounts under the Ministry of Finance were overdrawn by \$431,671,326 in the general ledger. Refer to Table 2.13 for details.

TABLE 2.13: OVERDRAWN DOMESTIC BANK ACCOUNTS

Account	Description	Balance \$
1-04102-04202-520101	Reserve Bank of Fiji Suva	(2,900,717.54)
1-04102-04202-520201	ANZ – Suva	(33,165,829.23)
1-04102-04202-520301	WBC – Suva	(1,277,915.97)
1-04102-04351-520311	WBC LTA Levy	(5.95)
1-04102-04202-520401	CNB – Suva	(192,850,057.97)
1-04102-04202-520501	Bank of Baroda – Suva	(158,508,898.26)
1-04102-04202-520601	Habib Bank Ltd – Suva	(42,967,901.53)
<b>Total</b>		<b>(431,671,326.45)</b>

No satisfactory explanation was provided by the Ministry for these overdrawn accounts.

This reflects the lack of monitoring and reconciliation carried out by the Ministry and non compliance with Finance Instructions 2010.

**Recommendation**

**Responsible officers should be disciplined for allowing the bank accounts to be overdrawn.**

**Ministry's Comments**

*This issue is always raised by AG for ANZ SUVA, WBC SUVA, CNB/BSP SUVA because of the followings:*

- *GL Excess has been given to Min/Dept to post revenues in to CFA via AR and JV and majority of the Min/dept are not positing on a daily basis before lodgement is done in the bank.*
- *MOF cannot have control on this apart from doing the CFA recon to track those min/dept that have variances for their CFA GL accounts.*
- *Treasury & Min/dept will need to have a solid communication/understanding & team work to solve this issue.*

<sup>10</sup> Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (5)

## 2.6 Net Impact of Error and Omission on Cash at Bank Balances

Cash at Bank balance should be supported with adequate bank records and reconciled with the bank statements.

The following balances which are reflected in Appendix 3 contained errors and omissions as shown in Table 2.14.

TABLE 2.14: ERRORS AND OMISSIONS IN STATEMENT OF CASH AT BANK

Errors and Omissions	Amount \$
Cash Balance with Overseas Agencies not verified	311,358.83
JP Morgan balance understated in the general ledger	(9,783,336.11)
Drawings account not verified	60,720.17
Drawings account having Debit Balances	(15,285,246.84)
Domestic Bank Balance under SAG 54	16,918.00
Variance between Bank Audit Certificate and Ministry of Finance	(15,160,752.93)
Domestic bank balances not supported by cash	876,442.87
Overseas bank not reflected in general ledger	(184,682.68)
Domestic bank balances not reflected in general ledger	(6,563,671.41)
Domestic bank balances not verified	1,554,501.32
<b>Net Errors and Omissions</b>	<b>(44,157,748.78)</b>

The net impact on Cash at Bank of the errors and omissions in the 2010 accounts is substantial and reflects the existence of weak internal controls in cash management.

### Recommendation

**The Ministry should ensure that bank balances are reconciled monthly under adequate supervisions.**

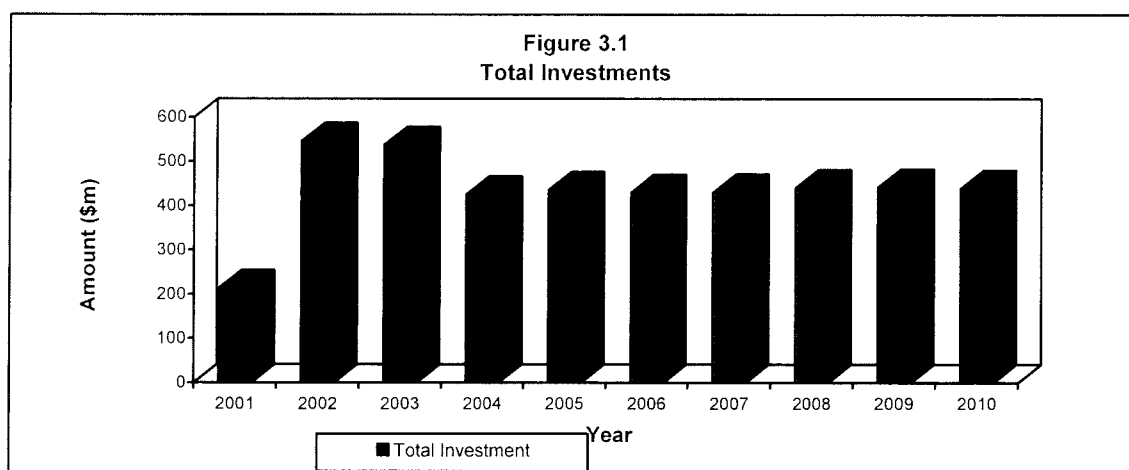
### Ministry's Comments

*No comments*

## 3.0 INVESTMENT

Section 55(1) (b) of the Financial Management Act 2004 empowers the Minister to invest public money (and other money within the meaning of the Act) on deposit with a Bank; in securities issued by a statutory authority; by way of advances authorized by an Act or by resolution of the House of Representatives.

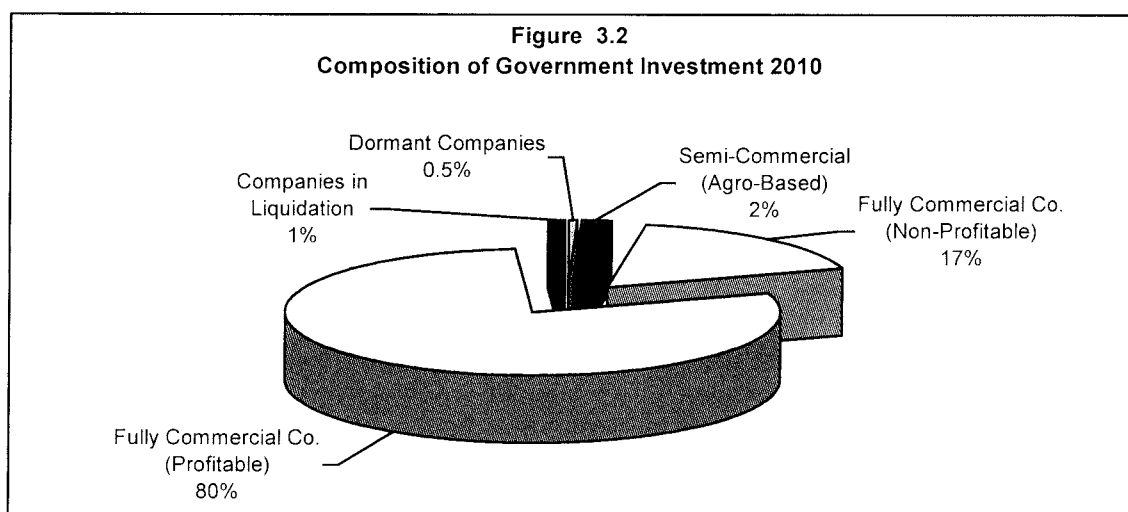
Government investment in 2010 totalled to \$438,862,904 held in 30 companies which have decreased by \$3,097,602 or 0.70% when compared to 2009. The investment of the Government for the last 10 years is shown in figure 3.1.



The decrease in total investment is largely attributed to the liquidation of Shipbuilding (Fiji) Limited shares valued at \$3,062,500. The liquidation revenue received totalled only \$1.01 million, a loss of \$2.1m upon liquidation.

### 3.1 Composition of Government Investments

The composition of Government Investments for 2010 is shown in Figure 3.2 below:



The major component of Government Investments as at 31/12/10 was in profitable fully commercial companies which amounted to \$346,838,026 or 80% 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 1.5% or \$6,480,210 was made up of government investments in dormant companies or companies that are in liquidation.

### 3.2 Return on Capital

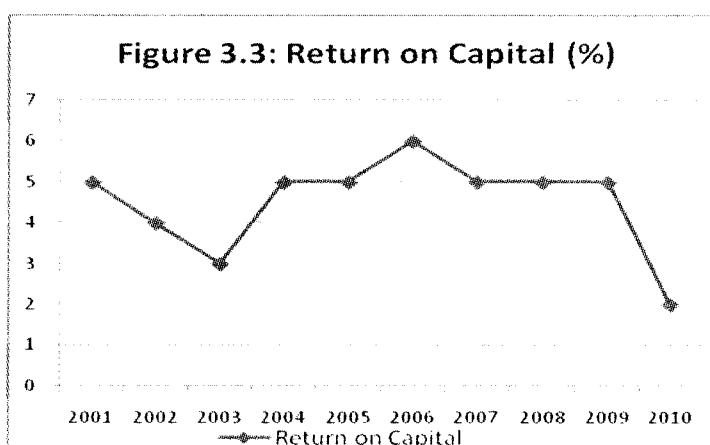
Return on Capital provides information of how well Government have generated cash flow in relation to the fund being invested.

The 2001 Public Enterprises Sector Reform Policy requires corporate entities to remit a 10% after tax return on shareholders' fund to be regarded as operating successfully which will be revised once the expected annual returns are established based on corporate plans.

Table 3.1 outlines Governments return on capital over the past 10 years from Government Commercial Companies and Commercial Statutory Authorities as reflected in the Statement of Investments.

TABLE 3.1: RETURN ON CAPITAL 2001 – 2010

Year	Total Government Shareholding (\$)	Dividends On Investment (\$)	Return of Capital %
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
2010	438,862,903	9,224,373	2



The audit noted that for the last 10 years from 2001 to 2009, the average return on capital was 4.5% with 2006 recording the highest return of 6% none of which met the requirement under the 2001 Public Enterprises Sector Reform Policies where corporate entities should remit a 10% after tax return on shareholders' fund.

Dividends received from investment totalled \$9.22 million in 2010, representing a 2% rate of return on Government Investments that is a decrease by 3% from 2009.

### 3.3 Analysis of Dividends and Investments

The Asset Management Unit (AMU) of the Ministry of Finance is tasked to monitor Government Investments which was the targeted output for the Ministry for the management of financial asset and liability with respect to market and portfolio management with an allocation of \$828.4 million in 2010.

Moreover, the forecast for dividend revenue in 2010 was \$36.6 million.

The audit noted that dividends have decreased significantly in year 2010 compared to 2009, a decrease of \$8.1 million or 39% and an under-collection from the forecasted dividend revenue by \$23.9 million or by 65%. Refer to Table 3.2 for details of analysis:

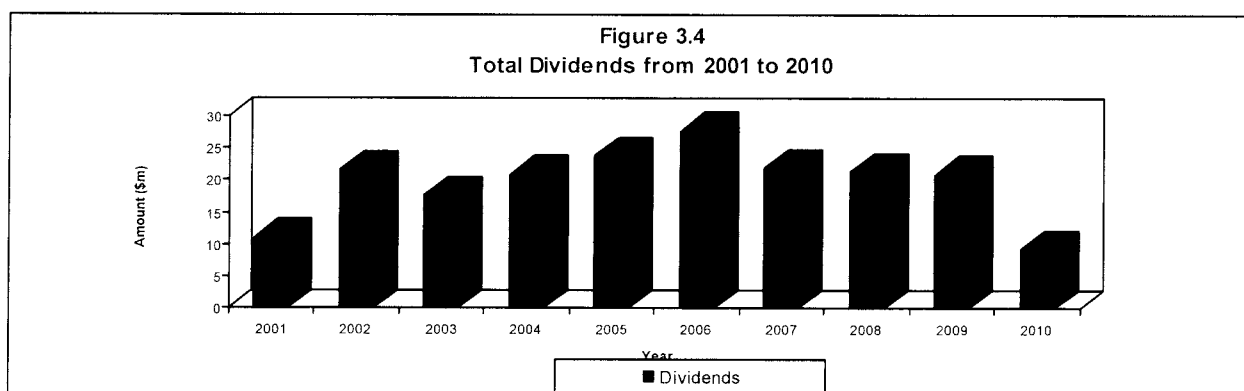
TABLE 3.2: INVESTMENTS AND DIVIDENDS RECEIVED 2001 - 2010

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% age of Dividend Entities
2001	213,289,008	11,000,480	(43)	8	29	28
2002	545,789,484	21,563,220	96	11	30	37

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% age of Dividend Entities
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
2009	441,960,505	20,832,214	(2)	8	31	26
2010	438,862,903	12,726,623	(39)	8	30	27

Of the eight dividend paying entities, two entities, namely, Civil Aviation Authority of Fiji (CAAFI) and Fiji Public Trustee Ltd are not included in the Statement of Investments that remitted \$500,000 and \$3 million in dividends accordingly.

The non-availability of share certificate for the Fiji Public Trustee Ltd was a result of the non-recording of the Government investment onto to the statement of investments. Refer to figure 3.4 for the graphical analysis of dividends collected over the 10 year period:



Over the past 10 years, the number of entities paying dividends to Government averaged at 10 entities compared to the 30 companies it had investments.

Substantial decline in dividends revenue indicate non-performing portfolios and therefore warrants the stringent Ministry of Finance presence for maximum returns on Government investment.

### 3.4 Dividends Remitted per Entity

The 2001 Public Enterprises Sector Reform Policies requires corporate entities to remit a 10% after tax return on shareholders' fund to be regarded as operating successfully which will be revised once the expected annual returns are established based on corporate plans.

Also all Government Commercial Companies (GCCs) and Commercial Statutory Authorities (CSA's) are to pay at least 50% of the net earnings to the Government as dividends in consultation with the Minister of Public Enterprise, Minister of Finance and relevant Minister.

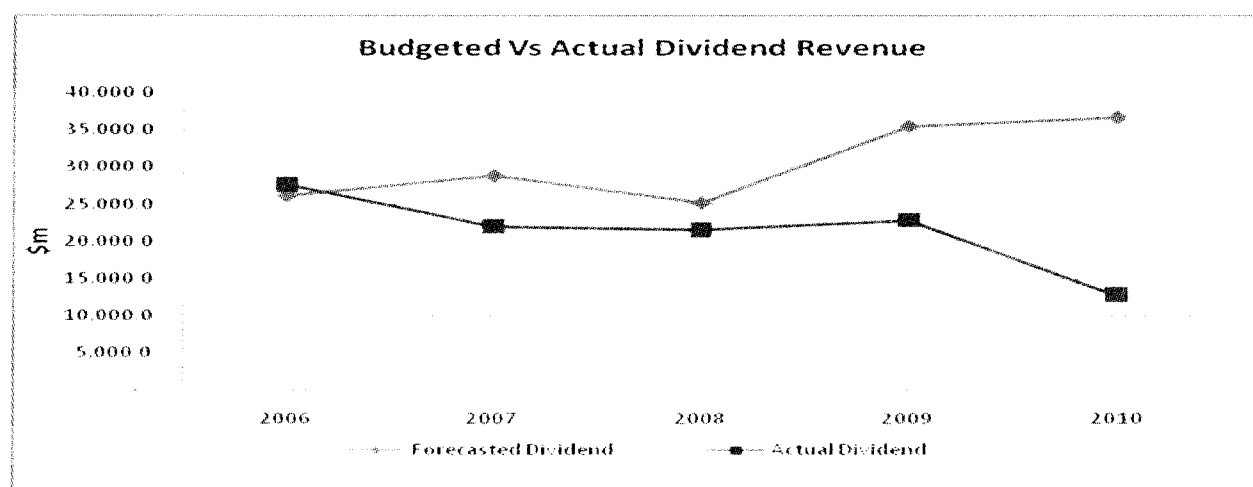
Dividend totalling \$9.22 million was received in 2010 from 6 out of the 30 entities as per the Statement of Investment in which total investment by Government is \$438.86 million. This is the second lowest dividend remitting year over the past 10 years.

TABLE 3.3: DIVIDEND ANALYSIS FOR LAST FOUR YEARS

Entity	Total Shareholding as at 31/12/10	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	% of Dividend to total Shareholding
Fiji International Telecommunications Limited	3,570,000	6,924,636	6,411,931	4,113,463	---	---
Yaqara Pastoral Company Limited	1,191,846	385,013	---	1,068,817	---	---
Amalgamated Telecom Holding Limited	36,483,052	8,755,933	5,175,183	11,674,577	3,594,494	10
Air Pacific Limited	13,307,075	1,996,061	6,354,128	---	---	---
Fiji Television Limited	1,442,000	259,560	259,560	201,880	173,040	12
Fiji Ports Corporation Limited	73,154,852	2,010,746	2,021,040	875,983	1,758,465	2
Pacific Fishing Company Limited	14,728,956	443,224	---	---	---	---
Air Terminal Services	765,000	---	---	---	514,248	67
Airports (Fiji) Limited	92,300,180	315,780	1,000,000	2,292,707	3,000,000	3
Fiji Broadcasting Corporation Limited	2	---	39,000	---	---	---
Unit Trust of Fiji (Management) Limited	50,000	69,800	---	233,016	---	---
Post Fiji Limited	5,600,000	457,148	---	371,772	184,126	3
Pacific Forum Line Limited	4,090,131	353,258	---	---	---	---
<b>Total</b>	<b>246,683,094</b>	<b>21,971,159</b>	<b>21,260,842</b>	<b>20,832,214</b>	<b>9,224,373</b>	<b>4</b>

Graphical representation of budgeted and actual dividend revenue remitted by Government entities over the 5 year period is outlined in graph figure 3.5.

FIGURE 3.5: BUDGETED VS ACTUAL DIVIDEND REVENUE



Of the total investment of \$438.86 million<sup>11</sup>, only \$209.7 million worth of investment in 2010 or 48% of the investment returned dividend to government. Refer to Table 3.4 for details of Government Entities which paid dividend in year 2010.

TABLE 3.4: GOVERNMENT ENTITIES WHICH PAID DIVIDEND IN 2010

Entity	Total Shareholding as at 31/12/10	2010 (\$)
Amalgamated Telecom Holding Limited	36,483,052	3,594,494
Fiji Television Limited	1,442,000	173,040
Fiji Ports Corporation Limited	73,154,852	1,758,465
Air Terminal Services	765,000	514,248
Airports (Fiji) Limited	92,300,180	3,000,000
Post Fiji Limited	5,600,000	184,126
<b>Total</b>	<b>209,745,084</b>	<b>9,224,373</b>

Furthermore, only three out of the six entities above remitted dividends that are above the 10% set limit as per the 2001 Public enterprise policy. Non-remittance of the required rate of dividend from the operating entities indicated poor performance which contributed to the low dividend collection.

### 3.5 Non-remittance of Dividend over the 5 year Period

The 2001 Public Enterprises Sector Reform Policies requires corporate entities to remit a 10% after tax return on shareholders' fund to be regarded as operating successfully which will be revised once the expected annual returns are established based on corporate plans.

Also all Government Commercial Companies (GCCs) and Commercial Statutory Authorities (CSA's) are to pay at least 50% of the net earnings to the Government as dividends in consultation with the Minister of Public Enterprise, Minister of Finance and relevant Minister.

The following entities have not remitted dividend over the 5 year period.

TABLE 3.5: NON-REMITTING DIVIDEND ENTITIES

Entity	Total Government Shareholding (\$)	Total Government Shareholding (%)
Fiji Hardwood Corporation	90,000,000	100
Fiji Pine Limited	61,002,064	99.9
Fiji Sugar Corporation Limited	15,119,580	68
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

<sup>11</sup> Includes all investments in Statement of Investments in Appendix 9

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

### **Recommendation**

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

### **Ministry's Comments**

*Table below highlights the progress on the Public Enterprises Reforms, which is spearheaded by the Ministry of Public Enterprises and the Ministry of Finance. It seems that the OAG has not acquainted themselves with the current Fijian Government reforms pertaining to entities which are being questioned.*

<b>Entity</b>	<b>Comments</b>
<i>Fiji Hardwood Corporation</i>	<i>The industry as well as the company is currently been restructured under the under the Mahogany Industry Development Decree 2010.</i>
<i>Fiji Pine Limited</i>	<i>The company is undergoing an internal restructure which is spearheaded by the Executive Chairman.</i>
<i>Fiji Sugar Corporation Limited</i>	<i>The industry and the company is currently on the 2-year Sugar Reform Industry Framework (SRIF) mandated by the Fijian Government.</i>
<i>Food Processor Fiji Limited</i>	<i>The company has been listed for divestment of its shares by the Fijian Government.</i>
<i>Rewa Co-operative Dairy Company Limited</i>	<i>The company is under internal restructure, which will see two separate entities being formed. The two companies are Fiji Dairy Corporation LTD and Rewa Dairy Cooperatives LTD.</i>
<i>Rewa Rice Limited</i>	<i>The company is now been considered for restructure, preferably under divestment and/or strategic partnership.</i>
<i>Viti Corps Company Limited</i>	<i>The company is now under a new strategic partner namely the Tebara Halal (Fiji) Limited.</i>

## **3.6 Inoperative Entities**

Reflected in the Statement of Investments (Appendix 9) as at 31/12/10, are entities that are dormant, in liquidation or have ceased operations. Refer Table 3.6 for details.

TABLE 3.6: INOPERATIVE ENTITIES

<b>Entity</b>	<b>Status</b>	<b>Status Since</b>	<b>Amount (\$)</b>
Air Fiji Limited	Ceased Operations	2009	171,804
Equity Investment Management Company Limited	Ceased Operations	1999	51
Fiji Sugar Marketing Company Limited	Ceased Operations	2010	2
International Hotels of Fiji Limited	Dormant	2000	2,000,000
National Trading Corporation Limited	In Liquidation	2006	3,358,186
Daily Post	Ceased Operation	2010	950,220
<b>Total</b>			<b>6,480,263</b>

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

Furthermore, 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.

National Trading Corporation is still 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 4 years.

There has been no development noted for the above by the Ministry compared to last year.

### **Recommendation**

**The Ministry review the status of this inoperative entities and whether Government should continue to include this as investment for Governments.**

### **Ministry's Comments**

*Table below shows the Ministry's comments in relation to the entities been highlighted.*

<b>Entity</b>	<b>Comments</b>
<i>Air Fiji Limited</i>	<i>Noted.</i>
<i>Equity Investment Management Company Limited</i>	<i>Noted.</i>
<i>Fiji Sugar Marketing Company Limited</i>	<i>This is part and parcel of the recommendation of the Sugar Reform Industry Framework for a 2 year period ending 31st December 2012.</i>
<i>International Hotels of Fiji Limited</i>	<i>Noted.</i>
<i>National Trading Corporation Limited</i>	<i>The NATCO assets are with Food Processing, and currently been considered under the Government's divestment plan.</i>
<i>Daily Post</i>	<i>The company's status is before the Court as creditors are after their funds invested into the company.</i>

## **3.7 Variance in shares held to that of the Government and Entity Records**

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<sup>12</sup>.

Audit confirmation dated 03/06/11 noted Government shares held in the Fiji Food Processors Ltd as at 31/12/10 totalling to \$1,687,679 while the Government Accounts and Finance is recording an investment value of only \$687,679 through the Statement of Investments.

<sup>12</sup> Financial Management Act 2004, Section 55(1)

The variance of the \$1 million relates to the loan converted to equity by Government for which the share certificate is awaited to be reflected in the Statement of Investments.

Furthermore, PAFCO in its memorandum dated 25/07/06 to the Ministry of Finance advised for the conversion of the \$10 million financial assistance by Government to PAFCO to ordinary share capital<sup>13</sup> and declared the same in the PAFCO financial statements for the year ended 31/12/02.

The actual share certificate for the Government was assured by PAFCO to be forwarded to the Ministry. To-date, the share certificate is yet to be received which is understating Government Investments.

Lack of co-ordination between the Ministry of Finance and Government entities has resulted in the variance of Government Investments to that of the records of the entities. Hence, Government Investments is understated by \$11 million.

### **Recommendations**

**The Ministry should resolve the share issue with Food Processor and ensure that Government shareholding is correctly reflected into the books of Food Processors and Appendix 9 – Statement of Investments and the Whole of Government Accounts.**

### **Ministry's Comments**

*The comments are noted and will be acted upon swiftly.*

## **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<sup>14</sup>.

The audit noted that only three entities out of the 30 Government Commercial Companies in which Government held investments submitted their 2010 audited annual accounts namely, Fiji Sugar Corporation Limited, Amalgamated Telecom Holdings Limited and Fiji Electricity Authority.

The Ministry of Finance had been liaising with these entities for the submission of their Annual report. During the time of audit in June 2011<sup>15</sup>, the latest annual reports that were received by the Ministry of Finance are outlined in Table 3.7.

TABLE 3.7: LATEST ANNUAL REPORT RECEIVED BY MINISTRY IN JUNE 2011

Entities	Latest Annual Report
<b>Government Commercial Companies</b>	
Airports Fiji Limited	2008
Fiji Ports Corporation Limited (Consolidated)	None

<sup>13</sup> Cabinet Approval dated 19/11/02

<sup>14</sup> Part 5, Division 4, Section 103(a-c) of the Public Enterprise Act of 1996 and the Public Enterprise (Amendment) Act 28 of 2002

<sup>15</sup> 10 June 2011.

Entities	Latest Annual Report
Fiji Ports Corporation Limited (Company)	2007
Ports Terminal Limited (Subsidiary)	2006
Fiji Ships and Heavy Industries Limited (Subsidiary)	2006
Fiji Broadcasting Corporation Limited	2003
Post Fiji Limited	2009
Unit Trust of Fiji (Management) Ltd	2009
Food Processors (Fiji) Limited	2006
Rewa Rice Limited	None
Yaqara Pastoral Corporation Limited	2009
Fiji Public Trustee Corporation Limited	None
<b>Commercial Statutory Authorities</b>	
Fiji Electricity Authority	2010
Housing Authority	2007
Fiji Meats Industry Board	2006
Public Rental Board	2006
<b>Majority-owned Entities</b>	
Fiji Sugar Corporation Limited	2010
Fiji Pine Limited	2007
Fiji Hardwood Corporation Limited	None
Pacific Fishing Company Limited	None
Air Terminal Services	2009
Air Pacific Limited	2009
Fiji International Telecommunications Limited	2009
<b>Minority-owned Entities</b>	
Pacific Forum Line	2007
Fiji Television Limited	2009
Amalgamated Telecom Holdings	2010
Rewa Dairy Limited	None

Furthermore, the audit noted from the list tabulated above that Fiji Broadcasting Corporation Limited has not submitted its annual reports since 2003.

The annual reports of government commercial companies or commercial statutory authorities contained 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 cannot be monitored and the viability of their business operations is unknown. 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 the entities.

This could be one of the reasons for the poor dividend remittance compared to the dividend revenue forecasted in the national budget.

**Recommendations**

**The Ministry should follow up with these entities for the submission of annual reports as a tool to facilitate better informed investment decisions that will benefit Government in the long term.**

**Ministry's Comments**

*Comments noted and all out efforts have been undertaken in consultations with the Ministry of Public Enterprises. In hindsight, the delays in some of these annual reports are primarily attributed to the delay in finalising a number of audit reports by the OAG themselves.*

**3.9 Westpac and 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.<sup>16</sup>

The audit noted that a sum of \$5.5 million is appearing in the General Ledger as investment in Economic Services, a term deposit with Colonial National Bank/Bank of South Pacific (CNB/BSP) and Westpac Banking Corporation that have been invested as interest bearing deposits accordingly. Refer to the table below for details.

TABLE 3.8: TERM DEPOSITS NOT REFLECTED IN THE STATEMENT OF INVESTMENTS

Account ID	Description	Amount (\$) 2010	Year of Posting
1-04104-04402-721802	WBC Term Deposit	2,500,000	2010
1-04104-04402-721803	CNB Term Deposit	3,000,000	2009
<b>Total</b>		<b>5,500,000</b>	

However, these term deposits have not been recorded in the statement of investments resulting in the understatement of the Government investments as at 31/12/2010.

Non-reflection of account balances in the Accounts and Finance raises questions on the integrity on the balances from the general ledger.

This is also included in the Audit Report for the attention of the Ministry for material omission from the Whole of Government Accounts for 2010.

**Recommendation**

**The Ministry should ensure that the term deposit of \$5.5 million is reflected in the statement of investments in accordance with section 55 of the Financial Management Act 2004.**

<sup>16</sup> Financial Management Act 2004, Section 55(1)

**Ministry's Comments**

*On the issue of \$5.5 million term deposit that the Report recommends to be reflected in the statement of Investments in accordance with section 55 of the Financial Management Act 2000, it should be noted that these deposits are invested on a short term basis in terms of 3 months deposits and they are rollover over based on a number of factors. These deposits would be better disclosed in the Cash Balances of Government as Cash Deposits held as Term deposits for the year ending 31/12/2010.*

**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.

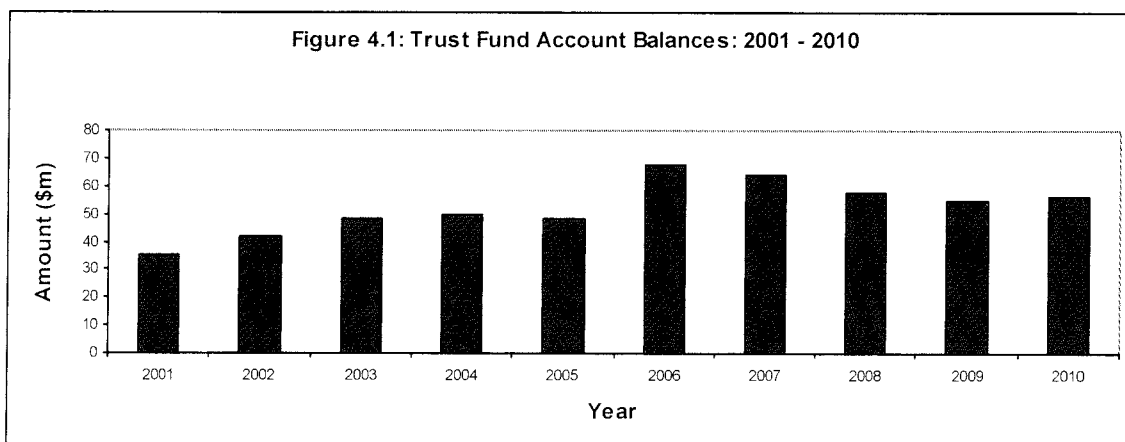
The Trust Fund Account consists of Main Trust Funds and Operating Trust Funds.

Main Trust refers to an obligation enforceable in equity which rests on a person (the trustee) as owner of some specific property (the trust property) to deal with that property for the benefit of another person (the beneficiary) or for the advancement of certain purposes.<sup>17</sup> Accounts in the Main Trust Fund include tender deposits, bonds, aid monies from overseas agencies, etc.

Operating Trust Fund Accounts facilitate transactions relating to the Department's administrative role as an employer. These transactions include 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 \$56,292,229 as at 31/12/10, an increase of \$942,524 or 1.7% from 2009. This is mainly due to an increase in receipts and payments of 21% and 19% respectively for Main and operating Trust Fund account in 2010 compared to 2009. The operating trust account had a significant decline of 26% whereas the main trust account increased significantly by 35% in 2010 compared to 2009.

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.



<sup>17</sup> Solicitor General's opinion of 17/10/05.

The Main Trust Fund Accounts of 15 Ministries/Department comprise 60% or \$33.95 million of the total trust monies of \$56.3 million as at 31/12/10. The balance relate to the Operating Trust Fund Accounts of 50 Ministries/Departments. Refer to **Table 4.1** for a summary of those details.

TABLE 4.1: SUMMARY OF TRUST FUND ACCOUNT

Title	Amount \$	
Main Trust Fund	34,766,529.66	
Operating Trust Fund	30,609,679.82	
		65,376,209.48
<b>Overdrawn Account</b>		
Main Trust Fund	(813,637.50)	
Operating Trust Fund	(8,270,343.11)	
		(9,083,980.61)
<b>Total Trust Fund</b>		<b>56,292,228.87</b>

The actual monies held in Trust Fund Account as at 31/12/10 was \$65,376,209. The Statement of Trust Fund also reflects the net balance of \$56,292,228.87 with the difference of \$9,083,980.61 being overdrawn trust accounts.

#### 4.1 Trust Monies Anomalies

Trust money is to be accounted for separately from public money and other money, and is to be kept in a separate bank account pending its withdrawal for use or investment.<sup>18</sup>

It was noted that trust moneys totalling \$33,952,892 were not appropriately supported by cash at bank indicating that trust monies were being used for the operations of Government contrary to the provisions of the Act.

Review of cash trust in Appendix 3 revealed variances of \$2,707,384 with Main Trust in 2010. Refer to table below for details.

TABLE 4.2: CASH VERSUS MAIN TRUST FUND

Cash Balances in Department Trust	Cash Trust \$	Main Trust \$	Variances
Co-operatives	---	36,681.47	(36,681.47)
Ministry of Commerce	36,762.15	1,758.91	35,003.24
Director of Public Prosecutions	139,579.33	139,579.33	---
Government Supplies	780,809.69	764,640.44	16,169.25
Ministry of Labour and industrial Relations	3,166,263.64	3,121,939.78	44,323.86
Judiciary	14,440,368.66	15,221,089.68	(780,721.02)
Ministry of Fisheries & Forestry	(25,715.57)	108,087.04	(133,802.61)
Immigration Department	3,628,325.53	4,252,421.71	(624,096.18)
Ministry of Agriculture	457,698.94	184,366.34	273,332.60
Ministry of Finance	8,027,893.80	8,000,000.00	27,893.80
Mineral Resources	2,896,376.72	2,935,964.96	(39,588.24)
Cabinet	(69,127.60)	(36,502.03)	(32,625.57)
Department of Energy	(1,191,117.24)	(506,290.07)	(684,827.17)
Provincial Development	(449,579.78)	(230,852.98)	(218,726.80)

<sup>18</sup> Section 25 of the Financial Management Act (2004)

Cash Balances in Department Trust	Cash Trust \$	Main Trust \$	Variances
Tourism and Environment	(593,030.59)	(39,992.42)	(553,038.17)
<b>Total/Variances</b>	<b>31,245,507.68</b>	<b>33,952,892.16</b>	<b>(2,707,384.48)</b>

**Recommendation**

The Ministry of Finance should ensure that sufficient cash is held to meet government's obligations for monies kept in trust.

**Ministry's Comments**

*No comments received.*

**4.2 Overdrawn Trust Account**

Trust money is to be accounted for separately from public money and other money,<sup>19</sup> and by convention having a credit balance. Thus, the trust fund accounts should not at any time be overdrawn.<sup>20</sup>

The following Trust Fund Accounts were overdrawn as at 31 December 2010.

TABLE 4.3: OVERDRAWN TRUST FUND

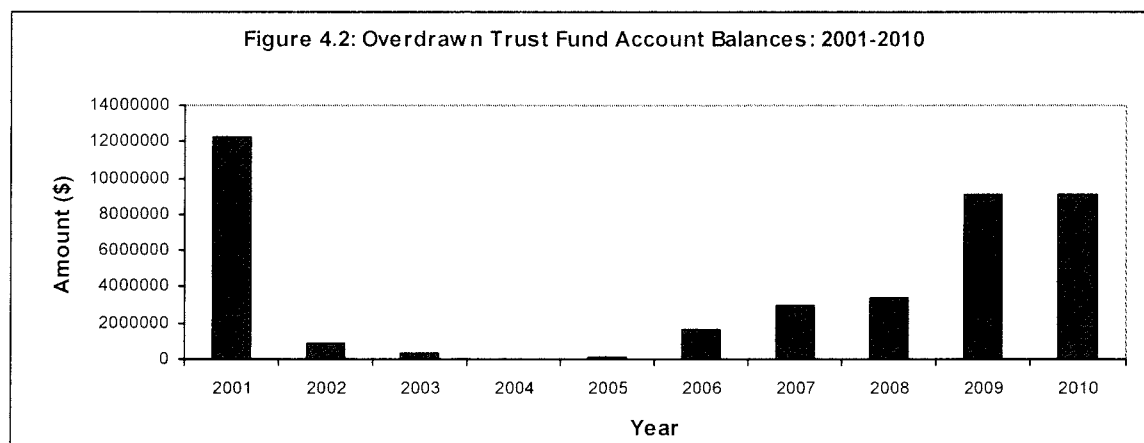
Title of Account	Balance 31/12/10 \$
<b>Main Trust Fund</b>	
Cabinet	36,502.03
Department of Energy	506,290.07
Provincial Development	230,852.98
Tourism and Environment	39,992.42
<b>Operating Trust Fund</b>	
Agriculture	1,367,014.38
Co-operatives	3,753.34
Cabinet	39,797.70
Director of Public Prosecution	6,927.96
Elections Office	519,156.06
FMF	5,138,987.74
Judicial	986,988.13
Meteorological Services	96,931.25
Multi - Ethnic Affairs	4,493.70
President's Office	4,340.28
Public Enterprise	77,243.64
Social Welfare	20,542.31
Women's Affairs	4,166.62
<b>Total</b>	<b>\$9,083,980.61</b>

<sup>19</sup> Section 25(1) – Financial Management Act 2004

<sup>20</sup> Finance Circular No. 4/98 of 30/03/98

The audit noted that 17 Ministries/Departments had overdrawn the trust fund accounts totaling \$9,083,980.61 as at 31/12/10 contrary to Finance Circular 4/98. Ministries/Departments could not provide explanations for these overdrawn accounts.

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



While the trend for the overdrawn accounts improved in 2004, it has deteriorated for the 5 years from 2005 to 2010 which indicated that corrective actions and measures are not in place to ensure that these trust funds are not overdrawn.

The overdrawn trust funds could be the result of misposting and unauthorised expenditure. It also indicates lack of adequate internal control and supervision and blatant disregard of the Finance Instructions 2010.

### **Recommendation**

**Disciplinary actions should be instigated against officers responsible for these mispostings for the overdrawn trust accounts.**

**The Ministry should review these mispostings and strategies be put in place in forms of access control in the system that any overdrawn trust accounts should be flagged to Supervisors to ensure that correct allocations are taken.**

### **Ministry's Comments**

*No Comments received.*

## **4.3 VARIANCES IN 2010 TRUST FUND ACCOUNT OPENING BALANCES**

Opening balances should agree to previous year figures and ensure that brought forward balances have been correctly reflected into the current year's Trust Fund amount.

The audit noted a variance of \$14,781 between the opening balances of 2010 Trust Fund and the 2009 closing balances of the Trust Fund Account. Refer below for examples:

TABLE 4.4: VARIANCE IN OPENING BALANCES

Account	Closing Balance as at 31/12/09	Opening Balance as at 01/01/10	Overstated/ (Understated)
<b>Operating Trust</b>			
Cabinet	(44,798.00)	(48,231.34)	(3,433.34)
Public Service Commission	430,640.16	434,073.50	3,433.34
Lands and Environment	2,283,491.71	2,281,266.18	(2,225.53)
Local Government, Housing and Environment	77,066.45	79,291.98	2,225.53
<b>Main Trust</b>			
Tourism and Environment	(666,647.97)	(681,429.16)	(14,781.19)
<b>Total</b>			<b>(14,781.19)</b>

The reasons for the variance were not provided.

### **Recommendation**

**The Ministry of Finance should ensure that opening balances of trust fund are correctly taken in the current year and agree to prior years closing balances.**

**Ministries/Departments responsible for the variances should be asked to correct their respective reconciliations.**

### **Management Comments**

*The differences in the Operating Trust Accounts as highlighted in Table 8 is a result of constant Head, Programme and Activity changes during Budget reshuffles. It should be noted that although there may be differences in the opening and closing balances, the net effect is zero. The Ministry will endeavour to consult the respective Ministries and Departments and transfer the balances to the correct accounts. This will result in the true net effect being reflected in the Annual Accounts.*

## **4.4 Recurring Audit Issues – Trust Fund Account**

The responsibility of the Ministry is to ensure that the accounts have been prepared in accordance with the requirements of Financial Management Act 2004 and Finance Instructions 2010.

Despite being reported in 2009, the audit noted certain issues that were not resolved and continued to appear in 2010. Refer to Appendix 2 for examples of recurring issues for Trust Fund Account. The recurring issues indicated the blatant disregard of the Finance Instructions and Financial Management Act 2004 and lack of proper supervision.

### **Recommendation**

**The Ministry of Finance should put in place measures and strategies to ensure that recurring issues that are affecting trust fund accounts are resolved and also ensure that amounts in the trust fund accounts are correctly stated.**

### **Management Comment**

*No comments received.*

## 5.0 REVENUE

### 5.1 Revenue Overstatement through Accounts Receivable (AR) Module

When a customer is invoiced through the Accounts Receivable (AR) module, a sales journal is created<sup>21</sup>, where a debtor is added and the respective revenue allocation, entered by the user, is affected in the general ledger. When receipting against an invoice<sup>22</sup>, 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			

It was noted that revenue totalling \$25,042,858 was recorded in the general ledger of Ministries/Departments using AR module in 2010. This amount was inclusive of both accrued sales and cash sales. As such, the general ledger does not accurately reflect the cash revenue collected by the department to be consistent with cash basis of accounting adopted by Government.

In addition, the Financial Management Information System (FMIS) is not generating any revenue reports that could distinguish between cash sales and accrued revenue in their general ledger accounts. The officer in charge of the AR module at Ministry of Finance could not confirm whether FMIS has the capability to make a distinction between cash sales and accrued sales.

Refer to Appendix 3 for examples of Ministries/Departments using the AR module.

In addition, explanation by the Ministry in previous year's audits noted that the onus is on users of AR module to only receipt the partially paid amount. Since government reports on cash basis accounting, the accrued revenue recorded by the AR module does not conform to this. Ministries/Departments failed to show its true performance in terms of revenue collection.

#### Recommendations

- The Ministry of Finance should consult Ministries/Departments and take lead role in providing training for users.
- The Ministry should be aware of the capability of the FMIS and whether the system is able to generate revenue reports portraying the accrued revenue for the Ministries/Departments using AR module.

<sup>21</sup> AR Test Plan - 19 September 2007

<sup>22</sup> AR Test Plan - 19 September 2007

- **The Ministry should ensure that the amounts reflected in the accounts are in line with the cash basis accounting policy adopted by the Government.**

### **Ministry's Comments**

*The FMIS can distinguish the recording of revenue transactions so to allow us to segregate how much was collected as cash sales and credit sales. However, it must be noted that the Chart of accounts is structured so that revenue is captured in such a way that it makes forecasting and reporting of Revenue figures easier for the Budget Division, who is required to report on the different types of revenue that Government collects through Government's Fiscal Reports that is normally tabled to Parliament/Cabinet. The Chart of Accounts has a natural account for Cash Sales (240201) and a natural account for Credit Sales (240202). However, most agencies prefer to record the revenues collected under the correct natural account to analysis purposes. For example, if we wanted to know how much Government has collected as Income Tax, then we would enquire on the Income Tax Natural account, although this was paid as cash to MOF by FIRCA. If all cash sales were recorded under the natural account number for Cash Sales (240201), then MOF would not be able to determine how much was collected for the different types of revenue that Government earns, hence the EPAS section of MOF would not be able to carry out its analysis for Fiscal reporting purposes. It must also be noted that Government has, in the past decades not being following strict cash accounting concepts as we have been dealing with debtors, but were being reflected under the Lending Fund (i.e. scholarship recipients', salary and car advance recipients', TMA debtors etc.).*

*It is hoped that all these would be addressed when we adopt the IPSAS Cash so that we can only report on those transactions that have an effect on cash movements, and disclose other financials that are not strictly cash related.*

## **5.2 Accounting for Value Added Tax (VAT) on Revenue**

With effect from September 2009, all Ministries and Departments were advised to remit to FRCA, VAT on all fees and charges collected. To facilitate this, a new Standard Liability Group (SLG) with natural account 863201 was created to replace the current revenue code 220199.

Ministries and Departments were to create their own appropriation and cost centre codes.<sup>23</sup>

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 FRCA, 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).<sup>24</sup>

Contrary to the provisions of Finance Circular 10/2009, Ministries and Departments continue to make postings under the VAT revenue code 220199 in 2010. Refer to Table 5.2 below for details.

TABLE 5.2: MISPOSTINGS UNDER VAT REVENUE ALLOCATIONS

Account Number	Description	Amount \$
1-33201-33101-220199	Value Added Tax	35,181.07
1-04101-04999-220199	Value Added Tax	(50.87)
1-04102-04201-220199	Value Added Tax	4.98
1-06201-70999-220199	Value Added Tax	612.31
Total mispostings to SRG 220199		<b>35,747.49</b>

<sup>23</sup> Section 5.0 of Finance Circular 10/2009 dated 17/08/09

<sup>24</sup> Section 5.0 of Finance Circular 10/2009 dated 17/08/09

The controls existing in the system were not being strengthened to restrict using VAT revenue codes. The absence of monthly VAT reconciliations also contributed to these mispostings.

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

### **Recommendation**

**The Ministry of Finance should restrict Ministries/Departments from posting to Standard Revenue Group 220199 by deactivating SRG 220199. Control measure to be in place in the FMIS to restrict users to use SRG 220199.**

### **Ministry's Comments**

*The Natural Account 220199 cannot be deactivated as the VAT revenue that FRCA pays to MOF is captured under this natural account. FMIS will work on restricting postings to SRG 220000 so that it only allows MOF users to access this account.*

## **5.3 Failure to Upload Revenue Estimates into General Ledger**

The following cash flow information must be provided to the Budget Division, Financial Management Information System Unit and the Debt and Cash Flow Management Unit within the Ministry of Finance:

- an annual forecast of expenditure (by output/activity and SEG) - fifteen working days before the start of each year;
- an annual forecast of revenue (by type) for each month – fifteen working days before the start of each year; and
- an updated monthly forecast of expenditure and revenue to be submitted three working days before the start of each month.<sup>25</sup>

The 2010 National Budget estimate for operating and investing revenue was \$1.5 billion and \$1.8million respectively.

The audit noted that the general ledger failed to capture the budget estimates from 2009 and 2010 and only reflected the actual collections for the year.

According to the Director Financial Management Information System (FMIS) Division, failure to record the revenue projections in the general ledger was due to Budget Division not providing the revenue forecasts for budget loading.

The unavailability of annual projected figures results in complexity to undertake comparative analysis and judge the performance of respective Ministries and Departments. The above indicates lack of proper coordination between the two divisions which hinders performance delivery by the Ministry.

### **Recommendations**

**The Ministry should ensure that there is coordination between Divisions in having Budget division confers the annual forecasts to FMIS section.**

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<sup>25</sup> Section35(1) of Finance Instructions 2010

**Ministry's Comments**

*Comments noted. The FMIS unit can only upload the Revenue forecast if it is submitted to us according to the different items as shown in the Budget Estimate. Budget Divisions will be requested in future to submit cash flow forecast for all the revenue estimates.*

**5.4 Unidentified General Ledger Postings**

Each Accounting Head must ensure that:

- (a) revenue is recorded against the correct account as per the Chart of Accounts;
- (b) the Ministry of Finance (FMIS) is consulted before collecting a totally new revenue type;
- (c) the recording of revenue is reconciled monthly with the Ministry of Finance;
- (d) the Ministry of Finance is advised of any errors or discrepancies within 10 working days after the end of each month.<sup>26</sup>

The following revenue collections as per General Ledger showed that revenue account number used by the collecting Ministries/Departments were not in line with their nature of operations and indicated that access to other revenue accounts numbers were not restricted.

TABLE 5.3: UNIDENTIFIED POSTINGS

Account Number	Min/Dept.	Description	Amount \$
1-33201-33101-229999	Mineral resources	Indirect tax-Miscellaneous fees & receipts	964
1-03101-03101-229999	Office of Attorney General	Indirect tax- Miscellaneous fees & receipts	25
1-22101-22999-229999	Ministry of Health	Indirect tax- Miscellaneous fees & receipts	356,005
<b>Total misposted to Indirect taxes</b>			<b>356,994</b>
1-30101-30999-230501	Primary Industries	Water Charges	2,278
1-22101-22999-210105	Ministry of Health	Income Tax-PAYE	32,063
1-30A01-77101-230401	Forestry	License arms	2
1-30A01-77101-230414	Forestry	License fishing	15
<b>Total unidentified charges</b>			<b>391,352</b>

There is no restriction in the Financial Management Information System (FMIS) to prevent Ministries/Departments from posting revenue into allocations for which they are not authorised revenue collectors. This has resulted in unidentified revenue entries being shown in the FMIS ledgers.

The issue has been highlighted in previous years audit and despite the Ministry of Finance assurance through management comments that FMIS will restrict unauthorised access, no remedial has been taken.

**Recommendations**

- **Ministries/Departments should strictly comply with the Finance Manual when collecting revenues for other departments.**
- **The Financial Management Information System (FMIS) should have facilities to restrict revenue collector from using revenue account numbers which is not in line with their nature of operations.**

<sup>26</sup> Section 21 of Finance Instructions 2010

**Ministry's Comments**

*FMIS cannot restrict all the accounts in the system as it is used by other agencies. Accounting heads must make sure that corrections are done to any mis-posting as soon as they receive the report at the end of each month.*

**5.5 Unbudgeted Revenue**

Within one week of the end of each month, the Chief Accountant shall submit to the Deputy CEO (Administration), Financial Asset Management and Budget a financial performance report providing an analysis of the financial and budget position of the agency.<sup>27</sup>

The financial performance report shall include the following information:

- (i) actual revenue collected against forecast;
- (ii) actual expenditure to date against budget for each activity/output and each SEG;
- (iii) actual expenditure to date and commitments against budget for each output/activity and each SEG.<sup>28</sup>

The following is an example of how revenue performance may be reported in the financial performance report.<sup>29</sup>

TABLE 5.4: FORMAT FOR REVENUE PERFORMANCE FOR THE MONTH OF DECEMBER.

Revenue Type	Monthly Revenue Forecast \$	Actual Collection for the Month \$	Variance \$	Variance %	Reason for the Variance
X	X	X	X	X	X

Government collected revenues amounting \$150,402,410 that was not budgeted in 2010 national budget. Details are shown in Table below:

TABLE 5.5: COLLECTION OF UNBUDGETED REVENUE

Revenue Type	Estimated Revenue	Actual Revenue \$
Excise dues	nil	80,929,993
Export duty	nil	9,492,347
Import Duty	nil	20,209,086
Examination fees	nil	18,789
Government Day School fees	nil	23,448
Photographs	nil	699
Interest from local banks	nil	39,728,048
<b>Total</b>		<b>150,402,410</b>

Despite collections noted for the above revenue categories over the past years, the Ministry has failed to set budgetary provisions. Government may not adequately allocate financial resources to deserving projects if revenue forecasting is not correctly accounted in the budget estimates.

In addition no collection was noted for the following revenue forecasts as detailed in Table 5.6 below.

<sup>27</sup> Finance Manual 2005 – Section 17.1.5

<sup>28</sup> Finance Manual 2005- Section 17.1.6

<sup>29</sup> Finance Manual 2005- Schedule A

TABLE 5.6: NIL COLLECTIONS ON BUDGETED REVENUE

Revenue	Estimated Revenue \$	Actual Revenue 2010 \$	Actual Revenue 2009 \$
Sewerage charges	10,500	Nil	8,372
Royalties timber	550,900	Nil	Nil
Fiji College of Agriculture	28,800	Nil	28,180
Village Water Supplies	85,400	Nil	84,997
New Zealand Bilateral Aid Programme	217,400	Nil	Nil
UNDP –Grants in Aid	2,131,700	Nil	30,607
Interest from overseas banks	500,000	Nil	Nil
Gain in exchange rates	38,506,700	Nil	5,509,281
<b>Total</b>	<b>42,031,400</b>		

Nil collections where there were budgets and collections on un-budgeted revenue results in increase in government borrowings

### **Recommendation**

Anticipated revenues should be identified and forecasted realistically to enable Government to allocate its financial resources accordingly.

### **Ministry's Comments**

## **5.6 TMA Profit not transferred to Revenue**

After the close of each year, the Accounting Head shall transfer profits realised from the trading and manufacturing activity to the Consolidated Fund, unless there is a revenue retention arrangement with the Minister for Finance.<sup>30</sup>

Contrary to the above, profit from the operation of the Trading and Manufacturing Accounts has not been transferred to consolidated fund as at 31/12/10. The estimated revenue from TMA as at 31/12/10 is \$4,211,097. Refer to table 5.7 for details:

TABLE 5.7: ESTIMATED TMA PROFIT

Particulars	Amount \$
TMA cash as per Appendix 3	14,133,097
TMA appropriation as per Appendix 19	9,822,000
<b>TMA Profit</b>	<b>\$4,211,097</b>

Failure to transfer profits from the TMAs would result in shortfalls in Government's revenue collections which would subsequently affect Government operations.

<sup>30</sup> Section 6.5.3 of Finance Manual

## **Recommendation**

**The Ministry should ensure TMA profit is transferred to consolidated fund in accordance with stipulated regulations.**

## **Ministry's Comments**

*The Ministry of Finance does not have the authority to demand the ministries and departments to transfer profit (excess cash over ceiling) into the Consolidated Fund Account as there are no legislation to provide us the mandate to do so. The Finance Manual only act as a guideline and as standard operating procedures for ministries and departments to adhere to as the remittance of profit into the CFA is left at the discretion of the Permanent Secretaries.*

*The Finance Management Act of 1981 was not even clear on the remittance of TMA profits as it was referring to the TMAs at the whole of government level in section 18 .2. However the 1981 Finance Management Act had now been repealed by the 2004 Finance Management Act which has been silent on the matter. Ministries and departments are usually reminded and encouraged to remit excess funds during the TMA annual training workshop and towards the end of the year. In addition, as of early this year we have been granted access to view ANZ and Westpac TMA bank accounts through online banking making us aware of the level of cash they hold and reminding and encouraging them to remit profits.*

## **5.7 Significant Decrease in Actual Collections**

At the end of each month, the Accounting Head shall prepare a Statement of Revenue comparing the types of revenue collected during the month against the forecasted revenue. Explanations for variances between the actual and forecasted revenue must be obtained from the officers responsible for revenue collection.<sup>31</sup>

A review of the estimated revenue over the actual revenue collected showed that a significant portion of the revenues or about 69% of the estimated revenue have not be collected in 2010. No explanation was received from the respective Ministries and Departments concerned. Refer to Table 5.8 below for details of the actual revenue collected against the budgeted revenue.

TABLE 5.8: ACTUAL REVENUE VS ESTIMATED REVENUE

Revenue Description	Estimated \$	Actual \$	Variance \$	% Under Collected	Remarks
Miscellaneous Fees & Receipts	7,500,000	1,389,341	6,110,659	81.5%	No explanation Received
Mining Fees	560,000	238,340	321,660	57.4%	No explanation Received
Fiji School of Nursing Fee	843,800	405,966	437,834	51.9%	No explanation Received
Arms License Fee	172,500	67,605	104,895	60.8%	No explanation Received
Trading License Fee	686,500	229,922	456,578	66.5%	No explanation Received
Fishing License Fee	334,900	109,632	225,268	67.3%	No explanation Received
Building Rental	92,900	25,288	67,612	72.8%	No explanation Received
Crown Schedule 'A' Land Rents	21,500	454	21,046	97.9%	No explanation Received
Revenue from Production of Films	9,700	2,574	7,126	73.5%	No explanation Received
Chemical Analysis Revenue	3,500	660	2,840	81.2%	No explanation Received
Agricultural Commercial Undertakings	4,800	2,258	2,542	53.0%	No explanation Received
Recoveries of OPR	3,076,800	(94,464)	3,171,264	103.1%	No explanation Received
Interest Loan to Public Officers	400	86	315	78.6%	No explanation Received
Investment in Social Services	2,779,300	700,624	2,078,676	74.8%	No explanation Received

<sup>31</sup> Proforma Finance Manual Part 5 Revenue Management – Section 5.5.10

Revenue Description	Estimated \$	Actual \$	Variance \$	% Under Collected	Remarks
Investment in Economic Services	17,668,800	3,000,000	14,668,800	83.0%	No explanation Received
Investment in Infrastructure Services	16,194,000	9,025,999	7,168,001	44.3%	No explanation Received
TMA Operations	1,164,200	15,783	1,148,417	98.6%	No explanation Received
ADB Loan No. 2541 Flood Recovery	10,598,600	4,036,928	6,561,672	61.9%	No explanation Received
<b>TOTAL</b>	<b>61,712,200</b>	<b>19,156,996</b>	<b>42,555,205</b>	<b>69.0%</b>	

In addition, the audit noted a significant decrease in 2010 actual revenues collected compared to 2009. However, no explanation was received from the Ministries and Departments concerned. Refer to Table 5.9 for details.

TABLE 5.9: 2010 AGAINST 2009 REVENUE

Revenue Description	2010 Balances \$	2009 Balances \$	Variance \$	Variance %	Remarks
Government Day Schools Fees	23,448.00	692,325	(668,877.00)	97%	No explanation Received
Arms Licenses Fees	67,604.95	139,222	(71,617.35)	51%	No explanation Received
Fishing Licenses Fees	109,631.66	521,193	(411,560.91)	79%	No explanation Received
Sewerages Charges	---	8,372	(8,372.46)	100%	No explanation Received
RBF Revaluation Reserve Account	---	2,570,260	(2,570,260)	100%	No explanation Received
Fumigation	---	252	(252)	100%	No explanation Received
Woodwork and Materials	---	57	(57)	100%	No explanation Received
Building	25,287.85	76,400	(51,112.61)	67%	No explanation Received
Chemical Analysis	659.56	2,997	(2,337.76)	78%	No explanation Received
Agricultural Commercial Undertakings	2,257.62	5,030	(2,772.86)	55%	No explanation Received
Fiji College of Agriculture	---	28,180	(28,180.01)	100%	No explanation Received
Reimbursement of Services	---	1,120	(1,120.00)	100%	No explanation Received
Reimbursement of Debt Servicing	---	8,930	(8,930.00)	100%	No explanation Received
Recoveries of OPR	(94,464.43)	3,330,386	(3,424,850.52)	103%	No explanation Received
Parental Contributions Tertiary Education	---	16,760	(16,760.00)	100%	No explanation Received
Village Water Supplies	---	84,997	(84,997)	100%	No explanation Received
United Nations Development Programme	---	30,607	(30,607)	100%	No explanation Received
Interest Loans to Public Officers	85.50	427	-341.96	80%	No explanation Received
Sales proceeds in Infrastructure Services	---	300,000	(300,000)	100%	No explanation Received
Investments in Infrastructure Services	9,025,998.63	21,153,609	(12,127,610.73)	57%	No explanation Received
TMA Operations	15,783.38	1,164,197	(1,148,413.14)	99%	No explanation Received
JP Morgan Account	---	5,509,281	(5,509,281)	100%	JP Morgan account is not updated in the GL. Net loss is realized from exchange rate, thus, no gain recorded
ADB Loan No. 1530 Fiji Road Upgrading Project	---	1,149,982	(1,149,982)	100%	No explanation Received

Revenue Description	2010 Balances \$	2009 Balances \$	Variance \$	Variance %	Remarks
(FRUP III)					
<b>Total</b>	<b>9,176,293</b>	<b>36,794,584</b>	<b>(27,618,293)</b>	<b>75%</b>	

Low collection in revenues results in shortfalls in Government revenue collections which would subsequently affect Government operations.

### **Recommendations**

**Ministry of Finance should review their revenue collection policies and guidelines as to ensure maximum collection.**

### **Ministry's Comments**

## **5.8 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.

### **5.8.1 Significant Balances of Arrears by Ministry/Department**

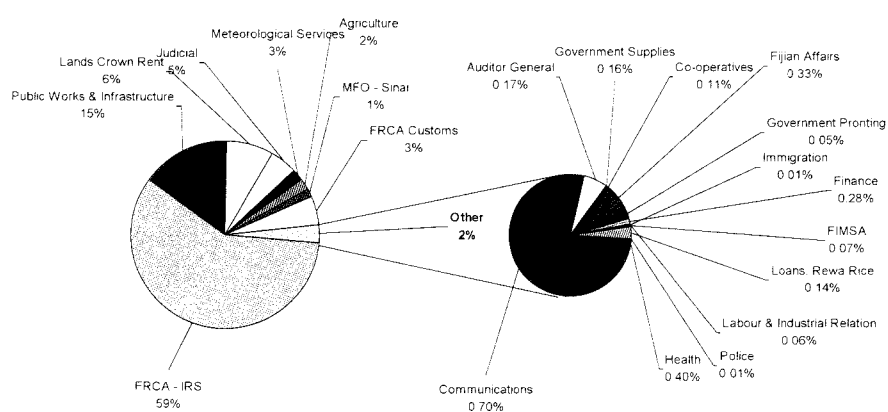
The total arrears of Revenue outstanding as at 31 December 2010 amounted to \$226,943,758, an increase of \$57,922,408 or 34.3% compared to the total arrears of revenue as at 31 December 2009. Poor recovery measure employed by the Ministry has contributed to the significant increase in arrears of revenue. Table 5.10 and Figure 5.1 showed arrears of revenue owed by Ministries/Departments in 2010.

TABLE 5.10: ARREARS OF REVENUE

Ministry/Department	2010 Arrears of Revenue \$	% of Total Arrears of Revenue %
Fiji Revenue & Customs Authority – IRS	132,520,763	58.4
Public Works and Infrastructure	34,843,653	15.4
Lands Crown Rent	17,970,765	7.9
Fiji Revenue & Customs Authority - Customs	11,530,304	5.1
Judicial	10,970,177	4.8
Communications	5,007,611	2.2
Meteorological Services	4,565,162	2.0

Ministry/Department	2010 Arrears of Revenue \$	% of Total Arrears of Revenue %
Agriculture	3,995,810	1.8
MFO Sinai	3,368,626	1.5
Others	2,170,887	1.0
<b>Total</b>	<b>226,943,758</b>	<b>100.0</b>

Figure 5.1: Arrears of Revenue



Total debt owed by the Fiji Islands Revenue and Customs Authority comprising of Income Tax and VAT arrears amounted to \$132.5million or 58.4% of total debt, followed by the Public Works & Infrastructure arrears of \$34.8million or 15.4% of total debt owed to Government. Arrears of revenue for other Ministries and Departments made up 26.2% of the outstanding arrears of revenue owed to Government as at 31<sup>st</sup> December 2010.

### 5.8.2 Aging and recovery of Arrears of Revenue by Ministry/Department

Long outstanding arrears do have a higher risk of becoming irrecoverable. Table 5.11 shows the aging for the respective Ministries/Departments that have been outstanding for more than a year.

TABLE 5.11: ARREARS OF REVENUE OVER 1-5 YEARS

Ministry/Department	Total Arrears (\$)	Less than 1 year	Arrears 1 year & over (\$)	Arrears 2-5 years (\$)	Arrears Over 5 years (\$)	Arrears over 5 years as% of Total
Agriculture	3,995,810	3,976	9,394	169,721	3,812,719	95.4
Auditor General	427,442	291,305	22,354	1,050	112,733	26.4
Communications	5,007,611	3,882,611	1,125,000	---	---	---

Ministry/Department	Total Arrears (\$)	Less than 1 year	Arrears 1 year & over (\$)	Arrears 2-5 years (\$)	Arrears Over 5 years (\$)	Arrears over 5 years as% of Total
Co-operatives	11,313	1,498	3,650	3,595	2,570	22.7
Fiji Maritime Safety Administration	47,120	24,132	6,014	12,761	4,213	8.9
Fiji Revenue & Customs Authority – Customs	11,530,304	1,035,474	1,303,100	9,191,730	---	---
Fiji Revenue & Customs Authority – IRD	132,520,763	17,221,921	60,175,834	27,435,263	27,687,745	20.9
Fiji Procurement Office	121,729	8,181	---	113,548	---	---
Finance (Surcharge)	469,396	68,414	168,039	207,011	25,932	5.5
Fisheries & Forests	13,457	13,457	---	---	---	---
Government Printing & Stationery Department	153,703	---	53,869	99,834	---	---
Health	126,196	36,305	17,833	33,981	38,077	30.2
Immigration	10,928	---	213	---	10,715	98.0
Information Technology & Computing Services	2,500	2,500	---	---	---	---
Judicial	10,970,177	248,253	455,452	2,476,420	7,790,052	71.0
Labour & Industrial Relations	19,339	1,600	376	8,438	8,925	46.2
Lands	17,970,765	2,825,400	6,416,202	5,185,064	3,544,099	19.7
Loans: Rewa Rice Ltd	225,382	---	---	---	225,382	100
Meteorological Services	4,565,162	---	253,039	2,418,017	1,894,106	41.5
Overseas Peace Keeping Missions (MFO)	3,368,626	3,368,626	---	---	---	---
Police	14,600	0	---	13,100	1,500	10.3
Prisons	1,349	1,349	---	---	---	---
Public Utilities	34,843,653	8,102,670	7,241,566	19,499,417	---	---
Provincial Development & Multi Ethnic Affairs	507,899	44	160,318	220,279	127,258	25.1

The followings were noted from the above table above:

- Arrears that are more than 1 year old amounted to \$189.8 million or 83.6% of Government's total arrears as at 31/12/10.
- 100% of arrears of revenue for Loans to Rewa Rice Limited is over 5 years old. The Ministry of Finance has not recovered any arrears from the outstanding balances nor it has enforced obligation contained in the loan agreement.
- 98% of arrears of revenue for Immigration Department are over 5 years old. Immigration is making a submission to Ministry of Finance for these arrears to be written off. Revenue types include advances, dishonoured cheques and bonds. Companies that owe monies have ceased operation and staff whereabouts are unknown
- 95.4 % of arrears of revenue for Agriculture are over 5 years old. Arrears deemed irrecoverable have been requested for write off. Despite a written submission for write-off to Ministry of Finance for arrears of \$3.8m, this is yet to be approved as they do not meet the requirements before they can be submitted to Cabinet for approval.
- 71% 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. The executing authority is not able to collect revenue on time due to unavailability of resources.

- 46.1% of arrears of revenue for Ministry of Labour are over 5 years old. A submission for write-off has been made to Ministry of Finance which is yet to be approved. Despite sending reminders to companies, they are still unable to clear their arrears. Smaller companies have ceased operation and lack of resources has contributed to the increasing trend of arrears owed by the Department.

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 ineffective debt recovery procedures.**
- **There is a need to review the administration of debt recovery mechanisms due to the significant numbers of irrecoverable debts over 3 to 5 years.**

### **Ministry's comments**

*Duly noted. OAG does annual audit of the Ministries/Department who are highlighted above and would assist the MOF by way of addressing this issue during their audit. Furthermore, Audit could also provide examples from their experience in recovering their own debts which could be a benchmark for other Ministries and Department. The Ministry of Agriculture, Ministry of Labor and Immigration have all shown progress towards the write off of irrecoverable debts.*

*The above paragraphs should be reported in the various audit reports of the respective agencies by OAG for appropriate management comments by the various departments.*

### **5.8.3 Income Tax and Value Added Tax Arrears**

The function of the Fiji Revenue Customs Authority (FRCA) is to act as an agent of the State and to provide services in administering and enforcing the laws specified.<sup>32</sup> Moreover, the Authority is to advice the State on matters relating to taxation and customs and excise and to liaise with appropriate Ministries and Statutory bodies in such matters.<sup>33</sup>

Arrears of Tax Revenue, excluding Customs Duties totalled \$132.5million or 58.4% of total arrears of revenue owed to government for the year ended 31<sup>st</sup> December 2010. The audit noted an increase in arrears balance by \$48 million or 56.8% when compared to tax revenue arrears for 2009.

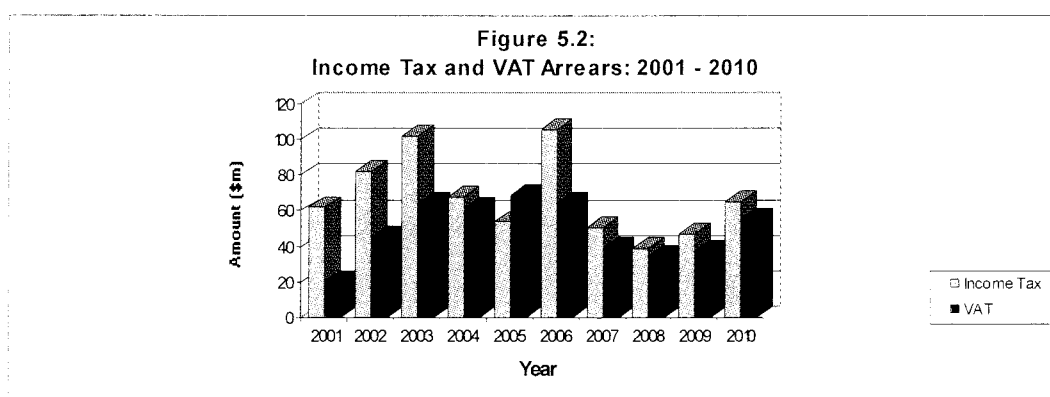
### **Accounting for arrears of Income Tax and VAT**

Arrears of Income Tax and VAT are brought into account after assessments have been carried out by the Fiji Revenue and Customs Authority 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. Figure 5.2 below illustrates the Income Tax and VAT arrears owed from 2001 to 2010.

<sup>32</sup> FRCA Act 1998, Section 22(a)

<sup>33</sup> FRCA Act 1998, Section 22(b)



There was an increase in both the VAT and income tax arrears in 2010 compared to 2009.

Income tax arrears are owed by individuals on personal income and business on their profits. VAT arrears are mainly owed by VAT registered business entities and organisations, including Ministries and Departments. VAT and other tax types owed by Ministries and Departments as at 31/12/11 amounted to \$3.5m.

PAYE is one tax types which also includes Provisional Tax, Withholding Tax, Land Sales Tax, Gambling Turnover Tax, Resident Interest Withholding and Hotel Turnover Tax. These have been the highlighted tax types with outstanding tax revenues owed as per debtors aging report summary per district provided to the Ministry of Finance.

Apart from the sum of \$132.5 million owed to Government in the forms of Income Tax and VAT arrears, outstanding VAT refunds to taxpayers during the year amounted to \$27.2million with refunds due dating as far back to 1992.

### **Recommendations**

- **The Ministry should review the effectiveness of Fiji Revenue and Customs Authority debt policies and recovery measures to ensure improvement in collection of arrears of income tax and VAT.**
- **The Ministry could consider having in place policies and procedures which would ensure that all arrears due and payable as well as VAT refunds outstanding to taxpayers are correctly identified and recorded.**

### **Ministry's Comments**

*MOF agrees with the OAG analysis. However the Ministry wishes to emphasise that the legal authority with respect to collection of tax revenue, conducting of tax assessments and tax audits and recovery of tax arrears is solely the responsibility of Fiji Revenue and Customs Authority.*

*This paragraph should also be included in the audit report for the FRCA management to provide relevant comments.*

#### **5.8.4 Loans to Rewa Rice Limited (RRL)**

On the 2nd September 1985, the government lent \$200,000 as a supplementary loan which the company was to repay government together with the interest rate of ten dollars and twenty – five cents per annum by 50 equal half – yearly instalments of \$11,168.

The audit noted that the Ministry has yet to enforce the obligations contained in the loan agreement<sup>34</sup> for RRL to repay the outstanding loan. The last payment was made in March 1993 and RRL has not responded to written and verbal reminders of the Ministry. The loan amounting to \$225,382 as at 31 December 2010 has been outstanding from 1993.

As at audit date<sup>35</sup>, there has not been any update or Board Decision communicated to Debt Unit regarding the status of the RRL Loans.

### **Recommendation**

**The Ministry of Finance should review its debt recovery policy if such policy is not effective and be stringent on defaulting entities whose loans balances have been stagnant for over 5 years.**

### **Ministry's Comments**

*It is to be noted that Rewa Rice is currently under the Ministry of Public Enterprise Restructuring Process. The Ministry would seek Cabinet approval for the RRL balance sheet restructure from a financial perspective, RRL does not have the ability to make repayments.*

## **5.8.5 Double Accounting of Cooperatives – Consumer Loans**

The Department of Co-operatives total arrears as at 31<sup>st</sup> December 2010 amounted to \$11,313. This amount comprises of consumer loans and interest outstanding from various co-operative society loans.

The audit noted that the balances of the Consumer loans of \$11,287 are both reflected on the Arrears of Revenue Account and Lending Fund Account. Table 2.3 below shows the breakdown of the Principle Loan and interest balances outstanding for the co-operatives in operation as at 31/12/10.

TABLE 5.12: ARREARS OF REVENUE FOR THE OPERATING CO-OPERATIVES

Account Type	Amount (\$)
Consumer Loans	9,790
Interest on consumer loans	1,497
Total	11,287

Explanation obtained from the Ministry of Finance was that the monies were lent-out to these co-operatives societies and rightfully the balances should be reflected in Lending Fund and removed from Arrears of Revenue.

Capturing these figures both in the Arrears of Revenue and in the Lending Fund Account will inflate the amount owed to government as reflected in government's Statement s of Assets and Liabilities.

### **Recommendation:**

**The Ministry of Finance should ensure that the loan balances to co-operative societies is correctly reflected in the Lending Fund Account and not in the Arrears of Revenue.**

<sup>34</sup> Refer to SG's Opinion dated 26/11/1998

<sup>35</sup> 16<sup>th</sup> August 2011

**Ministry's comments:**

*Agree; Debt Unit will work with the Department for clearance of the amount in Arrears of Revenue after due processes are followed.*

**5.9 Accounts Receivable Module**

When a customer is invoiced through the Accounts Receivable (AR) module, a sales journal is created<sup>36</sup>, 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 created<sup>37</sup> which affects cash and the relevant debtors after the AR batch has been processed.

Thirteen ministries/departments are using the AR module in FMIS of which 7 have outstanding arrears of revenue. Moreover of the 7 ministries/departments that have arrears of revenue, 5 do not use the AR module to generate arrears of revenue report to be checked against the Manual list of arrears of revenue. As a result the listings submitted to Ministry of Finance by the 5 have not been checked against the ministries/departments manual records.

The Table below illustrates the ministries/ departments that use AR Module to generate Arrears of Revenue Reports.

TABLE 5.13: DEPARTMENTS USING AR MODULE TO GENERATE ARREARS REPORTS.

Ministry/Department	Using AR Module to Generate Reports
Agriculture	No
Auditor General	No
Government Printing	Yes
ITC Services	No
Lands	No
Fisheries & Forestry	Yes
Police	No

The above indicates that most ministries/departments submit their manual reconciliations without making use of the AR module application and could result in amounts in the FMIS report not showing the true picture of the arrears for the Whole of Government.

**Recommendation**

**The Ministry should ensure that all ministries/departments use the AR module.**

**Management Comments**

*The recommendation is noted and necessary action will be taken to implement it.*

<sup>36</sup> AR Test Plan created by Ms. Akosita Drova-19 September 2007

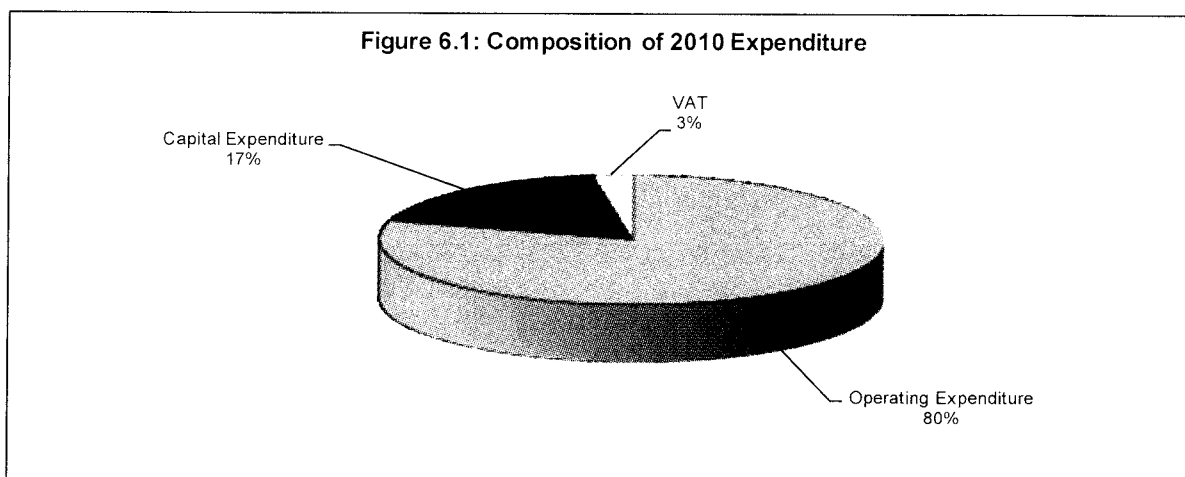
<sup>37</sup> AR Test Plan created by Ms. Akosita Drova -19 September 2007

## 6.0 EXPENDITURE

### 6.1 Overall Government Expenditures - 2010

Government spending for the year ending 31st December 2010 totalled \$1,900,081,658 a decline of \$11.3million or 1% compared to 2009.

Total operating expenditures amounted to \$1,511,692,034 or 80%, capital expenditures totalled \$339,654,348 or 17% and VAT totalled \$ 48,735,276 or 3%.



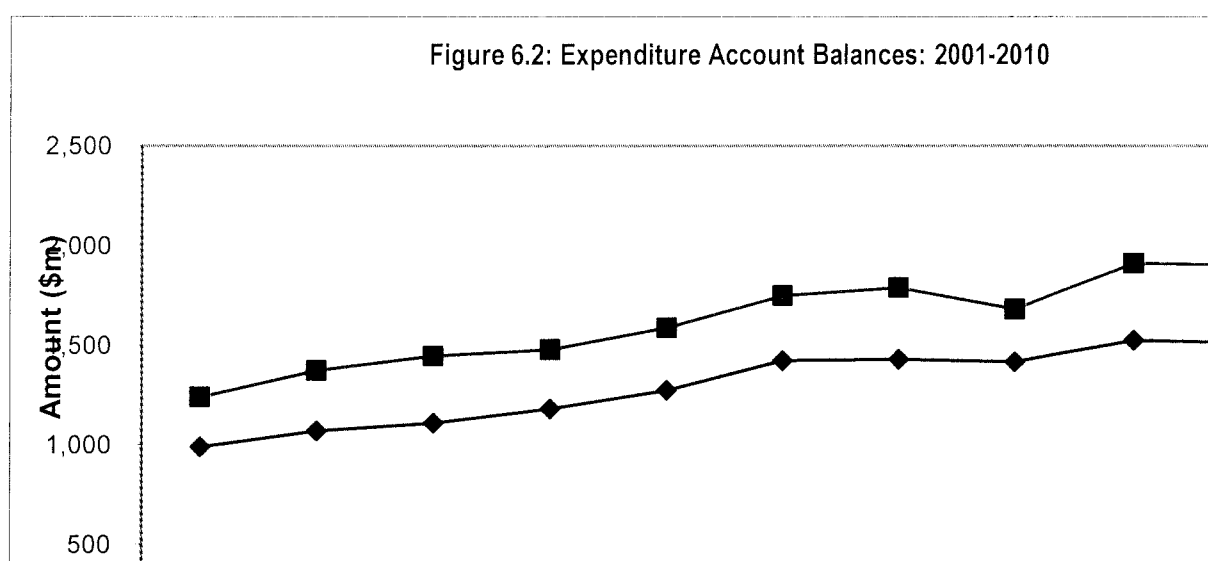
Compared to 2009, total operating expenditure declined by \$13.1 million or 1% and capital expenditure increased by \$4.6 million or 1% from \$335m to \$339.7m. There was a decline of \$2.8 million or 6% in VAT expenditure from \$51.6m in 2009 to \$48.7m in 2010.

### 6.2 Expenditures in the Last 10 years

Government's total expenditure for the past 10 years has been increasing at a steady rate even though there was a marked decrease in 2008.

From 2001 to 2010 the operating expenditure increased by \$522.39 million with an average increment of \$58 million or 5%. Operating expenditures compared to 2009 recorded a decline of \$13.12 million or 1% in 2010.

Furthermore capital expenditure and VAT payment of Government had a fluctuating trend over the past 10 years. Capital Expenditure increased by \$122.27million or 57% in 2009 and increased further by \$4.64m or 1% in 2010. VAT decreased by \$2.84 million in 2010. A graphical analysis of the total and expenditure account components for the past 10 years is summarised below.



In 2010 there was an overall budget saving of \$93.9 million compared to \$133.5 million in 2009. Total revised budget in 2010 declined by \$50.9m from \$2,044.9 million in 2009 to \$1,994 million in 2010. Table 6.1 provide details of these savings or excess spending made in the past three years.

TABLE 6.1: BUDGET AND EXPENDITURES AT SEG LEVEL FOR PAST 3 YEARS

SEG	2010			2009			2008		
	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m	Budget \$m	Actual \$m	Over-Expenditure/ (Savings) \$m
1	507.60	516.83	9.23	540.01	537.26	(2.75)	523.44	508.66	(14.78)
2	45.22	47.27	2.05	60.32	59.96	(0.36)	62.62	56.09	(6.53)
3	19.89	18.02	(1.87)	20.32	18.42	(1.89)	19.51	17.27	(2.24)
4	68.31	67.72	(0.59)	101.92	93.24	(8.69)	85.87	87.15	1.28
5	57.04	58.31	1.27	67.81	67.43	(0.40)	56.75	54.75	(2.0)
6	262.68	263.16	0.48	209.98	202.60	(7.38)	202.89	191.89	(11.0)
7	58.45	51.91	(6.54)	63.87	46.66	(17.20)	46.92	36.97	(9.95)
8	158.58	143.32	(15.26)	178.29	162.63	(15.67)	149.82	116.33	(33.49)
9	26.88	19.64	(7.24)	39.98	40.23	0.25	23.22	17.38	(5.84)
10	194.18	176.69	(17.49)	140.03	132.26	(7.88)	84.43	79.03	(5.4)
11	37.63	33.14	(4.49)	37.63	36.09	(1.53)	38.63	35.53	(3.1)
12	507.98	455.34	(52.64)	523.02	463.15	(59.87)	439.35	427.98	(11.36)
13	49.51	48.74	(0.77)	61.71	51.57	(10.14)	47.27	51.44	4.17
<b>Total</b>	<b>1,993.95</b>	<b>1,900.09</b>	<b>(93.86)</b>	<b>2,044.88</b>	<b>1,911.40</b>	<b>(133.48)</b>	<b>1,780.72</b>	<b>1,680.49</b>	<b>(100.23)</b>

The surplus recorded in 2010 was due to the savings made from the following standard expenditure group allocations: travel & communications recorded savings of \$1,871,456 (2%), maintenance and operations \$592,886 (1%), special expenditures \$6,544,441 (7%), capital construction \$15,255,403 (16%), capital purchase \$7,240,299 (8%), capital grants and transfers \$17,494,833 (19%), pensions and gratuities \$4,489,648 (5%), and finances charges on public debt \$52,637,341 (56%) and VAT of \$776,211 (1.6%).

The Government however overspent in the following allocations:

- (a) Established staff (SEG 1) - \$9,224,647;
- (b) Unestablished staff (SEG 2) - \$2,052,440;
- (c) Purchase of Goods and Service (SEG 5) - \$1,268,922; and
- (d) Operating grants and transfers (SEG 6) - \$474,820.

### 6.3 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.<sup>38</sup>

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.<sup>39</sup>

When a transaction is entered which will bring the committed expenditure beyond the established Error threshold (100%), the system will issue an Error to the screen. The transaction is NOT allowed. For processing to continue, more funds must be allocated or a different account used.<sup>40</sup>

The Ministry of Defence & National Security, Office of the Auditor General, Office of the Director of Public Prosecution, Prisons & Correction Department, Fiji Police Force, Ministry of Health and the Ministry of Lands & Mineral Resources overspent their total budget appropriation in 2010. Details are shown in Table 6.2.

TABLE 6.2: EXCESS EXPENDITURE

Ministry/Department	Original Budget \$	Redeployment \$	Revised Budget \$	Actual Expenditure \$	Over Expenditure \$
Ministry of Defence and National Security	5,294,200	1,687,500	3,606,700	3,612,758.92	6,058.92
Office of the Auditor General	2,500,200	---	2,500,200	2,528,816.14	28,616.14
Office of the Director of Public Prosecution	3,602,200	---	3,602,200	3,790,171.85	187,971.85
Prisons and Correction Department	14,734,400	---	14,734,400	15,458,273.45	723,873.45
Fiji Police Force	77,679,000	2,719,527	80,398,527	81,171,995.38	773,468.38
Ministry of Health	138,714,500	---	138,714,500	153,830,178.46	15,115,678.46
Ministry of Lands & Mineral Resources	39,122,600	2,182,586	41,305,186	42,991,699.55	1,686,513.55

TABLE 6.3: EXCESS EXPENDITURE BY SEGs

Department	SEG	Description	Revised Estimate \$	Actual Expenditure \$	Amount Overspent \$
Ministry of	1	Established Staff	1,980,120	2,047,381.34	67,261.34

<sup>38</sup> Finance Instruction 2010 Part 3 Div 1(7)

<sup>39</sup> Part 2.8.3(iii) Finance Manual 2005

<sup>40</sup> FMIS User Manual – Fund Accounting, Scenario 5: Fund Accounting Error – Exceed 100% of Appropriation - Requisition

Department	SEG	Description	Revised Estimate \$	Actual Expenditure \$	Amount Overspent \$
Defence & National Security	3	Travel and Communications	200,632	220,257.06	19,625.06
Office of the Auditor General	1	Established Staff	1,921,800	2,022,071.00	100,271.00
Office of the Director of Public Prosecution	1	Established Staff	2,421,380	2,627,701.52	206,321.52
	7	Special Expenditure	92,212	92,212.24	0.24
	13	Value Added Tax	87,542	103,763.59	16,221.59
Prisons & Correction Department	1	Established Staff	8,922,926	9,856,667.22	933,741.22
	5	Purchase of Goods & Services	1,707,649	1,732,313.16	24,664.16
Fiji Police Force	1	Established Staff	65,127,188	66,787,062.55	1,659,874.55
	9	Capital Purchase	1,000,000	1,054,524.71	54,524.71
Ministry of Health, Women & Social Welfare	1	Established Staff	65,078,580	71,249,020.50	6,170,440.50
	2	Un-Established Staff	9,569,400	12,617,552.94	3,048,152.94
	4	Maintenance & Operations	9,186,194	9,992,149.56	805,955.56
	5	Purchase of Goods & Services	21,797,801	25,678,965.44	3,881,164.44
	9	Capital Purchase	5,603,967	6,580,227.71	976,260.71
	13	Value Added tax	6,651,690	9,252,514.69	2,600,824.69
Ministry of Lands & Mineral Resources	1	Established Staff	5,048,757	5,686,808.81	638,051.81
	2	Un-Established Staff	736,764	909,755.45	172,991.45
	4	Maintenance & Operations	26,719,503	27,738,723.73	1,019,220.73
	13	Value Added Tax	3,858,474	4,002,924.56	144,450.56

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

SEGs 1 and 2 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 Accountable Officer should be made answerable for allowing payments when there are insufficient uncommitted funds available for payment of the account.

The above indicates that the controls in FMIS are inadequate or not working as it continued to accept postings to the overspent accounts.

Explanations on the over-expenditures were sought from Ministries and Departments that overspent their Annual Budget Appropriation.

The following explanation was provided by the Office of the Auditor General. The other entities did not furnish any response.

**Office of the Auditor General:**

*SEG 1 budget was reduced in the revised budget 2010 when Ministry of Finance adjusted the short fall towards the end of December.*

**Recommendation**

- The controls in the system should be strengthened to reject transactions that would allow over expenditure.
- Ministries and Departments should provide explanations on the overspending and authorizing officers are made accountable.

**Ministry's Comments**

*The Ministry strongly supports both recommendations. Controls are already put in place in the government payroll system to match the approved established staff against the amount approved in the Budget. The FMIS only records the transactions after the payment of salaries and also it is not placed under Fund control so it cannot control the overspending done by ministries/departments.*

**6.4 Negative Revised Estimate**

The Minister may, in writing authorise the transfer on any unspent amount within a head of appropriation to another appropriation category within that head of appropriation.<sup>41</sup>

The Ministry of Primary Industries Head 30 Programme 2, Activity 3, SEG 5 had a negative revised estimated budget figure of \$49,000. This is the result of virement No.V30-007 which transferred \$80,000 from account 1-30203-30369-051099 which only had a \$1,000 budget provision.

Virement forms are raised from Ministries which are authorised and signed by the Permanent Secretaries. These forms are then sent to the Budget Section of the Ministry of Finance where it is checked and verified before submission to the Permanent Secretary of Finance for approval. Upon approval, the forms are sent to FMIS where the same checks are carried out before the adjustment of funds in the system.

Despite the multiple layer of control in place, the incorrect virement form was accepted and adjusted in the FMIS.

In addition, Hydrographic which used to be under Appropriation Head 40 - Ministry of Works and Transport as account number 40-3-3 was transferred to RFMF under Appropriation Head 19 as account 19-1-5 in 2010.

The audit noted that at the end of financial year, there were some funds transferred to Head 40-3-3 without any virement authority.

TABLE 6.4: ORIGINAL AND REVISED BUDGET FOR HYDROGRAPHICS

Account	Budget Appropriation \$	Revised Budget \$	Comments
1-40303-82301-040364	---	(100)	Posting done on 19/01/11 by ID RADRD001 via Batch A0010
1-40303-82301-050501	---	100	Posting done on 14/03/11 by ID RADRD001 via Batch K3965
1-40303-82301-050501	---	5,000	Posting done on 14/03/11 by ID RADRD001 via Batch K4135

The above is a result of lack of checks and can be seen as a tactic to reconcile the original budget to the revised estimate in the system.

<sup>41</sup> Section 16 Financial Management Act 2004

This reflects on the laxity of the officers in following internal controls such as checks of virement forms at the Ministry level, Budget Section and FMIS for allowing the changes in the system.

### **Recommendations**

- **The Budget Section of the Ministry of Finance should be thorough in their checks before submission for the approval of Permanent Secretary or the Minister for Finance.**
- **The FMIS must ensure that no funds are transferred without the virement or redeployment authority under s16 of the Financial Management Act 2004.**

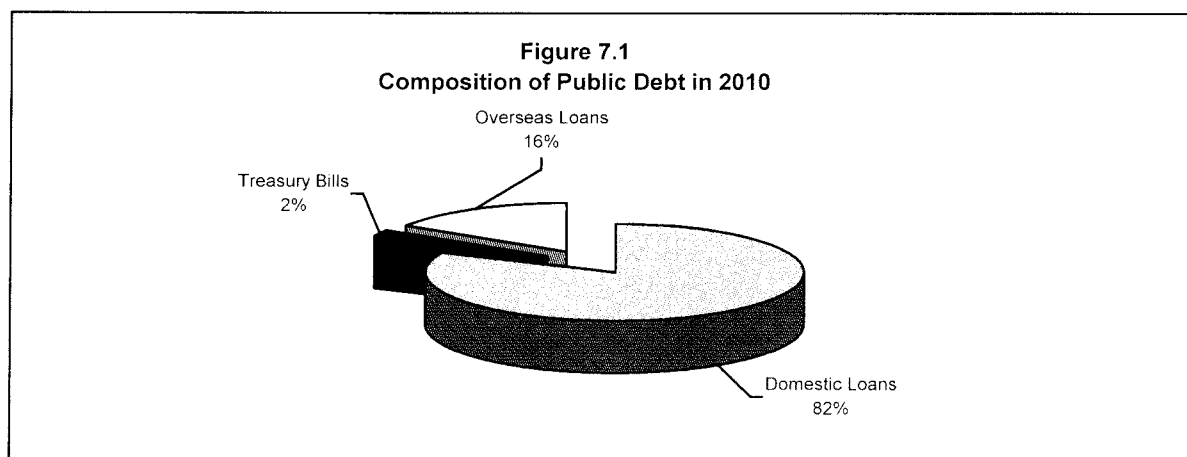
### **Ministry's Comments**

*The Ministry agrees with both recommendations. The FMIS sections only transfer funds upon receiving approved virements from the budget section. FMIS will now ensure that these controls are always adhered to. The Budget Section will continue to strengthen internal checking mechanism to ensure weaknesses identified in this Report are addressed.*

## **7.0 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 2010 totalled \$3,382,723,748 and comprised of domestic loans of \$2,759,292,150 or 82% of total debt; overseas loans of 548,461,798 or 16%; and Treasury Bills \$74,969,800 or 2%. These are illustrated in Figure 7.1.



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 \$306,500,000 from RBF through this facility and all were cleared within the year.

## 7.1 Trends in Government Borrowing by Category

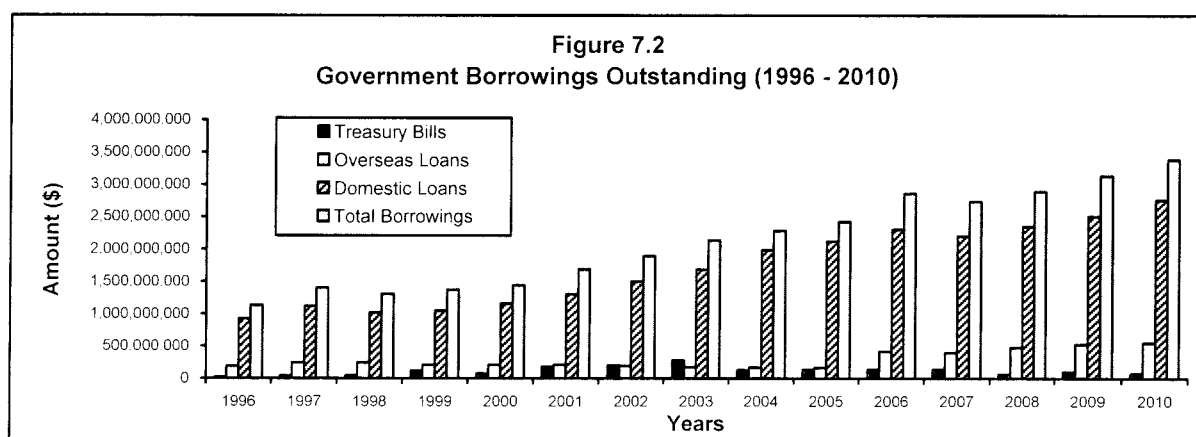
The total Government borrowings outstanding at the end of the year and the composition over the last 15 years is summarised in Table 7.1.

TABLE 7.1: GOVERNMENT OUTSTANDING BORROWINGS (1996 – 2010)

Year	Domestic Bond \$	% of Total Borrowing	Treasury Bills \$	% of Total	Overseas Loan \$	% of Total Borrowing	Total \$
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
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
2010	2,759,292,150	82	74,969,800	2	548,461,780	16	3,382,723,730

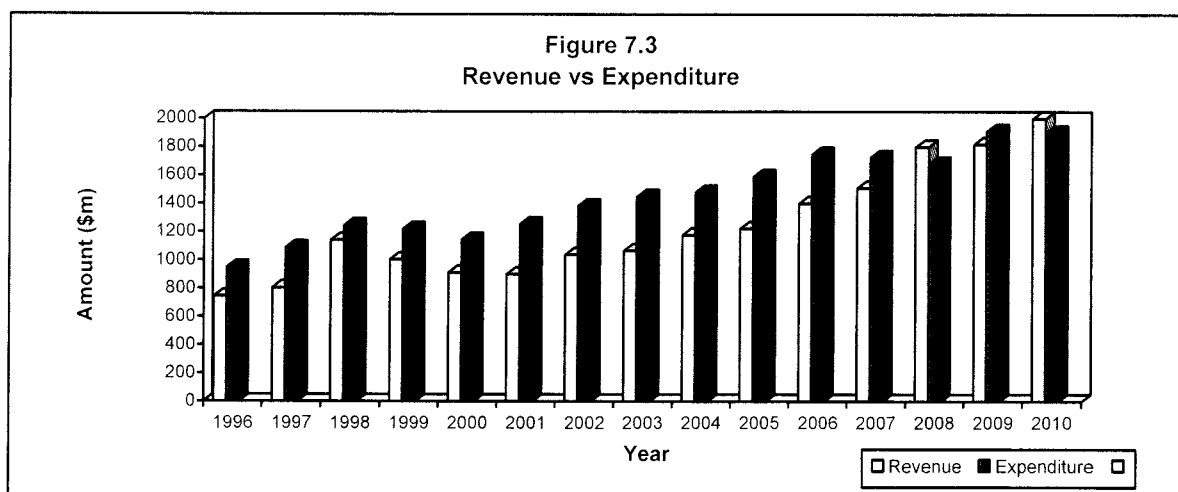
Government bonds mature between 3 to 20 years whilst the term of Treasury Bills ranges between 14 days to 245 days.

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 7.2.

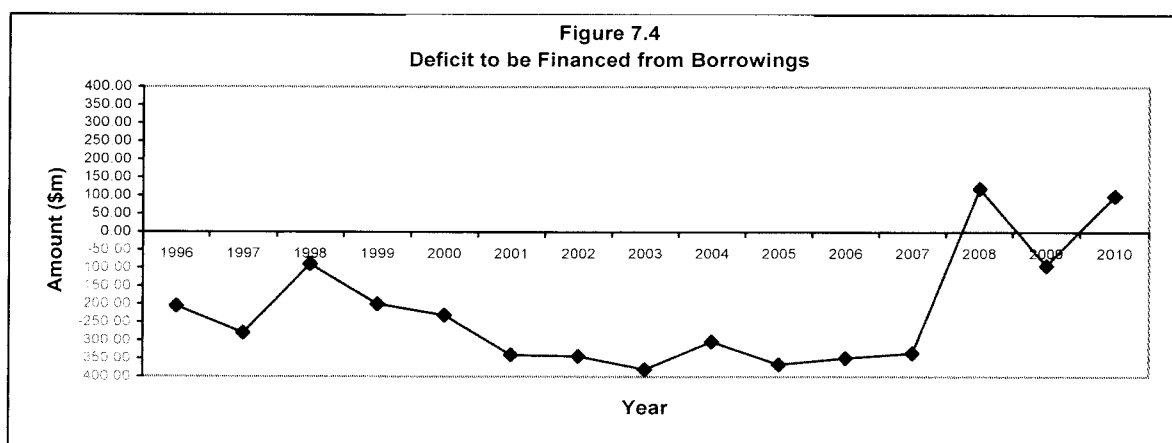


Government borrowings have increased by 8% compared to the year 2009, surpassing to three billion dollars. This is due to the increase in the issue of local bonds in 2010 that increased by \$254.2 million or 10% compared to year 2009.

Figure 7.3 shows the relationship between actual revenues and expenditures over the last 15 years.



For the year 2010, Government revenue totalled to \$1,999.48 billion while Government Expenditure totalled to \$1,900.08 billion dollars resulting in a surplus of \$99.4 million compared to a budget deficit of \$93.2 million in year 2009.



The surplus of \$99.4 million is attributed to improved revenue collections by \$181 million or 10% and a decrease in expenditure by \$11 million or 1% compared to that of year 2009.

## 7.2 Borrowings over the 15 Year Period

The composition of the Government's borrowings over the last 15 years is summarised in Table 7.2.

TABLE 7.2: ADDITIONAL BORROWINGS PER YEAR 1996 – 2010

Year	Domestic Bonds		Overseas Loans		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
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

Year	Domestic Bonds		Overseas Loans		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
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	3,178	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	404,239.0	18	1,150.0	(74)	97,721.30	51	503,110.3	23
2010	452,740.5	12	10,231.0	790	74,969.8	(23)	537,941.3	7

The Government's financing needs were largely met from domestic borrowings. Government cash borrowings in 2010 totalled to \$537.94 million of which \$452.74 million or 84% was through domestic bonds, \$74.97 million or 14% treasury bills and \$ 10.23 million or 2% in overseas loans.

In addition to this, \$51.72 million were capitalized as loan outstanding for the Government that were in the form of direct disbursement to the contractors of the capital projects & loan in kind (\$50.97 million) and interest capitalized on the loan accounts (\$0.75 million).

A total of \$14.22 million worth of in-kind (goods and services) loan in respect of the e-government project and \$0.75 million of interest was capitalised for loan incurred for roads, water and flood recovery projects. Direct disbursement to the contractors of loan projects, namely for, roads, water, flood and housing projects totalled to \$36.74 million.

While the road and e-government projects are on-going loans for Government, additional loans were taken in year 2010 for the Emergency Flood recovery loan, Fiji Low Housing loan and the Fiji Public Rental Housing Project loan. In addition to this, supplementary loans were taken in year 2010 for the Fiji Road Upgrading Project and the Suva/Nausori Water Supply project.

### 7.3 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 7.3:

TABLE 7.3: NREPAYMENT OF LOANS PER YEAR 1996 – 2010

Year	Domestic Bonds		Overseas Loans		Treasury Bills	
	Principal \$	Interest \$	Principal \$	Interest \$	Principal \$	Interest \$
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

Year	Domestic Bonds		Overseas Loans		Treasury Bills	
	Principal \$	Interest \$	Principal \$	Interest \$	Principal \$	Interest \$
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
2010	198,540,500	190,736,707	32,850,575	22,901,709	710,064,626	4,295,961

Principal payments for 2010 on government borrowings totalled \$941,455,701 whilst interest payments amounted to \$217,934,377.

TABLE 7.4: LOANS AND INTEREST REPAYMENTS IN 2010

Description	Principal Repayment \$	Interest Repayment \$
Domestic Bonds	198,540,500	190,736,707
Overseas Loans	32,850,575	22,901,709
Treasury Bills	710,064,626	4,295,961
<b>Total</b>	<b>941,455,701</b>	<b>217,934,377</b>

The interest on domestic loans for 2010 was \$190,736,707 compared to \$22,901,709 for overseas loans and \$4,295,961 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%.

## 7.4 Domestic Loans

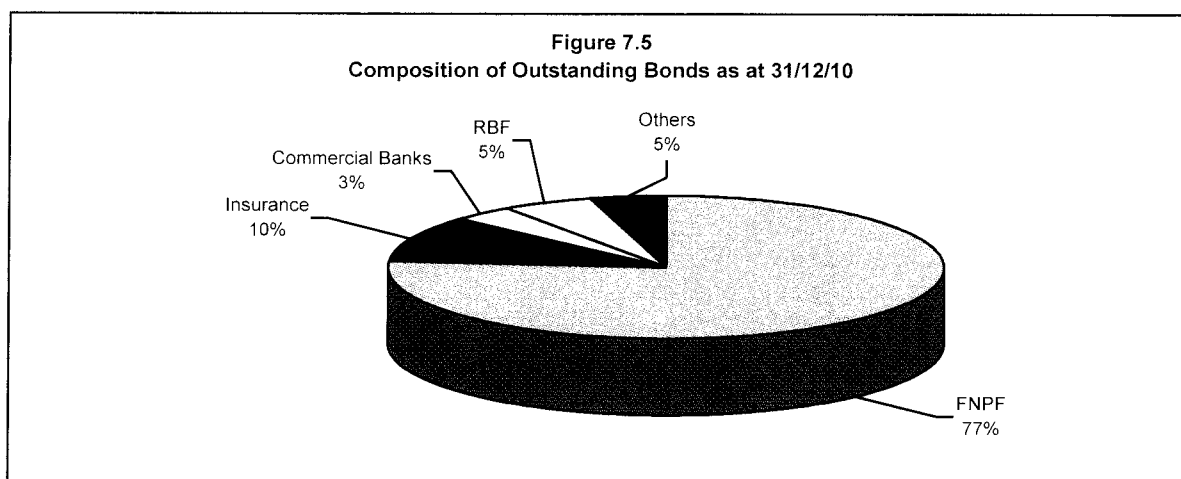
The total domestic loans as at 31/12/10 amounted to \$2,759,292,150 and this accounts for 82% of the total Government borrowings. Table 7.5 shows the amounts that are owed by the government of Fiji to bond holders.

TABLE 7.5: COMPOSITION OF OUTSTANDING GOVERNMENT BONDS

Bond Holder	Amount \$	% of Outstanding Debt
FNPF	2,107,959,400	76.39
Insurance	286,540,500	10.38
Commercial Banks	95,500,000	3.46
RBF	144,556,900	5.24
Trust Fund	22,865,000	0.83
Unit Trust of Fiji	21,379,200	0.77
Credit Corporation	1,300,000	0.05
Home Finance	14,530,000	0.53
Merchant Finance & Investment Ltd	6,500,000	0.24
Others	58,161,150	2.11
<b>Total</b>	<b>2,759,292,150</b>	<b>100.00</b>

Fiji National Provident Fund held 76.39% of the bonds totalling \$2,107,959,400 as at 31/12/10; Insurance Companies 10.38%; Commercial Banks 3.46%; RBF 5.24%; the remaining 4.52% 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 7.5.

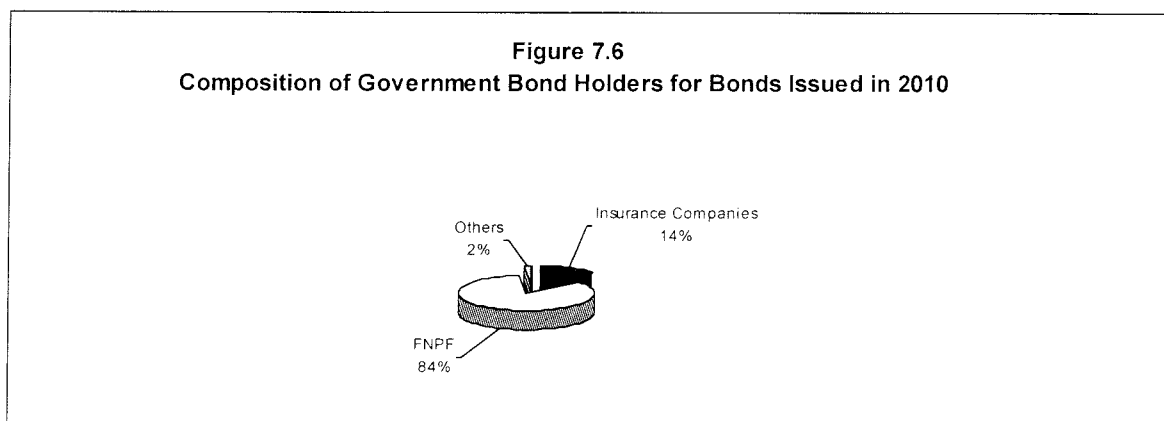


During the year the Government had borrowed \$452.7 million through the issue of domestic bonds to the public. Table 7.6 shows the holders of these bonds.

TABLE 7.6: BONDS PURCHASED IN 2010

Summary of Bondholders	Amount (\$ million)
FNPF	382.0
Insurance Companies	62.9
Others	7.8
<b>Total</b>	<b>452.7</b>

A total of \$382 million or 84% of the Government bonds issued in 2010 were purchased by the FNPF, 14% by insurance companies, and 2% percent was purchased by individuals, trusts, Home Finance Company and others. This is reflected in Figure 7.6.



### 7.4.1 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 7.7. Interest payments on bonds are made every six months.

TABLE 7.7: DOMESTIC LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISIONS

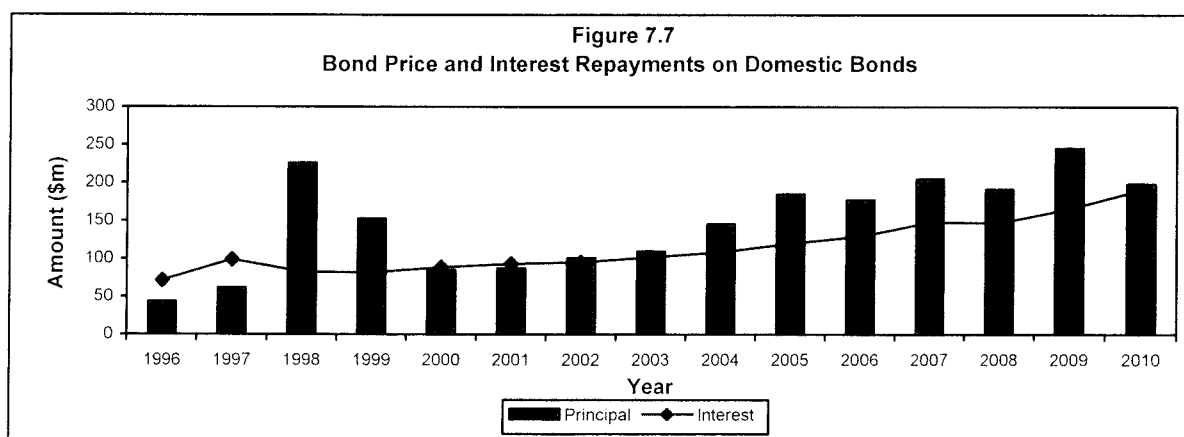
Year	Domestic Loans \$m	% Increase /(Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1996	922.5	18	71.4	6	70.8	(0.6)
1997	1,115.1	21	87.9	23	88.0	0.1
1998	1,016.3	(9)	99.2	13	100.3	1.1
1999	1,046.6	3	82.8	(17)	98.5	15.7
2000	1,158.6	11	81.8	(1)	85.2	3.4
2001	1,302.6	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)
2010	2,759.3	10	190.7	15.4	190.6	(0.1)

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 \$190,600,400 in the 2010 budget for interest payments. However, actual interest payments for the year totalled \$190,736,707 resulting in an over-expenditure of \$136,307.

The interest expense and the principal repayments over the past 15 years are shown in Figure 7.7.

The audit noted that 71 domestic bonds were redeemed or repaid in 2010 resulting in bond redemptions exceeding the interest payments during the year.



### 7.4.2 Future Debt Obligations

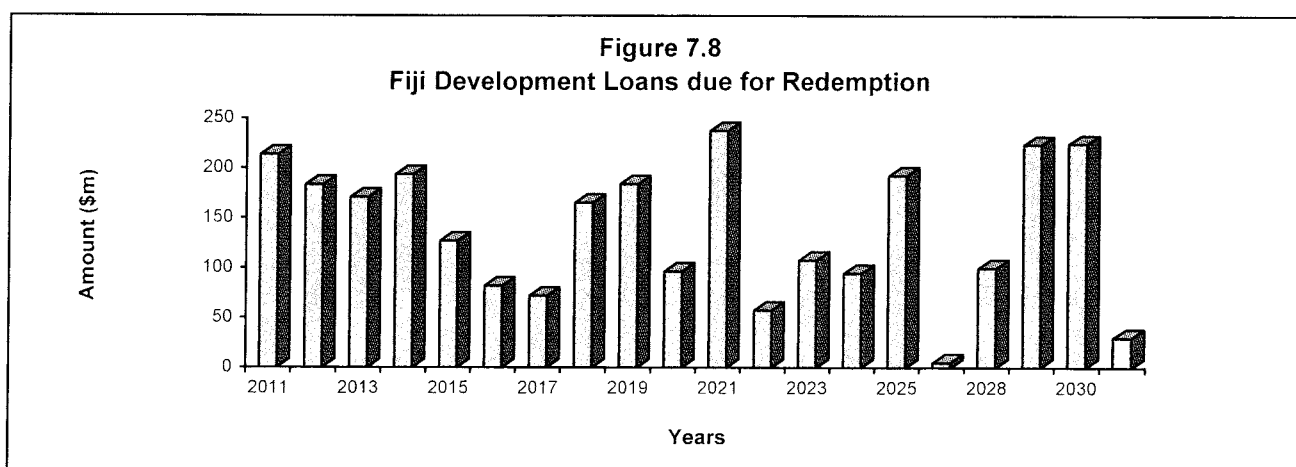
The principal component of Government borrowings are domestic loans which mostly comprises of Fiji Development Loans (Government Bonds).

Table 7.8 reflects the redemption schedule of these loans. For the year ending 31 December 2011, a total of \$213,385,150 of Fiji Development Loans (Government Bonds) will be redeemed.

TABLE 7.8: FIJI DEVELOPMENT LOANS REDEMPTION SCHEDULE

Year Fully Redeemed	No. Of Loans	Amount (\$)
2011	54	213,385,150
2012	62	183,248,000
2013	43	170,668,000
2014	48	193,620,000
2015	37	126,935,000
2016	29	81,805,000
2017	24	71,800,000
2018	36	165,470,000
2019	41	183,900,000
2020	26	96,580,000
2021	30	237,465,000
2022	8	57,447,500
2023	15	107,615,000
2024	25	94,500,000
2025	18	192,300,500
2027	1	5,100,000
2028	15	99,572,000
2029	31	223,441,000
2030	20	224,340,000
2040	2	30,100,000
<b>Total</b>	<b>565</b>	<b>2,759,292,150</b>

A graphical representation of the government outstanding debt that will be payable in the future years is shown in Figure 7.8.

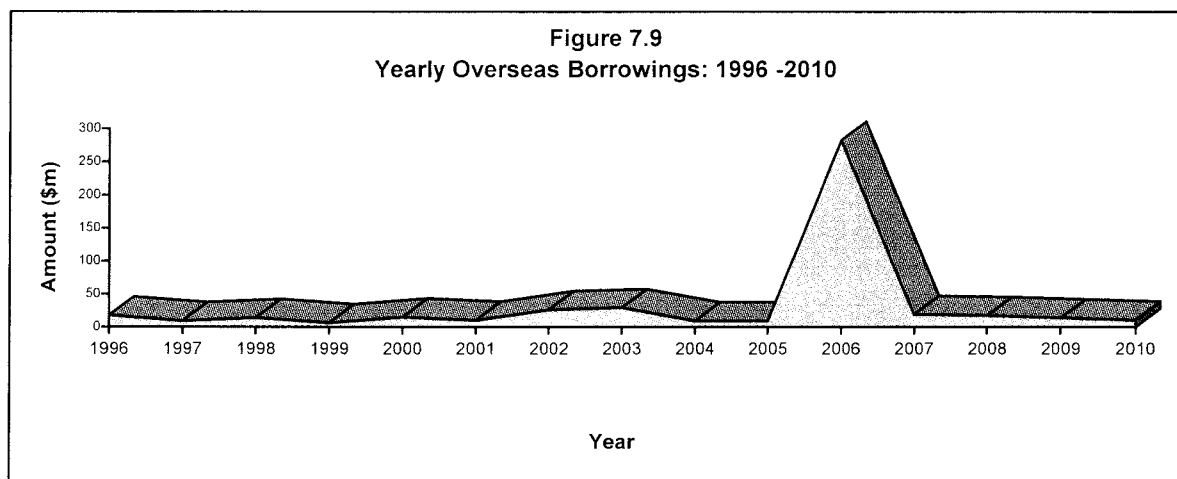


## 7.5 Overseas Loans

The overseas borrowing of Government as at 31 December 2010 was \$548,461,798 which represents 16% of total borrowings. Majority of the overseas loans obtained were to finance capital projects.

### 7.5.1 Yearly Overseas Borrowings

Figure 7.9 shows the trend of the yearly cash overseas borrowings over the past 15 years.



The Government had borrowed \$61,949,515 in 2010 whilst loan repayments totalling \$55,752,284 were made, comprising of \$22,901,709 in interest and \$32,850,575 in principal payments.

Of the \$55.8 million payment for overseas debt servicing, \$4.23 million comprised of loans that were paid in advance as at 31/12/10. Refer to Table 7.9 for details:

TABLE 7.9: PREPAID OVERSEAS LOANS - 2010

Loan	Amount		Total (\$)
	Principal (\$)	Interest (\$)	
Vanua Levu Road	2,463,894	12,319	2,476,213
Native Land Development Corporation	778,072	3,890	781,962
Alternative Livelihood Project	972,935	---	972,935
<b>Total Loan Prepaid</b>	<b>4,214,901</b>	<b>16,209</b>	<b>4,231,110</b>

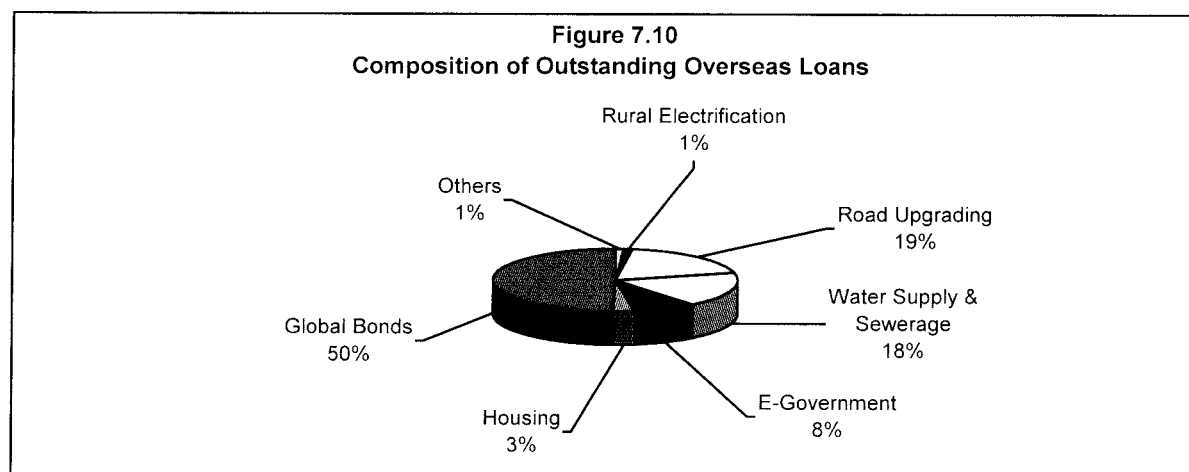
In addition to this, the details of additional funds obtained by the Government under the existing loan agreements and new agreements entered in 2010 are outlined in Table 7.10:

TABLE 7.10: OVERSEAS LOAN DISBURSEMENTS - 2010

Loan	Cash (\$)	Capitalisation Of Interest (\$)	Direct Disbursement (\$)	In-kind (\$)	Total (\$)
<b>Existing Loan Agreement</b>					
ADB Suva/Nausori Water Supply & Sewage Project	---	661,506	16,930,057	---	17,591,563

Loan	Cash (\$)	Capitalisation Of Interest (\$)	Direct Disbursement (\$)	In-kind (\$)	Total (\$)
E-Government Project	---	---	---	14,224,429	14,224,429
<b>New Loan Agreement</b>					
Fiji Road Upgrading – Supplementary	7,411,915	30,894	3,960,375	---	11,403,184
Emergency Flood Recovery Loan	2,819,087	52,371	132,314	---	3,003,772
Fiji Low Cost Housing	---	---	11,226,939	---	11,226,939
Fiji Public Rental Housing Project	---	---	4,494,400	---	4,494,400
Suva/Nausori Water Supply Supplementary	---	5,228	---	---	5,228
<b>Total</b>	<b>10,231,002</b>	<b>749,999</b>	<b>36,744,085</b>	<b>14,224,429</b>	<b>61,949,515</b>

- (a) Loans in relation to the Road Upgrading Project comprised 19% or \$104.2 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 18 % or \$99.4 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 7.10.



- (c) Rural Electrification Programme had outstanding loans of \$4.95 million or 1% of the overseas loans as at 31/12/10. 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 \$45 million or 8% of the overseas loans as at 31/12/010. The project is being implemented with Information and Technology and Computing Services (ITCS) of US\$20 million with disbursements being in the form of goods, technology and services to be purchased from China.
- (e) Fiji Government Global Borrowing had outstanding balance of \$272.9 million or 50% of the overseas loans as at 31/12/10. This loan was raised through the issue of bonds in the international market facilitated by the RBF and agent JP Morgan.
- (e) Housing loan totalled to \$15.3 million or 3% of the outstanding loan. These are loans facilitated for low cost housing and public rental housing project.

- (f) Other loans totalled to \$6.6 million or 1% of the overseas loans outstanding as at 31/12/10 comprised of loans obtained for the construction airstrips, development loans, namely the investment & export development loan and flood emergency recovery loan.

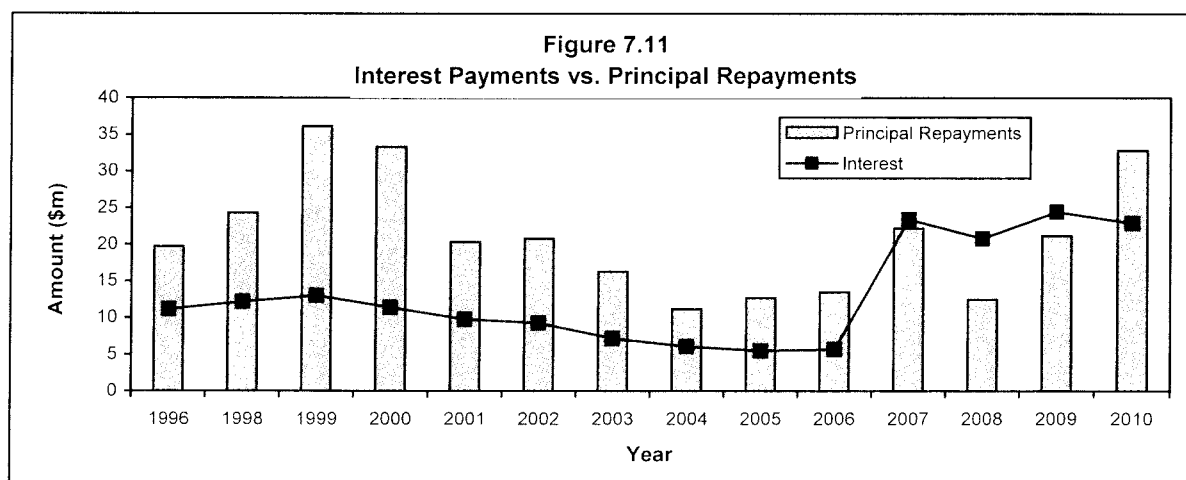
### 7.5.2 Overseas Loans Outstanding & Interest Paid

Table 7.11 provides details on the overseas loans outstanding over the past 15 years with the total interest paid each year.

TABLE 7.11: OVERSEAS LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISION

Year	Overseas Loans \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
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
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
2010	548.5	4	22.9	(6)	28.2	5.3

In 2010 the outstanding overseas loans increased by 4% compared to 2009. A sum of \$28,222,600 was provided in the 2010 budget for interest expense on overseas loans. Interest payments on overseas loans during the year totalled \$22,901,709 resulting in a saving of \$5,320,891. The principal and interest payments are illustrated in Figure 7.11.



### 7.5.3 Revaluation of Overseas Loans

Overseas loans are revalued each year by the RBF using the exchange rate as at 31/12/10. Table 7.12 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 7.12: REVALUATION OF OVERSEAS LOANS & EXCHANGE GAINS/LOSS

Year	Revaluation Increase/ (Decrease) \$	Overseas Loans \$	Exchange (Gain)/Loss as a % of Overseas Loans
1996	5,533,671	187,526,025	3
1997	62,842,240	243,748,816	26
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
2010	22,885,617	548,461,798	4

A downward revaluation of \$22,885,617 or 4% of the overseas loans was noted for 2010, as a result of exchange rate movement.

## 7.6 Treasury Bills

The Government through the RBF floats treasury bills to raise funds in the domestic market to meet its short term needs.

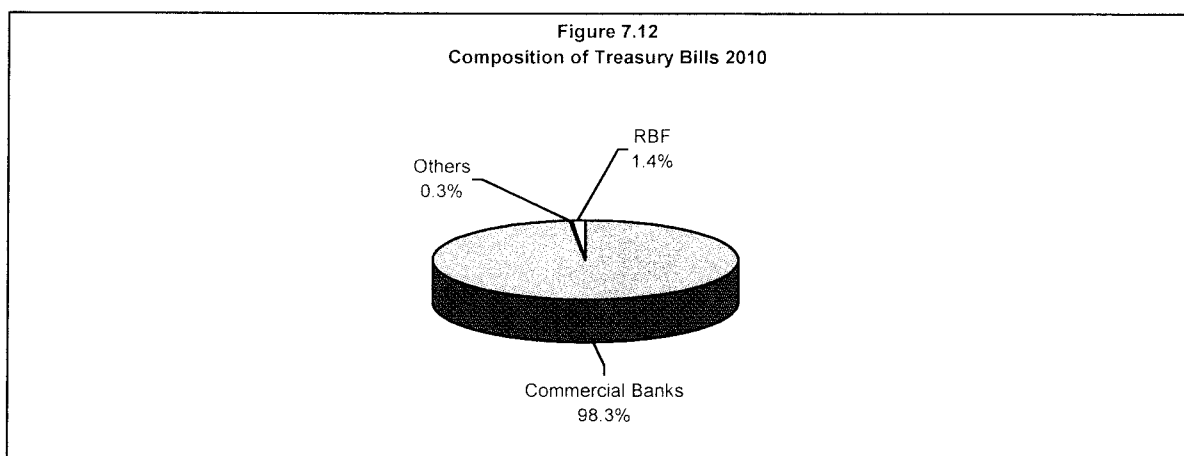
Treasury bills are sold at a discount on face value of which the investor will receive face value upon maturity.

During the year the government raised \$689,725,250 in treasury bills of which \$687,313,133 constituted net borrowings by the government whilst \$2,412,117 represented discount, as summarised in Table 7.13. Treasury bills raised in 2010 and matured in 2011 amounted to \$75,400,000 of which \$430,200 relate to interest.

TABLE 7.13: TREASURY BILL HOLDERS FOR BILLS ISSUED IN 2010

Bank	Face Value \$	%	Discount \$	%	Net Receipts \$	%
Commercial Banks	675,612,359	98.3	2,347,641	97.3	677,960,000	98.3
Reserve Bank of Fiji	9,974,673	1.4	25,327	1.1	10,000,000	1.4
Others	1,726,101	0.3	39,149	1.6	1,765,250	0.3
<b>Total</b>	<b>687,313,133</b>	<b>100</b>	<b>2,412,117</b>	<b>100</b>	<b>689,725,250</b>	<b>100</b>

It was noted that 98.3% of the treasury bills raised were purchased by commercial banks and 1.7% by Reserve Bank of Fiji and others.

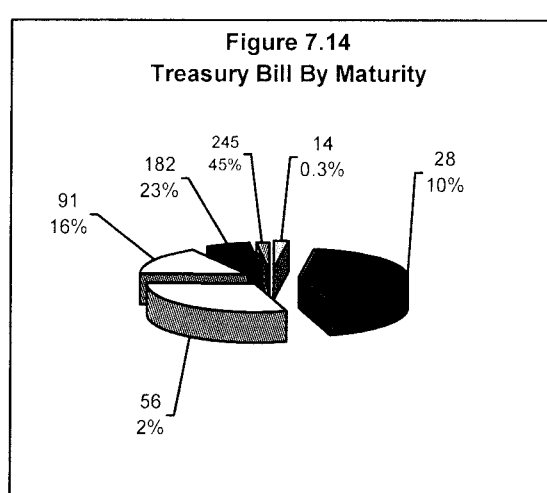
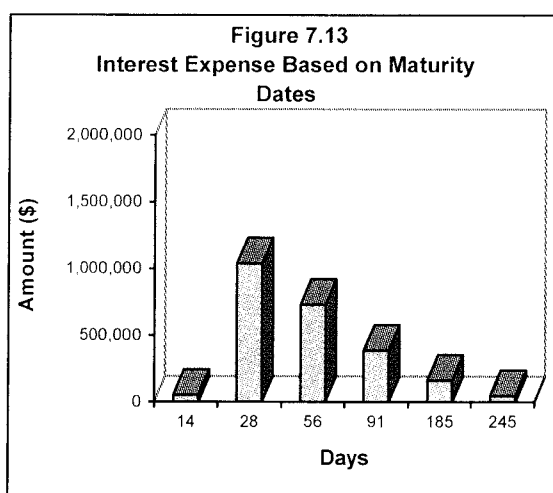


The treasury bills, which are issued by the Government through the RBF, have a maturity period of 14 to 245 days. Table 7.14 details the total Treasury bills that were raised in 2010 together with their maturity dates and interest.

TABLE 7.14: MATURITY OF TREASURY BILLS ISSUED IN 2010

Maturity in Days	Treasury Bill Cost \$	Interest \$	Face value \$
14	43,448,884	51,116	43,500,000
28	449,823,258	1,039,242	450,862,500
56	138,114,719	727,781	138,842,500
91	44,113,631	386,369	44,500,000
185	9,838,116	161,884	10,000,000
245	1,974,525	45,725	2,020,250
<b>Total</b>	<b>687,313,133</b>	<b>2,412,117</b>	<b>689,725,250</b>

The amount raised by the government through Treasury bills with varying maturity dates were bought largely by the Commercial Banks as reflected in Figure 7.12. The interest expense has been fluctuating as the maturity date increases as shown in Figure 7.13 and 7.14.



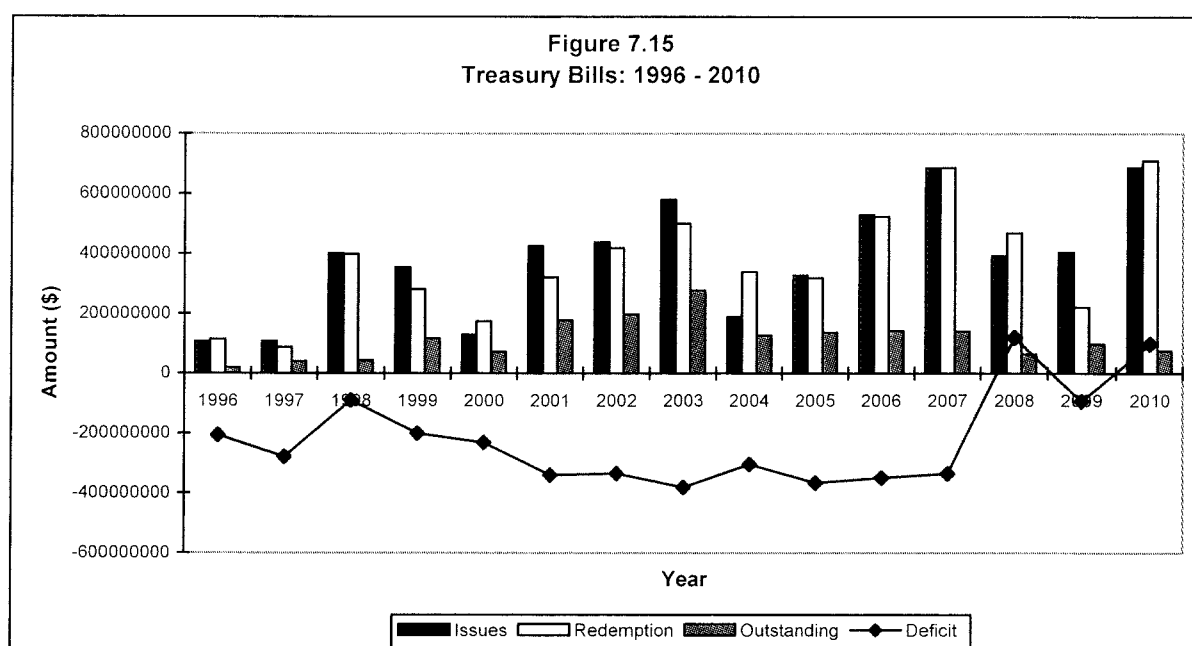
### 7.6.1 Treasury Bills Over a 15-year Period

Treasury bills issued and redeemed over the last 15 years is summarised in Table 7.15.

TABLE 7.15: TREASURY BILLS 1996 – 2010

Year	Balance Brought Forward \$	Issues \$	Redemption \$	Outstanding \$
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
2010	97,721,294	687,313,133	710,064,626	74,969,800

Treasury bills raised by Government over the last 15 years have fluctuated significantly. Similarly, the government deficits have also fluctuated over past 13 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 7.15.



### 7.6.2 Treasury Bills Management

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 7.16: REVENUE VARIANCE VS. TREASURY BILLS RAISED

Revenues	1998 \$m	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m
Budgeted Revenue													
Operating Receipts & Investing	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	1,496.5
Loan Receipts	147.9	193.9	234.7	253.1	338.5	315.2	461.5	370.0	394.5	371.0	370.2	522.5	497.5
<b>Total</b>	<b>1,123.3</b>	<b>1,191.2</b>	<b>1,041.3</b>	<b>1,204.9</b>	<b>1,350.3</b>	<b>1,431.0</b>	<b>1,611.2</b>	<b>1,627.4</b>	<b>1,741.1</b>	<b>1,801.0</b>	<b>1,781.6</b>	<b>2,044.9</b>	<b>1,994.0</b>
Actual Revenue													
Operating Receipts & Investing	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	1,536.5
Loan Receipts	116.5	192.2	225.0	239.2	325.2	319.7	458.5	328.6	633.9	118.9	345.6	405.4	463.0
<b>Total</b>	<b>1,257.7</b>	<b>1,196.7</b>	<b>1,136.0</b>	<b>1,139.8</b>	<b>1,363.6</b>	<b>1,386.0</b>	<b>1,634.7</b>	<b>1,550.5</b>	<b>2,035.2</b>	<b>1,510.2</b>	<b>1,800.5</b>	<b>1,818.2</b>	<b>1,999.5</b>
Revenue Variance	134.4	5.5	94.7	(65.1)	13.3	(45.0)	23.5	(76.9)	294.1	(290.8)	18.9	(226.7)	5.5
Treasury Bills as at 31 <sup>st</sup> Dec	43.8	117.2	72.4	176.6	196.4	276.9	127.0	136.0	141.3	141.2	64.6	97.7	75.0
<b>Excess</b>	<b>178.2</b>	<b>122.7</b>	<b>167.1</b>	<b>111.5</b>	<b>209.7</b>	<b>231.9</b>	<b>150.5</b>	<b>59.1</b>	<b>435.4</b>	<b>149.6</b>	<b>83.5</b>	<b>(129.0)</b>	<b>80.5</b>

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 2010 was more than the budgeted revenue by \$5.51 million. Government revenue and loans from the domestic and the overseas market were sufficient to meet the actual expenditure. However, treasury bills amounting to \$687,313,133 was raised in 2010, an increase by 171% compared to 2009.

While the improvement in cash management is acknowledged and that there may have been cash deficits during the year, the issue of treasury bills could be further reduced to avoid additional debt burden. Excess Treasury bills amounted to \$80.47 million for 2010.

The Government should avoid raising Treasury Bills when sufficient cash is available to reduce the additional debt burden.

Moreover, 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.

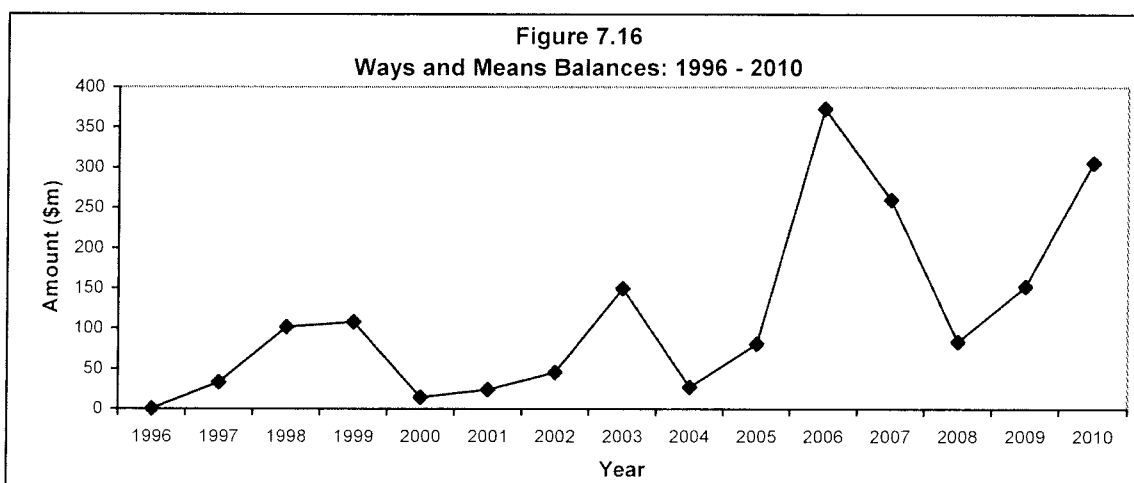
### **Ministry's Comments**

*Your comments are noted. Treasury bills are used to cover shortfalls within the year as revenue inflows are not always sufficient and consistent to meet the daily cash outflow of government. Efforts are being made to further improve the Treasury Bills Management.*

## **7.7 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 7.16.



The Government borrowed \$306,500,000 at a cost of \$88,699 (interest) from RBF through this advance facility during the year, an increase of \$154,500,000 or 102% compared to 2009.

### **Ministry's Comments**

*Your comments are noted.*

## **7.8 Flexibility**

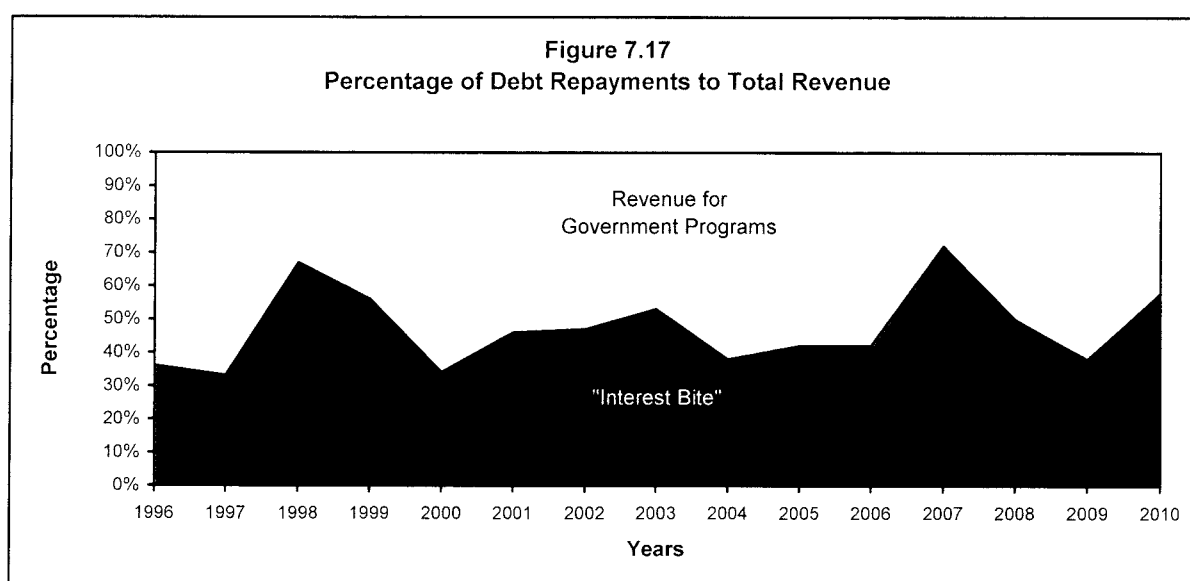
Flexibility is an indicator of the degree a Government can increase its financial resources or revenue to respond to increasing financial commitments either by expanding the revenue or increasing its debt burden.

Table 7.17 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 7.17: COMPARISON OF REVENUE AND DEBT REPAYMENTS

Year	Revenue \$	Repayments \$	Interest Bite %
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
2010	1,999,480,409	1,155,094,117	58

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 2010, the flexibility measure was 58% indicating that the total debt repayment was equivalent to 58% of the revenue received by the Government during the year. Hence, only 42% of revenues collected were available for government programs, a decline by 20 percentage point with the year 2010 recording the third largest debt payout from revenue generated year over the 15 year period.

### **Ministry's Comments**

*Your comments are noted.*

## **7.9 Vulnerability**

Vulnerability is the measure of the degree of dependence of Government on sources of borrowing outside its control or influence.

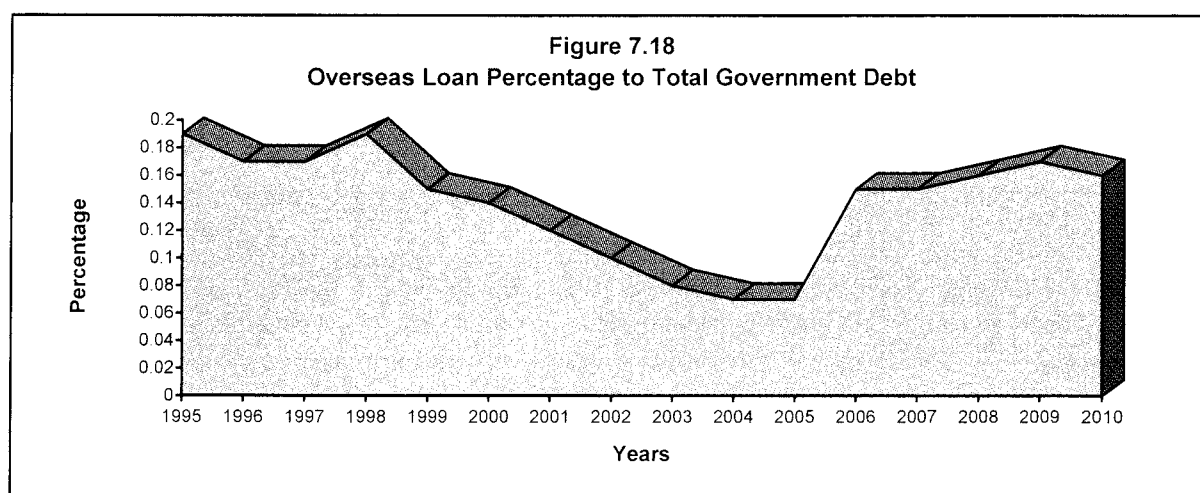
A measure of vulnerability is the comparison of overseas loans to the total Government debt. Table 7.18 compares overseas loans to total Government Borrowings for a period of 15 years.

TABLE 7.18: COMPARISON OF OVERSEAS BORROWINGS AND TOTAL BORROWINGS

Year	Outstanding Overseas Loans \$	Total Borrowings \$	%
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

Year	Outstanding Overseas Loans \$	Total Borrowings \$	%
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
2010	548,461,798	3,382,723,748	16

In 2010, overseas loans made up 16% of outstanding government borrowings which declined by 1% compared to 2009.



The overall trend indicated less reliance on overseas borrowings over the years; however, the stagnant trend over the period 2006 to 2010 warrants concern.

Another measure of vulnerability is the comparison of overseas loans to GDP. Table 7.19 compares overseas loans to GDP for a period of 10 years.

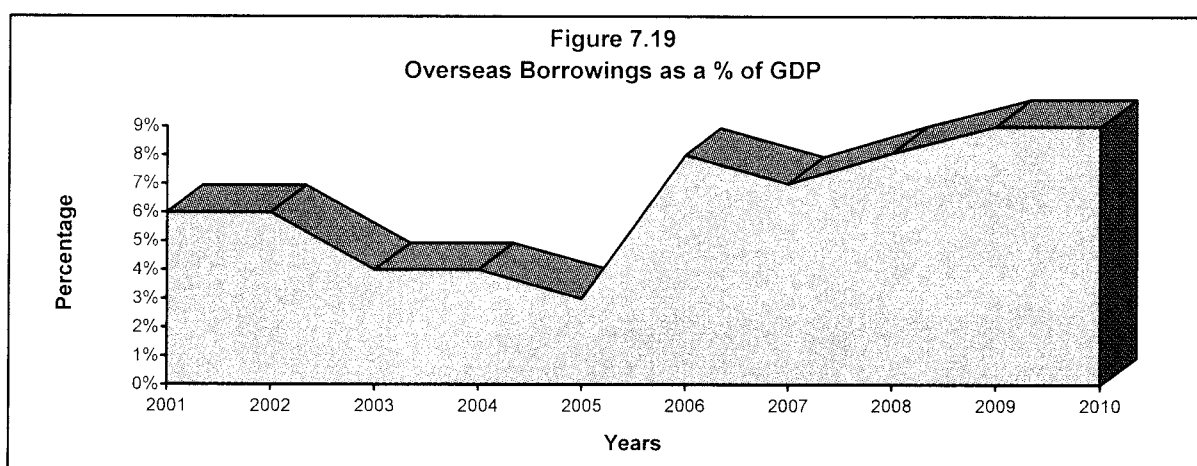
TABLE 7.19: COMPARISON OF OVERSEAS BORROWINGS AND GDP

Year	Overseas Loans \$	Nominal GDP \$	% of Overseas Loans/GDP
2001	206,889,315	3,199,548,000	6
2002	193,505,879	3,442,905,000	6
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
2010	548,461,798	6,111,648,000*	9

\* Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

Figure 7.19 shows that the percentage of the overseas debt to GDP remained unchanged to that of year 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 7.20 compares Domestic loans to GDP for a period of 10 years.

TABLE 7.20: COMPARISON OF DOMESTIC BORROWINGS AND GDP

Year	Domestic Loans \$	GDP \$	% of Domestic Loans/GDP
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
2010	2,759,292,150	6,111,648,000*	45

\* Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

In 2010 the Domestic Loans as a percentage of GDP increased to 45%, an increase by 2 percentage point and constitute the highest debt recorded to GDP over the 10 year period.

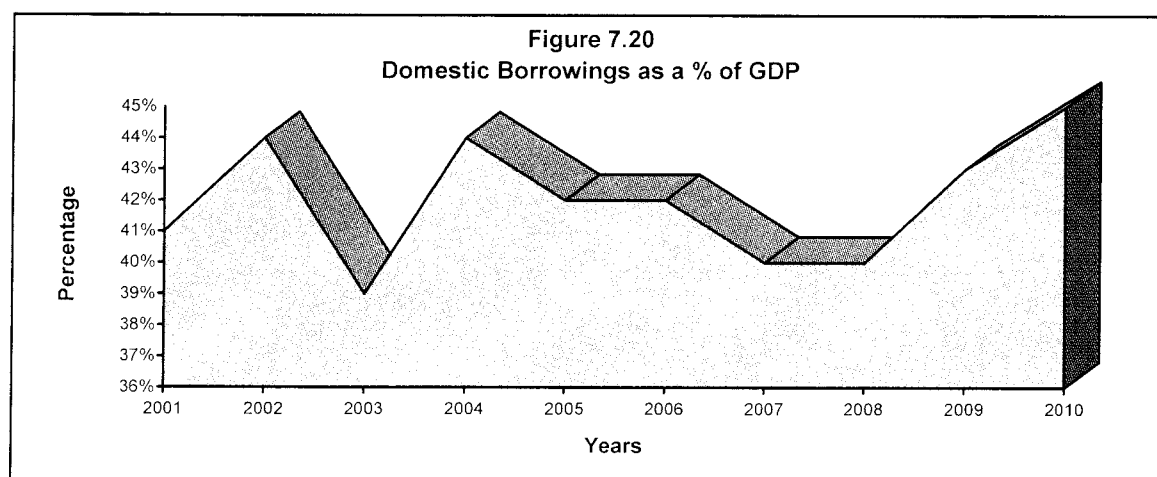


Figure 7.20 shows that the Domestic Borrowing as a percentage of the GDP has been fluctuating over the years and though indicates the nation's capability to meet its internal debt obligations when due, the government needs to control its domestic loans.

Table 7.21 shows the comparison between Tax Revenue and the GDP.

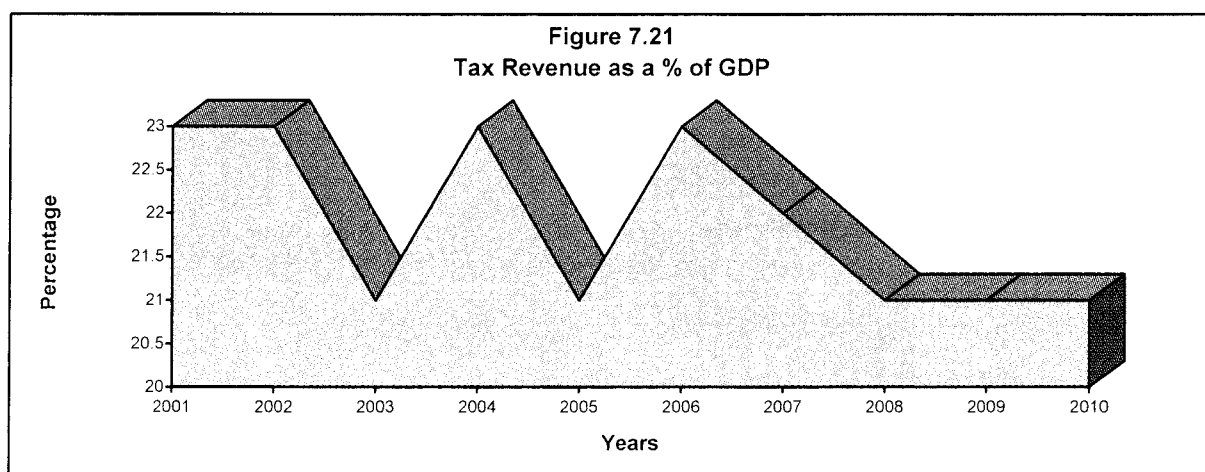
TABLE 7.21: COMPARISON OF TAX REVENUE AND GDP

Year	Tax Revenue \$	GDP \$	% of Tax Revenue/GDP
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
2010	1,302,130,578	6,111,648,000*	21

\* Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

Figure 7.21 shows that the Tax Revenue as a percentage of GDP over the last 10 years has been fluctuating, however, remained constant at 21% since year 2008.



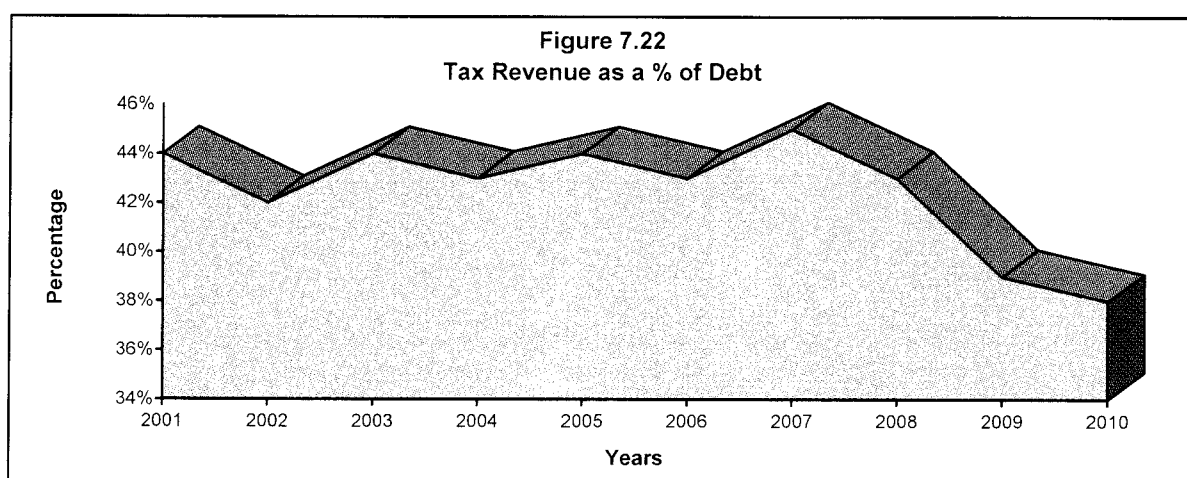
Another measure of vulnerability is the comparison of tax revenue to debt. Table 7.22 compares tax revenue to debt for a period of 10 years.

TABLE 7.22: 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
2010	1,302,130,578	3,382,723,748	38

The tax revenue as a percentage of debt has declined by 1% compared to year 2009 despite the increase in tax collections. This is because percentage increase in tax revenue (8%) is equally the same as the percentage increase in debt (8%) as at 31/12/10. It shows that 38% of the debt can be met from tax revenue.



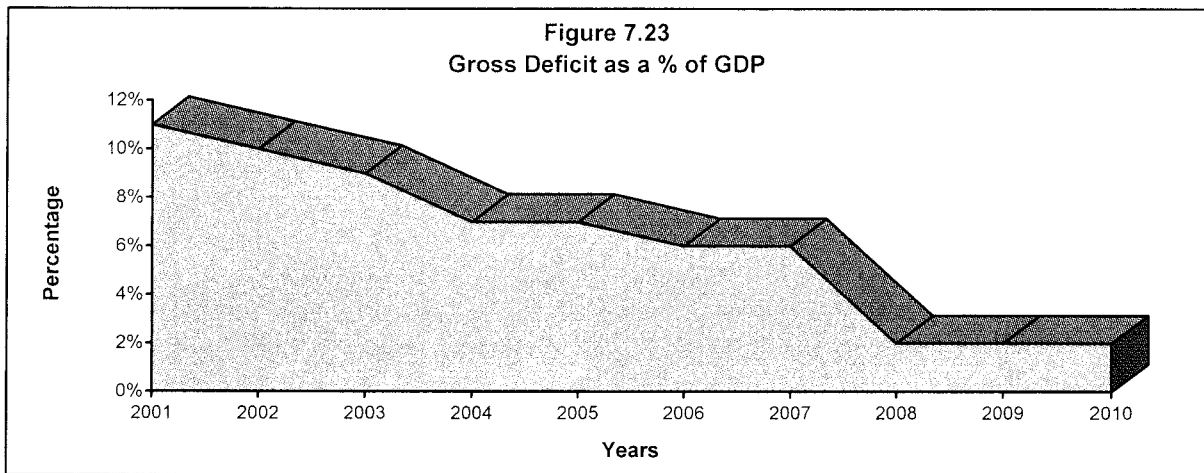
The ability of tax revenue to meet the debt over the 10 year period is on a declining trend since year 2007 despite increased collections which is attributed to expanding debt portfolio. Moreover, Table 7.23 shows the comparison of Government surplus to GDP.

TABLE 7.23: COMPARISON OF GOVERNMENT DEFICIT (SURPLUS) AND GDP

Year	Gross Deficit / (Surplus) \$	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*	2
2010	(99,398,751)	6,111,648,000*	(2)

\* Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics



In 2010, the gross surplus as a percentage of GDP was 2 percent compared to the gross deficit of 2% in 2009.

### **Ministry's Comments**

*Your comments are noted.*

*However the decision to borrow domestically or externally to finance the deficit is entirely a policy decision by the Government of the Day. External loans may be preferred to domestic loans if the cost saving to Government could be realized in terms of lower overseas interest rates when compared to domestic bond rates offered in Fiji which is highly influenced by FNNP as the major investor of Government Bonds.*

## **7.10 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 31/12/10 was 54%, indicating debt sustainability in debt relative to the production of goods and services surpassing the 50% line.

TABLE 7.24: TOTAL GOVERNMENT DEBT TO GROSS DOMESTIC PRODUCT

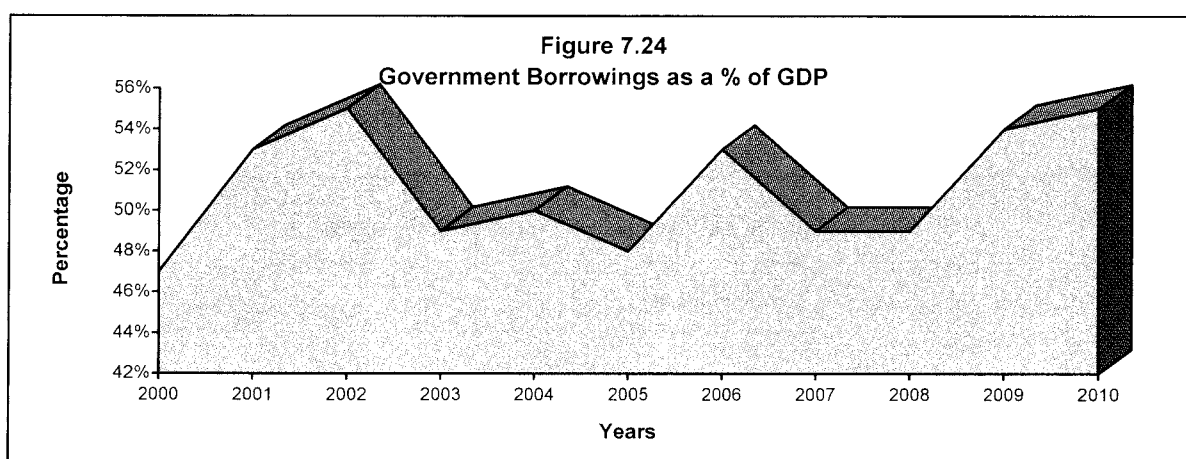
Year	Government Debt \$	% of Growth	GDP \$	% of Growth	Public Debt as a % of GDP
1998	1,305,621,035	(7)	2,792,526,000	9	47
1999	1,369,863,771	5	3,238,463,000	16	42
2000	1,438,742,654	5	3,049,124,000	(6)	47
2001	1,686,089,577	17	3,199,548,000	5	53
2002	1,891,033,982	12	3,442,905,000	8	55
2003	2,133,770,240	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

Year	Government Debt \$	% of Growth	GDP \$	% of Growth	Public Debt as a % of GDP
2008	2,886,805,555	6	5,895,900,000	6	49
2009	3,130,061,918	8	5,768,400,000*	(2)	54
2010	3,382,723,748	8	6,111,648,000*	8	55

\* Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

Table 7.23 shows that percentage growth in Government debt and the economy has been same, indicating that the debt burden to individuals is rising. In 2010, percentage increase in national debt relative to the GDP increased by one percent point to 55% compared to year 2009.



Ratio of national debt relative to GDP of 55% in year 2010 is the highest over the 10 year period and therefore, warrants effective debt management without further increasing the burden on the nation.

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.

### Ministry's Comments

*Your comments are noted.*

## **7.11 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 7.25 outlines the Gross Domestic Product per Capita and National Income per Capita over the 10 year period.

TABLE 7.25: GROSS DOMESTIC PRODUCT PER CAPITA AND NATIONAL INCOME PER CAPITA

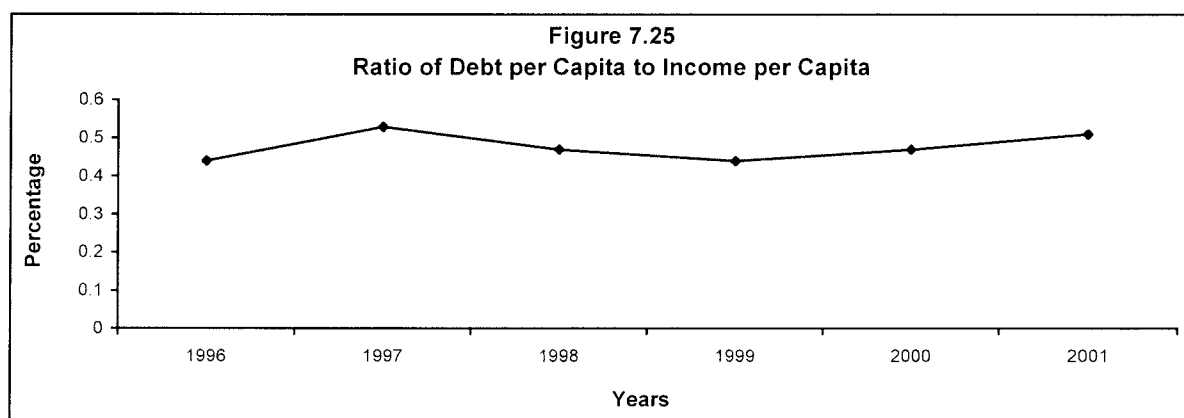
Year	Outstanding Debt \$	Estimated Population	Debt/Capita \$	GNP/Capita \$	Ratio of Debt/Capita to GNP/Capita
1998	1,305,621,035	797,643	1,637	3,522	0.47
1999	1,369,863,771	806,212	1,699	3,892	0.44

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	*	
2010	3,382,723,748	837,271+	4,040	*	

\* 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 analyzed as the data for the GNP/capita was unavailable.

### **Ministry's Comments**

*Your comments are noted.*

## **7.12 Debt Procedure Manual**

The Minister for Finance is authorised under Section 59 of the Finance Management Act (2004) to raise loans locally or from abroad, 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.

Despite the yearly budget appropriation for Head 52 in the budget estimates for Charges in Account of Public Debt, the Ministry's finance manual does not outline the accounting procedures for the recording of the debt transactions.

As such the following observations were noted:

- There is no policy guide on the conversion of loan to Fiji dollars where the equivalent Fiji Dollar is not provided in the Loan Financial Information System (LFIS). For example, four separate disbursements totalling USD 531,249 was disbursed as loan proceeds for the Suva/Nausori loan on 15/12/10. One disbursement of USD 201,317 did not have the equivalent Fiji dollar recorded in the LFIS. As such, the Ministry totalled the loan proceed disbursed on 15/12/10 in foreign currency and applied the Reserve Bank of Fiji (RBF) month end exchange rate to arrive at the equivalent Fiji Dollar. Refer to Table 7.26 for details.

TABLE 7.26: VARIANCE IN CONVERSION TO FIJI DOLLAR OF LOAN PROCEEDS

Value Date	Loan Proceeds (USD)	LFIS FJD [Audit Conversion]	Ministry Conversion	Variance (\$)
15/12/10	186,546	345,712		
15/12/10	38,746	71,806	531,248 * 1.82	
15/12/10	104,639	193,920		
15/12/10	201,317	366,298		
<b>Total</b>	<b>531,248</b>	<b>977,736</b>	<b>966,608</b>	<b>11,128</b>

- Monthly reconciliation for loan accounts is not prepared for overseas loan account, domestic loan account and the borrowing fund account. Hence, variances of \$9 million in the domestic loan account and \$371,743 in the borrowing fund account could not be explained.
- Unexplained dormant general ledger accounts in the Borrowing Fund Account ledger totalling \$46.3 million. Refer to Table 7.27 below for details:

TABLE 7.27: DORMANT DEBT GENERAL LEDGER BALANCES

Account Number	Description	Balance in the GL	Last date of Movement
1-04104-04105-910241	Borrowing Revenue – Overseas Loans	(937,147)	2005
1-04104-04201-910242	Borrowing Revenue – Domestic Loans	48,900,000	2005
1-04104-04198-910215	Charges on Public debt – Domestic	(4,647)	2005
1-04104-04105-910214	Charges on Public debt – Domestic	(1,629,980)	2005
<b>Total</b>		<b>46,328,226</b>	

The absences of the procedure manual for accounting and recording debt transaction and the lack of reconciliation have resulted in the unexplained variances.

### **Recommendations**

**The Ministry should ensure that:**

- a procedure manual is developed for the processes in the Borrowing Fund;
- monthly reconciliation on loan accounts are carried out; and
- review those dormant accounts and appropriately reflect the correct balances.

### **Ministry's Comment**

*MOF appreciates the acknowledgement by OAG on the improvement in overall Cash Management of Government.*

*The recommendation is noted and we are in the process of developing the loan accounting procedure manual. A review of the dormant account will be carried out going forward. The procedure of borrowing is clearly*

*stipulated in the FM Act and the RBF guidelines. The Ministry feels these guidelines are adequate in addressing government borrowing program.*

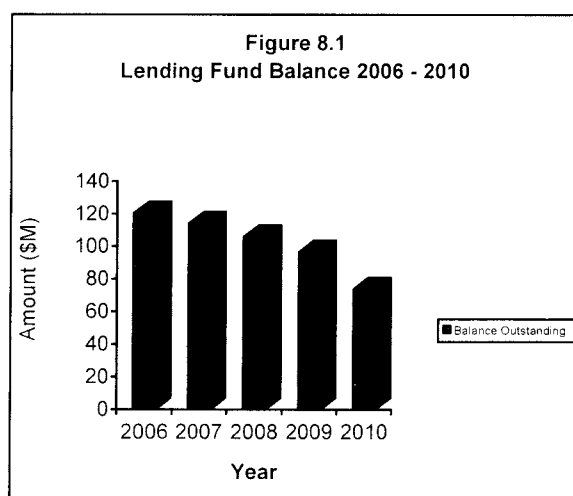
## 8.0 LENDING FUND ACCOUNT

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 Fiji.<sup>42</sup>

Loans made by Government and outstanding as at 31/12/10 totalled \$73,833,129, a decrease of \$22,760,960 or 24% compared to 2009. Repayments received in 2010 totalled \$27,741,050 whilst additional loans given and interest capitalised in 2010 amounted to \$4,977,090.<sup>43</sup> Lending Fund Account balances for the past five years are shown in Table 8.1.

TABLE 8.1: LENDING FUND BALANCES TREND

Year	Balance Outstanding \$
2006	120,294,477
2007	114,064,454
2008	105,861,373
2009	96,594,079
2010	73,833,129



### 8.1 Lending Fund Manual

A procedure manual guides how decisions are made and how the work is done in an organisation. A well documented operating procedure increases organisational accountability and transparency.

The audit noted that there was no documented procedure manual in place to dictate the processes involved in the Lending Fund Account. This issue has also been raised in the previous year's audit which the Ministry has yet to resolve.

<sup>42</sup> Financial Management Act 2004, Section 61 (1)

<sup>43</sup> Appendix 16 2010

The failure to write a procedure manual has resulted in a number of discrepancies in the Lending Fund Account which are shown in the table below and could lead to the inconsistent approaches and inefficiency.

TABLE 8.2: EXAMPLES OF TRANSACTIONS WITH DIFFERENT APPROACHES BEING ADOPTED BY MINISTRY

Discrepancy	Value \$
New Loan to FSC not recorded	35,500,000
Conversion of Loan to Grant	35,600,000
Recoveries not recorded as revenue	27,500,000
Credit Balances in Lending Fund Account	(3,700,000)
Unauthorised postings to Lending Fund Account	(26,942)
Paid off Loan reflecting balance owing (P&T-DIGS Loan)	(230,605)

### **Recommendation**

**A procedure manual should be developed for the processes in the Lending Fund Account to ensure that amounts are consistent with the accounting policies.**

### **Ministry's Comments**

*A procedure manual has been developed and should be in place by end of the year.*

## **8.2 Loan to Fiji Sugar Corporation Limited not reflected in the Lending Fund Account**

A loan of public money under Lending Fund can only be made in accordance with an appropriation of the money concerned.<sup>44</sup> A loan of public money under this section or under any other Act must be evidenced by an instrument signed by the Minister.<sup>45</sup>

Cabinet<sup>46</sup> on 30 July 2010 agreed that Government lend to FSC a total of \$15 million with an allocation in the 2010 Revised Budget. Moreover, during 2010, there was a virement<sup>47</sup> for additional loan to FSC in October of \$10,500,000 and deployment of funds through Cabinet Decision in November 2010 of \$14 million of which \$10 million was deployed for additional loan to FSC.

Tabulated in Table 8.3 are the details of payments made to FSC during 2010.

TABLE 8.3 FSC LOAN IN 2010

Advance No.	Date of Payment	Amount (\$)
1	23 <sup>rd</sup> July	2,400,000
2	6 <sup>th</sup> Aug	3,750,000
3	20 <sup>th</sup> Aug	3,300,000
4	27 <sup>th</sup> Aug	3,853,695
5	6 <sup>th</sup> Oct	1,696,305

<sup>44</sup> Financial Management Act 2004, Section 61 (2)

<sup>45</sup> Financial Management Act 2004, Section 61 (3)

<sup>46</sup> Cabinet Decision CP(10) 228 dated Friday 30 July 2010

<sup>47</sup> V50 008/10 - \$4.5 m and V50 009/10 - \$6m

Advance No.	Date of Payment	Amount (\$)
6	18 <sup>th</sup> Oct	4,500,000
7	28 <sup>th</sup> Oct	3,000,000
8	9 <sup>th</sup> Oct	3,000,000
9	18 <sup>th</sup> Nov	2,000,000
10	19 <sup>th</sup> Nov	2,000,000
11	24 <sup>th</sup> Nov	2,000,000
12	2 <sup>nd</sup> Dec	2,000,000
13	9 <sup>th</sup> Dec	2,000,000
<b>Total</b>		<b>35,500,000</b>

The audit noted that the above amounts were recorded in the General Ledger as expenditures but were not recorded as a loan in the Lending Fund Account under Standard Asset Group 61 - 63. These would have been consistent with other loans outstanding from the Lending Fund accounts.

Explanation provided by the Ministry revealed that it was a budgetary expense and it was best to record it as expenditure rather than a lending fund account item.

The above is attributed to the lack of documented procedure manual where there is inconsistency in the recording of Loans for the purpose of having a Lending Fund.

As such, the Lending Fund Account during 2010 is understated by \$35.5 million.

### **Recommendation**

**The Ministry should ensure that recording of loans to Government entities are being consistent and correctly reflected as loans under Standard Asset Group 61 – 63.**

### **Ministry's Comments**

*As per OAG recommendation, the Ministry will record all loans made to FSC in 2010 in the Lending Fund account. For transparency purpose, MOF has discussed with the Auditor concerned and had disclosed the relevant note in the Appendix 16 stating the Government advanced a total of \$35.5 million to FSC in 2010.*

## **8.3 Conversion of Loan to Grant**

Parliamentary resolutions in 2004 and a Cabinet decision<sup>48</sup> in 2008 approved the conversion of loans owed by the Fiji Sugar Corporation and the Rabi Council of Leaders to grant. Refer to Table 8.4 for details:

TABLE 8.4 LOANS CONVERTED TO GRANTS

Entity	Date of Approval	Years Lapsed (Years)	Authority	Amount (\$)
FSC	28/09/04	6	Parliamentary Paper	34,000,000
Rabi Council of Leaders (1)	07/10/08	2	Cabinet Decision	900,000
Rabi Council of Leaders (2)	07/10/08	2	Cabinet Decision	700,000
<b>Total</b>				<b>35,600,000</b>

<sup>48</sup> CP(08)352

Despite being highlighted in previous years' audit memorandums, these loans are still reflected as outstanding in the Lending Fund account in 2010.

Explanation provided by the Ministry is that a budgetary allocation needs to be provided in order to facilitate these conversions. A budgetary allocation could have been provided when it was first recorded and the Ministry was not able to provide records of that to ascertain whether a provision is justified.

Inaction by the Ministry in converting these loans into grants as approved by Parliament and Cabinet has inflated debts owed to Government as at 31/12/10 by \$35.6 million.

### **Recommendation**

**The Ministry of Finance should provide records to justify whether a provision is justified and the reasons behind that and provide an outline as to how the Parliamentary Resolutions and Cabinet Decisions would be complied with.**

### **Ministries Comments**

*Internally, the Ministry of Finance is doing its best to create a contra entry for the expense of \$35.6m to offset the conversion.*

## **8.4 Recoveries Not Recorded As Revenue**

The cash basis of accounting is an accounting method where income is recorded when cash is received, and expenses are recognised when cash is paid.

Lending Fund Accounts records all advances made by Government. All money received as principal and interest charges in respect of advances by the government will be credited to the Lending Fund Account and subsequently transferred to the Operating Fund Account<sup>49</sup>.

The audit noted that loan recoveries collected in 2010 totalling \$27,538,918 have not been recorded as revenue in the general ledger (FMIS) after it has been credited to the Lending Fund Account.

Details are shown in the Table below.

TABLE 8.5 RECOVERIES NOT RECORDED AS REVENUE

Borrowing Institution	Account Allocation	Amount Recovered (\$)	Date Amount Lent (\$)	Interest (%)
Fijian Affairs Board	1-04102-04999-610601	20,000,000.00	1989	Free
Fijian Affairs Board	1-04102-04999-610604	100,000.00	1997	Free
Fijian Affairs Board	1-04102-04999-610605	140,000.00	1998	Free
Copra Industry for Stabilization of Earnings	1-04102-04999-620200	262,606.76	1975-2000	4
Consumer Cooperatives Societies	1-34401-34999-621201	525.10	1973-2000	1
Advances to Ministers & Members of House of Representatives	1-04102-04201-610101	6,100.00	-	12
Advances to Public Officers	1-04102-04201-610102	1,113.30	-	11
Viti Corps Company Limited	1-04102-04999-620901	258,000.00	1999	5
Tertiary Education	1-00000-00000-610800	2,905,041.49	1979-2000	Free

<sup>49</sup> Page 2 of Accounting Training Manual issued by Ministry of Finance

Borrowing Institution	Account Allocation	Amount Recovered (\$)	Date Amount Lent (\$)	Interest (%)
Private Students	1-00000-00000-610900	2,030.00	1985-2000	Free
Student Loan Scheme	1-00000-00000-611100	3,863,501.20	2000	Free
<b>Total</b>		<b>27,538,917.85</b>		

Moreover, the postings into the general ledger for these recoveries were made to increase the cash and reduce the respective debtor accounts in the Lending Fund account. Thus the non recognition of revenue contradicted the cash basis accounting policy of the Ministry.

This has resulted in the understatement of revenue in the government accounts.

### **Recommendation**

**The Ministry should ensure that loan repayments from Lending Fund Accounts are correctly reflected in the accounts for the Whole of Government and be consistent with the cash basis of accounting adopted by the Ministry.**

### **Ministry's Comments**

*The revised procedure manual will formalise the recognizing of revenue from the Lending Fund and would ensure that appropriate revenue allocations in the budget are created to account for this.*

## **8.5 Entities not making Loan Repayments in 2010**

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.<sup>50</sup>

The audit noted that there were government entities that had received advances from government but did not honour their loan obligation to make a repayment in 2010.

Explanation obtained from the Ministry was that these government entities faced financial difficulties and could not make their loan repayments. Refer to Table 8.6 for examples for entities which have been dormant for a number of years.

TABLE 8.6 NO RECOVERIES FROM LOANS IN 2010

Borrowing Institution	Amount Lent (\$)	Balance Outstanding 01/01/2010 (\$)	Amount Lent/Interest Capitalized in 2010 (\$)	Amount of Loan Recovered in 2010 (\$)	Balance Outstanding 31/12/10 (\$)	Date Amount Lent (\$)	Interest (%)
NLTB	1,199,701	575,617	---	---	575,617	1979-1980	6
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
NLTB/NLDC	820,000	820,000	---	---	820,000	1986	6
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

<sup>50</sup> Financial Instruction 2010 s(41)

Borrowing Institution	Amount Lent	Balance Outstanding 01/01/2010	Amount Lent/Interest Capitalized in 2010	Amount of Loan Recovered in 2010	Balance Outstanding 31/12/10	Date Amount Lent	Interest
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
Rabi Council of Leaders	1,000,000	900,000	---	---	900,000	1994	Free
Rabi Council of Leaders	700,000	700,000	---	---	700,000	1994	Free
Timber Exporters	1,000,000	795,034	---	---	795,034	1983-1984	Free
Production Loan to Farmers	72,000	16,288	---	---	16,288	1990	1
FSC	8,500,000	8,500,000	---	---	8,500,000	1998	8
FSC	8,500,000	8,500,000	---	---	8,500,000	1999	8
FSC	8,500,000	8,500,000	---	---	8,500,000	2001	8
FSC	8,500,000	8,500,000	---	---	8,500,000	2002	8
National Trading Corporation Limited	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		
<b>Grand Total</b>	<b>60,191,701</b>	<b>60,823,519</b>	<b>---</b>	<b>---</b>	<b>60,823,519</b>		

The audit also noted that there was no documented follow up carried out by the Ministry in 2010, even though there was a tentative work plan to follow up in 2011. However audit was not able to determine whether there was a positive response to this work plan which started during the year 2011.

Without any recovery mechanism or arrangement with these entities as to how the loan would be paid, there is a risk that these loans may not be recovered and government may be forced to write them off.

### **Recommendations**

- **Stringent recovery measures should be put in place to ensure that all loans are recovered yearly by the government.**
- **The Ministry should review loans that have been dormant and ascertain its position of being recovered and how to recover these loan funds.**

### **Ministry's Comments**

*Recommendation is appreciated. MOF wishes to advise that most of these entities are not financially viable to honor loan repayments to Government as in the case of FSC and as audit as covered in the previous section, Government advanced \$35.5million in 2010 despite \$32million in existing debt owed by the Corporation. NATCO and Rewa Rice are yet to achieve positive results from their organizational and financial restructure by the Department of Public Enterprise. It is to be noted that Ministry would seek Cabinet approval for the RRL balance sheet restructure and from a financial perspective; RRL does not have the ability to make repayments in its current form.*

*In terms of follow up the MOF visited and held discussions with senior management of Fiji Sugar Corporation, Fiji Pine, Fiji Sports Council on their financial performance. On the contrary, MOF was able to recover the full \$20million from Fijian Affairs Boards in 2010 and this has not been acknowledged in the audit report. However it must also be understood that Government is here to fulfill its social obligations towards the major economic sectors for which most of these entities play a significant part and therefore the issue of non-recovery must be viewed objectively.*

## 8.6 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.<sup>51</sup>

Lending Fund Accounts records all advances made by Government and is a debit balances in the Whole of Government Accounts.

The general ledger balance for Private Students Loan which is managed by Public Service Commission showed a credit balance in 2010 and has been showing such balances for the past five (5) years. Refer to Table 8.7 for details of this credit balances in the Private Student Loan Account.

Details are shown in the Table below.

TABLE 8.7: TOTAL CREDIT BALANCES FOR PRIVATE STUDENTS LOAN ACCOUNT BY YEARS

Year	Ending Balance (\$)
2006	(\$3,304,911.55)
2007	(\$3,823,125.33)
2008	(\$3,742,689.12)
2009	(\$3,743,185.08)
2010	(\$3,745,215.08)

Despite being raised in previous year's report, the account still shows a credit balance of \$3,745,215 at the end of 2010, indicating that the government owed money to the borrowers.

Furthermore, reconciliations of each of the PSC loan accounts could not be provided to audit after audit made a request<sup>52</sup> to the Commission.

The above can be attributed to the laxity in the review of the reconciliations submitted by the Commission to the Ministry without any corrective measure undertaken to determine the accuracy of these amounts.

Therefore records on the Fiji Government Scholarship provided by the Commission and the FMIS cannot be relied upon.

### **Recommendations**

**The Ministry should make enquiries with the Commission about these balances and the reconciliation submitted by the Commission for its accuracy and supporting details to this balances and to ensure that these amounts are accurately reflected in the Whole of Government Account.**

### **Ministry's Comments**

*MOF will be working with PSC to rectify these anomalies.*

<sup>51</sup> PSC Scholarship and Student Loan Scheme Handbook

<sup>52</sup> Email to Accountant of PSC dated 10<sup>th</sup> August 2011

## 8.7 Unauthorised postings to Lending Fund

For control purpose, access to FMIS system can only be done by authorised officers. No authorisation or control is in place when postings are made by officers of various Ministries and Departments into the FMIS.

The audit noted that adjustments were made into the Lending Fund Account in respect of Scholarship Unit by officers at the Prime Minister's Office without any authority or substantive reasons. While there have been some improvement pertaining to making unauthorised adjustments to the Lending Fund Account, such instances could indicate that control measures put in place by the Ministry had not been effective. Details are shown in the Table below.

TABLE 8.8: SCHOLARSHIP UNIT MISPOSTING

Account Name	Account Allocation	Opening Balance	Amount Lent	Amount Recovered	Ending Balance as at 31/12/10
		(\$)	(\$)	(\$)	(\$)
Tertiary Education	1-02105-02999-610810	(23,255)	---	---	(23,255)
Student Loan Scheme	1-02105-02999-611105	---	---	3,687	(3,687)
<b>Total</b>		<b>(23,255)</b>	<b>---</b>	<b>3,687</b>	<b>(26,942)</b>

Moreover, the Prime Minister's Office has yet to confirm to audit whether the accounts belong to the department or not. As a result, no adjustment was carried out to correct the above anomaly.

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 users of the FMIS and pose a risk of continuous misposting to the Lending Fund Accounts.

### **Recommendation**

**The Ministry should ensure that controls and proper authorisation are put in place to avoid unauthorised users postings from accessing the Lending Fund Account natural account numbers.**

### **Ministry's Comments**

*The recommendations is noted, the Ministry will write to Ministries handling scholarship funds to put in place internal control procedures to alleviate improper conduct & authorization.*

## 8.8 Dormant Loan Accounts

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.<sup>53</sup>

Review of the Lending Fund Account Appendix revealed that numerous accounts have been inactive and there is uncertainty for recovery. Refer to Table 8.9 for examples:

<sup>53</sup> Financial Management Act 2004, Section 61 (1)

TABLE 8.9: EXAMPLES OF DORMANT LOAN ACCOUNTS

Borrowing Institution	Amount Lent/Appropriated (\$)	Balance Outstanding as at 31/12/10 (\$)	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
National Trading Corporation Ltd	2,900,000	2,900,000	5	2001	7

There has been no movement such additional loan, nor has there been any interest capitalised made over a period of time for the above loan accounts. The probability of any recovery of the loans is low due to the lapse in time.

Furthermore, a parliamentary resolution on 20<sup>th</sup> February 2003, allowed the write off of \$2.2 million Native Land Trust Board loan, but the Board has not take any effort to clear the outstanding amounts of \$1,395,617.

Although raised in previous audit memorandums, the Ministry has not taken any action to rectify these inactive or dormant loans.

### **Recommendation**

**The Ministry of Finance should review these loan accounts, establish their recoverability and identify options to recover them.**

### **Ministry's Comments**

*Agree with recommendation and this will be action items in 2011.*

## **8.9 Telecom Fiji Limited Loan**

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.<sup>54</sup>

The audit noted that the loan made to Telecom Fiji Limited for DIGS Loan 5<sup>55</sup> has been fully paid but the General Ledger records still showed an outstanding balance of \$230,605 as owed to the company.

TABLE 8.10: P &amp; T LOAN

Particulars	Last Date of Payment	GL Figure (\$)	Reconciliation Figure (\$)	Variance (\$)
Post & Telecommunication Loan No.5	14/07/08	(230,605.00)	---	(230,605.00)

This issue was raised in previous year's audit however no action was taken by the Ministry to correctly reflect the balances as at 31 December 2010. The absence of carrying out reconciliation and laxity in supervision has resulted in the amounts being incorrectly included into the Whole of Government Accounts.

<sup>54</sup> Ministry of Finance, Finance Manual 2005, Recording, page iv

<sup>55</sup> Refer to Appendix 16

**Recommendations**

The Ministry of Finance should ensure that:

- reconciliations are updated and that balances reconcile with balances in the general ledger.
- variances between the General Ledger and the reconciliations are to be looked into and adjustments made accordingly.

**Ministry's Comments**

*Agree with recommendation and this will be accounted for in the 2011 accounts.*

**9.0 REVOLVING FUND ACCOUNT (RFA)****9.1 Trading and Manufacturing Activities (TMA)****9.1.1 *Incomplete reporting for the TMA in the Whole of Government Financial Statement***

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-
  - a statement of financial position;
  - a statement of financial performance;
  - a statement of changes in net assets;
  - a cash flow statement; and
  - notes on significant accounting policies, prepared in accordance with international accounting standards relevant to whole of government reporting on an accrual basis.<sup>56</sup>

The audit noted that despite the availability of accrual accounting records with the Ministry, the Whole of Government (WOG) financial statements fails to include a consolidated WOG trading and manufacturing activities statement of financial position. Refer to Table 9.1 below for balance sheets items that were not reported in the WOG financial statements:

TABLE 9.1: BALANCE SHEETS ACCOUNT BALANCES AS AT 31/12/10

	Account Description	Amount (\$)
<b>Assets</b>		
SAG 54	TMA Bank Balance	14,123,852
SAG 56	Accounts Receivable	3,664,508
SAG 58	Inventory	6,354,798
<b>Liabilities</b>		
SLG 84	Accounts Payable	(536,739)

<sup>56</sup> Financial Management Act 2004, Section 46 (1)

	Account Description	Amount (\$)
SLG 86	Deposits and Retention Money	2,195,522
<b>Equity</b>		
SLG 940300	TMA Surplus capital returned to CFA	(1,586,857)
SLG 940400	TMA Accumulated Surplus	24,048,060

As such, the balance sheet accounts are not reported in the WOG financial statements, understating Government assets and liabilities.

In addition to this, the presentation for the WOG Statement of Financial Performance for TMA is not consistent with the presentation of TMA in the Agency Financial Statement. In that, TMA accounts such as WOG Manufacturing, Trading and Profit & Loss account are not disclosed in the WOG financial statement.

The WOG TMA statement of financial performance is reported as net receipts/payments from Revolving Fund Account<sup>57</sup> in the WOG financial statement, schedule 2.

This is because the Financial Management Act 2004, section 46 for the WOG fails to outline the format of the presentation of the statement of financial position and performance.

Absence of detailed statement of financial performance in the WOG financial statement conceals the TMA transactions and limiting the disclosure of the profit/loss from the operation of the WOG TMA.

### **Recommendation**

**The Ministry of Finance should prepare a consolidated TMA financial position and statement of financial performance in accordance with section 46 of the Financial Management Act 2004 in accordance to the presentation outlined in Part 6, Schedule 1 of the Finance Manual of the Ministry of Finance.**

### **Ministry's Comments**

*The comments are noted. During the review period, a lot of efforts have been dedicated to ensuring that all individual TMA financial positions and statement of financial performances were assisted, verified, corrected and completed.*

*The ministry, in 2011 reviewed its monitoring mechanism to ensure that it effectively addresses the monitoring challenges currently been faced such as the need for line ministries having ownership of its respective TMA; the need to have experienced and/or qualified staff; and regular meetings and capacity building for new staff.*

### **9.1.2 TMA Credit Sales versus Cash Basis of Accounting**

These WOG 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.<sup>58</sup>

The WOG financial statement reported net receipts \$1.51 million in schedule 2 as outlined below in Table 9.2.

<sup>57</sup> Net Receipts and Payments include net of receipts and payments of all the RFA types – Imprest, Miscellaneous, IDC and TMA.

<sup>58</sup> 2010 Whole of Government Financial Statement Accounting Policy as in Note 1

TABLE 9.2: NET RECEIPTS/PAYMENTS FROM RFA

RFA – Type	Receipts (\$)	Payment (\$)	Ministry Net Receipt/ (Payment)	Cash Basis Net Receipts/ (Payments)
Imprest	115,001	114,841	160	160
Other Administration	3,817	49,860	(46,043)	(46,043)
Miscellaneous	292,314,389	286,170,637	6,143,752	6,143,752
Inter-departmental Clearance	1,831,611,283	1,831,611,283	---	---
TMA (Suspense)	26,390,026	30,978,141	(4,588,116)	(11,527,357)
<b>Total</b>	<b>2,150,434,516</b>	<b>2,148,924,762</b>	<b>1,509,7543</b>	<b>(5,429,488)</b>

Of the \$26.4 million in receipts TMA (suspense), \$6.94 million (26%) relate to TMA credit sales, as in the general ledger account description (natural account 2402000) which is outlined in table 9.3 below.

TABLE 9.3: RFA SUSPENSE CREDIT SALES

Ministry/Dept	Allocation	Description	Amount (\$)
Supplies	4-04351-91011-240202	Sales Credit	36,327
Supplies	4-04351-92011-240202	Sales Credit	2,471
Govt. Printing	4-04451-91011-240202	Sales Credit	8,764
Govt. Printing	4-04451-91012-240202	Sales Government Department	1,364
Govt. Printing	4-04451-91013-240202	Sales Credit	46,776
Works	4-40251-93011-240202	Sales Credit	375,587
Works	4-40252-93011-240202	Sales Credit	57,385
Works	4-40255-93011-240202	Sales Credit	34,044
Works	4-40257-91011-240202	Sales Credit	1,296,971
Works	4-40257-92011-240202	Sales Credit	1,140,871
Works	4-40257-93011-240202	Sales Credit	856,509
Works	4-40258-91011-240202	Sales Credit	156
Works	4-40258-92011-240202	Sales Credit	81
Works	4-40258-93011-240202	Sales Credit	1,660,889
Works	4-40262-91011-240202	Sales Credit	681,664
Works	4-40263-93011-240202	Sales Credit	718,274
Health	4-22251-22999-240202	Sales Credit	21,109
<b>Total</b>			<b>6,939,242</b>

Hence, the statement of receipts and payments in schedule 2 of the WOG financial statement is overstated by \$5.4 million or by 0.2%.

### **Recommendation**

**The Ministry should review the general ledger transaction and make adjustment to reflect cash basis of accounting transaction for conformity in reporting of the WOG financial statement.**

### **Ministry's Comments**

*The Financial Management Act 2004 allows both the cash basis and the accrual basis of accounting. The accounting policies currently apply for financial reporting that follows neither a cash basis nor an accrual basis of accounting. In reporting credit sales, the TMA at WoG is making transition towards accrual accounting which is achieving one of the main objectives of the Financial Management Reform.*

*Please note that allocations with Head 40 program 2 are not of the Meteorological Services but those of the Public Works Department of the Ministry of Works, Energy and Public Utilities.*

### 9.1.3 Unsubstantiated Equity balances

A quarterly performance report<sup>59</sup> shall be prepared and signed by the TMA Manager and submitted to the Accounting Head for inclusion into the quarterly management report to the Permanent Secretary. A copy of the report shall also be forwarded to the Ministry of Finance.<sup>60</sup>

The quarterly reports are a control mechanism for the Ministry of Finance to review the balances as in the quarterly reports to that of the balances in the general ledger and ensure that balance day adjustments (transfer of profit/loss) are in accordance to the statement of financial performance and the equity general ledger.

The audit could not substantiate TMA surplus and TMA accumulated surplus balance totalling to \$22.5 million appearing TMA general ledger. Refer to Table 9.4 below for details:

TABLE 9.4: UNSUBSTANTIATED TMA EQUITY BALANCES

Account	Description	Balance as at 31/12/10 (\$)	Balance as at 31/12/09 (\$)	Movement (\$)
4-00000-00000-940300	TMA Surplus capital returned to consolidated fund	1,586,857	4,152,548	(2,565,691)
4-00000-00000-940400	TMA Accumulated surplus/deficit	(24,048,060)	(29,183,036)	(5,134,976)
<b>Total</b>		<b>(22,461,203)</b>	<b>(25,030,488)</b>	<b>(2,569,285)</b>

The movement from year 2009 to 2010 balance could not be corroborated. This is because the Ministry of Finance is not monitoring the variances to equity accounts, despite the TMA accounts being received in accordance to section 6.5.1 and hence accumulates during the year.

Despite the issue being raised for the past 3 years, improvements were not made. Hence, the accumulated equity balance of \$22.5 million is unsubstantiated.

### **Recommendations**

**The Ministry should ensure that:**

- quarterly performance reports received are checked against the general balance for the accuracy of the TMA balances;
- TMA Operators to be held liable for the proper record keeping and the production of the TMA performance reports;
- the procedure in relation to the submission of quarterly TMA performance reports are reviewed as the variances have accumulated over the years; and
- Ministry of Finance strengthen the checklist mechanisms that are in place for those quarterly reports and ensure that any variances are investigated and rectified at that point in time.

<sup>59</sup> TMA financial statements comprising of Trading and Manufacturing Account and Profit and Loss Account.

<sup>60</sup> Proforma Finance Manual 2005, Section 6.5.1

**Ministry's Comments**

*All due monitoring processes were carried out during the review period as indicated in our comments of Table 10.1 such as the extraction and sending to TMAs the Quarterly Income (IS) and Balance Sheet (BS) Reports. Necessary adjustments were made accordingly. An improvement to this process has been carried out in 2011.*

**9.1.4 TMA and their Ceiling**

The Permanent Secretary may apply conditions like revenue sharing arrangements on Trading and Manufacturing Accounts (TMAs) and the amount will be negotiated between the agency and the Ministry of Finance.<sup>61</sup>

There are Trading and Manufacturing Accounts (TMA's) that are operating above their appropriated ceiling. Also, revenue collection budgeted in the 2010 annual budget for "return of surplus capital from TMA operations" totalled to \$1.2 million of which only \$15,783 (1%) has been receipted in the consolidated fund account. Refer to Table 9.5 for details:

TABLE 9.5: TMA CEILING

Account	RFA Appropriation (\$)	TMA Cash Holding (SAG 54) (\$)	Amount in Excess (\$)	Excess of Ceiling (%)	Excess of Revenue Forecast (%)
Livestock Undertaking	80,000	525,010	( 445,010)	556%	38%
Printing & Stationery	500,000	1,359,727	(859,727)	172%	74%
Bulk Purchase of drugs	500,000	688,712	(188,712)	38%	16%
Fiji Procurement Office	6,000,000	8,041,168	(2,041,168)	34%	175%
Public Works & Infrastructure	2,127,000	3,122,168	(995,168)	47%	85%
<b>Total</b>	<b>9,207,000</b>	<b>13,736,785</b>	<b>(4,529,785)</b>	<b>49%</b>	<b>389%</b>

The Public Works Department (PWD) Workshop Wages TMA is operating without any appropriation and could be an authorized TMA.

The absence of a revenue sharing arrangement could mean that ceiling appropriated on the operation of the TMA may have not been correctly set contrary to section 30(4) of the Finance Instruction 2010.

Also, non-remittance of TMA balances in excess of the appropriated ceiling could affect the cash flow forecasted for the Government.

**Recommendations****The Ministry should:**

- ensure that balance in excess of the ceiling is remitted to the consolidated fund;
- ensure that revenue sharing arrangement are in place for departments holding cash in excess of the appropriated ceiling in accordance with Finance Instructions 2010, Section 30 (4); and
- ensure that TMA operating without appropriation is investigated.

**Ministry's Comments**

*Comments noted and current efforts are underway to ensure that the balances in excess of the ceiling are remitted to the Consolidated Fund Account.*

<sup>61</sup> Finance Instructions 2010, Section 30 (4)

### 9.1.5 Unbalanced TMA Fund

Trading and Manufacturing Accounts (TMA) 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.<sup>62</sup>

A variance of \$23,152 existed between the Net Assets and the Net Equity for the TMA balances in the general ledger. Refer to Table 9.6 for details of the variance.

TABLE 9.6: UNBALANCED TMA FUND ACCOUNT

Account	Description	Amount (\$)
4-00000-00000-BS0000	Balance Sheet Proof	23,152
4-00000-00000-BSTA00	Total Assets	24,143,138
4-00000-00000-BSTL00	Total Liabilities and Equities	(24,119,986)

This is because the FMIS – general ledger allows posting of balances across funds irrespective of whether the fund is balanced or not. For illustration, refer to Table 9.7 of a hypothetical general ledger entry that is allowable despite the funds being not balanced.

TABLE 9.7: HYPOTHETICAL GENERAL LEDGER POSTING

Account Number	Debit (\$)	Credit (\$)
1-00000-00000-XX0000	XXX	
4-00000-00000-XX0000		XXX

The above account with a full 16 digit code is acceptable by the FMIS as long as the debit and credit amount are balanced, irrespective of the unbalanced fund. The above is a result of the lack of the accounting procedures in the finance manual of part 6 for TMA general ledger posting of such occurrences.

Unbalanced fund distorts the accounting information and hence could be attributed to one of the reasons for the unsubstantiated “*correction of fundamental errors*” totalling to \$10.93 million in schedule 2 of the Whole of Government financial statement.

### Recommendations

- The Ministry should monitor the Fund 4 balances on a monthly basis in the system with regards to the balance sheet proof which should be zero at month end.
- The Ministry should investigate the variances of the balance sheet proof and rectify the difference and posting in the general ledger should be supported with documentations and properly authorised.
- Disciplinary action should be taken against Officers for making postings into the system without proper authorisation for posting and the absence of supporting documents.

### Ministry’s Comments

*Comments noted. The Ministry monitors the Fund 4 accounts which include scrutinizing monthly Bank Reconciliation Reports, extracting Income Statement (IS) and Balance Sheet (BS) Reports of TMA from the FMIS*

<sup>62</sup> Ministry of Finance, Finance Manual, Part 6

before sending it to TMA for their verification and necessary adjustments. This monitoring process will be improved in 2011.

## 9.2 RFA – Miscellaneous

### 9.2.1 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.<sup>[1]</sup>

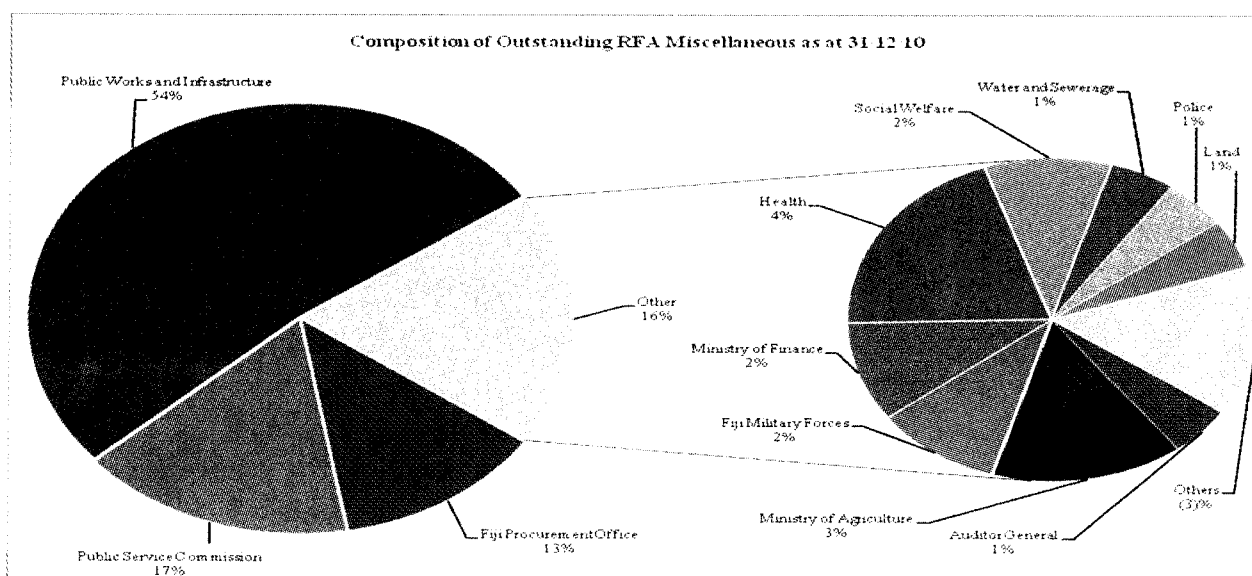
The ledger reconciliation statement shall be forwarded to the Accountant. The Accountant must ensure that all balances are accurate and adequately supported and any misallocations or outstanding balances from previous month have been dealt with.<sup>[2]</sup>

RFA – Miscellaneous outstanding as at 31/12/10 comprising of 10% and more in respect of Ministry/department is outlined in table 9.8 below:

TABLE 9.8: LARGE OUTSTANDING BALANCES IN RFA-MISCELLANEOUS

Ministry/Department	2010		2009		Change in
	Amount (\$)	%age	Amount (\$)	%age	%age
Fiji Procurement Office	7,695,792	13	7,902,146	12	1
Public Service Commission	10,534,555	17	11,577,520	17	---
Public Works and Infrastructure	33,033,301	54	33,799,911	51	3
Others <sup>63</sup>	9,514,103	16	13,641,926	20	(4)
<b>Total</b>	<b>60,777,751</b>	<b>100</b>	<b>66,921,503</b>	<b>100</b>	

FIGURE 9.1: Graphical representation of RFA – Miscellaneous balance per Ministry/Department:



<sup>[1]</sup> Ministry of Finance - Finance Manual 2005, Section 16.3.1

<sup>[2]</sup> Ministry of Finance - Finance Manual 2005, Section 16.3.6

<sup>63</sup> Ministry/department balances consolidated as these had balances outstanding that were less 10% of the total outstanding.

Furthermore, there are ministries and departments that have not made any major improvement in the clearance of their outstanding balances is that percentage change in their outstanding balance is below 10%. Refer to table 9.9 for details below:

TABLE 9.9: PERCENTAGE CHANGE IN OUTSTANDING BALANCE LESS THAN 10%

Ministry/Department	Balance as at 31/12/10 (\$)	Balance as at 31/12/09 (\$)	Variance (\$)	% Change
Election	64,815	65,004	(189)	(0.3)
Fiji Military Forces	1,423,483	1,556,908	(133,425)	(8.6)
Fiji Procurement Office	7,695,792	7,902,146	(206,354)	(2.6)
Immigration	6,267	6,791	(524)	(7.7)
Industry and Trade	(146,600)	(148,400)	1,800	(1.2)
Justice	207,802	220,847	(13,045)	(5.9)
Multi Ethnic Affairs	17,777	18,675	(898)	(4.8)
Office of Accountability and Transparency	15,284	15,284	---	---
Prime Minister's Office	182,897	182,897	---	---
Printing and Stationery Department	12,133	12,252	(119)	(1.0)
Public Service Commission	10,534,555	11,577,520	(1,042,964)	(9.0)
Publics Works and Infrastructure	33,033,301	33,799,911	(766,610)	(2.3)
Social Welfare	1,470,044	1,478,871	(8,827)	(0.6)
Women and Culture	122,822	122,822	---	---

Moreover, there were outstanding balances for ministries and departments that significantly increased in year 2010 compared to 2009, in that the percentage increase in their outstanding balance is above 50%. Table 9.10 outlines significant increase in RFA Miscellaneous per ministries and departments.

TABLE 9.10: SIGNIFICANT INCREASE IN OUTSTANDING RFA – MISCELLANEOUS BALANCES

Ministry/Department	Balance as at 31/12/10 (\$)	Balance as at 31/12/09 (\$)	Variance (\$)	%age Increase
Auditor General	668,859	419,583	249,276	59
Bureau of Statistics	(8,553)	(4,267)	(4,286)	100
Environment	(10,068)	(2,361)	(7,707)	326
Health	2,591,995	373,241	2,218,754	594
Indigenous Affairs	6,953	0	6,953	100
Labour & Industrial Relations	83,170	8,839	74,331	841
Local Government & Environment	(208,527)	(17,623)	(190,904)	1,083
Mineral Resources	10,531	0	10,531	100
National Planning	133,539	11,601	121,938	1,051
Provincial Development	(81,424)	(46,683)	(34,741)	74
Public Enterprises	(1,426,203)	(31,417)	(1,394,786)	4,440

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.

Despite the issue being raised in for the past two years, material improvement in monitoring and clearance of the balances are yet to be seen.

### Recommendations

- The Ministry of Finance should follow up with the ministry and departments to investigate the huge variances by correcting it in the correct allocations and also put in place stringent measures such as reconciliations to be prepared and checked by supervising officers; and
- Surcharge action should be taken against responsible officers not preparing reconciliations and are not taking the effort to clear outstanding balances.

### Ministry's Comments

#### 9.2.2 RFA – Advances, Dishonoured Cheque, Unclaimed Monies & Surcharges

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.<sup>64</sup> The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

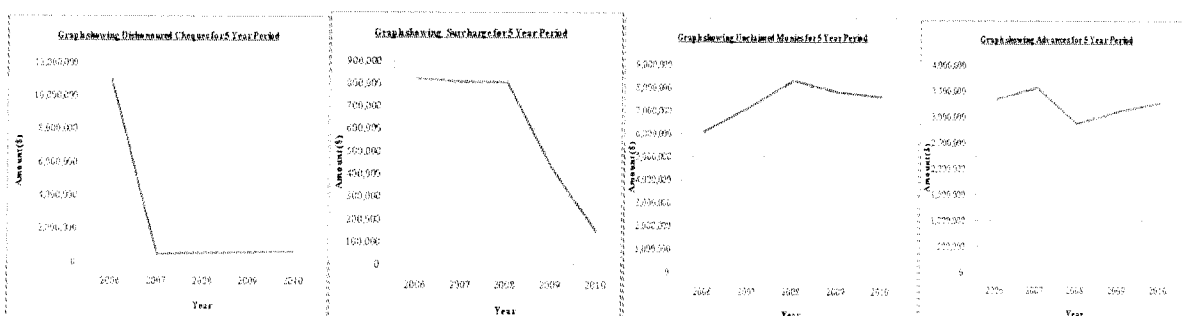
The recovery of advances and dishonoured cheques over the 5 year seemed to have slowed down compared to year 2009. The movement in the balance for unclaimed monies is only by 3%. Refer to table 9.11 and figure 9.2 for trend analysis on these accounts:

TABLE 9.11: OUTSTANDING BALANCE – RFA BY TYPE

Year	Advances (\$) 570301	%age Change	Dishonoured Cheque (\$) 570302	%age Change	Unclaimed Monies (\$) 570303	%age Change	Surcharge (\$) 570304	%age Change
2006	3,329,010	-	10,978,882	-	6,089,707	-	822,039	-
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)
2010	3,275,503	5	584,017	1	7,572,689	(3)	142,394	(67)
On Average	3,227,917		2,616,561		7,368,622		601,811	

Graphical representation of RFA balances per specific type: Advances, Dishonoured cheques, unclaimed monies and surcharge is shown below in Figure 9.2:

FIGURE 9.2: TREND ANALYSIS OF RFA BALANCES BY TYPE



<sup>64</sup> Finance Circular No. 10 of 02 April, 1982

Accumulation of balances over the years could become difficult for the Accountants of ministries and departments to clear and hence is susceptible for abandonment through write-off.

### **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**

## **9.3 Ministry/Department Account Structure in the General Ledger not in accordance to the Annual Appropriation Act**

The Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>65</sup>

The chart of accounts of the Whole of Government is structured according to the budget sector agency as approved annually through the Annual Appropriation Decree.

The audit noted that the following RFA balances in the general ledger were not mapped to the new allocation numbers and these balances continued to be reflected in the old allocation numbers and not transferred to new allocation numbers. Refer to Table 9.12 for details of examples:

TABLE 9.12: OLD BUDGET SECTOR AGENCY BALANCES YET TO BE MAPPED

From Old Budget Sector Agency	Old Allocation Numbers	To 2010 Budget Sector Agency	Balance (\$)
PSC	1-02101-05999-560303	PM's Office	10,959,810
PSC	1-02101-05999-570101	PM's Office	93,110
PSC	1-02101-02999-586030-3	PM's Office	(17,838)
PSC	1-02101-02999-560203	PM's Office	(233,116)
PSC	1-02101-02999-570301	PM's Office	117,881
PSC	1-02101-02999-570302	PM's Office	(3,790)
PSC	1-02101-02999-840602	PM's Office	(56)
PM	1-01101-01999-840602	President Office	(512)
PM	1-01101-01999-570301	President Office	35,652
PM	1-01201-61999-560302	President Office	7,594
PM	1-01101-01999-560302	President Office	90,125
PM	1-01101-01999-570101	President Office	32,590
PM	1-01102-01999-560302	President Office	(492)
Forestry	1-32301-78999-850202	Not in budget	(116,000)
<b>Total Net Off Balances</b>			<b>\$10,964,958</b>

<sup>65</sup> Ministry of Finance, Finance Manual 2005, Part 16

As such balances in relation to old budget sector agencies remained at \$10,964,958 causing disparity in the structure of the general ledger balances that is supposed to be in accordance with the 2010 Budget Estimates.

The above indicated that the Ministry lacked commitment to maintain accurate balances in the general ledger in accordance to the annual appropriation act and hence distorts the FMIS-GL balance information in regard to a particular ministry/department.

### **Recommendation**

**The Ministry should ensure that the general ledger balances in the FMIS are correctly mapped to the correct allocations as in the 2010 Budget Estimates.**

### **Ministry's Comments**

## **9.4 Variance in the 2010 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.<sup>66</sup>

A variance of \$28,864 was noted between the 2009 audited closing balances in the RFA miscellaneous to that of the 2010 opening balance submitted for audit. Refer to table 9.13 below for details.

TABLE 9.13: VARIANCE IN THE 2010 OPENING BALANCE

Ministry	2010 Opening Balance (\$)	2009 Audited Closing Balance (\$)	Variance (\$)	Reason for Variance
Cabinet Office	182,897	186,373	(3,476)	Cannot be explained
Housing and Urban	(17,623)	(1,123)	(16,500)	Missed in the 2009 accounts
PSC	11,577,520	11,586,690	(9,170)	Cannot be explained
Public Works-Other Admin	282	---	282	Cannot be explained
<b>Total Variance</b>			<b>(28,864)</b>	

Furthermore, the RFA – miscellaneous and administration totalled to \$61,610,114 while the Statement of Revolving Fund Account (Appendix 19) has a total of \$61,606,864 resulting in a variance of \$3,250. Refer to Table 9.14 for the composition of the RFA balances as per the general ledger.

TABLE 9.14: GENERAL LEDGER BALANCE VS STATEMENT OF REVOLVING FUND ACCOUNT

Description	Natural Account	Amount (\$)
Standard Asset Group (SAG)	56	52,053,565
Standard Asset Group (SAG)	57	17,418,457
Standard Liability Group (SLG)	84	(9,655,538)
Standard Liability Group (SLG)	85	1,793,630
<b>Total Balance as per General Ledger</b>		<b>61,610,114</b>
<b>Total Balance as per Statement of Revolving Fund Account (Appendix 19)</b>		<b>61,606,864</b>
<b>Variance</b>		<b>3,250</b>

<sup>66</sup> Ministry of Finance-Finance Manual 2005, recording, page iv.

This is because the statement of revolving fund account could not be balanced with the Whole of Government RFA report (reports extracted at whole of Government level rather than at ministry and department level).

Also, the reports provided to audit as per ministry and department lacked detail as to how the report was generated (report parameters) to ensure completeness of the balances in the statement of the revolving account. Hence, the variance between the closing audited balances to that of the opening balance in the following year may remain.

Similarly, balances reflected in the statement of revolving fund account for RFA – Imprest and Inter-departmental clearance (IDC) account has not been balanced at WOG level.

This distorts the completeness and accuracy with which the balances are reflected in the Statement of Revolving Fund Account and hence the net receipts/payments in the whole of Government financial statement in schedule 2.

### **Recommendation**

**The Ministry should ensure that the statement of revolving fund account is balanced with the WOG RFA report and variances are investigated and adjusted to its correct allocations.**

### **Ministry's Comments**

## **9.5 Review of SLG 84 & 85 Account Balances and Absence of Policy and Procedures**

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.<sup>67</sup> The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

The audit noted that Standard Liability Group (SLG) 85 despite being a liability had a debit balance totalling to \$1.79 million. Refer to Table 9.15 for details:

TABLE 9.15: SLG 85 BALANCES

Account Number	Account Description	Amount (\$) - 2010	Amount (\$) - 2009	%age Change
1-19101-19999-850202	GL Deferred income open item	1,806,852	1,806,852	-
1-19101-19999-850203	GL Deferred income	(6,290)	(6,290)	-
1-19104-19999-850202	GL Deferred income open item	(3,810)	-	-
1-19105-19999-850202	GL Deferred income open item	(39,465)	(14,003)	182
1-32301-78999-850202	Observer levy fee	(116,000)	-	-
1-40101-40101-850202	GL Deferred income open item	(658)	(31,305)	(98)
1-40101-40104-850202	GL Deferred income open item	(21)	-	-
1-40104-40101-850202	GL Deferred income open item	(432)	(432)	-
1-41201-85999-850102	GL Deferred expenses open item	153,453.58	153,453.58	-
<b>Total</b>		<b>1,793,630</b>	<b>1,908,276</b>	<b>(6)</b>

Moreover, RFA SLG 84 totalled \$9.66 million as at 31/12/2010 compared to \$1.21 million in 2009 and increase of \$8.45 million or 701%.

<sup>67</sup> Finance Circular No. 10 of 02 April, 1982

The absence of reconciliations and a policy/procedure manual contributed to the anomalies noted for the SLG natural accounts 84 and 85.

### **Recommendation**

**The Ministry should ensure that a policy and procedure manual is drawn for SLG 84 and 85 natural accounts.**

### **Ministry's Comments**

*No comments received*

## **10.0 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.<sup>68</sup>

Currently, in the absence of the House of Representatives, guarantees are approved under the authority of the Cabinet. A cabinet paper is presented by the Minister for Finance to seek approval for the issue of guarantees sought by the entities concerned.

The Debt Management Unit (DMU) of the Ministry of Finance administers the documentation, legal issues, variations, drawdown and reporting of the Government guarantees annually. While the Asset Management Unit (AMU) makes the financial assessment of loan guarantees, it has the task of making recommendations on the eligibility criteria. In addition, the Public Enterprise and line Ministries concerned are also involved in the loan assessment process.

However, the decision on the final approval of the loan guarantees rests with the Minister of Finance and Cabinet.

A guarantee fee of up to 2 percent is charged on all guarantees. The fee percentage range is agreed upon taking into account each entity's financial performance.<sup>69</sup>

Fiji Electricity Authority currently pays its guarantee fees, but many organisations are exempted as part of Government's social obligation.

The percentage of default to the total number of loans guaranteed is less than 1% which is the Fiji Sports Council whose annual repayment is paid by Government at \$370,000 per annum. A budget of \$1 million was provided under Appropriation Head 52 (3) to cover these payments.

The Guarantee Policy prepared by the Debt Management Unit in 2004 is currently under review with the new policy to include quarterly reporting as a requirement. The unit is also working on standardising the reporting template to allow for consistency and accuracy amongst all loan entities.

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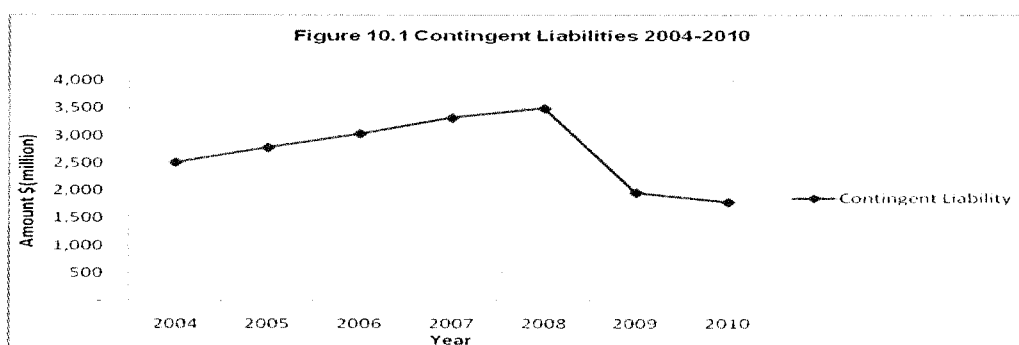
<sup>68</sup> Finance Management Act 2004, Section 62(1)

<sup>69</sup> Finance Circular No. 8 of 2004

## 10.1 Contingent Liabilities for Government

The Government under the authority of the House of Representatives provides guarantees for the financial liability of entities in respect of loans or otherwise.<sup>70</sup> 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.<sup>71</sup>

The Government's total contingent liabilities recorded slight fluctuations over the years. A total of 16 entities were covered under Government guarantee in 2010 which was the same as in 2009. Figure 10.1 below shows the trend in total contingent liabilities for the years 2004 to 2010.



Government guarantee during the year covers both domestic and overseas loans. The total contingent liabilities as at 31/12/10 amounted to \$1,791,461,261. Domestic loans accounted for \$1,728,384,419 or 96.5% of total liabilities during the year. Overseas loans on the other hand accounted for \$63,076,842 or 3.5% of total liabilities as at 31/12/10.

## 10.2 Increased Liabilities for Domestic Loan 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.

The domestic loans are the Government guarantees given in respect of loans taken by the domestic institutions.

The audit noted that total contingent liabilities on these domestic loans decreased by \$171,607,245 or 9% compared to 2009. Despite the reduction in the overall liabilities of the domestic loans, audit noted an increase in liability balance for the 3 institutions noted below:

TABLE 10.1: INCREASED LIABILITIES FOR GOVERNMENT GUARANTEES

Institutions	Government Guarantee 2010 (\$)	Liability as at 31/12/10 (\$)	Liability as at 31/12/09 (\$)	Variance (\$)	% change	Reason for increase
Fiji Hardwood Corporation	14,900,000	17,290,858	16,900,739	390,119	2.30	Financial constraints faced by the entity with accrued interest

<sup>70</sup> Finance Management Act 2004, Section 62(1)

<sup>71</sup> Financial Instructions 2005, Section 3

Institutions	Government Guarantee 2010 (\$)	Liability as at 31/12/10 \$	Liability as at 31/12/09 \$	Variance \$	% change	Reason for increase
(FHCL)						and principal loan balances.
Fiji Broadcasting Corporation	17,846,315	14,252,810	11,865,382	2,387,428	20.1	None provided.
Pacific Fishing Company	4,109,700	5,387,361	2,831,945	2,555,416	90.2	Liability balance now includes the overdraft facility as well as the guarantee/ bonds. PAFCO had exceeded its overdraft facility by \$341,904 that was later cleared early January 2011.

The audit further 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 31<sup>st</sup> December and reasons for the variances are often requested from these various institutions by audit for verifications.

The absence of proper recording and monitoring system in place for these guaranteed loans could result in the inclusion of non- guarantees taken up as contingent liabilities at year end.

### **Recommendation**

**The Ministry should ensure that movements in the loans balances and guarantee are monitored and with continuous dialogue with Government entity on the servicing of the liability.**

### **Ministry's Comment**

*Duly noted. Movement in loan balances cannot be controlled as there are unavoidable costs associated with the loan account such as late payment fee, accrued interest and principal etc. For monitoring purposes, DCFMU conducts quarterly visits/assessments on all guarantee entities. Further DCFMU also undertakes risk assessment and debt sustainability analysis on high risk entities and reports to Management.*

## **10.3 Variance in Government Guarantee of Loans through FNPF**

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. The following Table shows the details of the variances.

TABLE 10.2: VARIANCES IN FNPF CONFIRMATION OF LOANS

Institution	Loan Reference Number	FNPF Confirmation (\$)	Statement of Contingent Liability (\$)	Variance \$
Fiji Pine Limited	1116	6,200,018	6,200,263	(245)
Housing Authority	H81	320,120	304,219	15,901
Housing Authority	H76	1,028,756	1,038,621	(9,865)
<b>Total</b>		<b>7,548,894</b>	<b>7,543,103</b>	<b>5,791</b>

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. The Statement of Contingent Liability therefore is understated by \$5,791.

Lack of supervision and failure to follow-up government guaranteed loan balances with respective government entities has resulted in the above stated variances.

### **Recommendation**

**The Ministry should prepare reconciliations of these guaranteed loans and any variances are communicated to the Government entity to ensure that correct balances are disclosed.**

### **Ministry's Comment**

*Variances could be attributed to adjustments made after entities received confirmation from FNPF. However to ensure consistency for all entities, DCFMU relies on the figures submitted by the entities as this reflects the liabilities that will be appearing in their Balance Sheets.*

## **10.4 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.<sup>72</sup>

The government guarantee of members' contribution to the Fund totalled \$758,368,125 or 42.3% of total government guarantee as at 31 December 2010. 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 on the Fund as custodian of employee funds.

The total contingent liabilities outstanding for the Fund have been amended as at 31 December 2009 in line with Cabinet Decision dated 18/12/09 on the Exclusion of FNPF Funds invested in Government Stock. Therefore, guarantee balance does not include the total members' contribution at FNPF.

## **10.5 Unavailability of Documents 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 Minister.<sup>73</sup>

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 2010. The balance has been carried forward without any movement from 2009 since there was no record prepared by Ministry of Finance for the total subscriptions outstanding in 2010.

<sup>72</sup> Legislation Act No. 19 s(9)

<sup>73</sup> Finance Management Act 2004, Section 62 (1) & (2)

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 honour its loan commitments under respective agreements with these institutions.

Moreover audit noted that arrangements are being made with Reserve Bank of Fiji to provide the documents for the international subscriptions but is yet to be made available.

### **Recommendation**

**The Ministry should follow up with the Reserve Bank of Fiji to ensure that data and necessary correspondence are obtained for the international agencies subscriptions for audit verification purposes.**

### **Ministry's Comments**

*Agree with the recommendation and steps have been taken to reconcile and update this information.*

## **11.0 SINKING FUND ACCOUNT**

The JP Morgan Sinking Fund account is a liability account set up to record funds set aside for the repayment of the bonds issued in 2006.

### **11.1 JP MORGAN SINKING FUND ACCOUNT**

All monies raised by way of loans, overdraft or short term advances will be recorded in the Borrowing Funds. To raise loan the Government would require the approval of Parliament and Reserve Bank of Fiji has the responsibility of raising the loan on behalf of government.

The repayment of principal, debt servicing charges and other charges including contributions to the Sinking Fund will be met from the Operating Fund Account by transfer to the Borrowing Fund Account and finally effecting the payment to the lender for redemption of loan and are transferred to the Borrowing Fund Account for the formation of Sinking Fund for repayment of that loan<sup>74</sup>.

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 done in September 2011. The sinking fund balances with JP Morgan as at 31 December 2010 was \$68,659,964 which was the balance being brought forward from 2008. The audit noted that the J.P. Morgan cash account reflected in the general ledger as at 31/12/10 totalled \$103,451,995.

The following anomalies were noted:

- (1) The Sinking Fund general ledger cash balances for JP Morgan Cash account in 2010 of \$68,659,964 has been carried forward from 2008. The audit noted that the interest payment in 2009 of \$19.9 million and transfer of funds in 2010 of \$14.9 million being payments made out of the operating fund was accounted for in the Borrowing Account. However the payment to the lender for redemption of loan by making interest payment in 2009 and 2010 were not being transferred to the Sinking Fund which has been formed for the repayment of that loan.

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<sup>74</sup> Page 2 of Accounting Training Manual issued by Ministry of Finance

- (2) The non accounting of the total interest paid on the JP Morgan bonds in 2009 of \$19.9 million and \$14.9 million in year 2010 payment made out of the Operating Fund have been under/overstated in the Sinking Fund account.

### **Recommendation**

**The Ministry must ensure that treatment of repayment of principal, interest and effecting the payment to the lender for the redemption of the loan funds are transferred to the Borrowing Account and Sinking Fund which is the account for repayment of the loan.**

### **Ministry's comments:**

*Comments are welcomed but stated herein are some clarification:*

*Firstly interest expense is an **operating expenditure** of an entity and it should rightfully be funded from Operating funds and not from a Sinking account, and to validate this, the Government budget classifies interest as Operating Expenditure (refer to Page 1 and 9 of Budget Estimates. Therefore interest paid with respect to the 2006 Bond was budgeted under the debt servicing budget.*

*Secondly as raised in your observation 1- the Balance of \$68,659,964 is the balance of the Sinking Fund GL and not the Cash Account. This takes us back to the initial recommendation from OAG officials when finalizing the 2008 Accounts which had 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 31/12/10.*

## **11.2 JP Morgan CASH ACCOUNT**

The repayment of principal, debt servicing charges and other charges including contributions to the Sinking Fund will be met from the Operating Fund Account by transfer to the Borrowing Fund Account and finally effecting the payment to the lender for redemption of loan and are transferred to the Borrowing Fund Account for the formation of Sinking Fund for repayment of that loan.

If the money in the sinking fund exceeds the amount required to redeem the loan for which the sinking fund has been created, the balance of the sinking fund will be transferred to the Operating Fund Account. In case of deficiency, this will be covered by a further appropriation or raising of additional loan.<sup>75</sup>

The JP Morgan GL account balance as at 31/12/10 amounted to \$103,451,995.

The following anomalies were noted:

- (1) The audit was not provided the bank audit certificates for the accounts number 3597 (Pledge Accounts) and account number 4208 (Collateral Account) despite request made to the Reserve Bank of Fiji for their confirmation. The audit then requested the Ministry to follow up for the confirmation which was not submitted to date.
- (2) The Ministry of Finance reconciliation for the JP Morgan Cash accounts as at 31/12/10 was \$113,243,370. While the Ministry were able to show the movement of the differences between the general ledger balances and the Cash Account reconciliations as at 31 December 2010, it

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<sup>75</sup> Page 2 of Accounting Training Manual issued by Ministry of Finance

did not carry out those necessary adjustments into the FMIS ledger – JP Morgan Cash Account which is understated by \$9,791,375.

- (3) The bank statement for account number 1407 showed that the balance as at 31/12/10 was US\$47,208,044 while Ministry of Finance records showed a balance of US\$47,212,462 with a difference of US\$4,418 (FJ\$8,039<sup>76</sup>). While the bank confirmations for the other two accounts (Account numbers 3597 & 4208) have yet to be provided, there is a risk that these two accounts may not be correctly stated into the 2010 accounts.

As a result, JP Morgan cash account as at 31<sup>st</sup> December 2010 in Appendix 3 has been understated by the net movement in funds of \$9.7 million.

### **Recommendations**

- **The Ministry should ensure that amounts for cash are supported by bank statements provided by Reserve Bank of Fiji in respect of JP Morgan accounts. The Ministry should assist to facilitate to request for the confirmations from RBF to be provided to audit prior to the finalization or prior to commencement of the audit.**
- **The Ministry should ensure that money set aside should be correctly reflected in the Sinking Fund account.**

### **Ministry's comments**

*Comments are noted. In this particular case the MOF has used the Bank statements dated 03 January 2011 which had a balance of US\$47,212,462 which included the dividend received for the month of December. However all the required statements are now available for audit inspection.*

*On the recommendation for the sinking fund, we again would like to propose that the offshore account maintained by Government is a **Cash Account or Asset Account** which is widely known as the "Sinking Fund", and other accounting terms used are Redemption Accounts or Reserve Account". In this regard and under the cash basis of accounting there is only one bank account for Government that was opened in 2006 with JP Morgan for which the MOF has in the FMIS system as account No: 1-04104-04402-510803 "JP Morgan Bank in America"*

*We had requested OAG to review its recommendation in 2008 with 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. The fact is there is only one account that has cash and that is JPMorgan Cash. It is the **cash account** that determines how much Government has to support the 2011 Repayment.*

*MOF will be zeroing the Sinking Fund Account in the Accounting System in September since the 2006 Bonds has been successfully redeemed.*

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<sup>76</sup> RBF rate - \$0.5496

## Appendix 1: Operating Fund – Expenditures

### [Schedule 1 – Appropriation Decree 2010]

Head No	Ministry/Department	Appropriation Amount \$	Revised Amount \$	Actual Expenditure 2010 \$	Savings/(Over-Spent) \$	%
1	Office of the President	1,156,231	1,156,200	1,043,252	112,948	10
2	Office of the Prime Minister	30,990,204	23,156,759	21,641,209	1,515,550	7
3	Office of the Attorney General and Solicitor General	6,148,312	5,255,201	4,318,967	936,234	18
4	Ministry of Finance	58,071,683	58,954,805	50,643,203	8,311,602	14
5	Department of Indigenous Affairs	25,615,729	27,301,027	27,240,175	60,852	0.2
6	Ministry of Defence, National Security and Immigration	5,294,185	3,606,700	3,612,759	(6,059)	(0.2)
7	Ministry of Labour, Industrial Relations, and Employment	10,550,680	10,219,528	9,322,885	896,643	9
8	Ministry of Foreign Affairs, International Co-Operation and Civil Aviation	27,832,759	23,347,011	20,937,015	2,409,996	10
9	Office of the Auditor General	2,500,193	2,500,200	2,528,816	(28,616)	(1)
10	Elections Office	1,367,093	992,994	894,008	98,986	10
11	Judiciary	11,474,327	11,474,400	10,536,444	937,956	8
12	Legislature	1,063,231	1,063,200	925,690	137,510	13
13	Office of Accountability and Transparency	1,017,149	652,100	610,494	41,606	6
14	Office of the Director of Public Prosecutions	3,602,187	3,602,200	3,790,172	(187,972)	(5)
15	Ministry of Justice	17,129,563	17,129,600	17,576,287	(446,687)	(3)
16	Department of Information	3,490,922	3,490,900	3,405,559	85,341	2
17	Ministry of National Planning	10,000,432	7,403,936	6,633,932	770,004	10
18	Ministry of Provincial Development, National Disaster Management and Multi-Ethnic Affairs	48,334,309	47,296,679	43,134,188	4,162,491	9
19	Fiji Military Force	101,118,550	101,210,920	101,016,582	194,338	0.2
20	Fiji Police Force	77,678,970	80,398,527	81,171,995	(773,468)	(1)
21	Ministry of Education, National Heritage, Culture and Arts	239,138,411	240,082,882	239,149,971	932,911	0.4
22	Ministry of Health	138,714,523	138,714,500	153,830,178	(15,115,678)	(11)
23	Department Local Government, Urban Development, Housing and Environment	11,258,583	10,608,600	10,236,251	372,349	4
24	Ministry of Social Welfare, Women & Poverty Alleviation	32,963,300	31,877,141	31,216,409	660,732	2
25	Department of Youth and Sports	2,692,728	2,692,700	2,498,145	194,555	7
26	Higher Education Institutions	61,697,202	61,697,200	61,697,203	(3)	---
30	Ministry of Primary Industries	75,832,930	68,378,098	66,279,948	2,098,150	3
33	Ministry of Lands and Mineral Resources	39,122,423	41,305,186	42,991,700	(1,686,514)	(4)
34	Ministry of Industry and Trade	11,962,310	11,784,400	10,651,617	1,132,783	10
36	Ministry of Public Enterprise, Tourism and Communications	29,882,840	31,581,955	31,224,281	357,674	1
40	Ministry of Works and Transport	170,321,903	173,978,087	158,665,807	15,312,280	9
41	Ministry of Public Utilities and Energy	104,549,849	100,339,066	94,106,837	6,232,229	6

Head No	Ministry/Department	Appropriation Amount \$	Revised Amount \$	Actual Expenditure 2010 \$	Savings/(Over-Spent) \$	%
50	Miscellaneous Services	84,629,298	105,101,444	98,067,467	7,033,977	7
51	Pensions, Gratuities and Compassionate Allowance	---	37,628,200	33,138,552	4,489,648	12
52	Charges on Account of Public Debt	---	507,981,000	455,343,659	52,637,341	10
<b>Total</b>		<b>1,447,203,009</b>	<b>1,993,963,346</b>	<b>1,900,081,657</b>	<b>93,881,689</b>	<b>5%</b>

**Appendix 1(b): Lending Fund Account**  
**Schedule 1 – Appropriation Decree 2010**

<b>Ministry/Department</b>	<b>Appropriation Amount \$</b>	<b>Revised Amount \$</b>	<b>Recovery 2010 \$</b>	<b>Additional Loan 2010 \$</b>
<b>Re-current Loans</b>				
Advances to Public Officers	1,000,000	1,000,000	1,113	3,010
Production Loans to Farmers	72,000	72,000	-	-
Loans to Consumer Co-operatives Societies	250,000	250,000	202,657	202,132
Loans to Copra Industry for Stabilization of Earnings	13,500,000	13,500,000	262,607	17,983
Loans to Students Attending Tertiary Education Institutions	5,000,000	5,000,000	2,905,041	2,189,544
Loans to Private Students	500,000	500,000	2,030	-
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	6,100	-
	<b>22,422,000</b>	<b>22,422,000</b>	<b>3,379,548</b>	<b>2,412,669</b>
<b>Non-recurrent Loans</b>				
Students Loan Scheme	1,000,000	1,000,000	3,863,501	2,567,431
<b>Total</b>	<b>23,422,000</b>	<b>23,422,000</b>	<b>7,243,049</b>	<b>4,980,100</b>

**Appendix 2: Recurring Audit Issues – Trust Fund Accounts**

Audit Issues	Recommendations	Ministry's Comments	Action Taken
<b>Auditor General's Report 2009 - Whole of Government Financial Statements and Annual Appropriation Statement</b>			
<b>Departments Unaware of their Trust Fund Account</b>			
<p>There are still trust fund accounts being reflected under the old appropriation head of some of the Ministries and Departments. These Ministries and Departments are unaware of these accounts and thus no reconciliations are being prepared and maintained. Further to this, there were movements noted in few of these accounts during 2010.</p>	<ul style="list-style-type: none"> <li>• The Ministries/Departments mentioned should close these accounts and transfer the money to the appropriate accounts under their new head.</li> <li>• The Ministries/Departments mentioned should ensure that no posting is done to the accounts that are still being reflected in their old head.</li> <li>• FMIS section should ensure that these accounts are closed and not accessible once the money has been transferred.</li> </ul>	<p>The recommendation is noted and FMIS will transfer the balance to the new accounts and inactivate old accounts.</p>	<p>The old heads are still being reflected with movements noted in 2010.</p>
<b>Revenue and Asset Accounts reflected in Environment Main Trust Fund Account</b>			
<p>There are still Value Added Tax and Accounts Receivable accounts being reflected under the old and the new appropriation head for the Ministry of Environment Main Trust Fund account. The Department is unaware of these accounts and thus no reconciliations are being prepared and maintained.</p> <p>Audit verification of the Environment Main Trust Fund account revealed that there is a reflection of Standard Revenue Group (SRG) 22 and Standard Asset Group (SAG) 56. These accounts were opened in 2007 and there were movements noted in these accounts during 2010</p>	<ul style="list-style-type: none"> <li>• The FMIS Section should ensure that the right account allocation is provided for opening up new accounts for main trust and make appropriate changes to reflect the existing accounts reflected in Environment Trust.</li> <li>• The Data Entry Officers should check that the details on the input form correspond to the attached batch of source documents.</li> </ul>	<p>Department will be advised to make necessary adjustments.</p>	<p>Issue still exist as at 31/12/2010.</p>

**Appendix 3: Revenue of Departments using AR Modules**

<b>DEPARTMENT</b>	<b>GL Balance \$</b>
Public Service Commission	813,132
Attorney General Office	356,264
Government Printing	237,106
ITC	39,390
Auditor General Office	821,043
Bureau of Statistics	9,603
Police	524,143
Health	2,731,388
Environment	70,560
Agriculture	1,164,244
Fisheries	825,299
Forestry	670,012
Lands	15,761,571
Works	403,114
DNR	615,991
	<b>\$25,042,860</b>

