



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 Whole of Government  
Financial Statements and Annual  
Appropriation Statement - 2008**

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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 - 2008**

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*Excellence in Public Sector Auditing*



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File: 102

30 September 2009

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

Dear Commodore Bainimarama

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## **AUDIT REPORT ON THE GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS FOR THE YEAR ENDED 31 DECEMBER 2008**

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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 Government of the Republic of Fiji Islands for the year ended 31 December 2008.

Tevita Bolanavanua  
**AUDITOR-GENERAL**



## FOREWORD

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This report covers the audit of the 2008 Accounts and Finances of the Fiji Government and its 26 ministries and departments as provided in the Appropriation Promulgation.

The purposes of this report are to:

- report on the audit of the Whole of Government financial statements covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments covered under volume 2-4 of the report;
- report on the results of, and matters arising from, our 2008 audits of ministries and departments also covered under volume 2-4; and
- raise other matters that we believe warrant consideration by Cabinet.

The 2008 accounts were prepared under the cash basis of accounting with the use of the FMIS software called SSA Global. FMIS covers the computerization of public expenditure, management process, especially procurement and accounting. As reported in 2007 the financial statements of government, ministries and departments, which are essential outputs of the system, are still to be produced by the system as they were not included in the original scope of works in the development of the FMIS.

The preparation of the 2008 accounts was again affected by insufficient and lack of competent manpower and support from ministries and departments. The Ministry of Finance like all ministries and departments also continued to face high staff turnover and staff reshuffles which contributed to a lot of deficiencies in the preparation of the accounts.

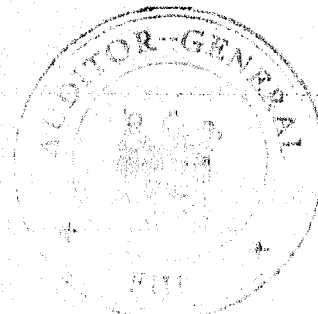
The Ministry of Transport, Works and Energy and the Ministry of Health continue to use their own software ACCPAC and EPICOR systems after which records are uploaded to the FMIS on a regular interval. However our audit has noted that when uploading to FMIS only the end-balances and not all the details are uploaded.

All ministries and departments submitted their 2008 accounts for audit except for the Office of the Ombudsman which closed after the abrogation of the constitution. All audits were issued qualified audit opinions. The qualifications include: consolidation of accounts of ministries and departments, as required under the Appropriation Promulgation; the inability to determine the accuracy of the statement of output costs; the failure to provide statements of losses and trust accounts of receipts and payments; and the lack of reconciliations.

The issues qualified above were the same as those highlighted in 2007 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.



Tevita Bolanavanua  
**AUDITOR-GENERAL**





## EXECUTIVE SUMMARY

The Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2008 has been audited in accordance with section 5 of the State Service Decree No. 6, sections 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The audit resulted in the issue of a qualified audit report based on that Income Tax, VAT and Hotel Turnover Tax totalling \$911.6 million (51% of total revenue) could not be substantiated as the audit was denied access to taxpayers records, contrary to section 111 of the Income Tax Act and section 7(2)(a) of the Audit Act;

Other matters of concern are as follows:

- a) An amount of \$10.6 million in respect of trust moneys shown in Schedule 1 – Statement of Assets and Expenditure of the Whole of Government Financial Statements is not appropriately supported by cash at bank. The trust moneys are also not kept in a separate bank account.
- b) A prior year's adjustment of \$4.2 million in the Consolidated Fund Statement of receipts and payments could not be verified.
- c) Ministries/departments failed to submit their reconciliations to Ministry of Finance, despite being sent numerous reminders. Moreover, reconciliation for RFA - Miscellaneous, namely, Accounts Payable and Accrued Expenses were not submitted to the Ministry of Finance at all. As such these account balances totalling \$1.2 million and \$1.6 million respectively were unsubstantiated.
- d) A Capital loss of \$4.4 millions was incurred when 4 TMA operations were written off. These are Gravel Washing Plant, Cane Trucks, Republic of Fiji Military Forces (RFMF) Air Wing and Marine Shipbuilding TMA.
- e) Debts owed to Government totalling \$9.5 million was not recorded in the Lending Fund Account of which \$4.6 million was advanced to Rewa Rice Ltd and \$4.9 million was the guarantor payment on behalf of Fiji Electricity Authority and Fiji Sugar Cane Growers Council.
- f) Bank account balances totalling \$1.3 million for Overseas Missions and Agencies have not been reconciled nor confirmed by the relevant overseas banks.
- g) TMA Credit sales of \$12.5 million have been taken as receipts in the Accounts and Finance despite reporting done on cash-basis of accounting. Balancing accounting entries to the Equity of Government's TMA have been made to produce a balanced balance sheet. As such the balances totalling \$22.7 million could not be substantiated.
- h) Account balances totalling to \$64.9m in the clearing account for domestic and overseas loans appearing under the revolving fund account are outstanding. Furthermore, other clearing accounts in the Operating Fund totalling \$73.8 million also remained outstanding.
- i) Drawings account has been reduced with unexplained debit balances totalling \$16.7 million.

The following is a summary of the audit observations.

**2008 Accounts and Finance*****Cash at Bank***

Unpresented cheques have declined significantly from \$73.6 million in 2007 to \$59.6 million in 2008. The decrease in unpresented cheques at year end is primarily attributed to debits balances in Customs, Ministry of Health, Fiji Police Force and Water Supplies accounts totalling \$16.7 million.

Cash balances with Agencies Overseas have increased significantly from \$52.9 million in 2007 to \$121.3 million in 2008. The continuing increase is mainly attributed to the transfer of \$50 million from the Consolidated Fund Account to JP Morgan account during the year.

Agencies overseas having balances of \$1.3 million were not supported with cash and bank certificates.

***Investment***

Government's total investments held in 30 companies in 2008 was \$440.3 million, an increase of \$10.4 million or 2.4% compared to 2007. Only 7 entities remitted dividends to government totalling \$21.3 million in 2008 compared to \$22.0 million in 2007. Four entities with total government investments of \$8.4 million are in-operative. Government also has shares in ATS and these shares were transferred from CAAFI when it ceased to be a Commercial Statutory Authority.

***Trust Fund***

Section 25 of the Financial Management Act (2004) states that trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account. An amount of \$10.6 million in respect of trust moneys shown in schedule 1 – Statement of Assets and Expenditure of the Whole of Government Financial Statements is not kept in a separate bank account.

18 Ministries/Departments had overdrawn their trust fund accounts totalling \$3.4 million as at 31/12/08.

***Revenue***

The correctness of Income Tax, VAT and Hotel Turnover Tax of \$911.6 million collected by the Fiji Islands Revenue & Customs Authority on behalf of the State, which represents 51% of Government's total revenue, could not be substantiated as audit was denied access to taxpayer records, contrary to section 111 of the Income Tax Act and section 7(2) (a) of the Audit Act (Cap 70)

The arrears of revenue in 2008 totalled \$157.7 million, a decrease of \$14.7 million or 8.5% from 2007. The high arrears of revenue were due to a substantial amount of outstanding tax arrears of \$86.3 million or 54.7% of total arrears owed to FIRCA. Also, Water and Sewerage rates rated high at \$32.4 million (20.5%) which was due to the Public Works & Infrastructure. Other significant arrears were due to Judicial, Lands Crown rents, Meteorological, Agriculture, FIRCA Customs and MFO Sinai.

***Expenditure***

The total actual expenditures for 2008 amounting to \$1,680.5 million had decreased by \$45.7 million or 3% from 2007 and incurred an overall savings of \$100.2 million compared to a savings of \$115 million in 2007.

The overall savings arose from savings in established staff by \$14.8 million (2.8%), wage earners by \$6.5 million (10.4%), travel & communications by \$2.2 million (11.5%), purchase of goods by \$2.0 m (3.5%), operating grants & transfers by \$11.0 million (5.4%), special expenditures by \$9.9m

(21.2%) , capital construction by \$33.5 million (22.4%), capital purchase by \$5.8 million (25.1 %), capital grants and transfers by \$5.4 million (6.4%), pensions and gratuities by \$3.1 million (2.6%), and finances on public debt by \$11.4 million (8%).

The RFMF and the Department of Police both exceeded their budgeted forecast by 3.31% and 10.93% respectively. The reasons for the over – expenditures were mainly due to the over – payment of salaries and allowances.

### ***Borrowing***

Public debt in 2008 totalled \$2.8 billion and comprised of domestic loans of \$2.3 billion or 82% of total debt; overseas loans of \$475.9 million or 16%; and Treasury Bills \$64.5 or 2%.

In 2008, Government borrowings totalled \$422.4 million of which \$341.2 million or 81% was through domestic bonds, \$64.5 million or 15% treasury bills and \$16.6 million or 4% in overseas loans.

Principal payments for 2008 on government borrowings totalled \$722.0 million whilst interest payments amounted to \$168.7 million.

A total of \$10.6 million loan to Fiji Government was directly disbursed by the Asian Development Bank (ADB) to the contractors of the projects, namely, Suva/Nausori Water Supply and Fiji Road Up-grading Project (FRUP) loan.

Government in honouring its guarantor obligation paid a total of \$4.9 million on behalf of Fiji Electricity Authority and Fiji Sugar Cane Growers Council to its lenders, namely the Reserve Bank of Fiji and the Fiji Development Bank respectively.

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

### ***Lending***

Loans made by Government and outstanding as at 31/12/08 totalled \$105.9 million, a decrease of \$8.2 million or 7% compared to 2007. Repayments received in 2008 totalled \$12.3 million whilst additional loans granted and interest capitalized in 2008 was \$4.1 million.

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

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

Outstanding advances and loans of Rewa Rice Limited totalled \$4.6 million and \$1.9 million respectively. Cabinet decision dated September 2004 endorsed the \$4.6 million outstanding advance to be converted to grant. The conversion is yet to be finalised. In addition to this, the loan repayment of \$1.9 million has also not commenced.

The \$4.6 million advance has not been recorded in the Accounts and Finance.

***Revolving Fund Account***

Revolving Fund Account (RFA) comprises of balances that are asset and liability in nature. The accounts are made of Accounts Receivable, Prepaid Expenses, Accounts Payable, Accrued Expenses and the operation of Trading and Manufacturing Account (TMA).

Balance outstanding in RFA as at 31/12/2008 totalled \$80.8 million compared to \$68.3 million in 2007, an increase by \$12.5 million or 18%.

Receipts and Payments reflected in the Accounts and Finance of Government from the Revolving Fund Account totalled \$3,343,457,332 and \$3,351,545,208 respectively. These demonstrate the volume of transactions in the Revolving Fund Accounts. As a comparison, total revenue and expenditure was only 54% and 50% of these receipts and payments respectively. Numerous mispostings, errors and their subsequent adjustments have inflated the total receipts and payments of the Revolving Fund accounts.

Furthermore, Ministries/departments failed to submit their reconciliations to Ministry of Finance, despite numerous reminders being sent. Reconciliation for RFA- Miscellaneous, namely, Accounts Payable and Accrued Expenses were not submitted to the Ministry of Finance at all. As such these account balances totalling \$1.2 million and \$1.6 million respectively were unsubstantiated.

Account balances totalling \$64.9 million in the clearing account for domestic and overseas loans appearing under the revolving fund account has not been included on the Accounts and Finance of Government.

In addition, Ministries/Departments had more than one IDC account. Explanation for the utilisation of various IDC accounts could neither be provided by the Ministries/Departments nor the monitoring agency, Ministry of Finance.

Balancing accounting entries to the Equity of government's TMA were made to produce a balanced balance sheet. As such, entries totalling to \$22.7 million could not be substantiated.

TMA Balance sheet accounts such as Accounts Receivable, Inventory and Surplus/Deficit totalling to \$6.7m are not forming part of the Accounts and Finance of government.

TMA Credit sales of \$12.5 million have been taken as TMA receipts in the Accounts and Finance despite reporting on cash-basis of accounting.

A Capital loss of \$4.4 millions was incurred when 4 TMA operations were written off. The 4 TMA operations are Gravel Washing Plant, Cane Trucks, Republic of Fiji Military Forces (RFMF) Air Wing and Marine Shipbuilding TMA.

Trading and Manufacturing Accounts (TMA) are either operating above/below their appropriated ceiling. TMA operating above their ceiling are yet to remit the excess funds to the Consolidated Fund Account while those operating below the ceiling are operating at a loss.

***Contingent Liabilities***

Government guarantee of members' contribution to the Fiji National Provident Fund totalled \$2,618,006,433 which is 75% of total government guarantee. Apart from guaranteeing the members contributions, the Government owes \$1,743,304,300 to FNPF, which is 74% of total domestic borrowings.

### ***Contingencies Fund***

Balance for Contingencies Fund of \$2 million reserved for unforeseen events has been a carry-forward balance that could not be substantiated. In addition, the Ministry of Finance confirmed that there is no ledger account drawn up in Governments accounts & finance for the Contingencies Fund Account as the account was not mapped when Government finance system was converted to the new general ledger system. Government continues to report the contingency funds of \$2 million even though it does not exist in the new FMIS general ledger.

### **2008 Accounts of Ministries and Departments**

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

Contrary to Finance Instruction 82(1) Statements of Output Cost and Trust Fund Account Statement of Receipts and Payments were not provided for audit.

There is a significant variance in the FNPF reconciliation totaling \$208,813 when compared to the accounts as at 31/12/08.

The Office of the President has accumulated arrears of water rates totaling \$38,743 as at 31 July, 2009.

The audit noted that 9 officers had excessive annual leave carried forward from previous years to 2008 with outstanding annual leave ranging from 36 – 210 days. The leave liability as at 31/12/09 totaled \$44,780.

#### **Office of the Prime Minister and Public Service Commission**

The Financial Management Information System shows that the Office of the Prime Minister and the Public Service Commission as at 31/12/08 had operating trust funds totaling \$(43,008) overdrawn and \$469,682 respectively. Statements of accounts to support these were not submitted.

Differences were noted in the reconciliations undertaken for the Drawings Accounts, Trust funds and Revolving Fund account Miscellaneous as at 31/12/09.

Scrutiny of a sample of loan records revealed that the Student Loans Scheme was not properly monitored to ensure the successful recovery of loans upon completion of studies.

Some government rented offices including the premises occupied by the Commission do not comply with the requirements of the Occupational Health and Safety Act.

Some senior civil servants are illegally occupying government quarters. A former civil servant who is occupying a government quarter and has a court case pending against him has accumulated rental arrears of \$99,399 as at 31/12/08.

#### **Office of the Attorney General**

The Office has not provided a Trust Fund Account Statement of Receipts and Payments which has a balance of \$247,818 as at 31/12/08.

There is a significant variance in the VAT and FNPF reconciliations when compared to the accounts as at 31/12/08.

Two officers were overpaid a total of \$7,349 after they failed to inform the Ministry about their intention to resign from service.

### **Ministry of Provincial Development, Indigenous & Multi-Ethnic Affairs**

The Ministry has not provided a Statements of Output Costs; Statement of Losses and Trust Fund Account Statement of Receipts and Payments. Significant variances were noted in the reconciliation of FNPF records for the Ministry.

A total of 37 cheques valued at \$832,666.38 that were prepared in December 2008 at the Commissioner Western's Office have not been issued to payees on 23/2/09. A significant amount of revenue is also in arrears of which 52% is over two years old.

The following projects which commenced in 2005 are still incomplete although funds were provided for the projects: Kenani Evacuation Centre, Waiyavi SDA Evacuation Centre, Namoli Village Footpath Project and Vanuakula Flash Toilet Project.

The Ministry has poor control over the use of motor vehicles especially where accidents have occurred. Three vehicles were involved in accidents in 2008 of which only one was reported.

### **Ministry of Defence, National Security and Immigration**

The department failed to provide the VAT returns for 2008 as a result VAT reconciliation could not be prepared. A reconciliation of FNPF contributions against salaries and wages reported in the financial statements for the departments revealed significant variances. Drawings accounts reconciliation was not undertaken for Department of Defence and National Security and incorrectly done for Immigration Department.

Amounts totaling \$2,049,514 received by the Department of Immigration as bond have yet to be refunded to international workers or their agents who have departed from Fiji.

Proper tender procedures were not complied when the Immigration Department engaged Leah's Apartment as the detention centre for illegal immigrants.

The department lacked manpower to expedite the removal of over stays in the country and a considerable number of passports were damaged during the processing stage incurring unwarranted costs and loss of revenue for the department

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

The Ministry has not provided a Statement of Losses; and a Trust Fund Account Statements of Receipts and Payments.

A reconciliation of FNPF contributions against salaries and wages reported in the Financial Statements revealed significant variances.

A VAT reconciliations carried out during the audit revealed an un-reconciled balance of \$1,323,245. In addition, VAT input as per VAT returns totalled \$307,938, whereas the general ledger recorded VAT input of \$407,895 resulting in a difference of \$99,957.

Revenue or fees collected by the Ministry through its Occupational Health and Safety (OHS) Division have not been accounted for in the VAT returns. Such VAT is included in the OHS Fees but is not declared in monthly VAT Returns to the Fiji Islands Revenue Customs Authority.

The Ministry is yet to pay out trust funds belonging to beneficiaries of deceased workers who have attained 21 years.

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

The Ministry has not provided the Statement of Losses and Trust Account Statement of Receipts and Payments.

The payments of FNPF contributions and VAT could not be reconciled to the accounts. Fiji Missions overseas incurred expenses which appeared to be inappropriate or extravagant. This includes Port Moresby, New Delhi, Canberra, New York, Malaysia, Tokyo, Beijing, London, Brussels and Wellington.

For the past five years, government had allocated \$4.5 million as capital grants to the Airports Fiji Ltd for the up keeping and maintenance of rural airstrips. However the condition of the rural airstrips was not very satisfactory and a number of deficiencies were noted by the CAAFI aerodrome team. Also the grant was diverted to purchase fire trucks and tractors without the approval from the Ministry of Finance.

### **Election Office**

The Office has not provided a Statement of Losses, as Losses amounting to \$9,330 was recorded as at 31/12/08; and a Trust Fund Account Statement of Receipts and Payments.

The Office did not obtain police clearance in respect of the newly appointed Project Officers nor were they medically examined. The posts were also not advertised.

Approval was given to the Supervisor of Elections to appoint a Media Consultant from 29/09/08 to 31/12/08 that carried a salary of only \$18,000. A Consultant was engaged at the rate of \$70 per hour from 29/09/09 to 31/12/08. PSC approval letter specifically stated that the Consultancy fee must not exceed \$18,000 for the period. The Office however was paid total consultancy fees of \$75,582.50 which exceeded the limit by \$57,825 or 320%.

A payment of \$17,802.61 was made to University of Melbourne being tuition fees for Mr. Viliarne Ledua Vuiyanuca to undergo further studies from 02/03/09 to 31/12/09. The officer did not embark on further studies but continued to work in the Office as at the date of audit in April 2009.

The Office purchased 10 blackberry mobile phones from Vodafone Fiji Limited worth \$7,990 without seeking approval from the Public Service Commission. In addition an advance rental payment for whole year (2009) was done to Vodafone Co. Ltd totaling \$8,394 for the 10 mobile phones.

The Office purchased two photocopying machines by splitting the cost using several Local Purchase Orders thus bypassing the proper procurement procedures. The orders were authorized by the Supervisor of Elections.

### **Judiciary**

The Department has not provided a Statement of Losses and a Trust Account Statement of Receipts and Payments.

Warrants are issued for non-payment of court fines or non-appearance to court hearings and the executions of warrants are undertaken by the Fiji Police Force. As at 31/12/08 the arrears of revenue for the Department totaled \$10,574,640.

### **Legislature**

Audit noted that some Officers continued to receive consolidated allowances, which should only be paid to Editors and Hansard Officers when Parliament is in session.

Accountable advances issued to staffs in prior years are still to be accounted for and retired. The officers concerned explained that they have retired the advances but no documentary evidence was provided for audit purposes to authenticate that the advances have been cleared.

### **Ministry of Justice, Prison & Correction**

Although the guidelines are specifically stated in the Bankruptcy Act, audit noted discrepancies in the liquidation of several companies. Refer to Liquidation Nos. 13/2003, 09/2005, 59/2001, 110/2001, 58/2001.

Certain liquidation and bankruptcy cases have been cancelled but the accounts were still open with balances either to be refunded to the respective Company Directors or journalized to the official receivers fees account.

We noted from our review of the Bank Reconciliation Statement for December 2008 that some deposits from as far as nine years back are still reflected in the Bank Reconciliation as receipts not credited by the bank.

Audit noted that no tender was called by the Department of Prison and Correction for the purchase of caps, tee shirts and shirts totaling \$45,260 from Xoolu Enterprises Limited.

### **Department of Information**

The Department has not provided for audit a Trust Account Statement of Receipts and Payments, contrary to Finance Instructions 82(1).

The former Director proceeded on study leave in 2006 to pursue a Master of Arts in Governance programme at the University of the South Pacific was bonded for one year amounting to \$41,367. The officer had served only eight months of her bond before tendering her resignation on 15/09/07 and vacated the office without giving the 30 days notice. She had an unserved bond for four months amounted to \$14,312.67 and was also overpaid \$1,651.

### **Fiji Military Forces**

The Force incurred an over-expenditure of \$2,691,923 in 2008.

The Force has not provided a Trust Fund Account Statement of Receipts and Payments contrary to Finance Instructions 82 (1). The Financial Management Information System shows that the Force as at 31/12/08 had operating trust funds totaling \$225,838.

There is significant variance in the VAT and FNPF reconciliations when compared to the accounts as at 31/12/08.



The Force purchased goods and services from suppliers that did not go through the normal tender process and without competitive quotations obtained. The audit noted that goods and services were purchased without issuing Local Purchase Orders. The Force's Director Finance approved an LPO in excess of his delegated authority.

### **Fiji Police Force**

The Force has not provided a Statement of Losses and a Trust Account Statement of Receipts and Payments.

The payments of FNPF contributions and VAT could not be reconciled to the accounts. The Fiji Police Force had a manual payment of \$739,977 which was not updated in the FMIS for 2008.

The Force incurred over-expenditures under SEG1 Established Staffs allocation by \$8,712,130 and failed to seek necessary approval from Ministry of Finance to regularize the over expenditure.

The Fiji Police Force failed to call tenders for a number of purchases which were above \$ 20,000 particularly when procuring from Lotus Garments (MFG) Ltd and Deluxe Footwear Fashions Ltd.

The Police Force had undertaken a new approach to combat crime which involved crusade work in the public. The new approach to crime prevention has increased the expenses and is viewed as exorbitant to the Force. The Fiji Police Force also did not update a total of \$739,976.56 of manual payments into the FMIS system.

### **Ministry of Education, National Heritage, Culture and Arts**

The Ministry has a total salary overpayment of \$657,795.31 as at 31/12/08 which is still to be recovered. In 2008, the salary overpayment amounted to \$213,226.37 of which \$130,923.40 or 61% was overpaid to staffs upon resignations and leave without pay.

Fifteen vehicles in the Ministry's fleet have exceeded mileage of 200,000km but are still being used. Fuel and the maintenance costs are considered high for these vehicles.

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

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

The audit noted the need for urgent maintenance of the dormitories, toilets and bathroom facilities, dining hall and kitchen at Nasinu Secondary, Queen Victoria School and Ratu Kadavulevu School respectively.

### **Ministry of Health, Women & Social Welfare**

A Statement of Losses and Trust Account Statement of Receipts and Payments was not submitted to audit. The Financial Management Information System shows that the Ministry of Health as at 31/12/08 has Operating Trust Funds totaling \$8,943,060 of which \$7,495,121 or 84% represent FNPF. In addition, the Department of Women and Social Welfare has overdrawn Operating Trust Fund balance of \$43,052.

A Trading and Manufacturing Accounts for the operations of the Bulk Purchase Scheme was not submitted by the Ministry.

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

Officers occupying government quarters of whatsoever grade or type or self contained flats will be required to pay rent at the rate of 8% of basic salary. Contrary to the above provisions, the some officers have been occupying quarters at Tamavua Hospital compound and were paying rent of \$0.35 per week or \$18.20 annually.

The Tamavua Hospital has continued to pay the water bills of the Fiji School of Medicine despite it now being a private institution. It has paid a total of \$455,640.94 for meter number KRI 22 as at 31/12/08.

The former Chief Pharmacist, Mr. Peter Zinck, was surcharged \$50,316.94 (50% of \$100,633.88) for non delivery of 100 hospital beds ordered as per the indent MD107/03. The supplier, Pacific Surgimed International Ltd of New Zealand was paid in advance the total amount of \$100,633.88 in December 2002. The Officer is now employed at the United Nation Population Fund (UNFPA) and he owes the government \$47,758.41.

The audit noted that Fiji Pharmaceutical Services in 2008 purchased 29,700,000 Methyldopa tablets (250mg) tablets, costing \$1,038,076.09, when the estimated annual usage rate was only 1,333,333 and the maximum stock level was 2,000,000. Assuming the drugs do not expire, the stock should be sufficient for 19 years. However, these drugs would be expiring in April 2011.

Audit noted that drugs worth \$973,120 had expired at the end of 2008.

Patients' belongings are still unclaimed and stored in a cabinet at the Saint Giles Hospital (SGH). No proper register is maintained to record and account for these valuable items. The items unclaimed are jewellerys, purse, watches, bank books, passport, sunglasses, cameras and whales tooth etc.

The audit noted that there is a need for urgent maintenance and replacement of numerous machines and equipment currently used in the hospital as these posse risks to the staffs and hinder the quality health services provided to patients.

A total of \$177,397 as of 31/12/08 was recorded as overpayment of salary by the Ministry of which \$74,979 (42%) was overpayment upon resignation. This is a result of divisional officers failing to advise salaries section at Headquarters on time.

As at the date of the audit<sup>1</sup>, the Ministry had 330 vacant positions. The vacant positions ranged from doctors to other support officers.

Some nurses were still paid consolidated allowances despite working in urban hospitals and health centers. As at 31/12/08, \$179,207.29 was paid out as consolidated allowances. Of this amount, \$77,398.43 or 43% were paid to nurses who were not entitled to consolidated allowance.

### **Department of Local Government, Urban Development and Housing**

A reconciliation of FNPF contributions against salaries and wages reported in the Financial Statements revealed variances significant variances which indicate that FNPF contribution had been underpaid.

The department failed to prepare VAT reconciliations for 2008. A review of VAT Returns and supporting documents carried out during the audit revealed significant un-reconciled balances.

### Department of Youth and Sports

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

Under the Vatukoula Rehabilitation Program, a total of 210 redundant miners were provided financial assistance amounting to \$422,482 of which the Department was to recover 50% (\$211,241) from the miners. The audit noted that the Department only managed to recover \$14,575 as at 25/11/08.

The Department through its National Youth Service Scheme (NYSS) provided financial assistance to 215 youths amounting to \$80,690 as at 31/12/08 of which the Ministry was to recover 50% within the stipulated timeframe as per the respective recipient's memorandum of understanding. The audit noted that the Department has only recover \$86.34.

### Ministry of Primary Industries

The Trading and Manufacturing Account's *Accumulated Surplus* and *Surplus* of \$2,559,456.93 and (\$2,098,107.49) respectively shown in the Balance Sheet could not be substantiated as supporting documents were not provided for audit.

Arrears of revenue totaled \$3,978,918, a decrease of 2% compared to 2007. Some debts had remained uncollected during the three years as the Department had not instigated recovery actions as required under the Finance Manual.

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

Audit review noted that Local Purchase Orders were artificially split into numerous procurements for the purpose of obtaining a lower level approval. The failure of the Department to apply the required purchasing limits resulted in unauthorized expenditures.

The Ministry engaged National Bulldozing Company Limited (NBCL) in 2008 for the drainage works in respect of the Sigatoka Valley Improvement Programme. It was noted that a contract agreement was not drawn up and signed between the two parties. The company was paid a total amount of \$54,943 for the work done.

On 27<sup>th</sup> October 2008, the Debt Management Unit of the Fiji Islands Revenue and Customs Authority issued a legal demand notice to the Department claiming for the tax owed in the sum of \$53,553.86 and penalties in the sum of \$25,450.64, totaling \$79,004.50.

The Department of Fisheries through its freshwater aquaculture project constructed 16 ponds which are technically referred to as "Tanks" at the Naduruloulou Research Station. These ponds were to be utilized for nursing new hatchlings of fish and prawns to suitable sizes for delivery to farmers as well as research purposes. The ponds were constructed by Cama Holding at a cost of \$18,500 in December 2008. A site visit on 18 March 2009 at Naduruloulou Research Station revealed that all the 16 ponds were not in use and were overgrown with grass and weeds.

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

The arrears of revenue recorded by the Department which totaled \$10, 223,341 is substantial and indicate the poor debt collection procedure in practice.

The audit noted that two Technical Assistants were awarded FAB scholarship with pay to pursue Bachelor of Engineering majoring in Lands and Bachelor of Spatial Science for 4 years from February 2007. Due to poor academic results in 2007, both scholarships were terminated however the officers failed to return.

The audit noted from the Crown lease report provided by the Department that the yearly rentals for some crown leases were significantly low. This indicates that rent was not reviewed periodically and adjusted to current market rates.

Every year, the System Support Centre generates all re-assessments that are due in the following year. This is forwarded to the Valuation Section for re-assessment however it was noted that reassessments were not carried out by the Department on crown leases on the due dates specified in the lease conditions.

The arrears of revenue figure provided by the Lands System and the Lands Administration System were not reconciling. This indicates that the department is not recovering the correct amount of arrears as the variance could not be substantiated.

### **Ministry of Industry, Tourism, Trade and Communications**

The Department of Communication recorded total arrears of \$1,096,943.25 as at 31 December 2008. The arrears show a significant increase of 90% from \$97,918 recorded in 2007.

A difference of \$89,782.46 was noted between the Ministry of Commerce Drawings account reconciliation and the balance recorded in the FMIS. The Ministry's reconciliation recorded a balance of \$260,386.06 whereas the balance on FMIS had \$350,168.52.

One Mr. Gani filed a civil action against the Cooperative Department and Attorney General's Office claiming damages for personal injuries and other consequential losses due to the accident and was awarded damages totalling \$87,530.69 in October 2005. Eight years has passed since payment of the damages however no surcharge action has been taken against the driver of the government vehicle who is still employed at the Department of Co-operatives.

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

Trading and Manufacturing Account *Accumulated Surplus* of \$4,591,193 and *Surplus* of \$909,265 reflected in the Balance Sheet could not be substantiated as supporting documents was not provided for audit.

The Trust Account Statement of Receipts and Payments did not include trust account balance of \$78,556 belonging to the Department of Meteorological Services.

The amount of \$802,132 stated as Other Deductions in the Trust Account Statement of Receipts and Payments could not be substantiated as supporting documents could not be provided.

The Ministry's statement of income and expenditure had incorporated total expenses and revenue of \$112,251 and \$8,489 respectively which belonged to the Department of Civil Aviation under the

Ministry of Foreign Affairs and Department of Water and Sewerage under the Ministry of Public Utilities.

The Government Shipping Services purchase fuel for government vessels from Total Fiji Limited which is supplied in drums for which it pays a refundable deposit of \$50 per drum. The audit noted that the drums were not returned and that deposits paid were not claimed by the department.

There is a possibility of collusion amongst 3 employees at the Meteorological Services where they manipulate financial records for their own benefit. The officers had intentionally increased amounts of their salary in the system to increase their take-home pay.

The Department of Works recorded a total of \$604,348.24 in stale cheques as at 31/12/08. The amounts and status of these cheques could not be verified as relevant supporting documents were not provided.

Approval was granted by the PSC in its letter dated 8/7/08 for an Acting Accounts Officer and her Acting Assistant Accounts Officer to attend fraud training in Boston, USA from 13 – 18/7/09. However, it was noted that TMA fund totalling \$19,735.29 was used to finance the officers' trip.

An analysis of the performance of the TMAs for 2008 showed that TMAs have incurred huge losses in its operations.

The Plant Pool of the Mechanical section maintains all government vehicles that are hired by the various sections of the Ministry in the Central Eastern Division. An analysis carried out on the fleet of Plants and vehicles in the Division raises a lot of discrepancies.

The Department of Roads did not consider requesting the Tender Board to call annual tender for the supply of goods, services or works which it regularly requires and purchase orders were not issued for some purchases of goods and services.

### **Department of Public Utilities and Energy**

The Department failed to submit the Trust Account Statement of Receipts and Payments to audit. The Financial Management Information Systems shows that the Department of Water and Sewerage as at 31/12/08 has Operating Trust Funds totaling \$2,977,871.33. In addition, Department of Energy has an overdrawn True Trust balance of \$58,953.15; and has an Operating Trust Fund totaling \$438,049.69.

The payments of FPNF contributions and VAT could not be reconciled to the accounts of the Department of Water and Sewerage.

Arrears of revenue for Water and Sewerage Rates as at 31/12/2008 totaled \$32,355,792, an increase of \$2,719,664 or 9% compared to 2007.

There were backlogs in the connection and installation of new meters for the period 2004 to 30 June 2008 at the Divisional Engineer western. Out of the total applications (236) received till June 2008 for the meter connections, only 28 (or 12%) meters were connected.

The Department engaged twelve companies to provide hired vehicles in 2008 and utilized a total of \$388,546 in 2008. This is considered excessive and it appeared that they were hired without any regard to economy.

The Benau Water Treatment Plant was constructed based on the recommendations made in the 1996 Master Plan by Sinclair Knight Merz Consultant. The construction was carried out in 1999 by

Sophora Water (NZ) Limited at a cost of \$3.20 million (VEP). Since completion in 1999, the plant has not operated normally due to problems which were not known at the time of commissioning.

Audit noted high rate of unaccounted for water for the Walia/Deuba region. More than 50% of the water is unaccounted for in each month.

Audit inspection at the PWD Walu Bay warehouse noted a number of operational and non-operational generators stored in the yard. The 21 operational generators on hand were either stored for spare parts, under repairs or awaiting installation. As for the unserviceable generators in the yard, 41 have been recommended for auction while 25 are recommended to be sold as scrap

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3.             Office of the Attorney General, Solicitor General & Public Enterprise
4.             Ministry of Finance
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**PART 1:      AUDIT CERTIFICATE AND THE  
AUDITED ACCOUNTS**





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ACCOUNTABILITY IN THE PUBLIC SERVICE SECTOR THROUGH QUALITY AUDIT SERVICES

## **INDEPENDENT AUDIT REPORT**

### **WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND APPROPRIATION STATEMENT OF THE REPUBLIC OF THE FIJI ISLANDS FOR THE YEAR ENDED 31 DECEMBER 2008**

#### **Scope**

I have audited the Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji Islands for the year ended 31 December 2008 in accordance with section 7 of the State Services Decree 2009, section 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 statement.

The Ministry of Finance is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the Whole of Government Financial Statement and the 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 included 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**

1. The correctness of the Income Tax, Hotel Turnover Tax and VAT revenues collected by the Fiji Islands Revenue & Customs Authority on behalf of the State, which comprised 51% of the Government's total revenue in 2008, could not be substantiated as the audit was denied access to taxpayer records, contrary to section 111 of the Income Tax Act and section 7(2)(a) of the Audit Act (Cap 70).

#### **Qualified Audit Opinion**

In my opinion, except for the effects on the Whole of Government Financial Statements and the Annual Appropriation Statement of the matters referred to in the Qualifications paragraphs:

- the accounts have been faithfully and properly kept;
- transactions with or concerning public money or public property of the State have been authorised by or pursuant to the Service Decrees or any other written law; and

- expenditure has been applied for the purpose for which it was authorised.

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

- An amount of \$10.6 million in respect of trust moneys shown in Schedule 1 – Statement of Assets and Expenditure of the Whole of Government Financial Statements is not appropriately supported by cash at bank in a separate trust bank account.
- A prior year's adjustment of \$4.2 million in the Consolidated Fund Statement of Receipts and Payments could not be verified.
- Ministries/departments failed to submit their reconciliations to Ministry of Finance, despite being sent numerous reminders. Moreover, reconciliation for RFA - Miscellaneous, namely, Accounts Payable and Accrued Expenses were not submitted to the Ministry of Finance at all. As such these account balances totalling \$1.2 million and \$1.6 million respectively could not be substantiated.
- A capital loss of \$4.4 millions was incurred when four TMA operations were written off. These are Gravel Washing Plant, Cane Trucks, Republic of Fiji Military Forces (RFMF) Air Wing and Marine Shipbuilding TMA.
- Debts owed to Government totalling \$9.5 million was not recorded in the Lending Fund Account of which \$4.6 million was advanced to Rewa Rice Ltd and \$4.9 million was the guarantor payment on behalf of Fiji Electricity Authority and Fiji Sugar Cane Grower Council.
- Bank account balances totalling \$1.3 million for Overseas Missions and Agencies have not been reconciled nor confirmed by the relevant overseas banks.
- TMA Credit sales of \$12.5 million have been taken as receipts in the Accounts and Finance despite reporting on cash-basis of accounting. Balancing accounting entries to the Equity of Government's TMA have been made to produce a balanced balance sheet. As such the balances totalling \$22.7 million could not be substantiated.
- Account balances totalling \$64.9 million in the clearing account for domestic and overseas loans appearing under the revolving fund account are outstanding. Furthermore, other clearing accounts in the Operating Fund totalling \$73.8 million also remained outstanding.
- Drawings account has been reduced with unexplained debit balances totalling \$16.7 million.

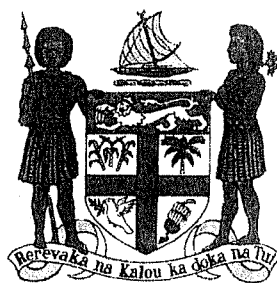
*7/Bole*

Tevita Bolanavanua  
**Acting AUDITOR-GENERAL**

Suva, Republic of the Fiji Islands

24 September 2009





**WHOLE OF GOVERNMENT**

**FINANCIAL STATEMENTS, ANNUAL APPROPRIATION  
STATEMENT AND ANNUAL BUDGET STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**STATEMENT OF ASSETS & LIABILITIES**  
**AS AT 31 DECEMBER 2008**

Schedule I

	Notes	31 December 2008 \$	31 December 2007 \$
<b>CURRENT ASSETS</b>			
Cash at Bank	2	151,632,524	42,307,686
Investments	3	<u>440,255,991</u>	<u>429,861,896</u>
<b>TOTAL ASSETS</b>		<u>591,888,515</u>	<u>472,169,582</u>
<b>CURRENT LIABILITIES</b>			
Trust Fund Account	4	57,796,286	64,442,713
Sinking Fund Account	4(i)	<u>68,659,964</u>	<u>---</u>
<b>TOTAL LIABILITIES</b>		<u>126,456,250</u>	<u>64,442,713</u>
<b>NET ASSETS</b>		<u>465,432,265</u>	<u>407,726,869</u>
<b>CONSOLIDATED FUND</b>	refer Schedule 2	<u>465,432,265</u>	<u>407,726,869</u>

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

Ministry of Finance  
Suva, Fiji  
10 September 2009

  
-----  
John Prasad  
Acting Permanent Secretary for Finance

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**CONSOLIDATED FUND**  
**STATEMENT OF RECEIPTS & PAYMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 2

	Notes	31 December 2008 \$	31 December 2007 \$
<b>RECEIPTS</b>			
Operating Revenue	5	1,001,472,718	925,422,452
Value Added Tax	6	452,943,742	465,831,990
Borrowings	7	345,648,652	118,862,870
Treasury Bills Raised	8	391,725,937	685,889,234
Ways & Means	9	83,400,000	260,200,000
Receipts from Debtors	10	12,328,612	6,628,478
Capital Gain	11	10,394,096	83,232
<b>TOTAL RECEIPTS</b>		<u>2,297,913,757</u>	<u>2,462,918,256</u>
<b>PAYMENTS</b>			
Operating Expenditure	13	988,315,017	1,023,890,682
Capital Expenditure	14	212,747,865	193,683,674
Value Added Tax	15	51,443,023	103,023,281
Repayment of Loans	16	427,984,117	405,592,568
Redemption of Treasury Bills	8	468,333,380	686,040,488
Ways & Means	9	83,400,000	260,200,000
Loans made to Debtors	17	4,120,666	590,967
Revolving Fund Account Net Payments	12	8,087,876	34,651,971
<b>TOTAL PAYMENTS</b>		<u>2,244,431,945</u>	<u>2,707,673,632</u>
<b>Surplus for the year</b>		53,481,812	(244,755,376)
Correction of Fundamental Errors	18(a)	4,223,584	21,133,691
Balance as at 1 January		<u>407,726,869</u>	<u>631,348,554</u>
<b>Balance as at 31 December</b>	refer Schedule 1	<u>465,432,265</u>	<u>407,726,869</u>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**TRUST FUND**  
**STATEMENT OF RECEIPTS & PAYMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 3(i)

	Notes	31 December 2008 \$	31 December 2007 \$
<b>RECEIPTS</b>			
Trust Fund Receipts		222,089,595	249,698,190
<b>TOTAL RECEIPTS</b>		<u>222,089,595</u>	<u>249,698,190</u>
<b>PAYMENTS</b>			
Trust Fund Payments		228,736,022	253,435,279
<b>TOTAL PAYMENTS</b>		<u>228,736,022</u>	<u>253,435,279</u>
<b>(Deficit)/Surplus for the year</b>		(6,646,428)	(3,737,089)
Balance as at 1 January		64,442,713	68,179,803
<b>Balance as at 31 December</b>	4	<u>57,796,286</u>	<u>64,442,713</u>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**SINKING FUND**  
**STATEMENT OF RECEIPTS & PAYMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 3(ii)

	Notes	31 December 2008 \$	31 December 2007 \$
<b>RECEIPTS</b>			
Sinking Fund Receipts		68,659,965	530
<b>TOTAL RECEIPTS</b>		<u>68,659,965</u>	<u>530</u>
<b>PAYMENTS</b>			
Sinking Fund Payments		2,033	---
<b>TOTAL PAYMENTS</b>		<u>2,033</u>	<u>---</u>
<b>(Deficit)/Surplus for the year</b>		68,657,932	530
Balance as at 1 January		2,032	1,502
<b>Balance as at 31 December</b>	4(i)	<u><b>68,659,964</b></u>	<u><b>2,032</b></u>

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of Accounting**

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

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

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

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

**b) Consolidated Fund Account**

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

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

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

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

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

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



**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

**31 December**  
**2008**  
**\$**

**31 December**  
**2007**  
**\$**

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 Inland 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	65,865,376	56,774,511
Overseas Agencies	121,299,138	52,855,117
Trading and Manufacturing Account	10,300,257	6,264,251
Cash Balance in Departmental Trust	13,738,076	---
Less: Unpresented Cheques	(59,570,322)	(73,586,193)
<b>Net Cash</b>	<b>151,632,524</b>	<b>42,307,686</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

	31 December 2008 \$	31 December 2007 \$
<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)	345,162,746	334,768,883
Fully Commercial Co. (Non-Profitable)	77,243,721	77,243,721
Semi-Commercial (Agro based)	9,428,838	9,428,606
Dormant Companies	2,000,000	2,000,000
Companies in Liquidation	6,420,686	6,420,686
<b>Total Investments</b>	<u>440,255,991</u>	<u>429,861,896</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	24,322,672	32,637,944
Trust Funds/Payroll Deductions	36,863,457	34,797,537
Less: Overdrawn Accounts	(3,389,843)	(2,992,767)
<b>Total Trust Fund Account</b>	<u>57,796,286</u>	<u>64,442,713</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>		
Transfers from Operating	50,046,966	---
Dividend on Investment	1,949,915	---
Foreign Exchange Gain or Appreciation	16,663,080	---
Closing Balance on RBF Sinking Fund	4	2,032
<b>Total Trust Fund Account</b>	<u>68,659,965</u>	<u>2,032</u>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

	31 December 2008 \$	31 December 2007 \$
<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	438,546,900	438,337,401
Indirect Taxes	351,566,695	326,193,975
Fees, Fines & Charges	109,294,037	64,193,858
Operating Revenue - Sales	41,992	5,938
Other Receipts	34,501,043	31,807,970
Reimbursements & Recoveries	12,372,987	17,981,117
Grant Aid	12,624,668	3,518,679
Dividends from Investments	21,515,841	21,971,159
Repayments of Term Loans Receivable	4,864	39,121
Gain in Exchange Rate	722,239	---
Interest from Bank Balances	19,483,097	19,743,155
Return of Surplus Capital from Investment	798,352	1,630,080
<b>Total Operating Revenue</b>	<b>1,001,472,718</b>	<b>925,422,452</b>

<b>6. VALUE ADDED TAX RECEIPTS</b>	<b>452,943,742</b>	<b>465,831,990</b>
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These are the VAT revenue collected by the Fiji Islands Revenue & Customs Authority during the year.

**7. BORROWINGS**

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

<i>Domestic Loans</i>	341,266,932	100,536,321
	<u>341,266,932</u>	<u>100,536,321</u>
<i>Overseas Loans</i>		
ADB Fiji Road Upgrading III	3,609,702	9,289,839
ADB Suva/Nausori Water Supply & Sewage Project	772,019	9,036,711
<b>Total Overseas Borrowings</b>	<b>4,381,720</b>	<b>18,326,549</b>
<b>TOTAL BORROWINGS</b>	<b>345,648,652</b>	<b>118,862,870</b>

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	5,088,384	---
Fiji Road Upgrading Project Stage III	6,560,583	---
ADB Alternative Livelihood Project	219,892	181,050
ADB Suva/Nausori Water Supply & Sewage Project	4,552,228	1,348,208
<b>Total Overseas Borrowings</b>	<b>16,421,086</b>	<b>1,529,258</b>

**8. TREASURY BILLS**

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

Treasury Bills Issues during the year	391,725,937	685,889,234
Treasury Bills Redemptions during the year	<u>468,333,380</u>	<u>686,040,488</u>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

	31 December 2008 \$	31 December 2007 \$
<b>9. WAYS AND MEANS</b>		
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	83,400,000	260,200,000
Ways and Means Repayments	83,400,000	260,200,000

**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	32,609	7,133
Consumer Co-operative Societies	1,405	12,092
Copra Industry for Stabilisation of Earnings	468,731	170,005
Tertiary Education	9,490,542	4,065,951
Private Students	145,605	599,508
Advances to Ministers and Members of Parliament	63,453	35,356
Students Loan Scheme	1,607,534	1,380,997
Posts and Telecommunications	449,261	---
Viti Corp Limited	64,500	---
NLTB	108	---
Fiji Sports Council	---	357,435
	12,323,747	6,628,478
Interest	4,864	39,121
<b>Total Receipts from Debtors</b>	<b>12,328,612</b>	<b>6,667,599</b>

**11. CAPITAL GAIN/LOSS**

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

Capital Gain	10,394,096	83,232
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**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

	31 December 2008 \$	31 December 2007 \$
<b>12. REVOLVING FUND ACCOUNT</b>		
Section 57 of the Finance Act allows the Minister to allocate an amount not exceeding \$18,000,000 for the operation of the Revolving Fund Accounts. Ministries/Departments operating Revolving Fund Accounts have to operate within a ceiling set by the Minister. The limit for the Revolving Fund Accounts in 2008 was \$14,922,000.		
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	190,745	106,842
Revolving Fund Account - Other Admin	2,491	2,570
Revolving Fund Account - Miscellaneous	1,108,638,037	116,721,042
Revolving Fund Account - Inter-Departmental Clearance	2,196,412,091	2,290,609,455
Revolving Fund Account - TMA:		
Fiji Islands Maritime Safety Administration	19,083	16,766
Fiji Military Forces	38,068	158,055
Government Printing & Stationery Department	2,613,633	2,323,859
Government Supplies Department	12,121,528	10,547,331
Ministry of Agriculture & Land Resettlement	566,805	460,695
Ministry of Fisheries and Forests	87,999	139,448
Ministry of Health	594,073	282,332
Ministry of Trade & Commerce	48,186	11,380
Public Works and Infrastructure	22,124,595	16,098,507
<b>Total</b>	<b>3,343,457,332</b>	<b>2,437,478,282</b>
b) <i>Revolving Fund Payments:</i>		
Revolving Fund Account - Imprests	193,416	104,419
Revolving Fund Account - Other Admin	51,567	53,511
Revolving Fund Account - Miscellaneous	1,104,814,733	148,398,921
Revolving Fund Account - Inter-Departmental Clearance	2,196,412,091	2,290,609,455
Revolving Fund Account - TMA:		
Fiji Islands Maritime Safety Administration	9,817	7,791
Fiji Military Forces	46,391	154,200
Government Printing & Stationery Department	2,459,859	1,444,974
Government Supplies Department	21,295,035	16,349,424
Ministry of Agriculture & Land Resettlement	539,034	388,180
Ministry of Fisheries and Forests	76,198	58,005
Ministry of Health	170,233	220,857
Ministry of Trade & Commerce	11,610	7,528
Public Works and Infrastructure	25,465,224	14,332,988
<b>Total</b>	<b>3,351,545,208</b>	<b>2,472,130,253</b>
<b>Revolving Fund Account Net (Payments)/Receipts</b>	<b>(8,087,876)</b>	<b>(34,651,971)</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

	31 December 2008 \$	31 December 2007 \$
<b>13. OPERATING EXPENDITURE</b>		
The operating expenditure of Government includes the following:		
Established Staff	508,658,127	522,911,393
Unestablished Staff	56,087,955	61,737,896
Travel and Communications	17,271,925	19,045,742
Maintenance and Operations	87,151,178	90,094,524
Purchase of Goods and Services	54,749,777	74,508,884
Operating Grants and Transfers	191,894,032	176,984,457
Special Expenditures	36,968,970	43,039,626
Pensions, Gratuities and Compassionate Allowances	35,533,054	35,568,160
<b>Total Operating Expenditure</b>	<b>988,315,017</b>	<b>1,023,890,682</b>
<b>14. CAPITAL EXPENDITURE</b>		
Capital Expenditures of Government includes on capital constructions works; purchases of property, plant and equipment and capital grants & transfer payments.		
Capital Construction	116,331,843	95,157,370
Capital Purchase	17,381,169	11,989,440
Capital Grants and Transfers	79,034,853	86,536,864
<b>Total Capital Expenditures</b>	<b>212,747,865</b>	<b>193,683,674</b>
<b>15. VALUE ADDED TAX EXPENDITURE</b>	<b>51,443,023</b>	<b>103,023,281</b>
These are the VAT payments made by Ministries/Departments to the the Fiji Islands 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	20,787,406	22,201,747
Domestic Loans	147,383,717	148,023,033
Treasury Bills	566,620	10,817,012
<b>Total Interest Paid</b>	<b>168,737,743</b>	<b>181,041,792</b>
<i>Principal Repayments:</i>		
Overseas Loans	62,520,735	17,126,498
Domestic Loans	191,210,000	204,992,000
<b>Total Principal Repayments</b>	<b>253,730,735</b>	<b>222,118,498</b>
Others	5,515,639	2,432,279
<b>Total Charges on Account of Public Debt</b>	<b>427,984,117</b>	<b>405,592,568</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

	31 December 2008 \$	31 December 2007 \$
<b>17. NEW AND ADDITIONAL LOANS</b>		
Additional loans and new loans that were provided in 2008 from recurrent loan provisions include the following:		
Advances to Public Officers	258	5,605
Consumer Co-operative Societies	5,000	11,277
Copra Industry for Stabilisation of Earnings	---	53,466
Tertiary Education	2,637,042	17,194
Advances to Ministers and Members of Parliament	10,058	---
Students Loan Scheme	1,242,267	421,855
Private Students	226,041	81,295
Fiji Development Bank	---	275
<b>Total Loans Given</b>	<b>4,120,666</b>	<b>590,967</b>

**18. ADJUSTMENTS**

a) <i>Correction of Fundamental Errors</i>	<u>4,223,584</u>	<u>21,133,691</u>
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These are unsubstantiated understated expenditures arising from adjustments of the General Ledger for Cash at Bank and Lending Fund.

**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 31/12/08 are as follows:

Domestic Loans	2,346,258,150	2,196,208,150
Treasury Bills	64,552,990	141,160,433
Overseas Loans	449,038,246	390,113,454
<b>Total Government Debt</b>	<b><u>2,859,849,386</u></b>	<b><u>2,727,482,037</u></b>

In addition to the above cash loans, other loan outstanding as at 31/12/08 are:

<b>Overseas Loans</b> - interest capitalised and loan-in-kind	16,359,264	6,989,930
- direct cash disbursed to contractors	10,596,906	
	<b><u>26,956,170</u></b>	<b><u>6,989,930</u></b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 4

	31 December 2008 \$	31 December 2007 \$
<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 31/12/08 are as follows:		
Agriculture	3,978,918	4,060,579
Auditor-General	263,926	424,929
Communications	1,096,944	97,918
Co-operatives	176,053	62,304
Education	5,181	4,849
Fiji Islands Maritime Safety Administration	104,477	118,531
Fiji Islands Revenue & Customs Authority - Customs	4,170,038	3,599,648
Fiji Islands Revenue & Customs Authority - IRD	86,348,514	105,407,504
Provincial Development, Indigenous and Multi Ethnic Affairs	514,423	455,065
Finance	426,963	474,063
Government Printing and Stationery Department	80,356	116,519
Government Supplies Department	258,428	423,605
Health	657,150	874,258
Immigration	14,401	12,376
Information Technology & Computing Services	3,300	9,114
Judicial	10,574,640	9,487,238
Labour and Industrial Relation	102,382	91,185
Lands Crown Rent	10,223,341	11,164,679
Loans: <i>Rewa Rice Ltd.</i>	225,382	225,382
Meteorological Services	4,565,163	4,297,547
Police	20,633	8,131
Prisons	425	912
Public Works and Infrastructure	32,355,792	29,636,128
MFO Sinai	1,567,025	1,325,031
<b>Total Arrears of Revenue</b>	<b>157,733,855</b>	<b>172,377,495</b>



**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT**  
**AS AT 31 DECEMBER 2008**

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2008	Liability as at 31/12/2008
<b>SECTION A -</b>			<b>\$</b>	<b>\$</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.....	347,074,757	347,074,757
<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.....	330,000,000	235,767,426
<b>Fiji Hardwood Corporation</b>	Guarantee of Loan Raised	Approved of the House of Representatives 16/10/03; 9/8/06.....	12,800,000	12,571,353
<b>Fiji National Provident Fund</b>	Guarantee of Contributors	Act No. 19 of 1966 Section 9.....	2,618,006,433	2,618,006,433
<b>Fiji Pine Limited</b>	Guarantee of Loans Raised	Approval of House of Representatives dated 06/12/1994; 17/08/05.....	15,700,000	11,928,843
<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.....	126,000,000	65,157,441
<b>Housing Authority</b>	Guarantee of Loans Raised	Approval of House of Representatives 24/10/02; 27/08/03; 29/11/05.....	142,000,000	90,213,447
<b>Fiji Sports Council</b>		Approval of House of Representatives 19/05/06	2,990,000	1,648,409
<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 .....	48,566,570	43,585,421
<b>National Bank of Fiji</b>	Guarantee of Depositors	Act No. 14 of 1996.....	7,159,221	7,159,221
<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	3,361,125
<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	4,295,442
<b>Section A Total.....</b>			<b>3,671,406,681</b>	<b>3,440,769,317</b>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT  
AS AT 31 DECEMBER 2008

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2008	Liability as at 31/12/2008
<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	30,023,015	30,023,015
<b>International Bank for Reconstruction &amp; Development</b>	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971.....	27,788,595	27,788,595
<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>58,318,701</b>	<b>58,318,701</b>

**SUMMARY -**

Section A	3,671,406,681	3,440,769,317
Section B	58,318,701	58,318,701
<b>Total</b>	<b>3,729,725,382</b>	<b>3,499,088,018</b>

Note:  
In addition to the above Contingent Liabilities, Reported Claims Against Government as at 31 December 2008 was approximately \$16.5 million.

NBF AMB-\$16,393,718	16,393,718.00
From Office of Solicitor General	115,277.10
	<b>16,508,995.10</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**BUDGET RESULT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 6

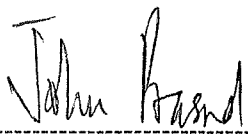
	<b>Estimate 2008 \$</b>	<b>Actual 2008 \$</b>	<b>Increase / (Decrease) \$</b>
<b>REVENUE</b>			
Operating Revenue	1,384,234,100	1,412,410,799	28,176,699
Investing Revenue	27,216,200	42,524,394	15,308,194
Public Debt - New Borrowings	370,198,000	345,648,652	(24,549,348)
<b>TOTAL REVENUE</b>	<u>1,781,648,300</u>	<u>1,800,583,846</u>	<u>18,935,546</u>
<b>EXPENDITURE</b>			
Operating Expenditure	1,036,632,194	988,315,017	(48,317,177)
Capital Expenditure	257,471,341	212,747,865	(44,723,476)
Value Added Tax	47,269,965	51,443,023	4,173,058
Public Debt Repayments	439,345,100	427,984,117	(11,360,983)
<b>TOTAL EXPENDITURE</b>	<u>1,780,718,600</u>	<u>1,680,490,023</u>	<u>(100,228,577)</u>
<b>BUDGET RESULT</b>	<u>929,700</u>	<u>120,093,824</u>	<u>119,164,124</u>

**Note:**

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

- Capital Expenditure includes SEGs 8 - 10.

Ministry of Finance  
Suva, Fiji  
10 September 2009

  
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John Prasad  
Acting Permanent Secretary for Finance

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**SUMMARY OF REVENUE**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 7

Heads of Revenue		Estimate	Actual Revenue 2008	Increase	Decrease
		\$	\$	\$	\$
<b>OPERATING REVENUE</b>					
21	Direct Taxes.....	456,910,900	438,546,900	---	18,364,000
22	Indirect Taxes.....	795,154,900	804,510,437	9,355,537	---
23	Fees, Fines & Charges.....	84,792,000	109,294,037	24,502,037	---
24	Operating Revenue Sales.....	12,000	41,992	29,992	---
27	Other Receipts.....	35,405,000	34,501,043	---	903,957
28	Reimbursements & Recoveries.....	9,826,400	12,891,721	3,065,321	---
29	Grant Aid.....	2,132,900	12,624,668	10,491,768	---
<b>Operating Revenue Total.....</b>		<b>1,384,234,100</b>	<b>1,412,410,799</b>	<b>47,444,656</b>	<b>19,267,956</b>
<b>INVESTING REVENUE</b>					
31	Repayments of Term Loans Receivable.....	160,800	4,864	---	155,936
33	Dividends from Investments.....	25,215,300	21,515,841	---	3,699,459
34	Interest from Bank Balances.....	210,000	19,483,097	19,273,097	---
35	Return of Surplus Capital from Investment....	1,630,100	798,352	---	831,748
38	Gain in Exchange Rate	---	722,239	722,239	---
<b>Investing Revenue Total.....</b>		<b>27,216,200</b>	<b>42,524,394</b>	<b>19,995,336</b>	<b>4,687,142</b>
<b>LOAN PROCEEDS</b>					
15.	Overseas Loans.....	---	4,381,720	4,381,720	---
16.	Domestic Loans.....	370,198,000	341,266,932	---	28,931,068
<b>Loans Revenue Total.....</b>		<b>370,198,000</b>	<b>345,648,652</b>	<b>4,381,720</b>	<b>28,931,068</b>
<b>Total Revenue.....</b>		<b>1,781,648,300</b>	<b>1,800,583,846</b>	<b>71,821,712</b>	<b>52,886,166</b>

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
SUMMARY OF REVENUE  
FOR THE YEAR ENDED 31 DECEMBER 2008

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2008	Increase	Decrease
	\$	\$	\$	\$
<b>OPERATING REVENUE</b>				
<b>21 - DIRECT TAXES</b>				
1. Income Tax				
01. Income Tax.....	456,910,900	438,546,900.42	---	18,363,999.58
2. Estate and Gift Duty				
01. Estate and Gift Duty.....	---	---	---	---
Total.....	456,910,900	438,546,900.42	---	18,363,999.58
Net Decrease.....			---	18,363,999.58
<b>22 - INDIRECT TAXES</b>				
1. Value Added Tax				
01. Value Added Tax.....	422,353,100	452,943,742.46	30,590,642.46	---
2. Fiscal Duty				
01. Fiscal Duty.....	348,927,300	226,002,384.65	---	122,924,915.35
3. Excise Dues				
01. Excise Dues.....	23,874,500	78,421,628.28	54,547,128.28	---
4. Export Duty				
01. Export Duty.....	---	9,986,802.08	9,986,802.08	---
5. Import Duty				
01. Import Duty.....	---	19,185,688.96	19,185,688.96	---
6. Hotel Turnover Tax				
01. Hotel Turnover Tax.....	---	20,079,638.32	20,079,638.32	---
99. Miscellaneous Fees and Receipts				
01. Miscellaneous Fees and Receipts.....	---	(2,109,447.73)	---	2,109,447.73
Total.....	795,154,900	804,510,437.02	134,389,900.10	125,034,363.08
Net Increase.....			9,355,537.02	---
<b>23 - FEES, FINES &amp; CHARGES</b>				
01. Dues				
01. Light Due - Port & Harbour.....	403,300	449,404.54	46,104.54	---
02. Stamp Duty				
01. Stamp Duty.....	16,024,100	17,629,916.24	1,605,816.24	---
03. Fees				
01. Produce and Inspection.....	1,108,700	1,723,555.76	614,855.76	---
02. Native Timber Measurement.....	750,300	624,874.12	---	125,425.88
03. Land and Survey Fees.....	339,400	203,244.53	---	136,155.47
04. Mining Fees.....	25,400	59,625.03	34,225.03	---
06. Passports.....	7,381,900	6,245,664.85	---	1,136,235.15
07. Town Planning Fees.....	228,900	353,909.44	125,009.44	---
08. Examination Fees.....	31,600	22,378.24	---	9,221.76
09. Government Day Schools-Fees.....	681,600	756,125.05	74,525.05	---
10. Government Boarding Schools-Fees.....	498,400	463,674.43	---	34,725.57
11. Health Fumigation and Quarantine.....	165,500	147,652.74	---	17,847.26
12. Hospital.....	1,081,300	864,306.52	---	216,993.48
13. Fiji School of Nursing.....	161,500	843,846.38	682,346.38	---
14. Cemetery Fees.....	35,000	42,862.10	7,862.10	---
15. Air Licensing Fees.....	10,300	10,620.00	320.00	---
16. Departure Tax.....	8,559,400	15,546,614.30	6,987,214.30	---
17. Audit Fees.....	328,600	470,214.51	141,614.51	---
18. Court Fees.....	1,181,200	1,116,495.72	---	64,704.28
19. Registration.....	442,300	456,672.25	14,372.25	---
20. Management Fee.....	156,600	409,714.27	253,114.27	---
21. LTA Fee.....	17,000,000	19,081,740.68	2,081,740.68	---
99. Miscellaneous Fees.....	2,381,100	1,552,912.78	---	828,187.22

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
SUMMARY OF REVENUE  
FOR THE YEAR ENDED 31 DECEMBER 2008

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2008	Increase	Decrease
	\$	\$	\$	\$
<b>04. Licenses</b>				
01. Arms.....	69,900	32,645.87	---	37,254.13
03. Coasting.....	10,400	10,125.86	---	274.14
05. Liquor.....	298,500	713,908.16	415,408.16	---
06. Trading.....	213,400	193,587.25	---	19,812.75
07. Dogs.....	12,900	5,474.47	---	7,425.53
09. Money Lenders.....	34,300	30,860.55	---	3,439.45
10. Hotels and Guest Houses.....	83,900	139,146.15	55,246.15	---
12. Telecommunications and Television.....	6,000,000	19,631,193.21	13,631,193.21	---
13. Fishing.....	600,000	661,550.83	61,550.83	---
15. Copyright.....	---	177.78	177.78	---
99. Other.....	29,900	45,945.69	16,045.69	---
<b>05. Rates - Public Works</b>				
01. Water & Sewerage Rates and Charges.....	16,891,800	16,747,386.76	---	144,413.24
02. Sewerage Charges.....	124,700	(104,631.98)	---	229,331.98
<b>06. Fees Royalties</b>				
01. Royalties Timber.....	600	---	---	600.00
03. Royalties - Sand, Coral, Metal, etc.....	28,400	13,821.36	---	14,578.64
<b>07. Fines</b>				
01. Fines.....	1,400,000	2,055,319.03	655,319.03	---
<b>08. Administrative Fines and Penalty</b>				
01. Overdue, lost & damaged library books.....	1,400	10,739.79	9,339.79	---
02. Administrative Fines and Forfeitures.....	15,500	30,761.58	15,261.58	---
Total.....	84,792,000	109,294,036.84	27,528,662.77	3,026,625.93
Net Increase.....			24,502,036.84	---
<b>24 - OPERATING REVENUE - SALES</b>				
01. Sale of Government Department.....	6,000	40,153.87	34,153.87	---
02. Sale of Companies.....	6,000	1,838.34	---	4,161.66
Total.....	12,000	41,992.21	34,153.87	4,161.66
Net Increase.....			29,992.21	---
<b>27 - OTHER REVENUE AND SURPLUSES</b>				
<b>01. Surplus/Deficit from Agency</b>				
01. RBF Revaluation Reserve Account.....	7,000,000	2,782,229.50	---	4,217,770.50
04. Fumigation.....	---	7,818.12	7,818.12	---
06. Woodwork and Materials.....	100	5,327.00	5,227.00	---
07. NBF Profits.....	---	---	---	---
<b>02. Rent and Hire of Government Property</b>				
01. Land.....	9,635,700	11,590,736.03	1,955,036.03	---
02. Official Quarters.....	1,428,200	1,468,530.95	40,330.95	---
03. Building.....	97,200	91,804.32	---	5,395.68
04. Hire of Plant and Vehicles.....	40,000	23,140.24	---	16,859.76
05. Hire of Vessels and Punts.....	---	4,960.83	4,960.83	---
06. Revenue from Rest Houses.....	3,200	3,572.65	372.65	---
07. Crown Schedule 'A' Land Rents.....	11,500	21,046.74	9,546.74	---
<b>03. Commission Revenue</b>				
01. Commission.....	1,124,200	928,094.16	---	196,105.84
<b>99. Other Revenue</b>				
01. Photographs.....	300	---	---	300.00
02. Sales of Publications.....	230,500	180,756.26	---	49,743.74
03. Revenue from Production of Films.....	19,400	9,486.52	---	9,913.48
04. Survey & Sales of Navigation Publications.....	1,308,300	305,881.77	---	1,002,418.23
05. Meat Inspection.....	37,100	30,491.25	---	6,608.75

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
SUMMARY OF REVENUE  
FOR THE YEAR ENDED 31 DECEMBER 2008

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2008	Increase	Decrease
	\$	\$	\$	\$
06. Veterinary and Animal Quarantine.....	49,800	19,650.13	---	30,149.87
07. Freight and Charter Receipts.....	221,700	182,671.84	---	39,028.16
08. Chemical Assay.....	8,200	2,608.95	---	5,591.05
09. Valuation Fees.....	7,900	10,970.90	3,070.90	---
10. Produce-Agricultural Experimental Stations.....	39,800	50,656.09	10,856.09	---
11. Sale of Surplus Farm Produce.....	13,400	21,166.02	7,766.02	---
12. Agricultural Commercial Undertakings.....	2,000	4,699.31	2,699.31	---
13. Sale of Fish and Ice.....	291,200	235,084.92	---	56,115.08
14. Sale of Sheep and Wool.....	59,300	40,386.41	---	18,913.59
16. Fiji College of Agriculture.....	23,700	14,684.54	---	9,015.46
17. Agricultural Landlord and Tenant Tribunal.....	---	4,421.94	4,421.94	---
20. Board Members Fees.....	21,400	74,314.87	52,914.87	---
99. Other.....	13,730,900	16,385,851.18	2,654,951.18	---
Total.....	35,405,000	34,501,043.44	4,759,972.63	5,663,929.19
Net Decrease.....			---	903,956.56
<b>28 - REIMBURSEMENT AND RECOVERIES</b>				
<b>11. Reimbursement of Services</b>				
01. Reimbursement for Meteorological Services.....	909,700	961,485.30	51,785.30	---
02. Reimbursement of Services.....	18,200	---	---	18,200.00
03. Reimbursement of Debt Servicing.....	507,900	2,627,977.79	2,120,077.79	---
99. Reimbursement Others.....	---	212,413.00	212,413.00	---
<b>12. Refund of Payments</b>				
01. Training & Productivity Authority of Fiji.....	3,200	369,596.52	366,396.52	---
02. Government Employees' Provident Fund.....	200	-	---	200.00
03. Recoveries of Overpayments in Previous Years.....	1,810,300	1,461,339.15	---	348,960.85
<b>21. Contributions</b>				
01. Parental Contributions Tertiary Education.....	---	500.00	500.00	---
<b>22. Contributions for Capital Projects</b>				
01. Village Water Supplies.....	67,000	117,033.75	50,033.75	---
02. Rural Electrification.....	100	---	---	100.00
03. 1/3 Contribution.....	9,800	---	---	9,800.00
<b>23. Contributions for Overseas Peace-Keeping</b>				
02. Multinational Force and Observers.....	6,500,000	7,141,375.57	641,375.57	---
Total.....	9,826,400	12,891,721.08	3,442,581.93	377,260.85
Net Increase.....			3,065,321.08	---
<b>29 - GRANTS IN AID</b>				
01. Australian Development Grants.....	82,100	2,115,516.40	2,033,416.40	---
02. New Zealand Bilateral Aid Programme.....	---	150,609.19	150,609.19	---
03. United Nations Development Programme.....	433,500	358,928.62	---	74,571.38
05. Japanese Government Grant.....	---	6,423.21	6,423.21	---
99. Other Grant Aid.....	1,617,300	9,993,190.96	8,375,890.96	---
Total.....	2,132,900	12,624,668.38	10,566,339.76	74,571.38
Net Increase.....			10,491,768.38	---
<b>Total Operating Revenue.....</b>	<b>1,384,234,100</b>	<b>1,412,410,799.39</b>	<b>47,444,655.53</b>	<b>19,267,956.14</b>
<b>INVESTING REVENUE</b>				
<b>31 - REPAYMENTS OF TERM LOANS RECEIVABLE</b>				
01. Interest on Term Loans.....	160,800	4,864.49	---	155,935.51
Total.....	160,800	4,864.49	---	155,935.51
Net Increase.....			---	155,935.51

GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
SUMMARY OF REVENUE  
FOR THE YEAR ENDED 31 DECEMBER 2008

Schedule 8

Heads and Subheads of Revenue	Estimate	Actual Revenue 2008	Increase	Decrease
	\$	\$	\$	\$
<b>33 - DIVIDENDS FROM INVESTMENTS</b>				
01. Investments in Social Services.....	750,000	39,000.00	---	711,000.00
02. Investments in Economic Services.....	9,050,000	6,354,128.31	---	2,695,871.69
03. Investments in Infrastructure Services.....	15,415,300	15,122,713.18	---	292,586.82
Total.....	25,215,300	21,515,841.49	---	3,699,458.51
Net Increase .....			---	3,699,458.51
<b>34 - INTEREST FROM BANK BALANCES</b>				
01. Interest from Local Bank Balances.....	210,000	---	---	210,000.00
02. Interest from Local Bank .....	---	19,370,597.15	19,370,597.15	---
03. Interest from T/D with Local Bank .....	---	112,500.00	112,500.00	---
Total.....	210,000	19,483,097.15	19,483,097.15	210,000.00
Net Increase .....			19,273,097.15	---
<b>35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS</b>				
74. Return of Surplus Capital from TMA Operations.....	1,630,100	798,351.97	---	831,748.03
Total.....	1,630,100	798,351.97	---	831,748.03
Net Increase .....			---	831,748.03
<b>38 - GAIN IN EXCHANGE RATE</b>				
<b>01. Overseas Banks</b>				
01. Bank in Australia.....	---	23,617.53	23,617.53	---
03. Bank in India.....	---	443,895.57	443,895.57	---
04. Bank in Japan.....	---	14,194.43	14,194.43	---
05. Bank in New Zealand.....	---	23,329.02	23,329.02	---
08. Bank in America.....	---	108,821.42	108,821.42	---
09. Bank in Malayasia.....	---	19,099.42	19,099.42	---
11. Bank in PNG.....	---	89,281.91	89,281.91	---
Total.....	---	722,239.30	722,239.30	---
Net Increase .....			722,239.30	---
<b>Total Operating Revenue.....</b>	<b>27,216,200</b>	<b>42,524,394.40</b>	<b>19,995,336.45</b>	<b>4,687,142.05</b>
<b>41 - OVERSEAS LOANS</b>				
<b>1. International Development Bank Loans</b>				
01. ADB Loan No. 1530 Fiji Road Upgrading Project (FRUP III).....	---	772,018.52	772,018.52	---
02. ADB Loan Suva/Nausori Water Supply.....	---	3,609,701.93	3,609,701.93	---
Total.....	---	4,381,720.45	4,381,720.45	---
Net Increase .....			4,381,720.45	---
<b>42 - DOMESTIC LOANS</b>				
01. Development and Conversion Loans.....	370,198,000	341,266,932.00	---	28,931,068.00
Total.....	370,198,000	341,266,932.00	---	28,931,068.00
Net Increase .....			---	28,931,068.00
<b>Total Borrowing Proceeds.....</b>	<b>370,198,000</b>	<b>345,648,652.45</b>	<b>4,381,720.45</b>	<b>28,931,068.00</b>
<b>Grand Total.....</b>	<b>1,781,648,300</b>	<b>1,800,583,846.24</b>	<b>205,308,667.96</b>	<b>186,373,121.72</b>
Net Increase .....			18,935,546.24	---
<b>SUMMARY OF REVENUE</b>				
Operating Revenue.....	1,384,234,100	1,412,410,799.39	47,444,655.53	19,267,956.14
Investing/Loans Revenue.....	397,414,200	388,173,046.85	24,377,056.90	33,618,210.05
<b>Grand Totals.....</b>	<b>1,781,648,300</b>	<b>1,800,583,846.24</b>	<b>71,821,712.43</b>	<b>52,886,166.19</b>



**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 9

<b>Heads of Appropriation</b>	<b>Original Budget</b>	<b>Redeployment</b>	<b>Supplementary Appropriation</b>	<b>Revised Estimate</b>	<b>Actual Expenditure 2008</b>	<b>(Over) / Under Expenditure</b>
	\$	\$	\$	\$	\$	\$
<b>GENERAL ADMINISTRATION</b>						
Office of the President	1,569,300	---	---	1,569,300	1,307,183	262,117
Office of the Prime Minister	5,147,700	---	---	5,147,700	3,303,022	1,844,678
Public Service Commission	12,296,100	(1,500,000)	---	10,796,100	9,779,938	1,016,162
Office of the Attorney-General and Solicitor General	10,251,000	---	---	10,251,000	8,928,071	1,322,929
Ministry of Finance, National Planning & Sugar Industry	90,240,200	(1,573,300)	---	88,666,900	83,155,307	5,511,593
Ministry of Provincial Development, Indigenous and Multi Ethnic Affairs	45,905,500	3,552,160	---	49,457,660	45,303,389	4,154,271
Ministry of Defence, National Security and Immigration	5,318,600	---	---	5,318,600	3,821,387	1,497,213
Ministry of Labour, Industrial Relations and Employment	7,882,200	---	---	7,882,200	6,896,955	985,245
Ministry of Foreign Affairs, International Cooperation and Civil Aviation	20,941,100	(1,433,904)	---	19,507,196	18,252,578	1,254,619
Office of the Auditor-General	3,174,000	---	---	3,174,000	2,800,740	373,260
Elections Office	4,241,100	(2,812,500)	---	1,428,600	841,593	587,007
Judiciary	12,384,200	---	---	12,384,200	10,989,529	1,394,671
Legislature	1,019,800	---	---	1,019,800	948,086	71,714
Office of the Ombudsman	1,479,900	---	---	1,479,900	1,407,035	72,865
Office of the Director of Public Prosecutions	4,641,800	---	---	4,641,800	4,070,240	571,560
Ministry of Justice	15,773,200	---	---	15,773,200	14,927,819	845,381
Department of Information	4,422,700	---	---	4,422,700	4,398,793	23,907
Fiji Military Force	81,521,800	(168,750)	---	81,353,050	84,044,973	(2,691,923)
Fiji Police Force	70,530,500	2,285,567	---	72,816,067	80,772,472	(7,956,405)
<b>Total for General Administration</b>	<b>398,740,700</b>	<b>(1,650,727)</b>	<b>---</b>	<b>397,089,973</b>	<b>385,949,109</b>	<b>11,140,864</b>
<b>SOCIAL SERVICES</b>						
Ministry of Education, National Heritage, Culture and Arts	296,494,100	8,441,841	---	304,935,941	291,133,319	13,802,622
Ministry of Health, Women and Social Welfare	163,868,400	2,683,930	---	166,552,330	162,341,458	4,210,872
Ministry of Local Government, Urban Development and Housing	11,417,000	(2,250,000)	---	9,167,000	7,732,276	1,434,724
Ministry of Youth and Sports	4,553,600	---	---	4,553,600	3,946,213	607,387
<b>Total for Social Services</b>	<b>476,333,100</b>	<b>8,875,771</b>	<b>---</b>	<b>485,208,871</b>	<b>465,153,266</b>	<b>20,055,605</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS  
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 9

<b>Heads of Appropriation</b>	<b>Original Budget</b>	<b>Redeployment</b>	<b>Supplementary Appropriation</b>	<b>Revised Estimate</b>	<b>Actual Expenditure 2008</b>	<b>(Over) / Under Expenditure</b>
	\$	\$	\$	\$	\$	\$
<b>ECONOMIC SERVICES</b>						
Ministry of Primary Industry	58,771,600	(2,156,250)	---	56,615,350	48,295,371	8,319,979
Ministry of Lands, Mineral Resources and Environment	40,751,900	3,308,434	---	44,060,334	39,420,113	4,640,221
Ministry of Industry, Tourism, Trade and Communication	31,277,000	(2,081,250)	---	29,195,750	25,983,122	3,212,628
<b>Total for Economic Services</b>	<b>130,800,500</b>	<b>(929,066)</b>	<b>---</b>	<b>129,871,434</b>	<b>113,698,605</b>	<b>16,172,829</b>
<b>INFRASTRUCTURE SERVICES</b>						
Ministry of Works and Transport	138,753,500	3,168,000	---	141,921,500	133,390,686	8,530,814
Department of Public Utilities and Energy	112,416,300	(10,260,000)	---	102,156,300	80,786,966	21,369,334
<b>Total for Economic Services</b>	<b>251,169,800</b>	<b>(7,092,000)</b>	<b>---</b>	<b>244,077,800</b>	<b>214,177,652</b>	<b>29,900,148</b>
<b>UNALLOCABLE</b>						
Miscellaneous Services	45,131,200	796,022	570,000	46,497,222	37,994,220	8,503,002
Pensions, Gratuities and Compassionate Allowances	38,628,200	---	---	38,628,200	35,533,054	3,095,146
Charges on Account of Public Debt	439,345,100	---	---	439,345,100	427,984,117	11,360,983
<b>Total for Unallocable Services</b>	<b>523,104,500</b>	<b>796,022</b>	<b>570,000</b>	<b>524,470,522</b>	<b>501,511,390</b>	<b>22,959,132</b>
<b>GRAND TOTALS</b>	<b>1,780,148,600</b>	<b>---</b>	<b>570,000</b>	<b>1,780,718,600</b>	<b>1,680,490,023</b>	<b>100,228,577</b>

**GOVERNMENT OF THE REPUBLIC OF THE FIJI ISLANDS**  
**DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

Schedule 10

Heads of Appropriation	Original Budget	Redeployment	Supplementary Appropriation	Virements	Revised Estimate	Actual Expenditure 2008	(Over) / Under Expenditure
<b>SUMMARY BY SEGs</b>							
1. Established Staff	527,796,500	---	---	(4,357,326)	523,439,174	508,658,127	14,781,047
2. Unestablished Staff	61,740,000	---	---	882,106	62,622,106	56,087,955	6,534,151
3. Travel and Communications	18,928,900	---	---	585,173	19,514,073	17,271,925	2,242,148
4. Maintenance and Operations	78,310,900	5,574,165	---	1,986,303	85,871,368	87,151,178	(1,279,810)
5. Purchase of Goods and Services	56,598,700	(280,000)	---	428,878	56,747,578	54,749,777	1,997,801
6. Operating Grants and Transfers	190,466,200	9,509,033	550,000	2,368,489	202,893,722	191,894,032	10,999,690
7. Special Expenditures	52,208,000	(7,325,701)	---	2,033,674	46,915,973	36,968,970	9,947,003
8. Capital Construction	162,102,300	(10,750,000)	---	(1,531,349)	149,820,951	116,331,843	33,489,108
9. Capital Purchase	19,169,100	2,544,071	---	1,506,632	23,219,803	17,381,169	5,838,634
10. Capital Grants and Transfers	86,452,800	1,441,982	20,000	(3,484,195)	84,430,587	79,034,853	5,395,734
11. Pensions, Gratuities and Compassionate Allowances	38,628,200	---	---	---	38,628,200	35,533,054	3,095,146
12. Charges on Account of Public Debt	439,345,100	---	---	---	439,345,100	427,984,117	11,360,983
13. Value Added Tax	48,401,900	(713,550)	---	(418,385)	47,269,965	51,443,023	(4,173,058)
<b>Grand Total</b>	<b>1,780,148,600</b>	<b>---</b>	<b>570,000</b>	<b>---</b>	<b>1,780,718,600</b>	<b>1,680,490,023</b>	<b>100,228,577</b>

**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 2008

The performance of the Fiji Government for the year 2008 is provided in Table 1.1.

TABLE 1.1: GOVERNMENT PERFORMANCE IN 2008

Item	Original Budget 2008 (\$'000) *	Revised Budget 2008 (\$'000)	Actual Results 2008 (\$'000)	Variance 2008 (\$'000)	Variance (%)
<b>REVENUE</b>					
Direct Taxes	456,910.9	456,910.9	438,546.9	18,364.0	4.2
Indirect Taxes	795,154.9	795,154.9	804,510.4	(9,355.5)	(1.2)
Others	132,168.3	132,168.3	169,353.5	(37,185.2)	(22.0)
<b>Total Operating Receipts</b>	<b>1,384,234.1</b>	<b>1,384,234.1</b>	<b>1,412,410.8</b>	<b>(28,176.7)</b>	<b>(2.0)</b>
<b>Total Investing Receipts</b>	<b>25,425.3</b>	<b>25,425.3</b>	<b>42,524.4</b>	<b>(17,099.1)</b>	<b>(40.2)</b>
<b>TOTAL REVENUE</b>	<b>1,409,659.4</b>	<b>1,409,659.4</b>	<b>1,454,935.2</b>	<b>(45,275.8)</b>	<b>(3.2)</b>
<b>EXPENDITURE</b>					
Operating	1,210,281.0	1,222,236.1	1,162,568.4	59,667.7	5.1
Capital	269,224.2	257,471.3	212,747.9	44,723.4	21.0
Value Added Tax	48,401.9	47,270.0	51,443.0	(4,173.0)	(8.1)
<b>TOTAL EXPENDITURE</b>	<b>1,527,907.1</b>	<b>1,526,977.4</b>	<b>1,426,759.3</b>	<b>100,218.1</b>	<b>7.0</b>
Net Surplus(Deficit)	(118,247.7)	(117,318.0)	28,175.9	(145,493.9)	(516.4)
Debt Repayment	253,741.2	253,741.2	253,730.7	10.5	0
<b>Gross Deficit</b>	<b>(371,988.9)</b>	<b>(371,059.2)</b>	<b>(225,554.8)</b>	<b>(145,504.4)</b>	<b>64.5</b>
Net Surplus As A Percent of GDP	(2.0%)	(2.0%)	0.5%	2.5%	
Nominal GDP	5,826,220	5,826,220	5,895,900*		

\* Original Budget 2008 are sourced from the 2008 Original Budget Book.

+ Provisional Estimate

Source: Reserve Bank of Fiji

The gross deficit for the year was \$225.6 million which was \$145.5 million or 64.5% less than the 2008 revised forecast of \$371.1million. This was due to the decrease in expenditures by \$100.2 million or 7% against the revised budget, and an increase in revenue of \$45.3 million or 3% during the year.

The loans raised in 2008 to finance the budget deficit were \$345.6 million (Table 1.2). In addition, Treasury Bills were also raised in 2008 to meet short term financing shortfalls. These are discussed in section 1.5 and Table 1.3.



## **1.2 Appropriation (2008 Revised Budget) Promulgation 2008**

Following the revision of the 2008 Budget, the interim government reshuffled ministerial portfolio merging several ministries and departments but the appropriation heads remained at 28, as detailed in Schedule 1 of the Appropriation Promulgation. Schedule 2 of the Promulgation also provides for the re-current and non-recurrent loans. The expenditures under the various heads and their variances are detailed in Appendix 1.1(a) and (b)

Against a revised budget of \$1.527 billion, the government spent \$1.427 billion resulting in a savings of \$100.2 million. However, 2 agencies over-spent their budgets and they include the Republic of Fiji Military Forces (3%) and Police (11%).

Under the Lending Fund appropriation of \$23.4 million, there was an outstanding balance of \$23.8 million at the beginning of 2008. This was reduced considerably by the end of 2008 with the recovery of \$11.8 million during the year with major collection from students of tertiary institutions (\$9.5 million), students under the loan scheme (\$1.6 million), private students (\$0.1 million). The government approved new loans totalling \$4.1 million during the year.

## **1.3 Operating Results**

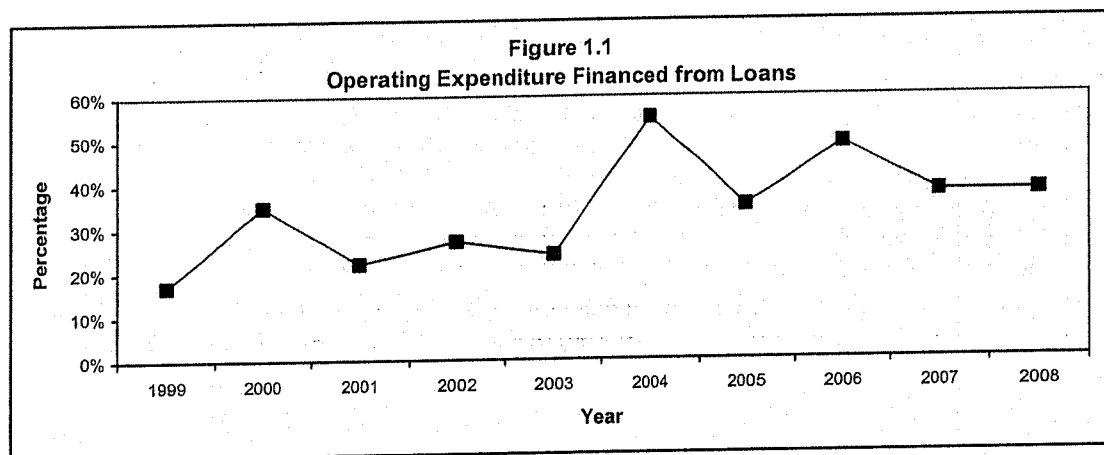
In 2008 revenue increased and the government tightened budget management resulting in the net surplus of \$28.2 million against a revised budgeted deficit of \$117.3 million.

The operating deficit in 2008 was less than the 2007 deficit by \$109.4 million or 32.7%. This improvement was attributed to the net decrease of \$45.7 million in government expenditures and an increase in revenue by \$290.5 million. The net surplus for 2008 as a percentage of GDP was 0.5%, an improvement of 2.5% above the budgeted net deficit.

## **1.4 Financing of Operating Expenditures**

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

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



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

TABLE 1.2: CAPITAL EXPENDITURES VS. LOANS RAISED

Details	1999 (\$'000)	2000 (\$'000)	2001 (\$'000)	2002 (\$'000)	2003 (\$'000)	2004 (\$'000)	2005 (\$'000)	2006 (\$'000)	2007 (\$'000)	2008 (\$'000)
Total Loans (Domestic & Overseas)	192,175	225,000	239,248	325,197	319,738	458,468	328,608	417,810	334,937	345,649
Less Capital Expenditures	159,990	146,157	186,749	238,639	243,692	205,609	213,509	212,642	206,933	212,748
Balance for Operating Expenditures	32,185	78,843	52,499	86,558	76,046	252,859	115,099	205,168	128,004	132,901
% Loans Utilized for Operating Expenditures	17%	35%	22%	27%	24%	55%	35%	49%	38%	38%

The percentage of loans which financed operating expenditures varied over the past 10 years. The ratio of loans utilised for operating expenditures remained at 38% from 2007 to 2008.

Although the above analysis shows that there was a decrease in the ratio in 2008, the continued utilization of loan funds for operating expenditures reflects constant reliance by government on its financiers for its day to day operations. This has denied government from investment in capital works which would have contributed to increased employment and economic growth.

## 1.5 Treasury Bills

As government had raised domestic loans in accordance with the approved budgets over the years, the excess has been in the form of Treasury Bills. As at 31/12/08, outstanding Treasury Bills amounted to \$64,552,990.

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

TABLE 1.3: BUDGET DEFICIT VS. LOANS RAISED

Details	1999 \$	2000 \$	2001 \$	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$	2008 \$
Gross Deficit(surplus)	199,550,066	230,607,446	339,658,246	334,367,718	380,275,486	302,912,124	366,334,030	394,450,200	369,552,279	225,554,800

Details	1999 \$	2000 \$	2001 \$	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$	2007 \$	2008 \$
Domestic Loans	186,000,000	210,000,000	229,000,000	299,000,000	291,000,000	449,200,000	319,965,000	356,778,570	100,536,321	341,266,932
Overseas Loans	6,171,541	14,997,639	10,247,023	26,196,743	28,745,347	9,267,717	8,641,300	61,031,585	234,400,549	4,381,720
Treasury Bills	117,231,671	72,449,838	176,604,613	196,432,453	276,925,838	126,987,822	136,018,387	141,311,687	141,160,433	64,552,990
Loans	309,406,830	297,449,846	415,852,569	521,629,196	596,664,155	585,455,539	464,626,659	559,121,842	476,097,303	410,201,642
Deficit %	64%	78%	82%	64%	64%	52%	79%	71%	78%	55%
Excessive Borrowings %	36%	22%	18%	36%	36%	48%	21%	29%	22%	45%

There has been an increase in the financing of budget deficits as 55% of the loans raised was sufficient to cover the 2008 budget deficit compared to 78% in 2007, in other words, there is an increase in excessive borrowings from 22% in 2007 to 45% in 2008.

## 1.6 Agency Financial Statements

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

All ministries and departments submitted their 2008 accounts for audit except for the Office of the Ombudsman whose office closed after the abrogation of the constitution.

Moreover there was a lack of understanding of the new FMIS, and the failure of the departments to prepare necessary reconciliations of accounts resulting in variances in account balances between the departments and the general ledgers.. These are detailed in Appendices 1.2 and 1.3.

The Office of the Auditor General had planned to audit 26 accounts of Ministries and Departments of which 13 of them were required to be consolidated. Only 11 of the 13 required consolidated accounts were submitted. The Ministry of Agriculture, Fisheries and Forestry, Lands, Mineral Department and Environment submitted separate financial statements without the required consolidations. Nevertheless, all the accounts submitted were audited, whether or not they were consolidated. A total of 28 financial statements were therefore audited for which a qualified or 'except for' opinion were issued. The audit opinion issued to ministries and departments are detailed in Appendix 1.4.

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

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

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

## 2.0 CASH AT BANK

A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who shall inform the bank of the agency officers authorised to operate on it. All agency bank accounts shall be kept in the name of the agency or the official title of a unit within the agency.<sup>1</sup>

The Cash at Bank balance increased significantly from \$42,307,686 in 2007 to \$151,632,524 due to a significant increase in Overseas Bank Balance by 129%. In addition there was 16% increase in domestic bank balance and 64% increase in Trading & Manufacturing Account. A 19% decrease was noted for unrepresented cheques and Trust Fund Account disclosed a balance \$13,738,076 in 2008. Refer to Table 2.1 for details.

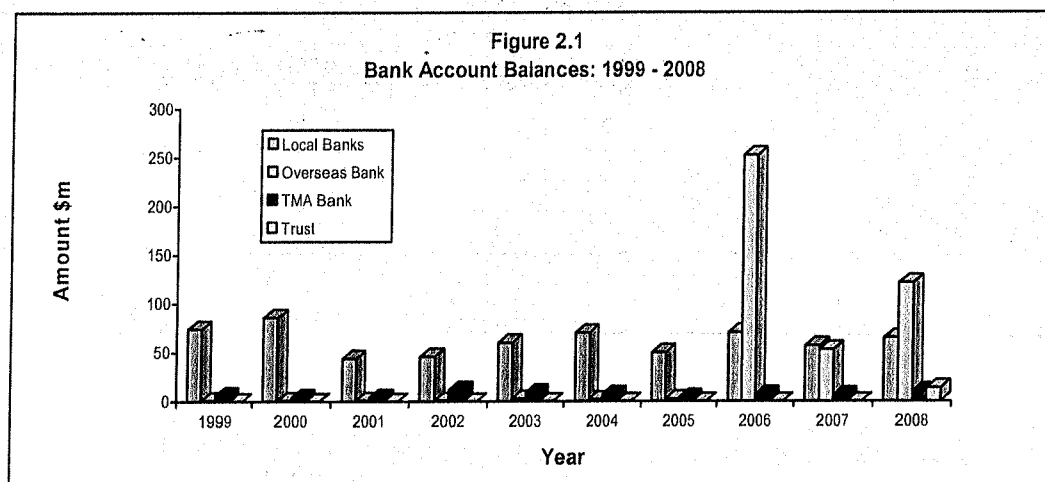
TABLE 2.1: CASH AT BANK BALANCE AS AT 31/12/08

ACCOUNT	2007 BALANCES \$	2008 BALANCES \$	VARIANCE \$	% CHANGE
Domestic Account	56,774,511	65,865,376	9,090,865	16
Fiji Overseas Agents	52,855,117	121,299,138	68,444,021	129
Trading & Manufacturing Account (TMA)	6,264,251	10,300,257	4,036,006	64
Trust Fund Account	---	13,738,076	13,738,076	
Unpresented Cheques	(73,586,193)	(59,570,322)	14,015,871	19
<b>Net Cash</b>	<b>42,307,686</b>	<b>151,632,525</b>	<b>109,324,839</b>	<b>258</b>

The decreased amount in unpresented cheques is attributed to the increase in debit balances for Customs, Health, Home Affairs, Fiji Police Force and Water Supplies in the Drawings Account.

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

<sup>1</sup> Finance Instructions 2005 – Part 6: Assets – Division 1 – Cash Management – 39(1)  
Whole of Government Financial Statements and Annual Appropriation Statement



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

## 2.1 Overseas Cash Balance not Supported by Cash or bank confirmations

The Cash at Bank balance should reflect all balances of bank accounts operated by Ministries/Departments as at 31/12/08.

A total of \$1,292,059 in Statement of Cash and Bank Balances with Overseas Agencies is not supported by cash or confirmed through the relevant overseas Bank Confirmations.

Some balances reported without any actual cash in the Bank account are due to non closure of the general ledger accounts of cash balances for Foreign Agents under the Ministry of Finance. These cash balances were carried forward from previous years after the accounts were transferred to the Ministry of Foreign Affairs.

Table 2.2 below shows the details of the general ledger cash accounts for Overseas Missions and Agents not supported by actual cash nor confirmed by any bank confirmations.

TABLE 2.2: CASH BALANCE WITH AGENCIES OVERSEAS NOT SUPPORTED BY CASH OR BANK CONFIRMATIONS

ACCOUNT	DESCRIPTION	BALANCE \$
10410204202510102	Sydney Trade Commission	28,231.16
10410204202510105	FMF – Bank Account in Darwin	5,090.52
10410204202510701	Sinai	21,956.01
10410204202510107	Fiji High Commission - Canberra	(163,006.43)
10810381001510201	Crown Agents London	293,419.65
10410204202510202	Fiji High Commission - London	(55,868.74)
10410204202510401	Fiji Embassy Tokyo Dominion Cash	477,072.66
10410204202510502	Fiji High Commission - Wellington	5,317.44
10410204202510504	Fiji High Commission - Beijing	53,740.57
10410204202510601	Fiji Mission - Brussels	1,147.45
10410204202510801	Fiji High Commission – United Nation	259,702.58

ACCOUNT	DESCRIPTION	BALANCE \$
10410204202510802	Washington	101,918.76
10810380701510802	Washington	(10,781.08)
10810381102510802	Washington	44,938.28
10410204202510901	Bank in Kular Lumpur	112,442.63
10410204202510902	Closing Balance for PNG	931.16
10410204202510903	Fiji High Commission – New Delhi	115,806.13
<b>TOTAL</b>		<b>1,292,058.75</b>

In addition, it was also noted that Fiji Trade Commission – Taiwan is not reflected in the records of Finance but is in operation as identified by Ministry of Trade and Commerce. The Commission had a credit bank balance of \$467,618 in Taiwan dollars as at 31<sup>st</sup> December 2008.

Fiji Trade Commission – Sydney's cash balances remain unchanged with no records provided for audit verification. According to the Officer responsible this trade commission has closed in 2007.

The above indicates the lack of reconciliation of the general ledger cash balances and the actual cash holdings by the Ministry of Finance. Due to the laxity of the officers responsible, the cash accounts were not closed in the general ledger and are still appearing under the Ministry of Finance cash account, thus overstating the cash balance.

As such, the Overseas Cash Balance stated in the Statement of Cash and Bank Balance – Accounts and Finance is overstated by \$1,292,059 and exclusive of the Fiji Trade Commission – Taiwan cash balances.

This is another recurring issue for which no improvement is noted.

### **Recommendations**

- The Ministry of Finance should ensure that amounts in the general ledger are supported by actual cash.
- The Ministry of Finance should close all dormant accounts for which balances do not exist or have been transferred.
- Ministry of Finance should liaise with Ministry of Trade and Commerce so that Fiji Trade Commission Taiwan's cash balances are accounted for in the Accounts and Finance.

### **Ministry's Comment**

*No comment received.*

## **2.2 Drawings Accounts**

### **2.2.1 Drawings Account Variances**

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

The audit noted variances at the end of 2008 in the drawings reconciliations for some Ministries and Departments that had not been updated onto the Financial Management Information System.

<sup>2</sup> Ministry of Finance, Finance Manual S 17.3.1

Table 2.3 highlights Ministries/Departments that had variances between their Drawings Accounts reconciliations and the Ministry of Finance General Ledger (GL) balances as at 31/12/08.

TABLE 2.3: BALANCES IN MINISTRIES/DEPARTMENTS

Ministry/Department	Unpresented Cheques \$	GL Balance \$	Difference \$	GL Overstated/ Understated
Agricultural Tribunal	1,387	1,419	32	Overstated
Agriculture	3,042,701	2,904,634	(138,067)	Understated
Attorney – General	397,700	397,634	(66)	Understated
Bureau of Statistics	179,187	178,167	(1,020)	Understated
Cabinet	521,130	581,553	60,423	Overstated
Education	5,689,962	5,691,891	1,929	Overstated
Energy	504,103	642,616	138,513	Overstated
Fiji Military Forces	4,519,361	4,519,393	32	Overstated
Forestry	631,477	420,533	(210,944)	Understated
Government Supplies	1,007,393	1,117,771	110,378	Overstated
Housing and Urban Affairs	381,058	385,438	4,380	Overstated
Immigration	1,049,896	819,929	(229,967)	Understated
Information Technology & Computing Services	62,869	95,640	32,771	Overstated
Judicial	408,602	482,375	73,773	Overstated
Justice	27,349	32,284	4,935	Overstated
Labour & Industrial Relations	1,051,464	1,121,547	70,083	Overstated
Lands	2,008,001	495,223	(1,512,778)	Understated
Legislature	47,399	50,537	3,138	Overstated
Mineral Resources	120,784	204,002	83,218	Overstated
National Planning	329,992	249,724	(80,268)	Understated
Pension	32,719	39,958	7,239	Overstated
Public Enterprise	11,265	12,236	971	Overstated
Public Service Commission	474,736	473,737	(999)	Understated
Public Works Department (HQ)	2,371,939	2,010,510	(361,429)	Understated
Public Works Department (Labasa)	431,579	267,467	(164,112)	Understated
Public Works Department (Lautoka)	373,781	373,822	41	Overstated
Regional Development	433,154	433,208	54	Overstated
Roads (PWD DECE)	3,262,334	3,262,881	547	Overstated
Roads (PWD Labasa)	888,233	1,437,930	549,697	Overstated
Trade and Commerce	260,386	350,169	89,783	Overstated
Treasury	21,164,091	21,931,716	767,625	Overstated
Water & Sewerage (PWD Lautoka)	1,463,565	1,450,556	(13,009)	Understated
Water & Sewerage (PWD DECE)	3,313,754	3,015,642	(298,112)	Understated
<b>Total</b>	<b>56,463,351</b>	<b>55,452,142</b>	<b>(1,011,209)</b>	<b>Understated</b>

In addition, the following Ministries and Department were noted as having debit balances in their drawings account. They also reflect that variances in the drawings reconciliations for some Ministries and departments had not been updated onto the Financial Management Information System

TABLE 2.4: MINISTRIES/DEPARTMENTS HAVING DEBIT BALANCES

MINISTRY/DEPARTMENT	UNPRESENTED CHEQUES \$	GL BALANCE \$	DIFFERENCE \$	GL OVERSTATED/ UNDERSTATED
Customs	Not provided	2,139,660	2,139,660	Overstated
Health	5,827,281	4,701,839	1,125,442	Understated
Home Affairs	No reconciliation prepared	10,543	10,543	Overstated
Police	2,791,650	8,477,570	5,685,920	Overstated
Water Supplies	0	1,396,308	1,396,308	Overstated

Furthermore, the following Ministries and Departments failed to clear their Cash Clearance Account at year end.

TABLE 2.5: MINISTRIES/DEPARTMENTS HAVING BALANCES IN CCA

MINISTRY/DEPARTMENT	AMOUNT \$
Public Service Commission	(415.27)
Publics works Department –HQ	153.85
Public Works Department – HQ	43.5
Roads	29.7

It was also noted that the Water Supplies Department is showing a debit balance of \$1,396,308 in the Accounts and Finances when in fact this account should be having no balance. No proper explanation or any adjustment was provided to have the above mispostings adjusted.

Discussion with officers at the Ministry of Finance revealed that the onus of correcting the drawing ledger accounts lies with the different ministries/departments.

The major contributing factors for the variances may include:

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

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

This issue was previously raised but no improvement is noted.

### **Recommendations**

- Effective control measures need to 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.
- Strict control measures could also be implemented to ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due.

### **Ministry's Comment**



*No comment received.*

### 2.2.2 Reconciliations

A total of six ministries/departments failed to provide their Drawings Account reconciliation as at 31 December 2008 to support the drawings account balances disclosed in the 2008 Whole of Government Financial Statements. Refer to Table 2.6 for details.

TABLE 2.6: BANK BALANCES NOT SUPPORTED WITH RECONCILIATIONS

Ministry/Department	GL Balance As at 31/12/08 \$
Customs	2,139,660
Fijian Affairs	(1,720,901)
Home Affairs	(10,543)
Salaries	(56,603)
Social Welfare	(1,356,950)
Women and Culture	(60,720)

The accuracy of these balances therefore could not be established.

### Recommendation

Strict control procedure for the preparation and submission of drawings reconciliation should be put in place.

### Ministry's Comment

*No comment received.*

### 2.2.3 Unpresented Cheques

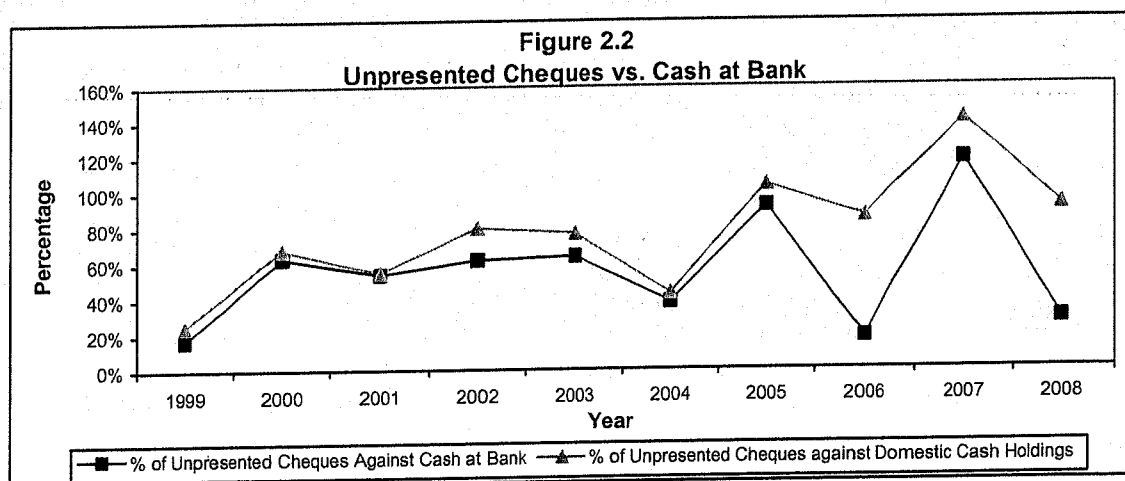
The drawings accounts balances (credits) for Ministries/Departments represent the total value of cheques that were issued but were not presented to the banks as at 31/12/08.

A review of the Unpresented cheques balances over the past 10 years provided in Table 2.7 and Figure 2.2 indicate that it accounts for a significant portion of the domestic cash at bank and total cash holdings of Government.

TABLE 2.7: UNPRESENTED CHEQUES

Year	Unpresented Cheques \$	Cash at Bank	% of Unpresented Cheques against Cash at Bank	Domestic Cash Holding \$	% of Unpresented Cheques against Domestic
1999	18,373,689	106,620,136	17	74,419,280	25
2000	58,202,508	92,150,492	63	85,718,633	68
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

Year	Unpresented Cheques \$	Cash at Bank	% of Unpresented Cheques against Cash at Bank	Domestic Cash Holding \$	% of Unpresented Cheques against Domestic
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



Unpresented cheques have decreased significantly by \$14,015,871 or 19% from \$73,586,193 in 2007 to \$59,570,322 in 2008. Table 2.8 shows details of Ministries/Departments which had significant unpresented cheques balances.

TABLE 2.8: MINISTRIES/DEPARTMENTS WITH SIGNIFICANT UNPRESENTED CHEQUE BALANCE OVER \$2 MILLION AND DEBIT BALANCE IN DRAWINGS ACCOUNT.

Ministry/Department	Amount \$	% of Total
Agriculture	2,904,639	5
Education	5,691,891	10
Fiji Military Force	4,519,393	8
Roads (PWD DECE)	3,262,881	5
Roads (PWD HQ)	4,370,911	7
Treasury	21,931,716	37
Water & Sewerage (PWD DECE)	3,015,642	5
Others	30,599,169	51
Police	(8,477,570)	(14)
Customs	(2,139,660)	(4)
Health	(4,701,839)	(8)
Home Affairs	(10,543)	0
Water Supplies	(1,396,308)	(2)
<b>Total</b>	<b>59,570,322</b>	<b>100</b>

\*(Note: Debit balances are shown as negatives in the table)

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

**Recommendations**

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

**Ministry's Comment**

*No comment received.*

**2.2.4 Unreconciled TMA Balances for Ministries/Departments**

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

Ministry of Health having General Ledger balance of \$925,608 failed to prepare and submit their TMA reconciliations. It was also noted that Ministry of Agriculture's TMA reconciliation figure differs from Appendix figure or the General Ledger by \$795.

In addition, details of Ministries/Departments having TMA balances under Fund 1 as at 31/12/08 are provided in Table 2.9.

TABLE 2.9: TMA BALANCES UNDER FUND 1

Ministry/Department	Account No.	Particulars	Amount \$
Agriculture	1-30101-30999-540301	TMA Dominion Cash	436.58
Public Works & Infrastructure (DECE)	1-40501-95991-540201	TMA Dominion Cash	8,840.08
Public Works & Infrastructure (DECE)	1-40504-97991-540201	TMA Dominion Cash	405.00
<b>Total</b>			<b>9,681.66</b>

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

Moreover, two items under Domestic Bank balances (refer to Table 2.10) could not be verified with actual cash balances.

TABLE 2.10: DOMESTIC BANK BALANCE NOT VERIFIED

Account	Balance \$
Remittance Between Chests – RBC General	775
Remittance Between Chests – PWD Western	25,130
<b>Total</b>	<b>25,905</b>

Furthermore, the Alternative Livelihood Project cash balance with Westpac was overstated by \$873,950 when compared with the confirmation from the bank.

Refer to Table 2.11 below:

<sup>3</sup> Ministry of Finance, Finance Manual S 17.3.1

TABLE 2.11: DOMESTIC BANK BALANCE NOT VERIFIED

Account	Balance \$
General Ledger	873,950
Bank Confirmation	---
<b>Total</b>	<b>873,950</b>

Discussion with the officer in charge revealed that this account is closed off and the balance has been refunded to the donor in 2008.

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

### **Recommendations**

- The Ministry of Finance should be more vigilant when checking reconciliations and investigate reasons for any variances.
- The Ministry should ensure that amount appearing in the Accounts should be supported by bank balances.

### **Ministry's Comment**

*No comment received.*

## **2.2.5 Unreconciled Cash Balances with Domestic Banks**

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

Variances between the Bank Certificate of Confirmation and the Appendix/FMIS balances are noted for the Cash Balances with Domestic Bank as at 31/12/08. Refer Table 2.12 for the variances.

TABLE 2.12: BANK CERTIFICATE OF CONFIRMATION IS NOT MATCHING THE APPENDIX/FMIS FIGURE

Bank Account	Bank Certificate of Confirmation \$	GL Balance \$	Difference \$	GL Overstated/ Understated
Colonial National Bank, Suva	9,952,888.48	9,910,169.29	(42,719.19)	Understated
State NBF Trust Account No. 31507	1,030,000.00	1,490,000.00	460,000.00	Overstated
Fiji Government Special IBRD Account No. 31511	43,637.03	38,371.00	(5,266.03)	Understated
Fiji Government TPU Account No. 31513	1,125.02	0.00	(1,125.02)	Understated
Demand Deposit Sinking Fund Account No. 32001	3.21	0.00	(3.21)	Understated
Customs Lodgment, ANZ	4,669,131.04	4,679,131.04	10,000.00	Overstated
Inland Revenue	29,806,843.58	29,809,589.99	2,746.41	Overstated
Westpac Banking Corporation – Term Deposits	1,482,610.54	1,400,000.00	(82,610.54)	Understated
<b>Total</b>	<b>46,986,238.90</b>	<b>47,327,261.32</b>	<b>341,022.42</b>	<b>Overstated</b>

The above indicates the lack of reconciliation of the general ledger cash balances and the actual cash holdings by the Ministry of Finance. As a result the general ledger cash balance is overstated by \$341,022.

<sup>4</sup> Finance Instructions 2005 – Bank Accounts 39(5)

**Recommendations**

The Ministry of Finance should ensure that proper reconciliations are carried out on a regular basis so that the two records are reconciled.

**Ministry's Comment**

1. The GL amount was understated due to AR adjustments for the year. This has been rectified in 2009.
2. DCFMU to comment on this.
3. DCFMU to comment on this.
4. DCFMU to comment on this.
5. DCFMU to comment on this.
6. The GL amount was overstated as a result of a dishonoured cheque. This was adjusted in 2009.
7. The GL amount was overstated as a result of a dishonoured cheque. This was adjusted in 2009.
8. The GL was understated because the bank had included the interest portion. This was adjusted in 2009.

**2.2.6 Net Impact of Errors and Omission on Cash at Bank Balances**

The Cash at Bank balance of \$151,632,524 as at 31/12/08 has been misstated in view of the following errors and omissions:

TABLE 2.13: ERRORS AND OMISSIONS IN STATEMENT OF CASH AT BANK

Errors and Omission	Amount \$
Overstatement of Cash Balance with Overseas Agencies	1,292,059
Variance of Drawings Account of Ministries/Departments and Ministry of Finance	1,011,209
Variance between TMA Balances of Ministries/Departments and Ministry of Finance	926,403
Bank Balance not supported with Reconciliation	1,066,057
Drawings Account having Debit Balances	16,725,920
Domestic Bank Balance not verified	25,905
Overstatement in ALP Westpac Account	645,072
Balances not included in Statement of Cash and Bank Balances	3,873,122

Errors and omissions in the 2008 Cash at Bank accounts are substantial and reflect the existence of weak internal controls for cash management.

**Recommendation**

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

**Ministry's Comment**

*No comment received.*

**2.2.7 Bank Audit Certificate not provided for Trust Money kept**

Trust money and, where required by the donor, aid money is to be kept in a separate bank account. All agency bank accounts shall be kept in the name of the agency or the official title of a unit within the agency.<sup>5</sup>

Bank audit certificates for these accounts have yet to be received.

TABLE 2.14: BANK AUDIT CERTIFICATE NOT PROVIDED FOR TRUST FUND MONIES

MINISTRY/ DEPARTMENT	DESCRIPTION	AMOUNT \$
Fisheries	Fisheries Trust Drawings Account	(27,728.87)
Immigration	Immigration Bond Bank Account	10,360,190.47
Labour and Industrial Relations	Workmen's Compensation	804,977.79
Prime Ministers Office		2,351,905.46
Environment		263,167.32

A variance of \$419.16 was noted for the Fisheries (Project Development Fund) between the FMIS figure to that of the Bank Audit Certificate.

In addition, Performance Bond for Government Supplies reflected under the True Trust fund account in the General Ledger is not shown in the Appendix 3 of the Accounts and Finance.

The accuracy of these balances therefore could not be established.

**Recommendations**

- Ministries and Departments operating Trust Fund Account should ensure that Bank Audit Certificate is provided to audit to justify the balances reflected under their TFA account.
- All true trust account should be disclosed in order to reflect correct balances in the Accounts and Finance.

**Ministry's Comment**

- The bank has been requested to forward a copy of the Bank Audit Certificate.
- The bank GL account for Government Supplies did not show any transactions, thus was not reflected in the Accounts and Finance.

**2.2.8 CFA Reconciliation**

The Accounting Heads are responsible for submitting their monthly drawings reconciliation statements within the stipulated time frame to the Ministry of Finance.<sup>6</sup>

The reconciliation of the Whole of Government Consolidated Fund Account requested for verifications, was not provided during the course of audit conduct.

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

<sup>5</sup> Finance Instructions 2005 – Bank Accounts 39 (2) & (3)

<sup>6</sup> Ministry of Finance – Finance Manual 2005 – Section 17.3.1

**Recommendation**

**The Ministry of Finance should carry out documented reconciliation on the consolidated fund account.**

**Ministry's Comment**

*No comment received.*

**3.0 INVESTMENT**

Section 55(1) (b) of the Finance Act 2004 empowers the Minister to invest public money in securities issued by a statutory authority. In 2008, Government's total investments of \$440,255,991 were held in 30 companies which have increased by \$10,394,096 or 2.4% as compared to 2007.

The increase in total investment is largely attributed to the increase in AFL share capital by \$10,450,272 upon Cabinet decision held on 16th of October 2008, to convert the accrued land rental owed by AFL to CAAFI to equity. Hence, CAAFI has written off \$10,450,272 AFL debt in its books resulting in the share capital of AFL increased to \$92,300,180.

**3.1 Analysis of Dividends**

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

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

Seven (7) of the 30 entities which Government had investments remitted dividends to the government totalling \$21,260,842 in 2008 compared to \$21,971,159 in 2007 and \$27,619,234 in 2006. Table 3.1 shows the dividends received from the entities for the three years.

TABLE 3.1: DIVIDEND ANALYSIS FOR LAST THREE YEARS

Entity	2006 \$	2007 \$	2008 \$
Fiji International Telecommunications Limited	7,055,594	6,924,636	6,411,931
Yaqara Pastoral Company Limited	245,122	385,013	---
Amalgamated Telecom Holding Limited	8,755,933	8,755,933	5,175,183
Air Pacific Limited	2,262,203	1,996,061	6,354,128
Fiji Television Limited	259,560	259,560	259,560
Land Transport Authority	4,000,000	---	---
Fiji Reinsurance Corp. Limited	137,354	---	---

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

Entity	2006 \$	2007 \$	2008 \$
Fiji Shipping Corporation Limited	---	---	---
Fiji Ports Corporation Limited	1,609,352	2,010,746	2,021,040
Pacific Fishing Company Limited	443,224	443,224	---
Airports (Fiji) Limited	2,759,005	315,780	1,000,000
Fiji Broadcasting Corporation Limited	26,387	---	39,000
Unit Trust of Fiji (Management) Limited	65,500	69,800	---
Post Fiji Limited	---	457,148	---
Pacific Forum Line Limited	---	353,258	---
Unit Trust of Fiji (Trustee) Limited	---	---	---
Daily Post	---	---	---
Food Processor (Fiji) Limited	---	---	---
Fiji Hardwood Corporation	---	---	---
Shipbuilding (Fiji) Limited	---	---	---
Air Fiji Limited	---	---	---
Equity Investment Management Company Limited	---	---	---
Fiji Pine Limited	---	---	---
Fiji Sugar Corporation Limited	---	---	---
National Trading Corp. Limited	---	---	---
Rewa Co-operative Dairy Company Limited	---	---	---
Rewa Rice Limited	---	---	---
Viti Corps Company Limited	---	---	---
Fiji Sugar Marketing Company Limited	---	---	---
International Hotels of Fiji Limited	---	---	---
Fiji Ships and Heavy Industries Limited	---	---	---
Ports Terminal Limited	---	---	---
<b>Total</b>	<b>27,619,234</b>	<b>21,971,159</b>	<b>21,260,842</b>

Table 3.2 shows the dividend and investment analysis for 2007 and 2008.

TABLE 3.2: DIVIDEND AND INVESTMENT ANALYSIS

Entity	Investment \$	Dividend		Variances \$
		2008 \$	2007 \$	
Amalgamated Telecom Holding Limited	36,483,052	5,175,183	8,755,933	(3,580,750)
Fiji International Telecommunications Limited	3,569,990	6,411,931	6,924,636	(512,705)
Airports (Fiji) Limited	92,300,180	1,000,000	315,780	684,220
Fiji Ports Corporation Limited	73,154,852	2,021,040	2,010,746	10,294
Pacific Fishing Company Limited	14,728,956	---	443,224	(443,224)
Yaqara Pastrol Company Limited	1,191,846	---	385,013	(385,013)
Unit Trust of Fiji (Management) Limited	50,000	---	69,800	(69,800)
Fiji Broadcasting Corporation Limited	2	39,000	---	39,000
Air Pacific Limited	13,307,075	6,354,128	1,996,061	4,358,067
Fiji Television Limited	1,442,000	259,560	259,560	---



Entity	Investment \$	Dividend		Variances \$
		2008 \$	2007 \$	
<b>Total</b>	<b>236,227,953</b>	<b>21,260,842</b>	<b>21,160,753</b>	<b>100,089</b>
Post Fiji Limited	5,600,000	---	457,148	(457,148)
Pacific Forum Line Limited	3,085,528	---	353,258	(353,258)
<b>Total</b>	<b>8,685,528</b>	<b>---</b>	<b>810,406</b>	<b>(810,406)</b>
Daily Post	950,220	---	---	---
Fiji Hardwood Corporation	90,000,000	---	---	---
Air Fiji Limited	171,804	---	---	---
Fiji Pine Limited	61,002,064	---	---	---
Fiji Sugar Corporation Limited	15,119,580	---	---	---
Rewa Co – operative Dairy Company Limited	43,086	---	---	---
Fiji Shipping Cooperation Limited	10,000	---	---	---
Rewa Rice Limited	1,506,224	---	---	---
Fiji Sugar Marketing Company Limited	2	---	---	---
Viti Corps Company Limited	6,000,000	---	---	---
Fiji Ships and Heavy Industries Limited	7,662,228	---	---	---
Ports Terminal Limited	3,084,300	---	---	---
Unit Trust of Fiji (Trustee) Limited	684,585	---	---	---
Food Processor Fiji Limited	687,680	---	---	---
<b>Total</b>	<b>186,921,773</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>In – Operative Entities</b>				
Equity Investment Management Company Limited	51	---	---	---
National Trading Corp. Limited	3,358,186	---	---	---
Shipbuilding (Fiji) Limited	3,062,500	---	---	---
International Hotels of Fiji Limited	2,000,000	---	---	---
<b>Total</b>	<b>8,420,737</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>Total Investment</b>	<b>440,255,991</b>	<b>21,260,842</b>	<b>21,971,159</b>	<b>(710,317)</b>

The following were noted:

- 7 entities paid dividends totalling \$21,260,842 in 2008, a decrease of \$710,317 compared to 2007;
- 18 entities in which Government has investments totalling \$195,342,510 did not pay any dividends for the past two years;
- 5 entities paid dividend in 2007 amounting to \$1,708,443 but had not paid dividend in 2008;
- Only 1 entity that paid dividends in 2008 amounting to \$39,000 did not pay dividends in 2007;
- 4 entities with total investments of \$8,420,737, have been in-operative for over two years.

The dividend revenue has decreased by \$710,317 due to fewer companies paying dividends and comparatively less than dividends paid in 2007.

### 3.2 Inoperative Entities

Reflected in the Statement of Investments (Appendix 9) as at 31/12/08, are some entities that are dormant, in liquidation or have ceased operations. Refer Table 3.3 for details.

TABLE 3.3: INOPERATIVE ENTITIES

Entity	Status	Current Status Since	Amount \$
Equity Investment Management Company Limited	Ceased Operations	1999	51
International Hotels of Fiji Limited	Dormant	2000	2,000,000
Shipbuilding (Fiji) Limited	In Liquidation	2000	3,062,500
National Trading Corporation Limited	In Liquidation	2006	3,358,186
<b>Total</b>			<b>8,420,737</b>

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

Equity Investment Management Company Limited ceased operations in 1999 but it is still listed in the Statement of Investments because it has not been wound up.

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

Ship Building (Fiji) Limited is currently being liquidated with proceeds yet to be distributed. National Trading Corporation is in the process of liquidation.

### **Recommendation**

**The Ministry should take effective action as necessary.**

### **Ministry's Comment**

*No comment received.*

## **3.3 Misplaced Share Certificate**

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

- (a) on deposit with a bank;
- (b) in securities issued by a statutory authority;
- (c) by way of advances authorised by an Act or by resolution of the House of Representatives;
- (d) in any way in which trustees are authorised to invest money under the Trustee Act;
- (e) in any way in which the particular money may be invested under the authority of another Act<sup>8</sup>.

The following share certificates were not sighted; Rewa Rice Limited share certificate of \$4, Fiji Shipping Corporation Limited share certificate of \$10,000 and PAFCO's share certificate of \$10,000,000.

The Ministry of Finance did not have the copy of share certificate of \$4 for Rewa Rice Limited, however, there was a memo received for the replacement of share certificate due to overstatement of shares. Fiji Shipping Corporation Limited has not sent the share certificate to the Ministry of Finance.

<sup>8</sup> Financial Management Act 2004, Section 55(1)

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

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

### **Recommendations**

- The Ministry should ensure that the actual share certificate is received as the conversion of the assistance into share capital is now over 5 years,
- Investigation should be conducted as to whether the \$10 million was actually converted to equity to trace the share certificate date,
- Alternatively, if the effort to locate the actual share certificate is futile the Management should cancel from its books all records pertaining to the original share certificate and issue the new share certificate to the Ministry.
- The Ministry of Finance should ensure that share certificates for Rewa Rice and Fiji Shipping are obtained.

### **Ministry's Comment**

*No comment received.*

## **3.4 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>9</sup>.

Only Airports (Fiji) Limited out of the 30 companies in which Government held investments submitted their 2008 audited annual accounts.

The Ministry of Finance had been liaising with these entities for the submission of their Annual report. As at the date of the audit<sup>10</sup>, the latest annual reports that were received by the Ministry of Finance are as follows.

TABLE 3.4: LATEST ANNUAL REPORT

Entities	Latest Annual Report
<b>Government Commercial Companies</b>	
Airports Fiji Limited	2007
Fiji Hardwood Corporation Ltd	2004
Food Processors Fiji Ltd	2006
Fiji Ships & Heavy Industries	2006
Yaqara	2006

<sup>9</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>10</sup> 3 June 2009

Entities	Latest Annual Report
Post Fiji	2006
Viti Corporation Limited	2002
Fiji Broadcasting Corporation Limited	2007
Fiji Ports Corporation Limited	2006
Rewa Rice Limited	2005
Unit Trust of Fiji Limited	2007
Fiji Public Trustee	
<b>Commercial Statutory Authorities</b>	
Public Rental Board	2006
Housing Authority	2006
Fiji Electricity Authority	2006
Fiji Meats Industry Board	1992
<b>Majority-owned Entities</b>	
Fiji Pine	2004
Fiji Sugar Corporation	2006
PAFCO	2006
Air Pacific	2009
FINTEL	2007
<b>Minority-owned Entities</b>	
Rewa Dairy Co-op Limited	2007
Air Fiji	2005
Pacific Forum Line	2007
ATH	2007
Fiji Television	2007
Daily Post	2000 - draft

It is noted that Fiji Meats Industry Board, Viti Corporations Company Ltd, and Fiji Pine Ltd have not been submitting their annual reports since 1993, 2003, and 2005 respectively and the Fiji Shipping Corporation Limited has not submitted its annual report since its incorporation in 2004.

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

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

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

**Recommendations**

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

**Ministry's Comment**

*No comment received.*

**3.5 Government Investment in ATS**

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>11</sup>.

The Government has shares in ATS which were transferred from CAAFI when it ceased to be a Commercial Statutory Authority. An amount of \$255,000 was receipted as dividend in 2008.

Explanations obtained from Ministry of Finance revealed that CAAFI was holding ATS Shares on behalf of Government and was in receipt of all dividends. This was following the CAAFI restructure in 1999 where it was agreed that CAAFI hold 51% shares in ATS to boost their revenue. Even when CAAFI was de-listed as a CSA, they continued to hold on to these shares. However Cabinet Decision dated October 2008 resolved that these shares be reassignment to PS Finance. There is currently a Committee in place (Aviation Working Committee) chaired by Manager Public Enterprises responsible for overseeing that the Cabinet Decision is carried out.

The Ministry of Finance is yet to receive the share certificate for these shares held with ATS as other shareholders had resisted the transfer.

**Recommendations**

- Ministry of Finance should ensure that share certificate is received for ATS.
- The Aviation committee should ensure that the cabinet decision is carried out without delay.

**Ministry's Comment**

*No comment received.*

<sup>11</sup> Financial Management Act 2004, Section 55(1)

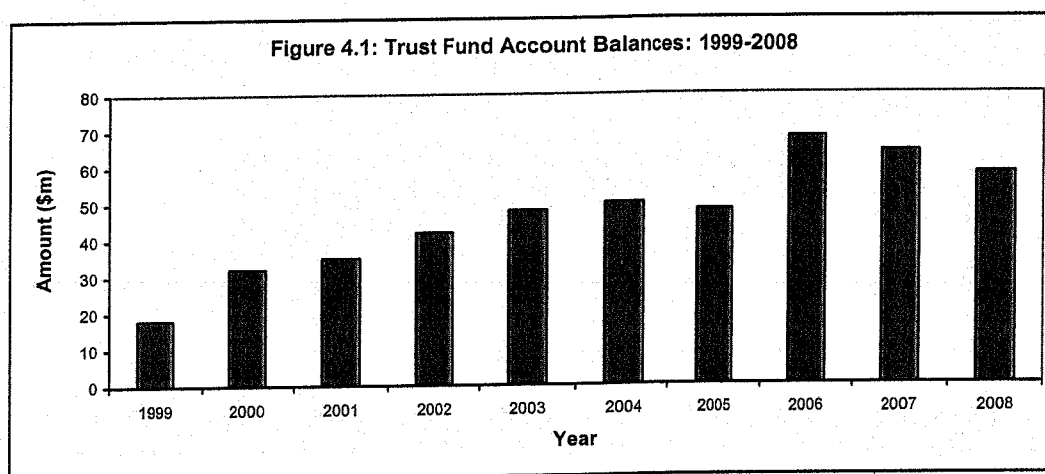
## 4.0 TRUST FUND ACCOUNT

Section 25 of the Financial Management Act (2004) states that trust moneys should be accounted 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>12</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 \$57,796,286 as at 31/12/08, a decrease of \$6,646,428 or 10.3% from 2007. This is mainly due to a significant decrease of 24.8% in the Main Trust Fund in 2008 compared to 2007. The operating trust account had a slight increase of 4.1% in 2008 when compared to 2007. A graphical analysis of the Trust Fund Account maintained by Ministries and Departments is shown below.

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



The Main Trust Fund Accounts of 18 Ministries/Department comprise 41.8 % or \$24.2 million of the total trust monies of \$57.8 million as at 31/12/08. The balance relate to the Operating Trust Fund Accounts of 50 ministries/departments. Refer to **Table 4.1** for details.

TABLE 4.1: SUMMARY OF TRUST FUND ACCOUNT

Title	Amount \$
Main Trust Fund	24,322,671.67
Operating Trust Fund	36,863,457.20
	61,186,128.87

<sup>12</sup> Solicitor General's opinion of 17/10/05.

Title	Amount \$
<b>Overdrawn Account</b>	
Main Trust Fund	(170,085.58)
Operating Trust Fund	(3,219,757.51)
	(3,389,843.09)
<b>Total Trust Fund</b>	<b>57,796,285.78</b>

Although actual monies held in Trust Fund Account as at 31/12/08 was \$61,186,128.87, the Statement of Trust Fund reflects the net balance of \$57,796,285.78, the difference of \$3,389,843.09 being the overdrawn trust accounts. These overdrawn accounts are discussed in paragraph 4.4.

#### 4.1 Departments Unaware of their Trust Fund Account

The Accounts Officer shall properly file correspondences, reports, trust agreements and other relevant trust documents and each trust account shall have its own file.<sup>13</sup>

There are still trust fund accounts being reflected under the old appropriation head of the following 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 2008.

TABLE 4.2: TRUST ACCOUNTS STILL BEING REFLECTED UNDER OLD HEAD

Ministry/Department	Old Head	New Head	Balance Reflected Under Old Head as at 31/12/08 \$	Trust Fund Type
Prime Ministers Office	1	2	47,824.02	Operating Trust
Public Enterprise	2 & 4	3	84,213.38	Operating Trust
Environment	7	33	15,385.93	Operating Trust
Social Welfare	24	22	17,186.53	Operating Trust
Women's Affairs	24	22	10,875.48	Operating Trust
Energy	40	41	(16,495.84)	Operating Trust
Water	23 & 40	41	(12,659.40)	Operating Trust
Presidents Office	60	1	479.79	Operating Trust
Environment	7	33	7,050.00	Main Trust

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

Ministry/Department	Account Number (OLD HEAD)	Account Name	Balance As At 31/12/07 \$	Balance As At 31/12/08 \$
Prime Ministers Office	10110101999861102	384 PD OPR PREVIOUS YEAR	(7,819.82)	(2,403.32)
	10110101999861204	244 PD-LICI	(470.21)	(371.21)
	10110101999861920	501 P D EMPLOYEES FNPF	40,610.17	41,759.45
Public Enterprise	10240186999861920	501 PD EMPLOYEES FNPF	0	(1,518.24)
Water	12330123999861901	201 PD TAX ARREARS / PAYE	0	(24.64)
	12330123999861920	501 PD EMPLOYEES FNPF	0	(77.00)
Presidents Office	16010160101861104	208 PD RENT H/A UNEST	132.00	192.00
	16010160101861202	241 PD CMLA	223.52	461.39

<sup>13</sup> Section 15.3.1 - Finance Manual 2005.

Ministry/Department	Account Number (OLD HEAD)	Account Name	Balance As At 31/12/07 \$	Balance As At 31/12/08 \$
	16010160101861206	246 PD MARSH & MCLENNAN	15.24	36.8
	16010160101861209	249 PD MARSH & MCLENNAN (HTH/P)	(4.77)	(073.38)
	16010160101861515	305 PD GSMA CREDIT UNION	0	40.00
	16010160101861920	501 P D EMPLOYEES FNPf	31,317.12	29,910.00
	16010160101861533	WESRAM FINANCE	192.00	646.00

The above outstanding balances have yet to be transferred to their new heads of Appropriation. This issue is one of the reasons for variance being noted between the Ministries/Departments and the FMIS General Ledger. The accounts were still active under the old head and postings continued to be made by the Ministries/Departments.

### Recommendations

- The Ministries/Departments mentioned should close these accounts and transfer the money to the appropriate accounts under their new head.
- The Ministries/Departments mentioned should ensure that no posting is done to the accounts still being reflected in their old head.
- FMIS section should ensure that these accounts are closed and not accessible once the money has been transferred.

### Ministry's Comment

*No comment received.*

## 4.2 Opening of a Separate Trust Fund Bank Accounts

Trust money should be accounted for separately from public money and other money, and should be kept in a separate bank account pending its withdrawal.<sup>14</sup>

At 31<sup>st</sup> December 2008 only 4 bank accounts were opened. The Ministry of Finance is currently in the process of opening 8 more bank accounts. Refer to **Appendix 4** for details on the opening of the separate bank account.

The audit noted a total of \$10,579,509.71 as at 31 December 2008 from 8 Trust accounts that were still without a separate bank account. Refer to the table below for details.

TABLE 4.4: TRUST FUND ACCOUNTS WITHOUT SEPARATE BANK ACCOUNTS

Ministry/Department	Amount \$
Ministry of Environment	146,228.52
Mineral Resources	(3,947.50)
Department of Energy	(58,953.15)
Provincial Council	(107,184.93)
DPP	126,494.32
Government Supplies	628,879.44

<sup>14</sup> Section 25, Financial Management Act (2004)



Ministry/Department	Amount \$
Judicial	9,820,729.60
Agriculture	27,263.41
<b>Total</b>	<b>10,579,509.71</b>

These departments had their accounts opened in 2009.

### **Recommendation**

- **Separate Bank Accounts should be opened for the different Main Trust Funds operated by the different Ministries/Departments.**

### **Ministry's Comment**

*As mentioned in your findings and also with reference to Appendix 1, these accounts were operational in 2009. While the bank accounts were opened in 2008, deposits into these bank accounts were done in 2009 after the Ministry was able to identify cash savings.*

## **4.3 Non Submission of Reconciliations**

Section 15.4 of the Finance Manual states that within 5 days after the end of each month, the Accounting Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total, and must submit the trust reconciliation to the Chief Accountant (Treasury) within 10 days of the end of the month.<sup>15</sup>

Contrary to the above regulation, some Ministries/Departments failed to submit their 2008 Trust Fund reconciliations to the Ministry while others who submitted did not prepare reconciliations for all their trust accounts.

Despite the Ministry of Finance sending numerous requests to the Ministries/Departments, the reconciliations had still not been submitted. Refer to Table 4.5 for the update on the reconciliation status of the Ministries/Departments.

TABLE 4.5: TRUST RECONCILIATION INCOMPLETE OR NOT SUBMITTED

Ministries/ Departments	Complete Reconciliation
Energy	Not submitted
FMF	Incomplete
FIMSA (Civil Aviation)	ok
Foreign Affairs	Incomplete
Forestry	Incomplete
Lands and Environment	Incomplete
Legislature	Incorrect
Police	Incomplete
Prisons	Incomplete
Provincial Development	ok
Public Service Commission	Incomplete
Tourism	Incomplete
Transport & Civil Aviation (Marine)	ok
Water & Sewage	ok

<sup>15</sup> Finance Manual 2005 – Section 15.4

Ministries/ Departments	Complete Reconciliation
Youth, Employment Opportunities & Sports	Incomplete
Cabinet	Incomplete
Elections Office	Incomplete
Fijian Affairs	Incomplete
Government Printing and Stationery	ok
Judicial	Incomplete
Labour and Industrial Relations	Incomplete
Meteorological Services	Incorrect
Mineral Resources	Incomplete
Ministry of Finance	Incomplete
Ombudsman's Office	Not Submitted
President's Office	Incomplete
Public Enterprise	Incomplete
Social Welfare	Incomplete
Womens Affairs	Incomplete

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

### **Recommendations**

- The Ministry of Finance should consistently follow up with the Ministries/Departments to ensure prompt submissions of reconciliations.
- The Accounting Officers should be disciplined for failing to submit their reconciliation statements to the Chief Accountant.

### **Ministry's Comment**

*No comment received.*

## **4.4 Overdrawn Trust Accounts**

Trust money is to be accounted for separately from public money and other money,<sup>16</sup> and by convention should always have credit balances. Thus, the trust fund accounts should not at any time be overdrawn.<sup>17</sup>

The following Trust Fund Accounts were overdrawn as at 31 December 2008.

TABLE 4.6: OVERDRAWN TRUST FUND

Title of Account	Balance 31/12/08 \$
<b>Main Trust Fund</b>	
Department of Energy	(58,953.15)
Mineral Resources	(3,947.50)
Provincial Development	(107,184.93)
<b>Operating Trust Fund</b>	
Agriculture	(1,064,100.30)
Co-operatives	(6,850.61)

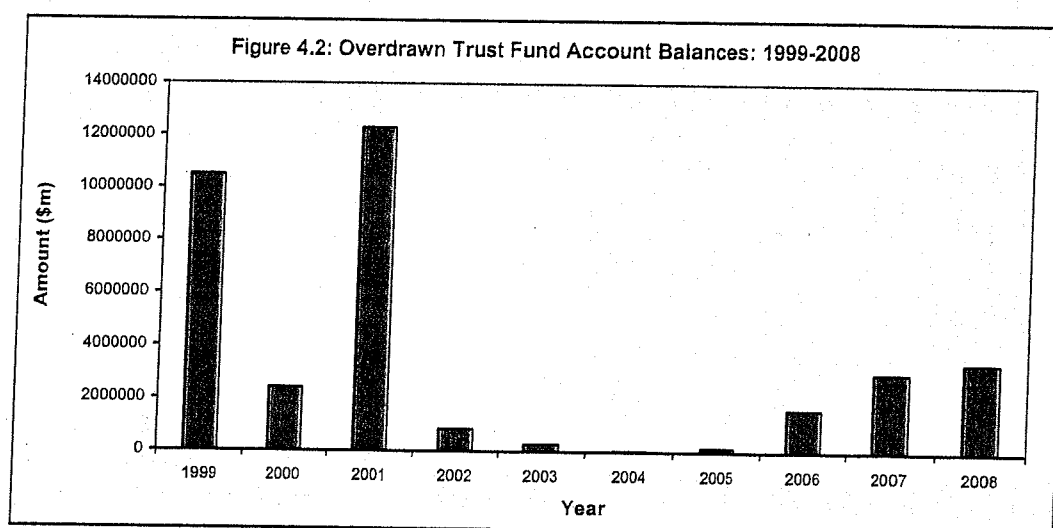
<sup>16</sup> Section 25(1) of the Financial Management Act

<sup>17</sup> Finance Circular No. 4/98 of 30/03/98

Title of Account	Balance 31/12/08 \$
Cabinet	(43,008.12)
Elections Office	(519,265.66)
Fijian Affairs	(87,146.44)
Government Printing & Stationery	(14,306.87)
Immigration	(36,008.28)
Judicial	(1,032,188.82)
Labour & Industrial Relations	(124,211.68)
Meteorological Services	(63,575.22)
Ministry of Finance	(88,914.58)
Mineral Resources	(660.09)
Ombudsman's Office	(4,494.21)
Public Enterprise	(91,974.66)
Social Welfare	(32,058.92)
Women's Affairs	(10,993.05)
<b>Total</b>	<b>(3,389,843.09)</b>

It was noted that 19 Ministries/Departments had overdrawn their trust fund accounts totalling \$3,389,843.09 as at 31/12/08 contrary to Finance Circular 4/98. Ministries/Departments could not explain why these accounts were overdrawn.

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



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

### **Recommendation**

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

**Ministry's Comment**

*The Ministries/Department should take a more concerted effort to regularise the over expenditure which may be the result of incorrect postings or for other reasons best known to them. The recommendation to take disciplinary action against the officers is supported. Our constant reminders to accounting heads on monthly reconciliations have continued to fall on deaf ears.*

**4.5 New Main Trust Accounts Opened With Account Code SAG 53**

During 2008 four separate bank accounts were opened for Main Trust Fund with account codes SAG 53. The initial deposit for these four accounts was made from money kept in centrally managed trust fund account.

The Chart of Accounts specifies that SAG 52 be used for Domestic Banks account while SAG 53 be used for Drawings accounts.

Upon discussion with the FMIS team, it was agreed that the four bank accounts opened in 2008 should have their account code as SAG 52.

Improper allocation of account code would result in disrupting the chart of accounts categories and thus the organisation of accounts in the FMIS. This would further lead to misinforming users over the nature of this account.

**Recommendation**

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

**Ministry's Comment**

*No comment received.*

**5.0 REVENUE****5.1 Tax Revenue**

Income tax revenue includes tax paid by income earning individuals, companies, partnerships and employers in the form of "Pay as You Earn" and corporate taxes. The Fiji Islands Revenue & Customs Authority (FIRCA) collects this revenue for Government.

The tax revenue ledgers maintained by the Ministry of Finance for 2008 does not reconcile with the amounts in FIRCA's audited financial statements. Refer to the table below:

TABLE 5.1: FIRCA VS. MINISTRY OF FINANCE RECORDS

Account Number	Account Description	Balance as per MoF GL	Balance as FIRCA Revenue Report	Difference
1-04102-04251-210101	Income Tax	488,099,962.51	482,473,912	5,626,050.51
1-04102-04252-210101	Income Tax Personal Refund	49,675,831.40	46,502,989	3,172,842.40
1-04102-04251-220399	Excise Dues	77,397,349.62	77,397,316	33.62

Account Number	Account Description	Balance as per MoF GL	Balance as FIRCA Revenue Report	Difference
1-04102-04251-220101	Customs Import Vat	322,769,309.28	322,500,515	268,794.28
1-04102-04251-220199	Value Added Tax	263,490,085.11	264,871,014	(1,380,928.89)
1-04102-04251-220299	Fiscal Duty	226,002,384.65	234,920,554	(8,918,169.35)
1-04102-04251-220499	Export Duty	9,986,802.08	9,986,802	0.08
1-04102-04251-220501	Import Excise Duty	19,185,688.96	19,181,646	4,042.96
1-04102-04251-220601	Hotel Turnover Tax	20,079,638.32	22,665,514	(2,585,875.68)
1-04102-04251-229999	Miscellaneous Fees and Receipts	2,133,446.53	4,618,995	(2,485,548.47)
1-04102-04251-230301	Agricultural Produce and Inspection Fees	548,778.02	Not Stated in the report	548,778.02
1-04102-04251-230101	Light Due Port and Harbour	15,644.10	Not Stated in the report	15,644.10
1-04102-04251-230403	License Coasting	1,614.40	Not Stated in the report	1,614.40
1-04102-04251-279999	Miscellaneous Revenue	104.45	Not Stated in the report	104.45
<b>Total</b>		<b>1,479,386,639.43</b>	<b>1,485,119,257.00</b>	<b>(5,732,617.57)</b>

Despite FIRCA's Inter Department Clearance (IDC) account with Ministry of Finance been cleared, the difference in revenue collection between FIRCA's books to that of Government General Ledger remains.

This indicates lack of monitoring and follow-up by both the Principal (Ministry of Finance) and the agent (FIRCA) in reconciling the revenue collected and accounting for the difference.

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

### **Recommendation**

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

### **Ministry's Comment**

*No comment received.*

## **5.2 LTA Fees**

All revenue earned by Land Transport Authority is to be paid to Government (Consolidated Fund Account) from 2008.<sup>18</sup>

Audit scrutiny into revenue earned from LTA fees revealed lack of verification by the Ministry prior to GL posting. Although LTA sends a monthly summary of monies received per respective stations, revenue posting is done through bank statements without reconciling the figures. Moreover, LTA does not submit reconciliations for the aggregate revenue collected.

Consequently, comparison of the GL amounts and amounts submitted by LTA revealed the following variances.

<sup>18</sup> Cabinet Decision No.457 of 09 October 2007

TABLE 5.2: LTA VS. MINISTRY OF FINANCE RECORDS

GL Balance	LTA Balance	Variance
\$	\$	\$
19,081,740	19,156,832	(75,092)

Considering the significant monetary value of revenue generated by LTA, the above anomaly portrays a lack of commitment by the Ministry to reduce the risk of loss of government revenue.

### Recommendations

- Ministry should obtain comprehensive revenue reconciliations from LTA.
- Independent reconciliations should be done by the Ministry and all variances should be followed up with LTA to ensure that GL balances accurately reflect the government revenue.

### Ministry's Comment

*Upon receiving the CFA bank statement, the Ministry identifies all LTA transactions therein and posts these amounts to the GL as these would reflect the actual cash transacted at the bank. At the same time, LTA should compare their book balances against the bank statement. The bank statement can be accessed by LTA who were given the access to the bank account online. Any anomalies should be rectified by LTA so that their records tie up with the bank balance. However, we have written to LTA to explain the anomalies.*

## 5.3 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>19</sup>

The financial performance report shall include the following information:

- actual revenue collected against forecast;
- actual expenditure to date against budget for each activity/output and each SEG;
- actual expenditure to date and commitments against budget for each output/activity and each SEG.<sup>20</sup>

The following is an example of how revenue performance may be reported in the financial performance report.<sup>21</sup>

TABLE 5.3: 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
	\$	\$	\$	%	

Government collected 11 classes of revenues totalling \$24,029,668 that were not budgeted in 2008. Details are shown in Table 5.4 below:

<sup>19</sup> Finance Manual 2005 – Section 17.1.5

<sup>20</sup> Finance Manual 2005- Section 17.1.6

<sup>21</sup> Finance Manual 2005- Schedule A

TABLE 5.4: COLLECTION OF UNBUDGETED REVENUE

REVENUE TYPE	ESTIMATED REVENUE	ACTUAL REVENUE \$
Fumigation	NIL	7,818.12
NZ Bilateral Aid Programme	NIL	150,609.19
Japan Government Grant	NIL	6,423.21
Interest from Local Bank	NIL	19,370,597.15
Interest from T/D with Local Bank	NIL	112,500.00
International Development Bank Loans	NIL	4,381,720.45
<b>Total</b>		<b>24,029,668.12</b>

Government may not adequately allocate financial resources to deserving projects if revenue forecasting is not conducted effectively.

In addition, no revenue was collected for six revenue allocations forecasted to collect \$252,000 in 2008, as illustrated in Table 5.5 below:

TABLE 5.5: NIL COLLECTIONS ON BUDGETED REVENUE

REVENUE	ESTIMATED REVENUE \$	ACTUAL REVENUE \$
Photographs	300	NIL
Irrigation	21,400	NIL
Reimbursement of Services	18,200	NIL
Government Employees' Provident Fund	200	NIL
Contributions for Capital Projects	1,900	NIL
Interest from Local bank balances	210,000	NIL
<b>Total</b>	<b>252,000</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 Comment**

*No comment received.*

## **5.4 Payments Charged to VAT Revenue**

Section 177 of the Constitution states that money must not be withdrawn from the Consolidated Fund except under an appropriation made by law.<sup>22</sup> Each accounting Head shall ensure that:

- revenue is recorded against the correct account;
- the recording of revenue is reconciled monthly with the Ministry of Finance;

<sup>22</sup> Financial Management Act 2004 Clause 11 (1)

- (c) the Ministry of Finance is advised of any error or discrepancies within 10 working days after the end of each month; and,
- (d) VAT is correctly accounted for and remitted as required.<sup>23</sup>

VAT collected for services rendered by Ministries/Department are deposited in the Consolidated Fund Account.

Audit noted that the Judicial Department and the Department of Mineral Resources when making VAT payments to FIRCA, were debiting the VAT revenue allocation. Refer to the table below for details:

TABLE 5.6: VAT PAYMENT FROM REVENUE

Department	Amount \$	GL Particulars
Minerals	1,160.76	VAT – May & June, 2008
	55,368.96	VAT – May & June, 2008
	61,023.70	VAT for Jan, Feb, Mar, Apr 2008
Judicial	10,961.05	VAT on court Documents & Warrant
	9,383.02	VAT on court Documents
	14,045.08	VAT payments
	13,584.46	VAT on court Documents
	11,863.62	VAT payments
	11,383.85	VAT on court Documents
<b>Total</b>	<b>188,774.50</b>	

The above audit findings indicate that revenue for the two departments is understated by \$188,775 which eventuates from laxity of the Accounting Heads in not carefully scrutinizing the reconciliations. This has been highlighted in previous years audit however, we have yet to see active improvement on this.

#### **Recommendation**

The Accounting Heads should regularly reconcile their records to the postings in the general ledger.

#### **Ministry's Comment**

*The Accounting Heads of the two departments should explain why they deviated from acceptable accounting practice.*

### **5.5 Variances in Ministry of Finance and Ministries/Departments Revenue Ledgers**

Within five working days of the Ministry of Finance issuing the monthly General Ledger Reports, the Accounting Head shall reconcile the revenue figures in the report to the Revenue Statement.<sup>24</sup> Where errors or discrepancies occur, the Accounting Head shall inform the Chief Accountant in writing within 7 days of receiving the GL reports.<sup>25</sup>

<sup>23</sup> Finance Instructions 2005 – Section 30(1) (a-d)

<sup>24</sup> Section 5.5.12 of the 2005 Finance Manual

<sup>25</sup> Section 5.5.14 of the 2005 Finance Manual



Audit comparison of revenue earned by Ministries/Departments and the Ministry of Finance General Ledgers revealed significant variances as summarized in the table below.

TABLE 5.7: MINISTRIES/DEPARTMENTS VS. MINISTRY OF FINANCE LEDGERS

Ministry /Department	MOF General Ledgers \$	Min/Dept Ledgers \$	Variances \$
Lands	15,752,791.33	14,324,373.96	1,428,417.37
Provincial Development	1,213,372.20	977,264.38	236,107.82
Attorney Generals	181,473.31	172,378.45	9,094.86
<b>Total</b>			<b>1,673,620.05</b>

These variances resulted from poor reconciliations and are an indication of lack of knowledge and the ignorance of users of the Financial Management Information System.

### **Recommendations**

- Ministries/Departments should ensure that reconciliations are properly conducted.
- Ministry of Finance should be vigilant in monitoring monthly reconciliations by Ministries/Departments and take appropriate actions to rectify the variances.

### **Ministry's Comment**

Ministry of Finance upon receipt of the bank statement would post the credits to the IDC of Provincial Development. Any variance between the amounts posted with the departmental records should be addressed by the department as they would have the necessary cash analysis and lodgement forms with them. For the other two Ministries mentioned (Lands and Attorney General), they are currently using the Accounts Receivable (AR) module where they are required to tie up their cash analysis totals against the GL that they post. Also, further verification is done with the bank statement. According to our records, all the three sources agree as tabulated below.

CNB – CFA Operating Revenue from Jan – Dec 2008			
	Cash Analysis Total \$	Bank Statement Total \$	GL Total \$
Attorney General	1,775,070.49	1,775,320.49	1,775,320.49
Lands	15,346,868.52	15,424,104.43	15,424,104.43

## **5.6 Unidentified Revenue Transactions**

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

The advice form will outline:

- receipt numbers, date of receipt and amounts collected;
- type of revenue that was collected<sup>26</sup>

<sup>26</sup> Section 5.5.8 of the 2005 Finance Manual

The advice form together with the journals vouchers should be verified and signed by the Accounts Officer (AO) Main Accounts. Immediately after signing the advice form, the AO Main Accounts must forward it to the agency concerned.<sup>27</sup>

Audit found non-compliance with the Finance Manual. Ministries/Departments were posting revenue collections that are not in line with their operations. Refer to Table 5.8 below for illustration.

TABLE 5.8: MIN/DEPT POSTING TO INCOME TAX, IMPORT VAT & EXCISE DUTY ALLOCATION

Ministry/Department	Allocation	Amount \$
Foreign Affairs	Income tax personal	6,731.71
Health	Income tax personal	(235,021.34)
Provincial Development	Income tax provisional	(1,832.70)
Fiji Police	Income tax provisional	38,704.83
Commerce	Income tax PAYE	(3,253.69)
Fiji Police	Income tax PAYE	179,271.72
Health	Income tax PAYE	(107,369.84)
Health	Customs Import VAT	(37,539.28)
Works	Customs Import VAT	114.24
Commerce	Excise Dues	(1,024,278.66)
Education	Agriculture Produce & Inspection	(73,128.78)
Immigration	Agriculture Produce & Inspection	(693,749.81)
Meteorological	Rental for Land	(3.24)

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

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

### **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 collections to those authorized to collect.

### **Ministry's Comment**

*No comment received.*

## **5.7 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.

<sup>27</sup> Section 5.5.9 of the 2005 Finance Manual

Outstanding amounts due to government are classified under two categories as either 'arrears of revenue' or 'other unpaid accounts'. Arrears of revenue 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.

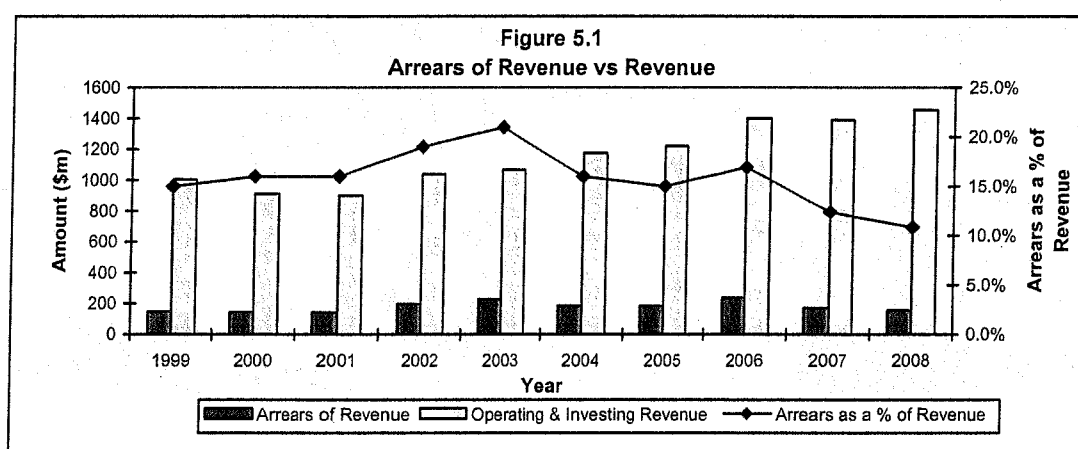
Arrears of revenue for the government comprises of unpaid taxes by individuals and businesses, as well as revenue owed to Ministries and Departments in the form of fees, fines, licences and charges.

### 5.7.1 Fluctuating Trend of Arrears for the last 10 Years

The arrears of revenue in 2008 totalled \$157.7 million, a decrease of \$14.6 million or 8.5% over 2007 arrears of \$172.4 million.

The arrears of revenue as a percentage of total operating and investing revenue remained above 10% for the last 10 years averaging at 15.8%. This is due to the weak revenue collection procedures employed by Ministries and Departments.

Figure 5.1 shows the trend of debts owed to government and the operating and investing revenue collections over the last 10 years.



The high level of arrears of revenue is attributed to a substantial amount of outstanding tax arrears owed to the Fiji Islands Revenue and Customs Authority and the increasing amount of fees and charges due to the Communications Department, Agriculture, Land Crown Rent, Judicial, Meteorological Services, Public Works & Infrastructure and MFO Sinai.

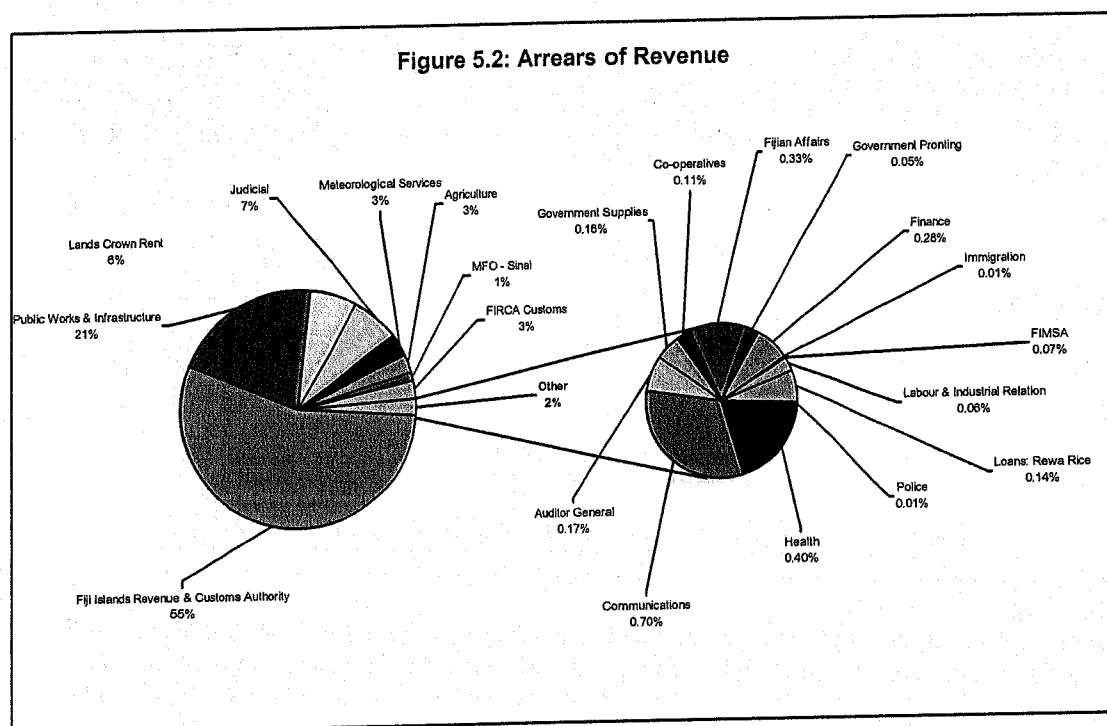
### 5.7.2 Significant Balances of Arrears of Revenue by Departments

The total Arrears of Revenue outstanding as at 31 December 2008 amounted to \$157,733,855.

Table 5.9 and Figure 5.2 below show debts owed to Ministries/Departments.

TABLE 5.9: ARREARS OF REVENUE

Ministry/Department	2008 Arrears of Revenue \$	% of Total Arrears of Revenue %
Fiji Islands Revenue & Customs Authority - IRD	86,348,514	54.74
Public Works and Infrastructure	32,355,792	20.52
Judicial	10,574,640	6.70
Lands Crown Rent	10,223,341	6.48
Meteorological Services	4,565,163	2.89
Agriculture	3,978,918	2.52
FIRCA - Customs	4,170,038	2.64
MFO Sinai	1,567,025	0.99
Others	3,950,424	2.49
<b>Total</b>	<b>157,733,855</b>	<b>100.0</b>



A sum of \$86.3 million or 54.7% of total debt comprising Income Tax and VAT was owed to the Fiji Islands Revenue and Customs Authority. This alone makes up for more than half of the total arrears of revenue. The other significant debt was Public Works & Infrastructure with arrears totalling \$32.4 million or 20.5% of total debt owed to Government.

### 5.7.3 Increases in Arrears of Revenue by Departments

Audit noted significant increases in the arrears of revenue for Government in some Ministries/Departments as shown in Table 5.10.

TABLE 5.10: SIGNIFICANT INCREASES IN ARREARS OF REVENUE

Ministry/Department	2007 \$	2008 \$	Increase	
			\$	%
Communications	97,918	1,096,944	999,026	1020.3
Co-operatives	62,304	176,053	113,749	182.6
Education	4,849	5,181	332	6.9
Fijian Affairs, Heritage & Culture and Regional Dev.	455,065	514,423	59,358	13.0
Immigration	12,376	14,401	2,025	16.4
Judicial	9,487,238	10,574,640	1,087,402	11.5
Labour & Industrial Relations	91,185	102,382	11,197	12.3
Meteorological Services	4,297,547	4,565,163	267,616	6.2
Police	8,131	20,633	12,502	153.8
Public Works & Infrastructure	29,636,128	32,355,792	2,719,664	9.2
MFO Sinai	1,325,031	1,567,025	241,994	18.3

The explanations given below were provided by the respective Ministries/Departments for the significant increases in arrears of revenue:

- Communications – the arrears of revenue for 2008 increased due to the implementation of the new license fees which came into force on the 1<sup>st</sup> day of November, 2007.
- Co-operatives – the arrears is due to non-recovery of debts from co-operative societies that have liquidated and have requested for their debts to be written off. This resulted in the rise of arrears (principle and interest) to \$176,053 as at 31/12/08 of which \$163,826 that is 93% has remained uncollected for more than 5 years.
- Education – the arrears comprises the boarding and tuition fees. Students pay the boarding arrears when they collect their results. Foreign and vocational students pay arrears when they collect results and reference. The debts outstanding for a long period of time are due to some students who left school without paying.
- Immigration – the major components are Accounts Receivable – Individuals and Accountable Advance.
- Fiji Islands Revenue & Customs Authority (IRD) – arrears mainly comprises Income Tax, VAT and other taxes. It increased due to taxpayers not paying their taxes on time and legal cases against non-complying taxpayers which has been referred to court normally takes time.
- Fiji Islands Revenue & Customs Authority (Customs) – failed to provide any explanation for the increase.
- Meteorological Services – the Cabinet decision CP (05) 310 of 16 August 2005, directed both CAAFI and AFL to reimburse 50% of Meteorological Aviation costs for the Nadi and Nausori terminal. However with effect from January 2008 AFL has only been reimbursing a fixed amount of \$50,000 per month until such time an independent study is carried out to determine the cost related to the aviation sector.
- Judicial – the arrears of revenue increased due to unexecuted warrants together with cost to state and fines not paid and VAT charges. The reasons for the non-collection of debt are as follows:

- Resource constraints limiting the Police department to enforce warrants resulting in substantial increase in arrears for the department.
- Inadequate resources/funds to assign officers/vehicles for debt collection.
- Police – inability of officers to collect dues on the license for Arms from the arms and ammunitions holders. Resource constraints limiting the Police department to enforce warrants resulting in substantial increase in arrears for the department.
- Labour & Industrial Relation – increase in arrears is due to departments failing to pay OHS service fees.
- Public Works & Infrastructure– outstanding arrears include water and sewerage rates.
- MFO - the arrears relate to reimbursement for expenses of troops serving in Sinai. The amount to be claimed depends on the number of troops and their ranks.
- Fijian Affairs, Culture & Heritage and Regional Development – no explanation was provided for the increase in arrears of revenue.

The implication of the increasing arrears of revenue is serious and has a huge impact on revenue and cash flow of government.

#### **Recommendations**

- Ministries/Departments need to redesign their debt recovery measures such as instituting timely reminders, time to pay arrangements and warning letters to non-complying debtors.
- The Ministry of Finance should review the credit policies of Ministries/Departments.

#### **Ministry's Comment**

*No comment received.*

#### **5.7.4 Arrears of Income Tax and VAT**

The Fiji Islands Revenue Customs Authority (FIRCA) collects tax revenue for the Government from its three main divisions of Suva, Lautoka and Labasa. The tax revenue excluding customs duties due to be collected by the Authority comprises of \$86.3million or 54.7% of the total arrears of revenue owed to Government for the year ending 31/12/08. This represents a decrease of \$19,058,990 or 18.1% over the 2007 arrears.

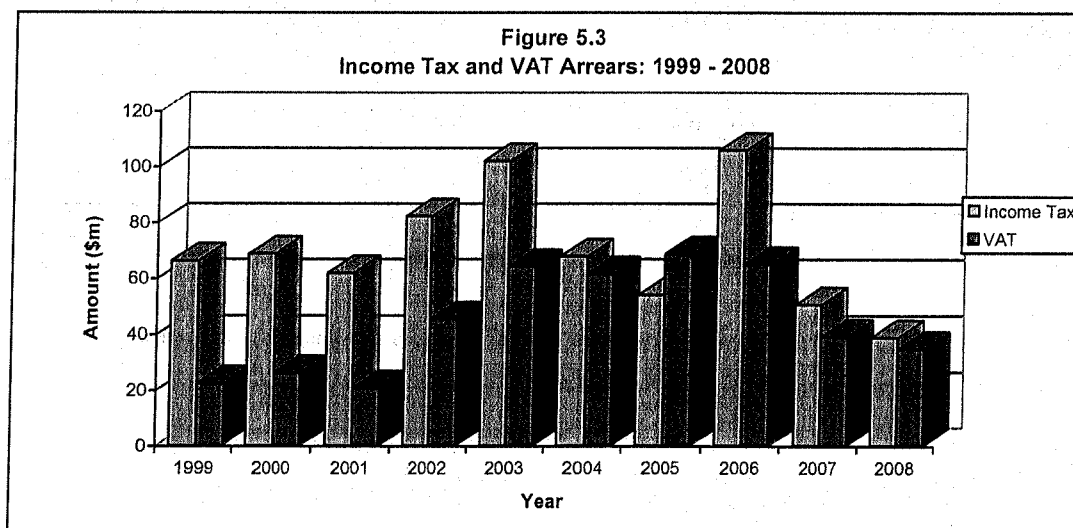
#### **Accounting for Arrears of Income Tax and VAT**

Arrears of Income Tax and VAT are brought into account after assessments have been carried out by the Fiji Islands 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. The audit of FIRCA therefore cannot effectively confirm whether the arrears in question are correct.

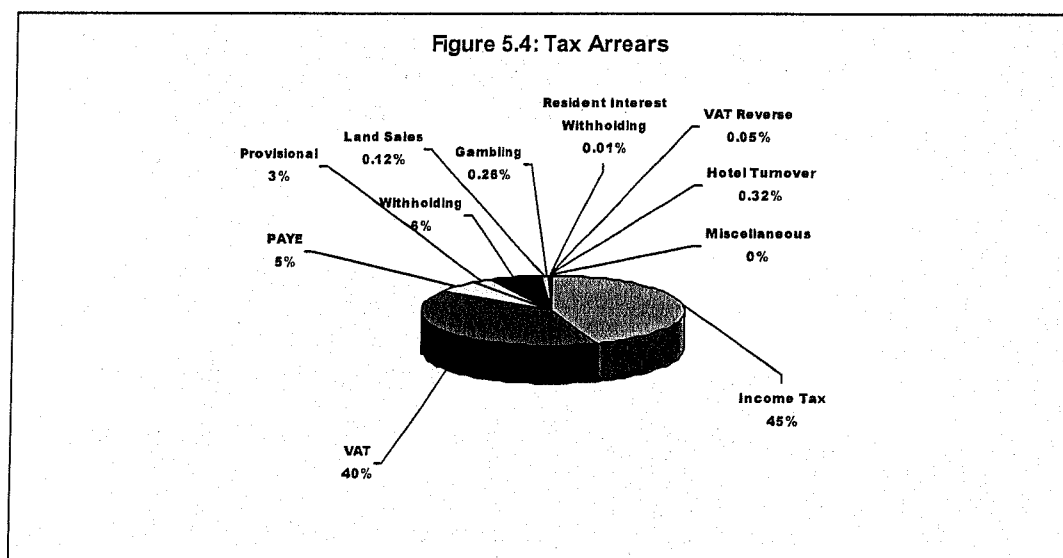
### Trend of Income Tax and VAT Arrears for the last 10 years

Figure 5.3 illustrates the growth of income tax and VAT arrears over the last 10 years.



### Composition of Tax Arrears

Income tax and VAT arrears each constitute 45% and 40% respectively of the total tax arrears. PAYE constitutes 5% while Withholding, Land Sales, Resident Interest Withholding, Gambling Turnover, Hotel Turnover and Miscellaneous taxes make up the remaining



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

**Recommendations**

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

**Ministry's Comment**

*No comment received.*

**5.7.5 Recovery of Debt Over 1 Year Old**

The longer the arrears of revenue owed to government remain outstanding, the more costly and difficult it becomes for Government to recover them. Debts aged over one year totalled \$136.3 million or 86.4% of Government's total arrears as at 31/12/08.

Table 5.11 shows debts that have been outstanding for more than one year as at 31 December 2008.

TABLE 5.11: ARREARS OF REVENUE OVER 5 YEARS

Ministry/Department	Total Arrears	Arrears 1 year & over	Arrears 2-5 years	Arrears Over 5Years	%of Dept Arrears Over 5years
	\$	\$	\$	\$	
Agriculture	3,978,918	13,040	4,997	3,928,920	98.7
Auditor General	263,926	31,470	12,855	72,148	27.3
Communications	1,096,944	175,608	-	-	-
Co-operatives	176,053	1,500	2,645	101,486	57.7
Education	5,181	-	-	917	17.7
Fiji Islands Maritime Safety Administration	104,477	25,754	28,837	2,856	2.7
Fiji Islands Revenue & Customs Authority-IRD	86,348,514	34,172,878	25,447,489	14,798,742	17.1
Fijian Affairs, Culture & Heritage & Regional Development	514,423	180,575	235,783	83,744.73	16.3
Finance	426,963	113,663	162,439	-	-
Government Printing & Stationery	80,356	31,478	48,881	-	-
Government Supplies Department	258,428	391	115,861	-	-
Health	657,150	23,736	67,805	528,096	80.4
Immigration	14,401	-	-	14,401	100
Judicial	10,574,640	595,495	3,654,062	6,137,660	58.0
Labour & Industrial Relations	102,382	229,956	9,165	-	-
Lands and Survey Department	10,223,341	3,679,626	4,044,832	1,313,601	12.9
Loans: Rewa Rice Limited	225,382	-	-	225,382	100
Meteorological Services	4,565,163	340,437	2,418,017	1,894,107	41.5
Police	20,633	5,418	8,488	6,727	32.6
Prisons	425	425	-	-	-
Public Works & Infrastructure	32,355,792	3,154,190	4,522,789	20,506,374	63.4

The following can be noted from the above table:



- 100% of the Arrears of Revenue for the Rewa Rice Ltd are over 5 years old with Government making no effort to recover this loan. The Ministry of Finance failed to charge interest on the outstanding amount and the arrears has therefore remained the same.
- 100% of the Arrears of Revenue for Immigration are over 5 years old. The Ministry of Finance has not yet recovered any amount from the total outstanding nor has it been written off.
- 98.7% of the Arrears of Revenue for Agriculture are over 5 years old. For some arrears, submission has been made to the Ministry of Finance to write-off some debts on August, 2008. For others, Solicitor's advice is being sought to recover through legal procedure.
- 80.4% of the Arrears of Revenue for the Ministry of Health are over 5 years old. For majority of the debt, submission has been sent to Ministry of Finance for write-off.
- 63.4% of Arrears of Revenue for Public Works & Infrastructure are over 5 years.
- FIRCA – Customs failed to provide audit as well as Ministry of Finance its 4<sup>th</sup> quarter return for the Arrears of Revenue. Hence, the officer in charge at the Ministry of Finance had to make his own calculations in order to derive the figures.

Arrears of Revenue that have been outstanding for more than 5 years have a high risk of becoming irrecoverable. In such cases, administrative and recovery action if necessary can become very costly.

#### **Recommendations**

- The Ministry of Finance should carry out an exercise to determine which debts have become irrecoverable due to migration, death or bankruptcy or those that have become statue barred under the Limitations Act.
- It should also impose stringent actions on Ministries/Departments which employ inefficient debt recovery procedures. Debt collection targets should be imposed on reduction of debt level to ensure efficient and effective debt recovery.
- There is an urgent need for accountability in the current administration of Ministries/Departments for recovery of debts over 5 years. Despite the accessibility of a significant number of debtors, it appears that little action has been taken to ensure that the debt levels are reduced.

#### **Ministry's Comment**

*No comment received.*

### **5.8 Loans to Rewa Rice Limited**

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

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

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

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

#### **Recommendation**

**The Ministry of Finance should ensure that this matter is settled shortly in the future as the arrears have been outstanding for a long period of time and is of a substantial amount.**

#### **Ministry's Comment**

*No comment received.*

### **5.9 Meteorological Services**

The Department of Meteorological Services had a negative amount of \$87,398 in arrears of revenue aged 9 months.

According to Cabinet decision on 16<sup>th</sup> of August 2005, effective from January 2008, AFL and CAAFI had to reimburse 50% of the aviation costs incurred by the Department.

It was noted that AFL refused to pay 50% of the cost indicating that they do not have any control over the expenditures of the department hence will only reimburse \$50,000 per month.

Further to this, the department has not billed AFL from April, 2008 because of the argument that the VAT portion on the bill would need to be included in their monthly VAT returns. The annual VAT provision is allocated in proportion to their annual budget hence the department would not be in a position to pay FIRCA this VAT portion upon non-payment by AFL.

The negative balance of \$87,392 was the result of AFL paying \$150,000 when only \$62,602 should have paid as it was due. Hence, AFL has only been billed for one quarter.

The above indicate that the department is yet to send bills for the other three quarters amount which at present is not reflected in the arrears listing for 2008 for the department.

#### **Recommendations**

- **The Ministry of Finance should ensure that the Department has sufficient resources to assist in bringing in suitable consultants to undertake the review for entering into a contract agreement for provision of weather services to the aviation industry.**
- **Ministry of Finance should take stringent measures to ensure that a study is carried out to evaluate the AFL situation and for them to clear their arrears.**

#### **Ministry's Comment**

*No comment received.*

### 5.10 Principle and Interest on Consumer Loans

Department of Co-operatives' total arrears for the year 2008 amounted to \$176,053 as reflected in the Appendix 24. This amount includes Consumer Loans and the Interest.

Verification of the records revealed that the above amount of the arrears of revenue shown under the Department arrears listing has been overstated by the Principle portion of the loan. The Principle portion is part of the Lending Fund account and is also reflected under arrears of revenue hence is reflected twice in the Whole of Governments account.

Table 5.12 below reflects the breakdown of the Principle and the Interest portion of the Department's Loan.

TABLE 5.12 PRINCIPLE AND INTEREST PORTION

ACCOUNT TYPE	AMOUNT (\$)
Consumer Loans	112,781
Interest on Consumer Loans	63,272
<b>Total</b>	<b>176,053</b>

#### Recommendation

Necessary adjustments should be made to have the above double posting corrected.

#### Ministry's Comments

*No comment received.*

### 5.11 Accounts Receivable MODULE

The Accounts Receivable (AR) Module records each and every transaction of individual debtor and their activity. When a client makes payment for the services provided, it will be recorded in the system. The system will generate what amount was paid and what amount is owed by each individual debtor. Through this, a listing of all the debtors who owe money to the Ministry/ Department, that is the Arrears of Revenue report could be generated from the AR Module for the respective Ministry/ Department.

The audit noted that eleven Ministries/ Departments are in the AR Module in FMIS who have outstanding Arrears of Revenue. Of these, only one department, Government Printing & Stationery used the AR Module and provided its AR generated 4<sup>th</sup> quarter Arrears of Revenue report to audit.

The remaining Ministries/ Departments do reconciliations and make their returns manually in excel. The returns they submit in excel have been reconciled then compiled. The Appendix figures are also obtained from the reconciled figures. Hence, audit could not make comparisons of the figures provided.

The table below illustrates the Ministries/ Departments in AR Module:

TABLE 5.13 DEPARTMENTS USING AR MODULE TO GENERATE ARREARS

Ministry / department	Using AR module to generate reports
Agriculture	No
Auditor General	No
Bureau of Statistics	No
Education	No
Environment	No
FIMSA	No
Government Printing	Yes
ITC Services	No
Lands	No
Police	No
Works	No

**Recommendations**

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

**Ministry's Comment**

*No comment received.*

**6.0 EXPENDITURE****6.1 Overall Government Expenditures – 2008**

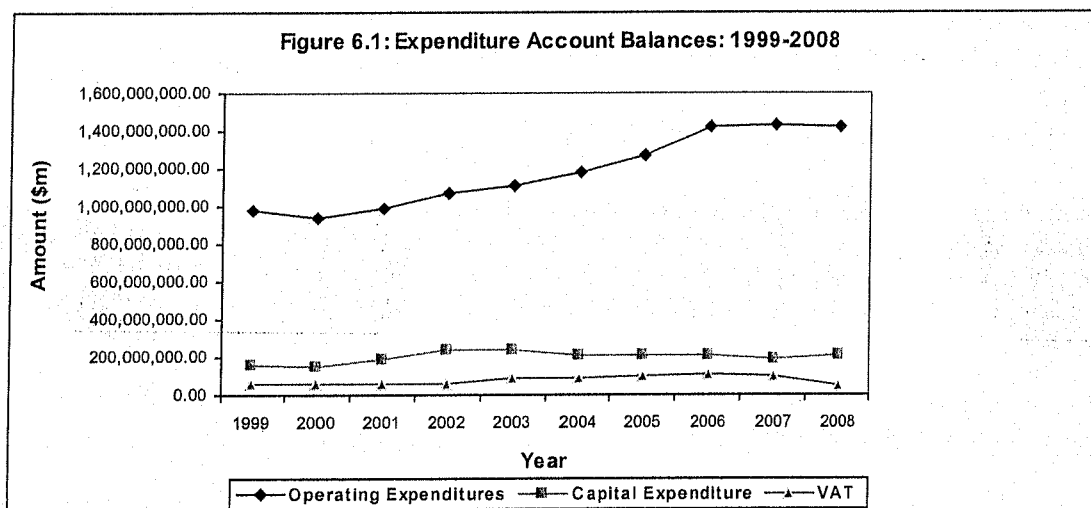
Government spending for the year ending 31st December 2008 totalled \$1,680,490,023 a decline of \$45.7m or 3% from the previous year.

The total expenditure mix for 2008 was set at 70% and 30% for capital and operating expenditures respectively. Total operating expenditure amounted to \$1,416,299,134 or 84%, capital expenditure totalled \$212,747,865 or 13% and VAT totalled \$51,443,023 or 3%.

Government's operating expenditure for the past 10 years has been increasing at a steady rate. From 1999 to 2008 the Operating expenditure increased by \$433.0 million with an average increment of \$43.3 million or 4% annually. This expenditure group when compared to 2007 recorded a decline of \$13.2 million or 0.9%.

Furthermore the capital expenditure and VAT payment of government had a fluctuating trend over the past 10 years. Capital expenditures decreased in 2007; however, there was an increment of \$19.1 million or 9.8% in 2008. VAT recorded a decline of more than 50%, spending \$51.6 million in 2008.

A graphical analysis of the Expenditure Account components for the past 10 years is summarized below.



Even though total appropriation decreased by \$60.5 million from 2007, government still managed to record a savings of \$100.2 million for the year ending 31st December 2008.

Table 6.1 provides details of these savings or excess spending made for the past three years.

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

SEG	2008			2007			2006		
	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	523.44	508.66	(14.78)	510.25	522.91	12.7	531.2	564.5	33.3
2	62.62	56.09	(6.53)	61.21	61.74	0.5	58.69	67.0	8.5
3	19.51	17.27	(2.24)	18.97	19.05	0.1	21.5	21.0	(0.6)
4	85.87	87.15	1.28	88.86	90.09	1.2	88.1	94.6	6.4
5	56.75	54.75	(2.0)	52.78	74.51	21.7	55.8	61.3	5.6
6	202.89	191.89	(11.0)	181.87	176.98	(4.9)	189.5	184.3	(5.2)
7	46.92	36.97	(9.95)	50.82	43.04	(7.8)	65.5	59.70	(5.8)
8	149.82	116.33	(33.49)	139.33	95.16	(44.2)	141.0	128.9	(12.1)
9	23.22	17.38	(5.84)	17.05	11.99	(5.1)	24.0	15.9	(8.1)
10	84.43	79.03	(5.4)	117.51	86.54	(31.0)	71.8	67.9	(3.9)
11	38.63	35.53	(3.1)	38.63	35.57	3.0	37.6	36.5	(1.1)
12	439.35	427.98	(11.36)	447.22	405.59	(41.60)	332.9	334.3	1.4
13	47.27	51.44	4.17	116.70	103.02	(13.7)	122.10	113.7	(8.4)
<b>Total</b>	<b>1,780.72</b>	<b>1,680.49</b>	<b>100.23</b>	<b>1,841.20</b>	<b>1,726.19</b>	<b>115.01</b>	<b>1,739.6</b>	<b>1,749.6</b>	<b>9.9</b>

The surplus recorded in 2008 was due to the savings made from the following standard expenditure group allocations. Established staff made savings of \$14,781,048 (2.8%), wage earners \$6,534,151 (10.4%), travel & communications \$2,242,148 (11.5%), purchase of goods \$1,997,802 (3.5%), operating grants & transfers \$10,999,710 (5.4%), special expenditures \$9,946,984 (21.2%), capital construction \$33,489,107 (22.4%), capital grants and transfers \$11,641,131 (13.8%), pensions and gratuities \$3,095,146 (2.6%), and finances charges on public debt \$11,360,983 (2.6%).

Furthermore the government overspent in the following allocations. Maintenance and operations \$1,279,809, capital purchases \$406,764 and VAT by \$4,173,058.

## 6.2 Over – Expenditure by Departments

Each year the Appropriation and the Budget Estimates set out the details of the appropriation for spending by each agency. No officer may incur expenditure in excess of the agency's appropriation without the authority of the Ministry of Finance.<sup>28</sup> A surcharge may be imposed on an officer who is directly or indirectly responsible for expenditure which has not been properly authorised in accordance with the law.<sup>29</sup>

Two Departments over– spent on their budget allocations without the prior approval of the Ministry of Finance as detailed in the table below.

TABLE 6.2: OVER – SPENDING BY DEPARTMENTS

Ministry/Department	Original Budget (\$)	Redeployed Figure (\$)	Revised Figure (\$)	Actual (\$)	Amount Overspent (\$)
RFMF	81,521,800	(168,750)	81,353,050	84,044,973	2,691,923
Fiji Police Force	70,530,500	2,285,567	72,816,067	80,772,472	7,956,405

Explanations obtained from the two departments for over – spending are provided below:

### *RFMF*

The over- expenditure resulted from the excess payments of salaries and wages as explained by the accounts officer. The Force spent \$73.81m on established staff from a budget provision of \$70.0m. This resulted in an over – expenditure of \$3.8million or 5.4% of the total budgeted amount.

### *Fiji Police Force*

The over expenditure is attributed to the over-spending established staff. Audit also noted the department had more staff personnel than the budgeted number. The department spent \$75.7 million on established staff from a budget provision of \$53.7 million resulting in an over expenditure of \$8.7 million or 16.2%.

## 6.3 Charges not cleared to New Heads of Appropriation

The Appropriation Heads of some ministries/departments were revised by the interim government during the first quarter of 2008. During this revision two departments changed heads without shifting their expenditure charges to the current Head of Appropriation.

Details are tabulated below.

TABLE 6.3: DEPARTMENT WITH CHARGES NOT CLEARED TO NEW HEADS

Department	Old Head	Current Head	Charges remaining in old Head (\$)
Civil Aviation	Head 40 Programme 1-	Head 8 Programme 2-	24,482,24,483

<sup>28</sup> Finance Instruction 2005 Part 3 Div 1 (8)

<sup>29</sup> Finance Instruction 2005 Part 11 Section 74 (1)(a)

Department	Old Head	Current Head	Charges remaining in old Head (\$)
	Min of Transport	Min of Foreign Affairs	
Department of Water & Sewerage	Head 40 Programme 7- Department of Works	Head 41 Programme 2- Department Public Utilities	87,768

**Civil Aviation**

The Ministry of Foreign Affairs, to which Civil Aviation had moved, did not accept the transfer of this expenditure to the Ministry citing insufficient funds and delayed regularisation by the Ministry of Transport.

**Department of Water**

The department of Water in 2008 changed Heads from 23 (Local Government) to Head 40 (Department of Works) and is currently under Head 41 (Public Utilities). However the expenditure charges of the department remained in the old head after closure of government accounts.

The above will result in the understatement of the Department's Agency Financial Statement of Expenditure by the amount of expenditure not transferred.

**Recommendations**

- Department should ensure that all charges are transferred when changing portfolios
- The Ministry of Finance as premier ministry must carefully scrutinize the account of Departments during the changing of portfolios.

**Ministry's Comment**

Comments noted.

## 6.4 Departments Charging and Crediting Expenditure to Nil Budgeted Provisions

The government in 2008 debited and credited expenditures amounting to \$8,498.45 and \$7,260.26 to various SEGS against a zero revised budgeted provision as tabulated below.

TABLE 6.4: EXPENDITURES DEBITED AND CREDITED TO A NIL BUDGETED PROVISION

Department	Account Number	SEG Description	Amount (\$)
Office of the Prime Minister	2-1-2	Wage Earners	21.67
Office of the Prime Minister	2-1-3	Travel & Communications	59.19
Office of the Prime Minister	2-1-5	Purchase of Goods and Services	8.89
Public Service Commission	2-3-4	Maintenance & Operations	70.17
Police	20-1-3	Travel & Communications	24.96
Police	20-1-5	Purchase of Goods and Services	7,838.18
Department of Public Utilities	41-2-1	Established Staff	475.39
Department of Information	16-3-1	Established Staff	(49.70)
Police	20-1-3	Travel & Communication	(1,188.49)

The posting of charges to nil budgeted provision clearly indicates the laxity of accounting heads to properly check account posting level expenditures. It also reveals that the monthly expenditure reconciliation submitted by the Ministry of Finance to Departments are not verified and checked.

### **Recommendations**

- Accounting Heads of Departments must ensure that funds must be available before charges are charged to the allocations.
- Expenditure reconciliation submitted by Finance must be carefully scrutinised and abnormal postings must be adjusted.

### **Ministry's Comment**

*Comments noted*

## **6.5 Negative Expenditures charged to Budget Appropriations**

Negative expenditure totalling \$2,819 at SEG levels were also credited to various allocations. Details of these postings are tabulated below.

TABLE 6.5: NEGATIVE EXPENDITURES CREDITED TO STANDARD EXPENDITURE GROUP ALLOCATIONS

Department	Appropriation Head	Account Name	Credit Postings (\$)
PSC	Head 2 Program 3	Operating Grants & Transfers	(60.96)
Department of Information	Head 16 Program 1	Unestablished Staff	(0.24)
	Head 16 Program 3	VAT	(49.94)
Department of Water & Sewerage	Head 40 Program 7	Unestablished Staff	(2,708.11)
<b>Total</b>			<b>(2,819.25)</b>

The same issue had been raised in previous audits; however Accounting Heads are still not taking the appropriate actions to remedy these errors. Credits entries made to expenditures will increase the surplus amount in the overall budget of the department and can create misstatements in the accounts of government.

### **Recommendation**

- Accounting Heads of Departments should ensure that credit entries resulting in negative expenditures are adjusted.

### **Ministry's Comment**

*Comments noted.*

## **6.6 Posting directly to the system without Audit's verifications**

After the closure of government accounts on the 31st of March 2008, postings amounting to \$19,989.24 and \$4,453.32 were debited and credited respectively to the various expenditure allocations of departments to rectify unadjusted accounts.



The salaries sections at the Ministry of Finance passed a JV 240/12/08 on 05/06/2009 with batch id AUD801 to rectify the salaries reconciliations for the various departments. Audit verification was only made when the adjustments were noted in the system. Appendix 1 provides a list of these postings made by Finance.

TABLE 6.6: ADJUSTMENTS POSTED DIRECTLY TO THE SYSTEM AFTER CLOSURE OF GOVERNMENT ACCOUNTS

Account ID	Department	Amount Adjusted (\$)	JV Reference	Item Affected
12010120101010401	Fiji Police	2,871.07	JV 240/12/08 - salrys jv	Established Staff
11110111999010101	Judicial	3,764.47	JV 240/12/08 - salrys jv	Established Staff
12110191012010101	Education	2,149.45	JV 240/12/08 - salrys jv	Established Staff
12130191012010101	Education	623.13	JV 240/12/08 - salrys jv	Established Staff
12130491012010101	Education	5,122.94	JV 240/12/08 - salrys jv	Established Staff
12120391012010101	Education	3,791.17	JV 240/12/08 - salrys jv	Established Staff
15010150999050316	Ministry of Health	-3,377.09	JV 240/12/08 - salrys jv	Purchase of Goods
12110191012010101	Education	30.00	JV 240/12/08 - salrys jv	Established Staff
12210122999010101	Ministry of Health	15.00	JV 240/12/08 - salrys jv	Established Staff
12210122999010101	Ministry of Health	269.39	JV 240/12/08 - salrys jv	Established Staff
12210122999010101	Ministry of Health	476.07	JV 240/12/08 - salrys jv	Established Staff
12110191012010101	Education	876.55	JV 240/12/08 - salrys jv	Established Staff
15010150999050316	Miscellaneous Services	-1,076.23	JV 240/12/08 - salrys jv	Purchase of Goods

The direct posting made by MOF indicates that proper procedures are not in place for safe – guarding and proper control during the audit adjustment period.

### **Recommendation**

**Departments must not post to the system after the closure of Government accounts. Abnormal balances from transactions and reconciliations requiring adjustments must be notified and verified by audit for its correctness before system postings are made.**

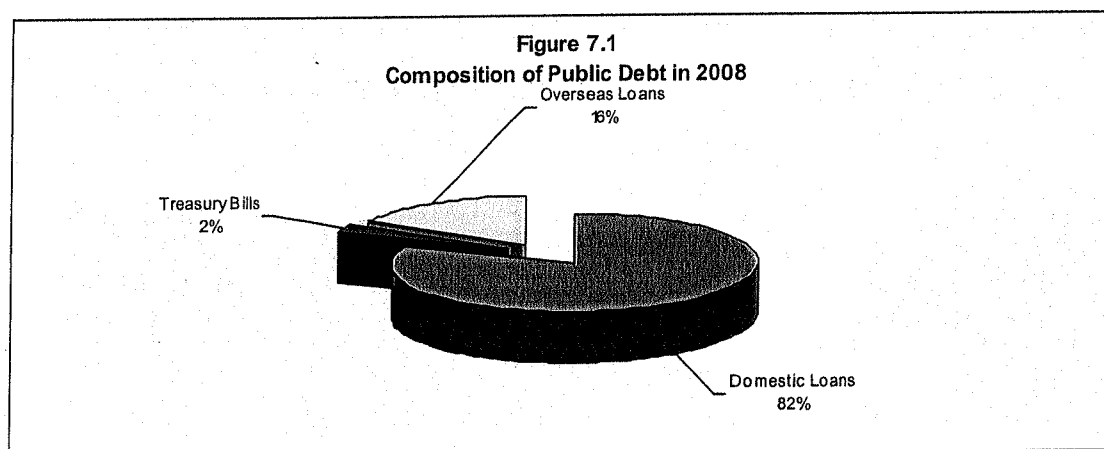
### **Ministry's Comment**

*Comments noted. The Salaries Drawings Account for 2008 could not be balanced due to incorrect postings made into this account. After all the agencies had stopped their postings, the MOF was then only able to properly reconcile the Salaries Drawings Account by reversing the incorrect entries. Recommendation is noted that the Ministry should inform Audit for such adjustments in future.*

## **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 2008 totalled \$2,886,805,555 and comprised of domestic loans of \$2,346,258,150 or 82% of total debt; overseas loans of \$475,994,415 or 16%; and Treasury Bills \$64,552,990 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 \$83,400,000 from RBF through this facility and all were cleared within the year.

## 7.1 Trends in Government Borrowing by Category

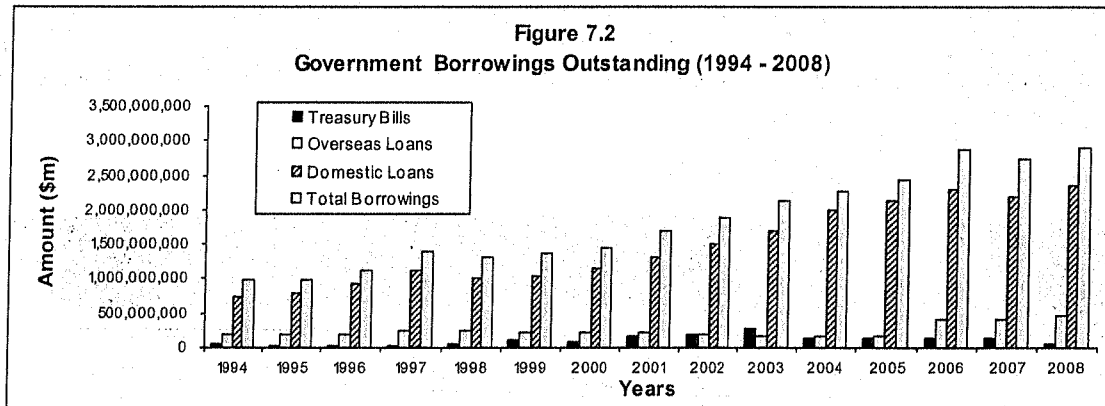
The total Government borrowings outstanding at the end of the year and the composition over the last 15 years is summarised in Table 7.1.

TABLE 7.1: GOVERNMENT OUTSTANDING BORROWINGS (1994 – 2008)

Year	Domestic Bond \$	% of Total Borrowing	Treasury Bills \$	% of Total	Overseas Loan \$	% of Total Borrowing	Total \$
1994	728,312,887	74	63,674,429	7	187,132,643	19	979,119,959
1995	780,223,793	78	27,018,653	3	188,292,993	19	995,535,439
1996	922,468,507	81	20,232,908	2	187,526,025	17	1,130,227,440
1997	1,115,092,450	80	40,527,802	3	243,748,816	17	1,399,369,068
1998	1,016,273,250	78	43,790,072	3	245,557,713	19	1,305,621,035
1999	1,046,595,650	76	117,231,671	9	206,036,450	15	1,369,863,771
2000	1,158,595,650	81	72,449,838	5	207,697,167	14	1,438,742,655
2001	1,302,595,650	77	176,604,613	10	206,889,315	12	1,686,089,578
2002	1,501,095,650	80	196,432,453	10	193,505,879	10	1,891,033,982
2003	1,682,718,650	79	276,925,838	13	174,125,752	8	2,133,770,240
2004	1,986,515,650	87	126,987,822	6	168,665,379	7	2,282,168,851
2005	2,121,422,650	87	136,018,387	6	164,050,924	7	2,421,491,962
2006	2,300,672,650	80	141,311,687	5	416,729,200	15	2,858,713,537
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

Government bonds mature between 3 to 20 years whilst the term of Treasury Bills ranges between 14 days to 182 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 6% compared to the year 2007. This is due to the increase in the issue of local bonds in 2008.

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

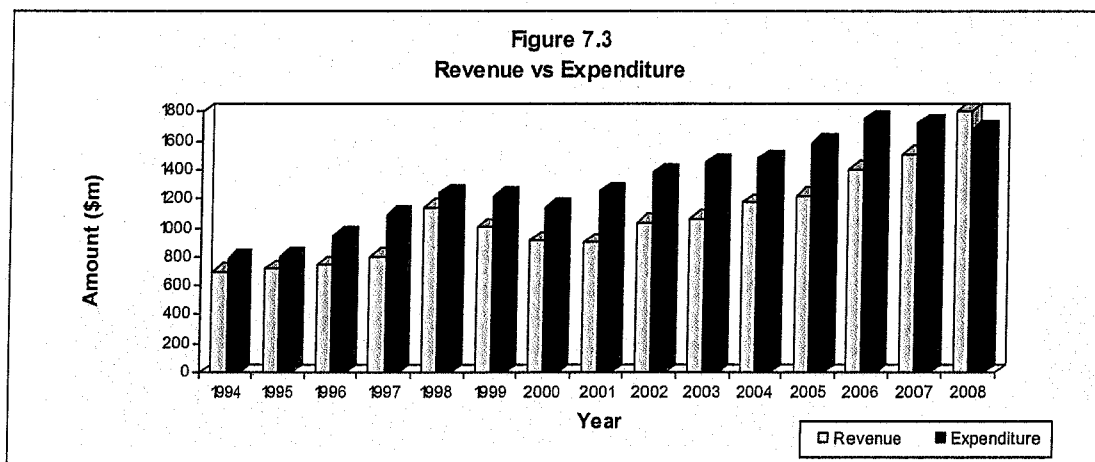
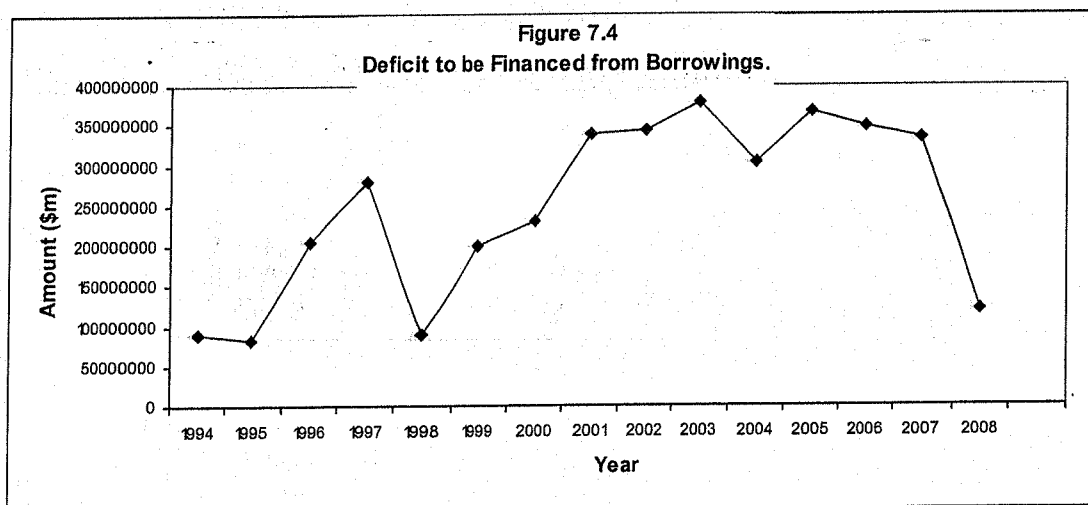


Figure 7.3 reveals that government revenue has exceeded expenditure in 2008 compared to the last 14 years. The excess of government expenditure over revenue is reflected in Figure 7.4.



Increase in revenue with a corresponding decrease in expenditure resulted in a budget surplus of \$120,093,824 in 2008. The Budget surplus could be attributed to the increase in revenue with a corresponding decrease in expenditure.

## 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 1994 – 2008

Year	Domestic Bonds		Overseas Loans		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
1994	165,560.2	73	31,789.5	144	63,674.4	(48)	261,024.1	(13)
1995	101,000.0	(39)	22,084.8	(31)	27,018.7	(58)	150,103.5	(42)
1996	193,000.0	91	17,531.3	(21)	20,232.9	(25)	230,764.2	54
1997	262,303.0	36	9,140.9	(48)	40,527.8	100	311,971.7	35
1998	105,700.5	(60)	14,117.6	54	43,790.1	8	163,608.2	(48)
1999	186,000.0	76	6,171.5	(56)	117,231.7	168	309,403.2	89
2000	210,002.4	13	14,997.6	143	72,449.8	(38)	297,449.8	(4)
2001	229,000.9	9	10,247.0	(32)	176,604.6	144	415,852.5	40
2002	299,000.0	31	26,196.7	156	196,432.5	11	521,629.2	25
2003	291,000.0	(3)	28,745.3	10	276,925.8	41	596,671.1	14
2004	449,200.0	54	9,267.7	(68)	126,987.8	(54)	585,455.5	(2)
2005	319,965.0	(29)	8,641.3	(7)	136,018.4	7	464,624.7	(21)
2006	356,750.0	11	283,258.7	3178	141,311.7	4	781,320.4	68
2007	100,527.5	(71)	18,326.5	(93)	141,160.4	(0.1)	260,014.4	(66)
2008	341,260.0	239	4,381.7	(76)	64,552.0	(54)	410,194.7	57.8

The Government's financing needs were largely met from domestic borrowings. Government cash borrowings in 2008 totalled \$410,194,710 of which \$341,266,932 or 83% was through domestic bonds, \$64,552,990 or 16% treasury bills and \$4,381,720 or 1% in overseas loans.

In addition to this, borrowing in form of direct cash disbursement to contractors totalled \$9,609,413 namely through the Fiji Road Up-grading Project III and Suva/Nausori Water Supply Project of \$3,048,830 and \$6,560,583 respectively.

### 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: REPAYMENT OF LOANS PER YEAR 1994 – 2008

Year	Domestic Bonds		Overseas Loans		Treasury Bills	
	Principal \$	Interest \$	Principal \$	Interest \$	Principal \$	Interest \$
1994	44,336,189	59,902,846	22,841,404	13,344,881	359,394,407	4,065,592
1995	47,684,523	68,931,138	26,166,844	13,582,512	189,642,084	1,757,916
1996	43,453,857	72,909,133	19,669,542	11,170,572	113,737,876	1,462,124
1997	61,307,457	87,911,269	15,760,301	10,184,128	86,666,545	1,233,455
1998	225,991,847	99,232,714	24,273,114	12,209,299	397,939,413	2,163,843
1999	152,913,211	82,728,811	36,130,378	12,958,164	280,400,000	1,440,656
2000	84,500,000	81,846,108	33,342,934	11,404,967	173,910,978	2,505,365
2001	87,000,000	88,493,634	20,294,173	9,755,046	320,504,093	2,207,889
2002	100,500,000	95,284,124	20,772,240	9,297,644	417,637,927	2,362,073
2003	109,377,000	101,997,794	16,265,941	7,150,813	500,141,175	2,597,656
2004	145,403,000	108,597,234	11,173,546	6,114,485	339,194,733	4,310,352
2005	185,058,000	120,220,533	12,721,412	5,473,517	317,920,558	2,392,788
2006	177,500,000	129,455,783	13,459,979	5,737,600	523,422,114	5,746,278
2007	204,992,000	148,023,033	17,126,498	22,201,747	686,040,488	10,514,012
2008	191,210,000	147,383,717	12,473,769	20,787,406	468,333,380	566,620

Principal payments for 2008 on government borrowings totalled \$672,017,149 whilst interest payments amounted to \$168,737,743.

In addition to this, \$50 million was transferred to the JP Morgan Account in United States as fund set aside for the maturity of the global bonds raised in year 2006.

TABLE 7.4: LOANS AND INTEREST REPAYMENTS IN 2008

Description	Principal Repayment \$	Interest Repayment \$
Domestic Bonds	191,210,000	147,383,717
Overseas Loans	12,473,769	20,787,406
Treasury Bills	468,333,380	566,620
<b>Total</b>	<b>672,017,149</b>	<b>168,737,743</b>

The interest on domestic loans for 2008 was \$147,383,717 compared to \$20,787,406 for overseas loans and \$566,620 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% with some overseas loans being interest free.

## 7.4 Domestic Loans

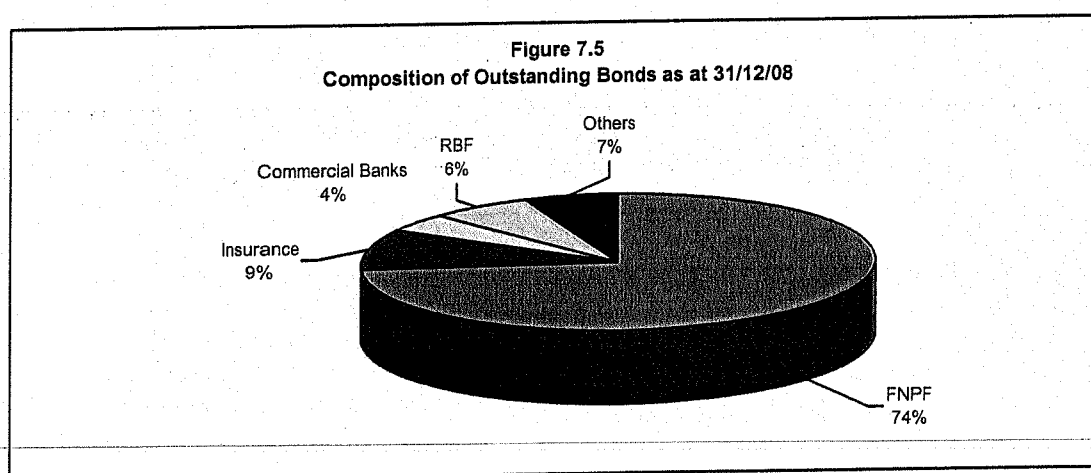
The total domestic loans as at 31/12/08 stood at \$2,346,258,150 and this accounts for 82% of the total Government borrowings. Table 7.5 shows the amounts that are owed by the government of Fiji to bond holders.

TABLE 7.5: COMPOSITION OF OUTSTANDING GOVERNMENT BONDS

Bond Holder	Amount \$	% of Outstanding Debt
FNPF	1,743,304,300	74.3
Insurance	219,601,300	9.4
Commercial Banks	94,892,000	4.0
RBF	150,316,900	6.4
Trust Fund	31,546,100	1.3
Unit Trust of Fiji	27,622,400	1.2
Credit Corporation	2,400,000	0.1
Home Finance	12,780,000	0.5
Merchant Finance & Investment Ltd	6,000,000	0.3
Others	57,795,150	2.5
<b>Total</b>	<b>2,346,258,150</b>	<b>100</b>

Fiji National Provident Fund held 74.3% of the bonds totalling \$1,743,304,300 as at 31/12/08; Insurance Companies 9.4%; Commercial Banks 4.0%; RBF 6.4%; the remaining 5.9% 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.

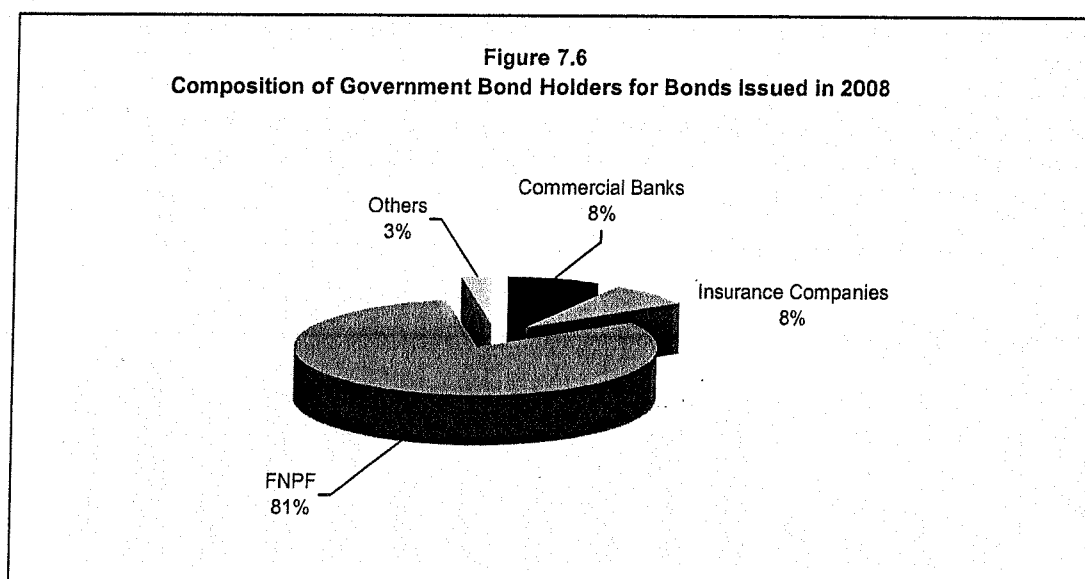


During the year the Government had borrowed \$341,260,000 through the issue of domestic bonds to the public. Table 7.6 shows the holders of these bonds.

TABLE 7.6: BONDS PURCHASED IN 2008

Summary of Bondholders	Amount \$
Commercial Banks	28,700,000
FNPF	276,205,000
Insurance Companies	26,650,000
Others	9,705,000
<b>Total</b>	<b>341,260,000</b>

A total of \$276,205,000 or 81% of the Government bonds issued in 2008 were purchased by the FNPF, 8% by insurance companies, and the commercial banks, whilst the remaining 3% 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

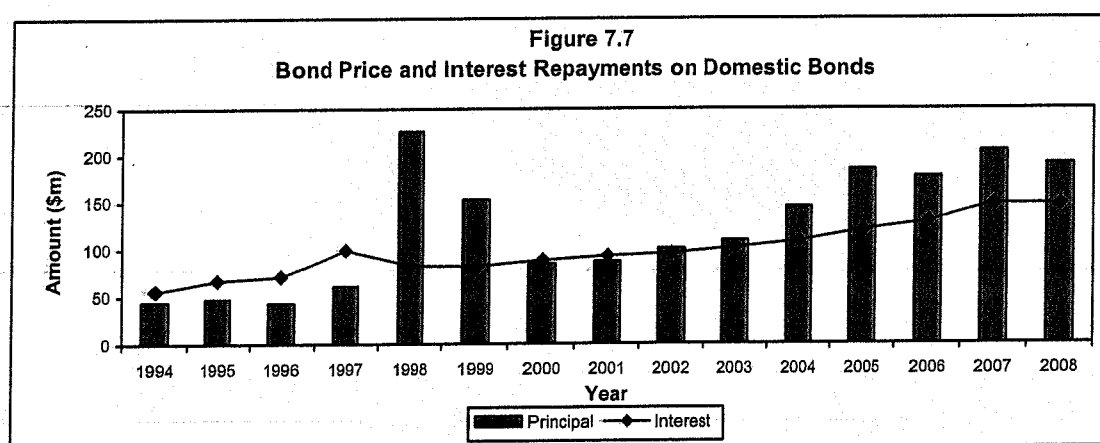
Year	Domestic Loans \$m	% Increase /(Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1994	728.3	19	55.8	4	65.9	10.0
1995	780.2	7	67.2	20	67.6	0.4
1996	922.5	18	71.4	6	70.8	(0.6)
1997	1,115.1	21	87.9	23	88.0	0.1
1998	1,016.3	(9)	99.2	13	100.3	1.1

Year	Domestic Loans \$m	% Increase /(Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
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	2.2

Despite the increase in the outstanding Domestic Loans in 2008 compared to 2007, interest payment on the domestic loans has decreased.

The Government had allocated \$151,436,900 in the 2008 budget for interest payments. However, actual interest payments for the year totalled \$147,383,717 resulting in a budget savings of \$4,053,183.

The interest expense and the principal repayments over the past 15 years are shown in Figure 7.7. It was noted that 67 domestic bonds were redeemed/repaid in 2008 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).

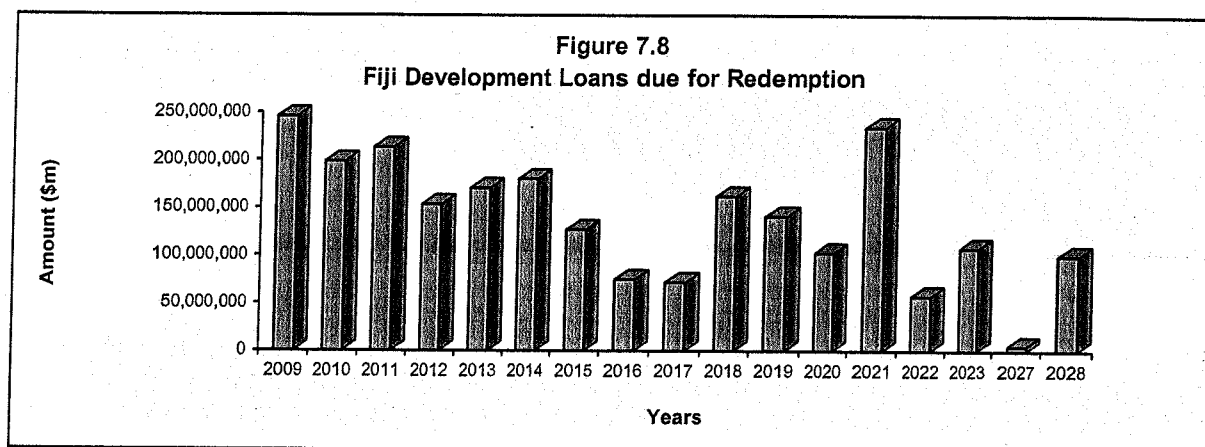
Table 7.8 reflects the redemption schedule of these loans. For the year ending 31 December 2009, a total of \$245,910,150 of Fiji Development Loans (Government Bonds) will be redeemed.



TABLE 7.8: FIJI DEVELOPMENT LOANS REDEMPTION SCHEDULE

Year Fully Redeemed	No. of Loans	Amount \$
2009	77	245,910,150
2010	73	198,540,500
2011	54	213,380,000
2012	52	153,290,000
2013	43	170,668,000
2014	41	180,180,000
2015	38	126,935,000
2016	26	75,105,000
2017	24	71,800,000
2018	35	161,970,000
2019	25	141,000,000
2020	26	102,780,000
2021	29	234,965,000
2022	8	57,447,500
2023	15	107,615,000
2027	1	5,100,000
2028	15	99,572,000
<b>Total</b>	<b>582</b>	<b>2,346,258,150</b>

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

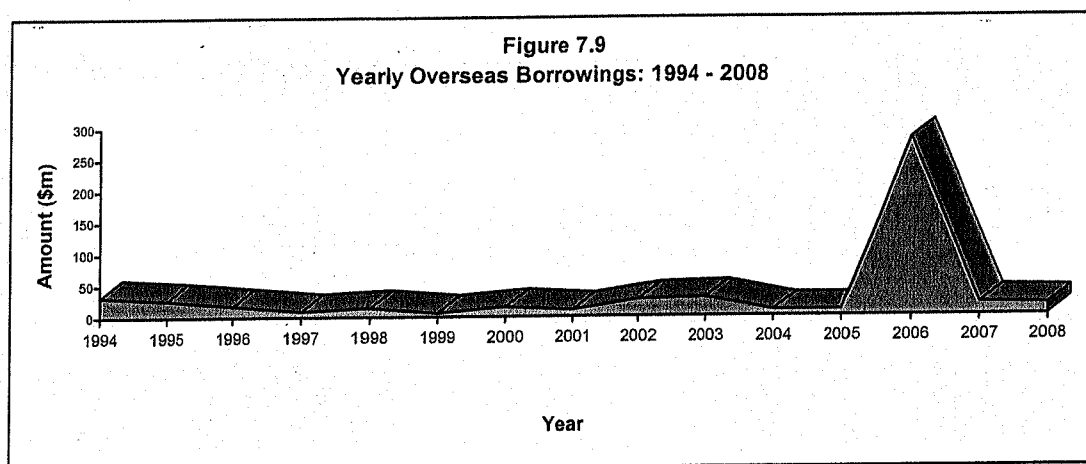


## 7.5 Overseas Loans

The overseas borrowing of Government as at 31 December 2008 was \$475,994,414.65 which represents 16% of total borrowings. Most of the overseas loans were obtained to finance capital projects.

### 7.5.1 Yearly Overseas Borrowings

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



The Government had borrowed \$20,582,915 in 2008 whilst loan repayments totalling \$33,261,175 were made comprising \$20,787,406 interest and \$12,473,769 principal.

During the year \$50,046,966 was transferred to the JP Morgan bank account in the United States as funds set aside for the repayment of the bonds upon maturity that was raised in the International market in year 2006.

The details of the additional funds obtained by the Government under the existing loan agreements are as follows.

TABLE 7.9: OVERSEAS LOAN DISBURSEMENTS - 2008

Loan	Amount \$
ADB Suva/Nausori Water Supply & Sewage Project	8,161,929
Fiji Road Up-Grading (FRUP) Loan III	7,332,602
E-Government Project	5,088,384
Alternative Livelihood Project	219,892
<b>Total</b>	<b>20,802,807</b>

Of the \$8.2 million dollar loan raised for the Suva/Nausori Water Supply loan, \$1,503,397 was the interest capitalized on the loan. In addition to this, only \$3,609,702 of loan was received through the Consolidated Fund Account. The other disbursement of \$3,048,830 was directly disbursed by the Asian Development Bank (ADB) to the contractors of the project.

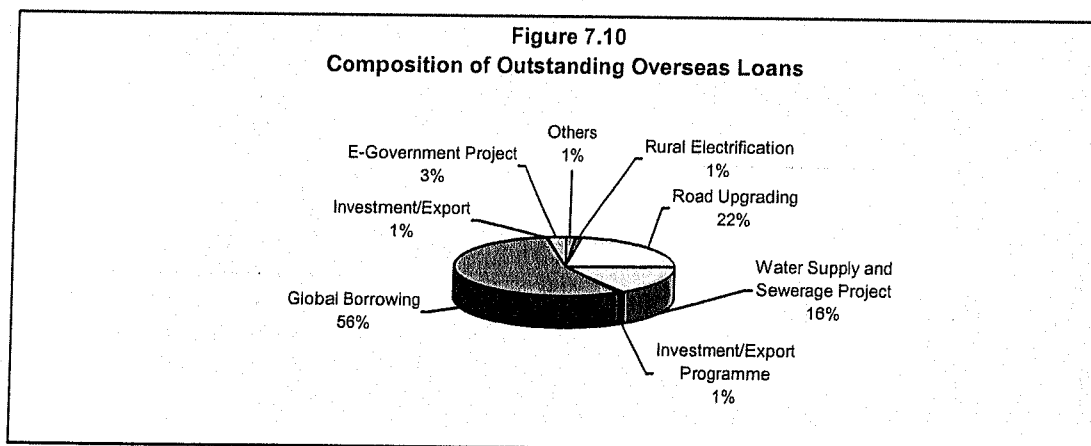
Similarly, the disbursement of the \$7.3 million for FRUP comprised of \$6,560,583 that was directly disbursed to the contractors of the project by ADB.

The loan of \$5.1 million for the E-government Project is a loan-in-kind that was disbursed to Information Technology and Computing Services (ITC).

In addition to this, the loan revenue of \$219,892 for the Alternative Livelihood Project refers to the refund on interest capitalised due to the cancellation of the loan.

- (a) Loans in relation to the Road Upgrading Project comprised 22% 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 Nadi/Lautoka Regional Water Supply and Suva/Nausori Water Supply & Sewage accounted for 16% of the total loans, which were mainly used for improving the water supply services in Nadi and Lautoka. The composition of the overseas loans is illustrated in Figure 7.10.



- (c) Rural Electrification Programme had outstanding loans of \$5,661,110 or 1% of the overseas loans as at 31/12/08. Under this project, 10% of the cost is met by the community and the balance is met by the government.
- (d) Investment and Export loans had outstanding balance of \$4,523,241 or 1% of the overseas loans as at 31/12/08.
- (e) Alternative Livelihood Project had an outstanding balance of \$888,673.95 or 0.2% of the overseas loans as at 31/12/08. The project facilitated through the Ministry of Agriculture has been terminated due to concern over the increase in debt.
- (f) E-government Project had an outstanding balance of \$12,234,221 or 3% of the overseas loans as at 31/12/08. The project is being implemented with Ministry of Communications (ITC) of US\$20 million with disbursements being in form of goods, technology and services to be purchased from China.
- (g) Fiji Government Global Borrowing had outstanding balance of \$264,600,000 or 56% of the overseas loans as at 31/12/08. This loan was raised through the issue of bonds in the international market facilitated by the RBF and agent JP Morgan.
- (h) Other loans of 1% of the overseas loans outstanding as at 31/12/08 comprised of loans obtained for the construction of jetties, airstrips, development of regional telecommunications network and electricity loans.

### 7.5.2 Overseas Loans Outstanding & Interest Paid

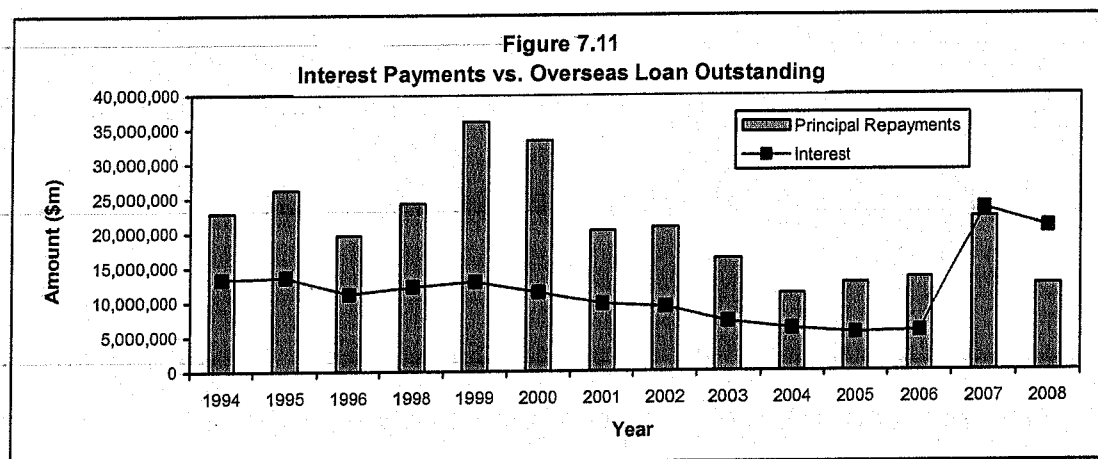
Table 7.10 provides details on the overseas loans outstanding over the past 15 years with the total interest paid each year.

TABLE 7.10: OVERSEAS LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISION

Year	Overseas Loans \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1994	187.1	(1)	13.3	(5)	18.4	5.1
1995	188.3	1	13.6	2.0	15.4	1.8
1996	187.5	0	11.2	(17.6)	16.1	4.9
1997	243.8	30	10.2	(9)	12.9	2.7
1998	245.6	1	12.2	19.6	17.8	5.6
1999	206.0	(16)	13.0	7	16.9	3.9
2000	207.7	1	11.4	(12.0)	13.2	1.8
2001	206.9	0	9.8	14	10.6	0.8
2002	193.5	(6)	9.3	(5)	10.0	0.7
2003	174.1	(10)	7.2	(23)	9.4	2.2
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

In 2008 the outstanding overseas loans increased by 20% compared to 2007.

A sum of \$24,771,600 was provided in the 2008 budget for interest expense on overseas loans. However, interest payments on overseas loans during the year totalled \$20,787,406 resulting in a saving of \$3,984,194. 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 31/12/08. Table 7.11 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 7.11: REVALUATION OF OVERSEAS LOANS &amp; EXCHANGE GAINS/LOSS

Year	Revaluation Increase/(Decrease) \$	Overseas Loans \$	Exchange (Gain)/Loss as a % of Overseas Loans
1992	10,757,141	203,655,118	5
1993	3,944,772	188,807,050	2
1994	10,606,630	187,132,643	6
1995	5,242,345	188,292,993	3
1996	5,533,671	187,526,025	3
1997	62,842,240	243,748,816	26
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

An upward revaluation of \$70,352,312 or 15% of the overseas loans was noted for 2008.

## 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.

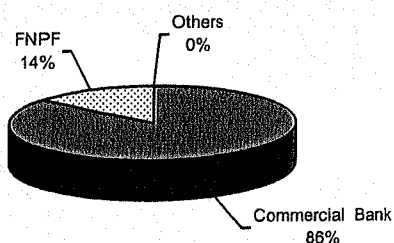
During the year the government raised \$392,000,000 in treasury bills of which \$391,725,937 constituted net borrowings by the government whilst \$274,063 represented discount, as summarised in Table 7.12. Treasury bills raised in 2007 and matured in 2008 amounted to \$141,600,000 of which \$439,567 relate to interest.

TABLE 7.12: TREASURY BILL HOLDERS FOR BILLS ISSUED IN 2008

Bank	Face Value \$	%	Discount \$	%	Net Receipts \$	%
Commercial Banks	337,429,500	86	170,430	62	337,259,070	86
FNPF	54,570,000	14	103,632	38	54,466,368	14
Others	500	-	0.11	-	499.89	-
<b>Total</b>	<b>392,000,000</b>	<b>100</b>	<b>274,062</b>	<b>100</b>	<b>391,725,938</b>	<b>100</b>

It was noted that 86% of the treasury bills raised were purchased by commercial banks and 14% by FNPF.

**Figure 7.12**  
**Composition of Treasury Bills Borrowing 2008**

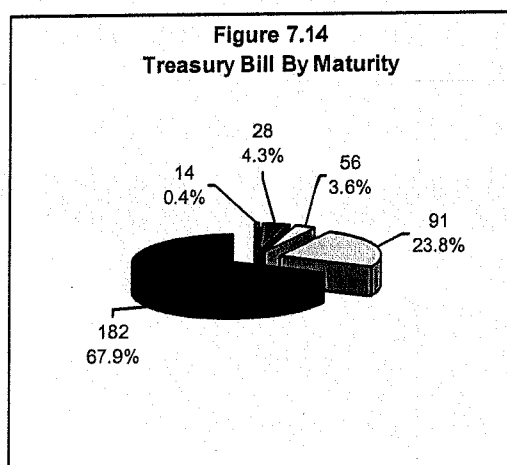
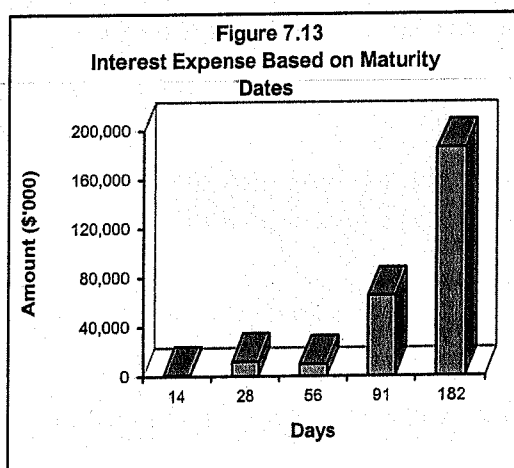


The treasury bills, which are issued by the Government through the RBF, have a maturity period of 14 to 182 days. Table 7.13 details the total Treasury bills that were raised in 2008 together with their maturity dates and interest.

**TABLE 7.13: MATURITY OF TREASURY BILLS ISSUED IN 2008**

Maturity in Days	Treasury Bill Cost \$	Interest \$	Face value \$
14	28,998,796	1,204	29,000,000
28	86,288,298	11,702	86,300,000
56	56,590,195	9,805	56,600,000
91	111,534,709	65,291	111,600,000
182	108,313,939	186,061	108,500,000
<b>Total</b>	<b>391,725,937</b>	<b>274,063</b>	<b>392,000,000</b>

The amount raised by the government through Treasury bills with varying maturity dates were bought largely by the Commercial Banks and FNPf as reflected in the pie chart. The interest expense has been fluctuating as the maturity date increases as shown in Figure 7.13 and 7.14.



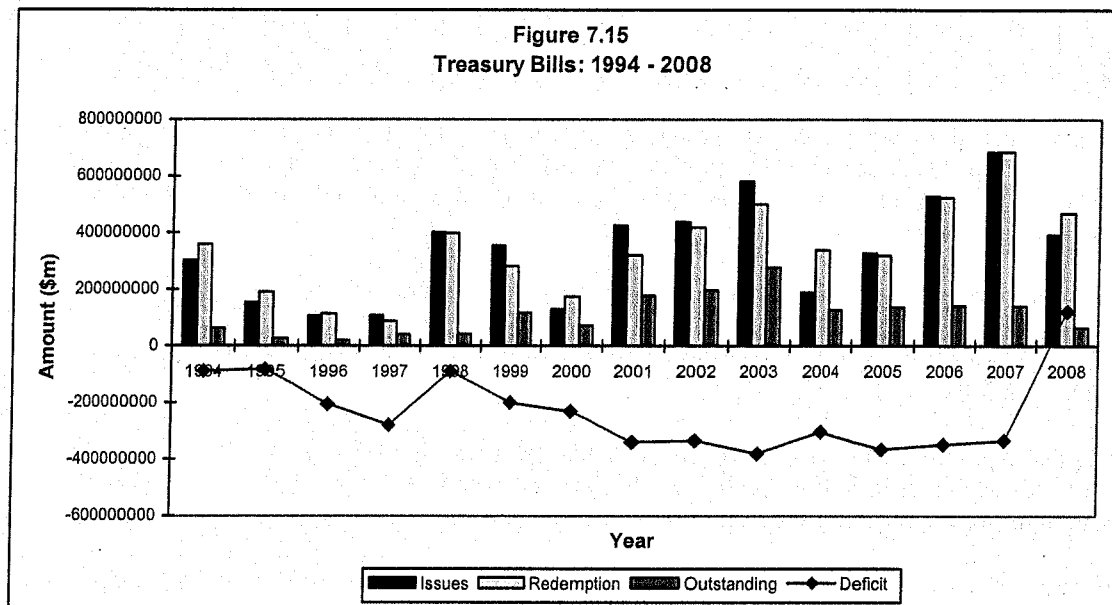
### 7.6.1 Treasury Bills Over a 15-year Period

Treasury bills issued and redeemed over the last 15 years is summarised in Table 7.14.

TABLE 7.14: TREASURY BILLS 1994 – 2008

Year	Balance Brought Forward \$	Issues \$	Redemption \$	Outstanding \$
1994	122,286,006	300,782,830	359,394,407	63,674,429
1995	63,674,429	152,986,308	189,642,084	27,018,653
1996	27,018,653	106,952,131	113,737,876	20,232,908
1997	20,232,908	106,961,439	86,666,545	40,527,802
1998	40,527,802	401,201,683	397,939,413	43,790,072
1999	43,790,072	353,841,599	280,400,000	117,231,671
2000	117,231,671	129,129,145	173,910,978	72,449,838
2001	72,449,838	424,654,868	320,500,093	176,604,613
2002	176,604,613	437,465,767	417,637,927	196,432,453
2003	196,432,453	580,634,561	500,141,176	276,925,838
2004	276,925,838	189,256,716	339,194,733	126,987,822
2005	126,987,822	326,951,124	317,920,558	136,018,388
2006	136,018,388	528,715,414	523,422,114	141,311,687
2007	141,311,687	685,889,234	686,040,488	141,160,433
2008	141,160,433	391,725,937	468,333,380	64,552,990

Treasury bills raised by Government over the last 15 years have fluctuated significantly. Similarly, the government deficits have also fluctuated over past 14 years. The trend for Treasury bills issued, redemptions, the bills outstanding at the end of the financial year and the yearly deficit are shown in Figure 7.15.



## 7.6.2 Treasury Bills Management

The Treasury Bills are short-term financial instruments, used by the Ministry of Finance to cover shortfalls during the year.

The analysis of budgeted revenue and expenditure as provided in the Budget, and the Treasury Bills for the year is as follows.

TABLE 7.15: REVENUE VARIANCE VS. TREASURY BILLS RAISED

Revenues	1996 \$m	1997 \$m	1998 \$m	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m
<b>Budgeted Revenue</b>													
Operating Receipts & Investing	737.3	765.4	1,006.8	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
Loan Receipts	156.6	282.2	147.9	193.9	234.7	253.1	338.5	315.2	461.5	370.0	394.5	371.0	370.2
<b>Total</b>	<b>893.9</b>	<b>1,036.3</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>Actual Revenue</b>													
Operating Receipts & Investing	743.5	803.5	1,141.2	1,004.5	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
Loan Receipts	210.5	271.0	116.5	192.2	225.0	239.2	325.2	319.7	458.5	328.6	633.9	118.9	345.6
<b>Total</b>	<b>954.0</b>	<b>1,074.4</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>
Revenue Variance	60.2	38.1	134.4	5.5	94.6	(65.1)	13.3	(45.0)	23.5	(76.9)	294.1	(290.8)	(18.9)
Treasury Bills as at 31/12/08	20.2	40.5	43.8	117.2	72.4	176.6	196.4	276.9	127.0	136.0	141.3	141.2	64.6
<b>Excess</b>	<b>80.4</b>	<b>78.6</b>	<b>178.2</b>	<b>122.7</b>	<b>167.0</b>	<b>111.5</b>	<b>209.7</b>	<b>232.0</b>	<b>150.5</b>	<b>59.1</b>	<b>435.4</b>	<b>149.6</b>	<b>45.8</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 2008 was more than the budgeted revenue by \$18,935,545. Government revenue and loans from the domestic and the overseas market were sufficient to meet the actual expenditure. However, treasury bills amounting to \$391,725,937 was raised in 2008, a decrease by 43% from 2007.

While the improvement in cash management is acknowledged, the issue of treasury bills could be further reduced to avoid additional debt burden. Excess Treasury bills amounted to \$45.8 million that is 71% of the total outstanding Treasury bills as at 31/12/2008.

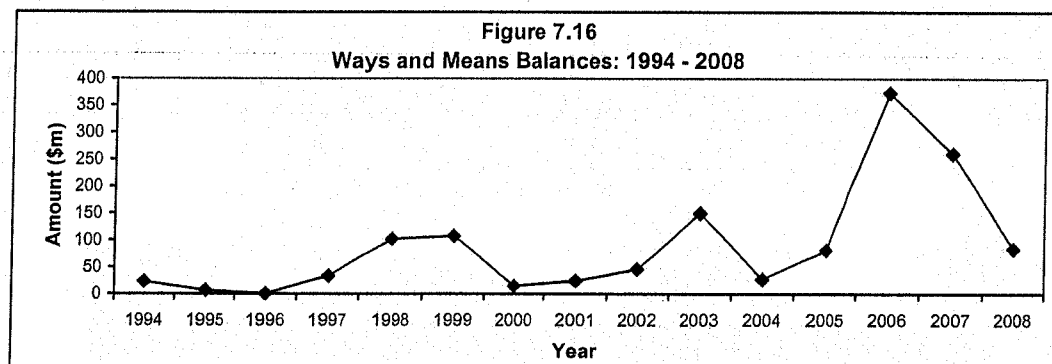
Moreover, when treasury bills are raised for specific purposes/projects, details should be shown with respect to the purpose and expected benefit of the projects. Wherever possible, information should also be provided on expected revenue sources and cash flows to finance the debt, and expected life of the projects.



## 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 \$83,400,000 at a cost of \$58,198 (interest) from RBF through this advance facility during the year, which was a decrease of \$176,800,000 or 68% from 2007.

## 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.

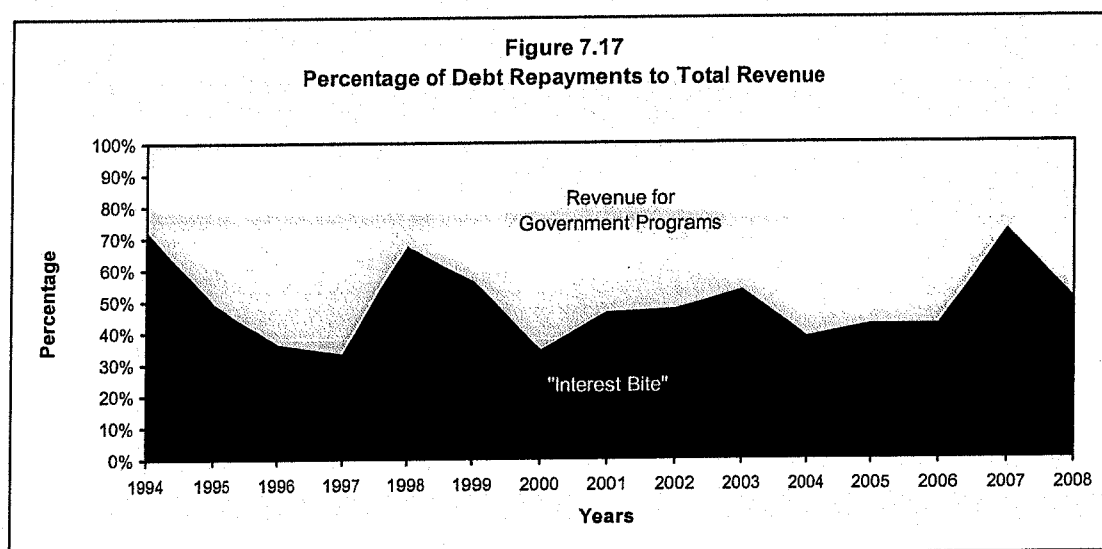
Table 7.16 contains data for the total revenue and the debt repayments of Government for a period of 15 years. The revenue derived by the Government includes a significant portion which is derived from loans. The revenue data included in the analysis of flexibility does include the loan component.

TABLE 7.16: COMPARISON OF REVENUE AND DEBT REPAYMENTS

Year	Revenue \$	Repayments \$	Interest Bite %
1994	697,810,716	499,270,219	72
1995	718,904,280	345,653,758	49
1996	729,884,343	264,390,747	36
1997	803,460,047	266,053,922	33
1998	1,141,199,759	764,384,830	67
1999	1,004,505,216	567,251,420	56
2000	1,135,964,892	387,869,552	34
2001	1,139,754,743	528,250,835	46
2002	1,363,992,433	647,020,349	47
2003	1,386,009,960	737,597,477	53
2004	1,634,663,320	617,152,850	38
2005	1,550,489,828	646,463,603	42
2006	2,035,207,842	857,682,649	42

Year	Revenue \$	Repayments \$	Interest Bite %
2007	1,510,117,953	1,091,633,056	72
2008	1,800,583,846	896,317,497	50

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 2008, the flexibility measure was 50% indicating that the total debt repayment was equivalent to 50% of the revenue received by the Government during the year. Hence, only 50% of revenues collected were available for government programs.

## 7.9 Vulnerability

Vulnerability is the measure of the degree of dependence of Government on sources of borrowing outside its control or influence.

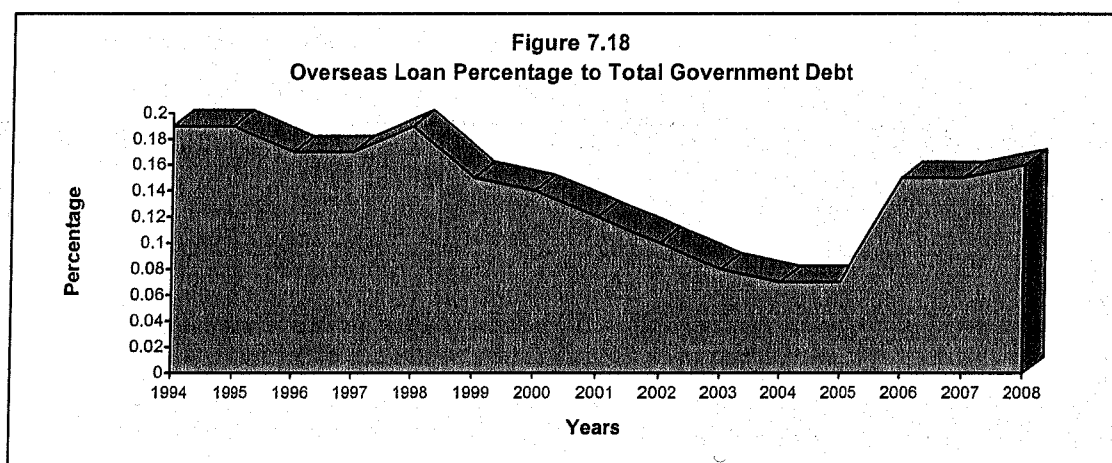
A measure of vulnerability is the comparison of overseas loans to the total Government debt. Table 7.17 compares overseas loans to total Government Borrowings for a period of 15 years.

TABLE 7.17: COMPARISON OF OVERSEAS BORROWINGS AND TOTAL BORROWINGS

Year	Outstanding Overseas Loans \$	Total Borrowings \$	%
1994	187,132,643	979,119,959	19
1995	188,292,993	995,535,439	19
1996	187,526,025	1,130,227,440	17
1997	243,748,816	1,399,369,068	17
1998	245,557,713	1,305,621,035	19
1999	206,036,450	1,369,863,771	15
2000	207,697,167	1,438,742,654	14

Year	Outstanding Overseas Loans \$	Total Borrowings \$	%
2001	206,889,315	1,686,089,578	12
2002	193,505,879	1,891,033,984	10
2003	174,125,752	2,133,770,240	8
2004	168,665,379	2,282,168,851	7
2005	164,050,924	2,421,491,962	7
2006	416,729,200	2,858,713,537	15
2007	397,103,384	2,734,471,967	15
2008	475,994,415	2,886,805,555	16

In 2008, overseas loans made up 16% of outstanding government borrowings which increased by 1% compared to 2007.



The overall trend indicates less reliance on overseas borrowings over the years; however greater reliance on overseas borrowings was made in years 2006 to 2008.

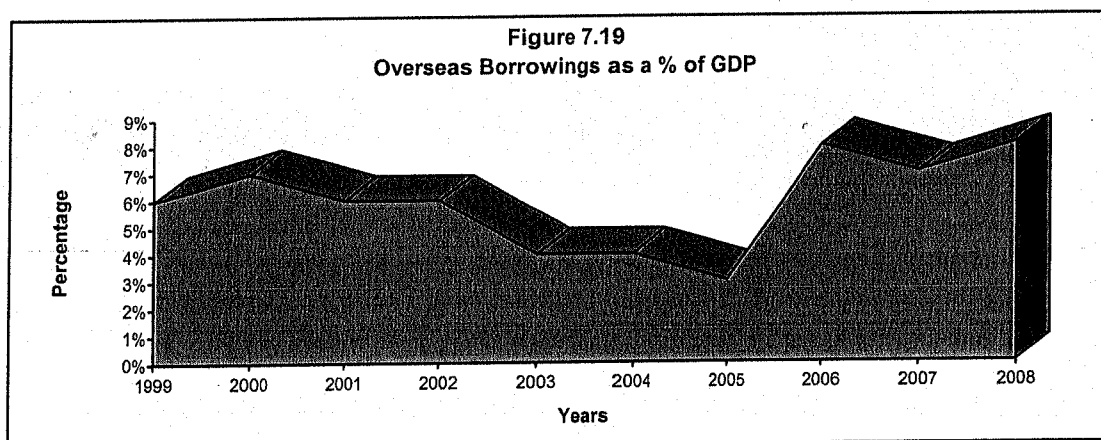
Another measure of vulnerability is the comparison of overseas loans to GDP. Table 7.22 compares overseas loans to GDP for a period of 10 years.

TABLE 7.18: COMPARISON OF OVERSEAS BORROWINGS AND GDP

Year	Overseas Loans \$	Nominal GDP \$	% of Overseas Loans/GDP
1999	206,036,450	3,238,463,000	6
2000	207,697,167	3,049,124,000	7
2001	206,889,315	3,199,548,000	6
2002	193,505,879	3,442,905,000	6
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

\* Provisional Estimate Source: Reserve Bank of Fiji

Figure 7.19 shows that the percentage of the overseas debt to GDP increased by 1% in 2008, 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 7.23 compares Domestic loans to GDP for a period of 10 years.

TABLE 7.19: COMPARISON OF DOMESTIC BORROWINGS AND GDP

Year	Domestic Loans \$	GDP \$	% of Domestic Loans/GDP
1999	1,046,595,650	3,238,463,000	32
2000	1,158,595,650	3,049,124,000	38
2001	1,302,595,650	3,199,548,000	41
2002	1,501,095,650	3,442,905,000	44
2003	1,682,718,650	4,325,420,000	39
2004	1,986,515,650	4,539,000,000	44
2005	2,121,422,650	5,069,432,000*	42
2006	2,300,672,650	5,431,720,200*	42
2007	2,196,208,150	5,566,057,664*	40
2008	2,346,258,150	5,895,900,000	40

\* Provisional Estimate

Source: Reserve Bank of Fiji

In 2008 the Domestic Loans as a percentage of GDP remained unchanged at 40%.

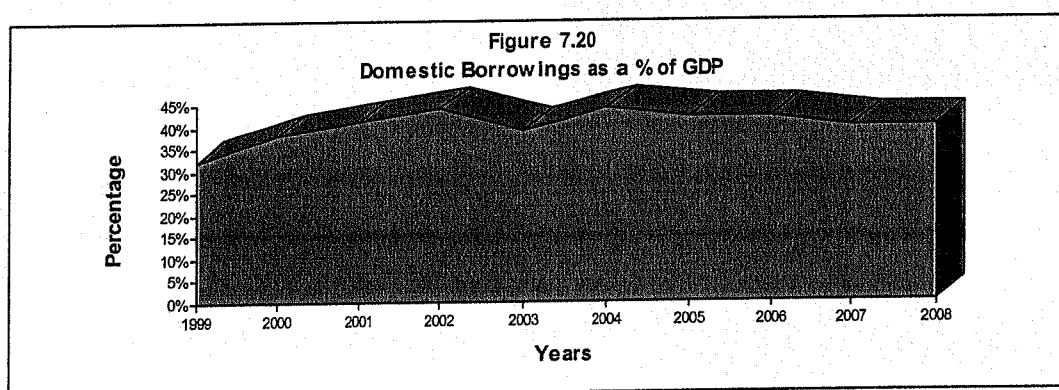


Figure 7.20 shows that the Domestic Borrowing as a percentage of the GDP has been fluctuating over the years. Although it indicates the nation's capability to meet its internal debt obligations when due, the government needs to control its domestic loans.

Table 7.20 shows the comparison between Tax Revenue and the GDP.

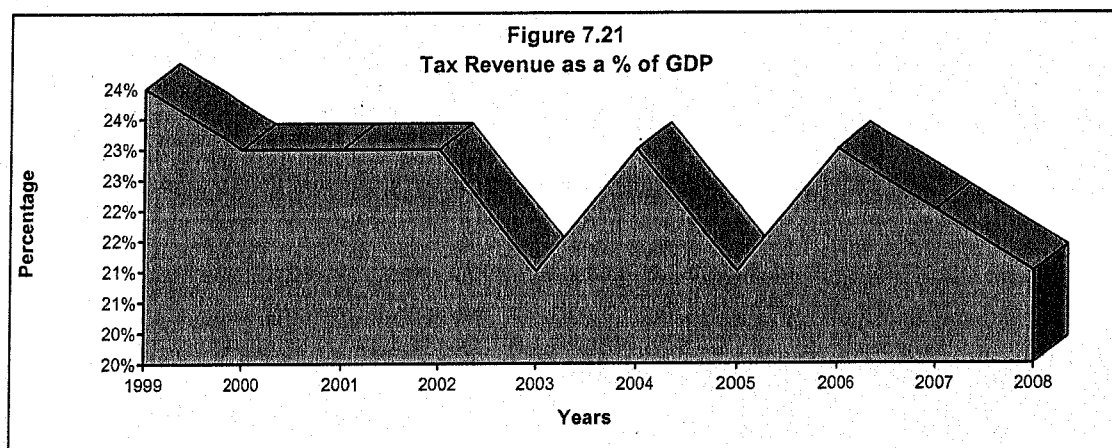
TABLE 7.20: COMPARISON OF TAX REVENUE AND GDP

Year	Tax Revenue \$	GDP \$	% of Tax Revenue/GDP
1998	723,819,630	2,792,526,000	26
1999	788,503,978	3,238,463,000	24
2000	713,404,155	3,049,124,000	23
2001	740,454,379	3,199,548,000	23
2002	789,721,816	3,442,905,000	23
2003	929,900,966	4,325,420,000	21
2004	1,033,319,644	4,539,000,000	23
2005	1,065,808,942	5,069,432,000*	21
2006	1,227,220,772	5,431,720,200*	23
2007	1,230,363,366	5,566,057,664*	22
2008	1,243,057,337	5,895,900,000	21

\* Provisional Estimate

Source: Reserve Bank of Fiji

Figure 7.21 shows that the Tax Revenue as a percentage of GDP over the last 10 years has been fluctuating, and for 2008 it was 21%.



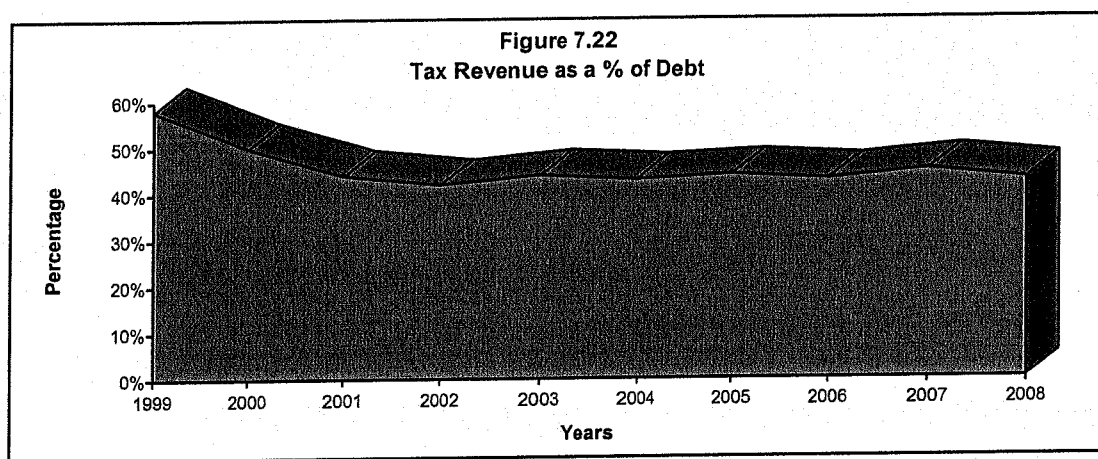
Another measure of vulnerability is the comparison of tax revenue to debt. Table 7.21 compares tax revenue to debt for a period of 10 years.

TABLE 7.21: 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

Year	Tax Revenue \$	Debt \$	% of Tax Revenue/Debt
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

The tax revenue as a percentage of debt has been fairly constant over the last 10 years. It shows that 43% of the debt can be met from tax revenue.



In 2008, tax revenue as a percentage of debt decreased by 2% compared to 2007.

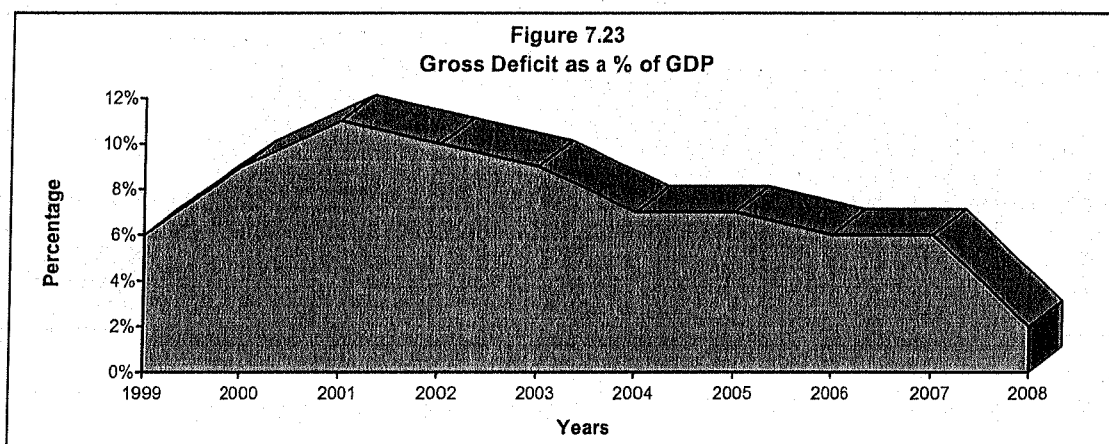
Moreover, Table 7.22 shows the comparison of Government surplus to GDP.

TABLE 7.22: COMPARISON OF GOVERNMENT DEFICIT (SURPLUS) AND GDP

Year	Gross Deficit \$	GDP \$	% of Gross Surplus/GDP
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)

\* Provisional Estimate

Source: Reserve Bank of Fiji



In 2008, the gross surplus as a percentage of GDP was 2 percent compared to the gross deficit of 6% in 2007.

## 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 31/12/08 remained at 49%, indicating stable sustainability in debt relative to the production of goods and services.

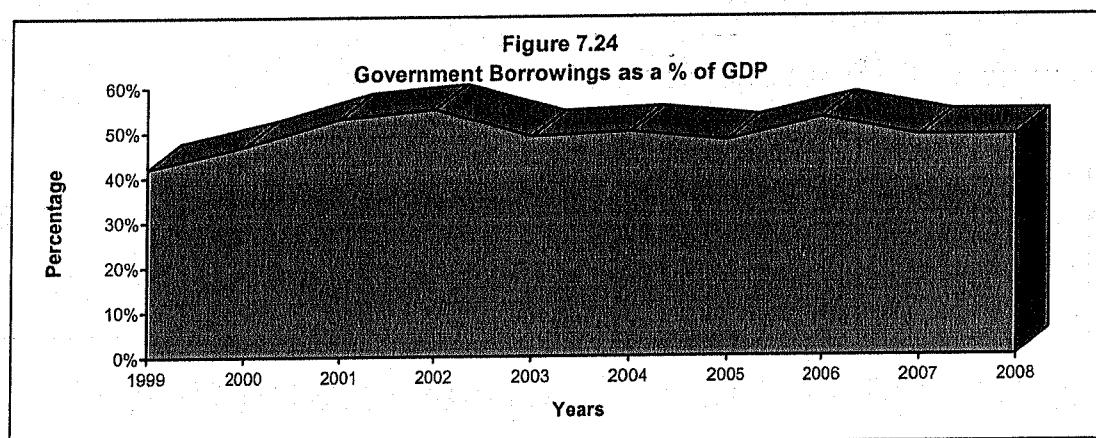
TABLE 7.23: TOTAL GOVERNMENT DEBT TO GROSS DOMESTIC PRODUCT

Year	Government Debt \$	% of Growth	GDP \$	% of Growth	Public Debt as a % of GDP
1999	1,369,863,771	5	3,238,463,000	16	42
2000	1,438,742,654	5	3,049,124,000	(6)	47
2001	1,686,089,577	17	3,199,548,000	5	53
2002	1,891,033,982	12	3,442,905,000	8	55
2003	2,133,770,240	13	4,325,420,000	26	49
2004	2,282,168,851	7	4,539,000,000	5	50
2005	2,421,491,962	6	5,069,432,000	12	48
2006	2,858,713,537	18	5,431,720,200	7	53
2007	2,734,471,967	(4)	5,566,057,664	2	49
2008	2,886,805,555	6	5,895,900,000	6	49

+ Provisional Estimate

Source: Reserve Bank of Fiji

Table 7.27 shows that the economy is increasing at the same rate as the Government debt indicating that the debt burden of individuals is constant. In 2008, percentage increase in national debt relative to the GDP remained same.



The Government borrowings as a percentage of GDP remained constant compared to 2007. Total Government borrowings stood at 49% of the GDP for 2008. The Government needs to sustain adequate resources to fund existing programs, commence new projects as well as meet existing creditor obligations in order to maintain the level of borrowings at a sustainable level.

### 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 7.24 outlines the Gross Domestic Product per Capita and National Income per Capita over the 10 year period.

TABLE 7.24: GROSS DOMESTIC PRODUCT PER CAPITA AND NATIONAL INCOME PER CAPITA

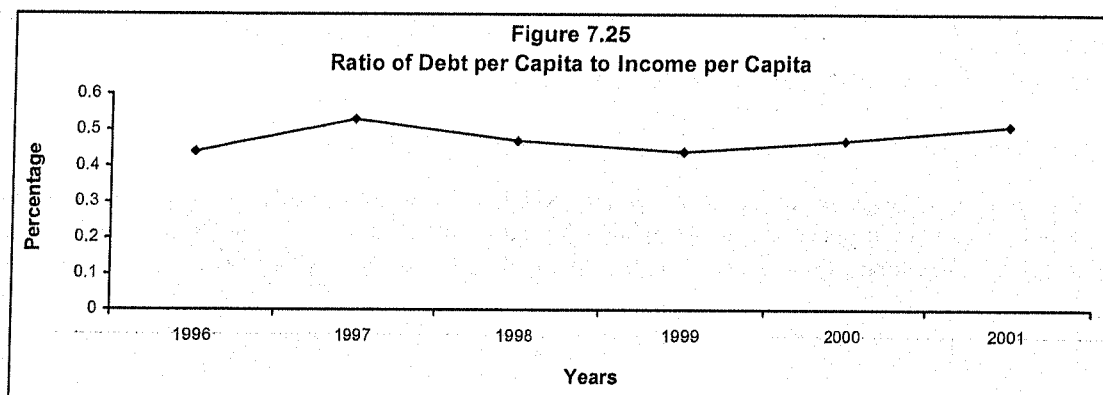
Year	Outstanding Debt \$	Estimated Population	Debt/Capita \$	GNP/Capita \$	Ratio of Debt/Capita to GNP/Capita
1999	1,369,863,771	806,212	1,699	3,892	0.44
2000	1,438,742,654	810,421	1,775	3,807	0.47
2001	1,686,089,577	815,013	2,069	4,064	0.51
2002	1,891,033,982	825,478	2,291	*	
2003	2,133,770,240	831,343 <sup>+</sup>	2,567	*	
2004	2,282,168,851	838,317 <sup>+</sup>	2,722	*	
2005	2,421,491,962	846,085 <sup>+</sup>	2,862	*	
2006	2,858,713,537	853,445 <sup>+</sup>	3,350	*	
2007	2,734,471,967	827,900 <sup>+</sup>	3,303	*	
2008	2,886,805,555	839,621	3,438	*	

\* The GNP for years 2002 to 2008 is not available.

+ These are provisional figures provided by Bureau of Statistics

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 not available.

## 7.12 Miscellaneous Payments

Any sum payable by the Government in fulfilment of a guarantee is taken to be a loan to the entity whose financial liability has been guaranteed.<sup>30</sup> In addition, loans of public money under Lending Fund must be evidenced by an instrument signed by the Minister.<sup>31</sup>

Government in honouring its guarantor obligation paid a total of \$4.9 million on behalf of Fiji Electricity Authority and the Fiji Sugar Cane Growers Council to its lenders, namely, the Reserve Bank of Fiji and the Fiji Development Bank accordingly.

These payments were met from the Charges on account of public debt. Details of the payments are tabulated below:

TABLE 25: GOVERNMENT GUARANTEE PAYMENT FOR YEAR 2008

Date	Payee	Description	Amount \$
30/04/2008	RBF	Interest due 2003 FEA (FPL 1)	234,780
31/10/2008	RBF	Interest due 2003 FEA (FPL 1)	234,780
01/01/2008	FDB	Principal Payment – Sugar Cane Growers Fund Loan	3,150,000
30/06/2008	FDB	Interest due – Sugar Cane Growers Fund	654,728
31/12/2008	FDB	Interest due – Sugar Cane Growers Fund	654,728
<b>Total</b>			<b>4,929,016</b>

Despite the honour of payments by the government, agreement between the government and the guaranteed entity for the loan repayment to the government is yet to be materialized.

Moreover, the honour of this government guarantee has not been reflected in the Accounts and Finance as debt owed to government.

<sup>30</sup> Financial management Act 2004, Section 62 (5) (b)

<sup>31</sup> Financial Management Act 2004 Section 61 (3)

The government should be stringent in the processes of forecasting and monitoring the financial performances of its entire guaranteed obligation to avoid or minimise such incidence where entities cannot meet its debt obligations due to financial instability.

### **Recommendations**

- The Loan agreement between Government and the guaranteed entity to be drawn up to ensure that all debt borne by the government is fully recovered.
- Total debt owed to government is to be reflected in the Accounts and Finance - Lending Fund Account.

### **Ministry's Comment**

*No comment received.*

## **7.13 Direct Cash Disbursements**

In accordance with section 176 of the Constitution, public money is to be paid into the Consolidated Fund, unless it is payable, by or under a written law, into another fund established for a specific purpose; or it may, by or under a written law, be retained by the authority receiving it for the purposes of defraying the expenses of the authority.<sup>32</sup>

A total of \$10.6 million in loan to Fiji Government was directly disbursed by the Asian Development Bank (ADB) to the contractors of the projects, namely, the Suva/Nausori Water Supply and Fiji Road Up-grading Project (FRUP) loan. Refer to the table below for the details:

TABLE 26: DIRECT DISBURSEMENTS

Loan No.	Lender	Project	Amount \$
2055	ADB	Suva/Nausori Water & Sewerage Project	3,246,454
1530	ADB	Fiji Road Upgrading Project - III	7,350,452
<b>Total</b>			<b>10,596,906</b>

The direct disbursement was due to the inability of the government to meet large cash payments at ad hoc basis from contractors for projects completed that could result in unnecessary held up of projects or lawsuit due to non-payment.

These disbursements have not been recorded as borrowing revenue and neither reflected in the Consolidated Fund Account (CFA). Hence, the borrowing revenue and the CFA for the year 2008 were understated.

In addition to this, the Ministry has not received advices from the ADB for the payments made to the contractors, but rather a credit made to the Fiji Government account to their loan outstanding for the year. This loan balances are accessed by the Ministry through the Loan Financial Information System (LFIS) through the ADB website.

Non-availability of advices for funds disbursed compromises the transparency and accountability with which these funds are disbursed and credited to the Fiji Government.

<sup>32</sup> Section 10 Financial Management Act 2004

### **Recommendations**

**The Ministry should ensure that:**

- Direct disbursement of funds to be reflected in the consolidated fund account and the borrowing revenue.
- Advices are received from the ADB upon disbursement of funds to the contractors of the projects.

### **Ministry's Comment**

## **7.14 Inadequate Records**

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>33</sup>

The following anomalies were noted in the audit of the borrowing account for the year 2008:

- Creditor Statement for overseas loan balances were not available;
- Payment advice of JPY 16,852,000 for the Nadi/Lautoka Regional Water Supply could not be made available for audit to substantiate an outstanding loan balance of JPY1, 743,419,000.
- Disbursement advices not available in the foreign and the local dollar. These have to be calculated back from the local dollar to arrive to the foreign and vice-versa that could result in the likelihood of variances in loan balances depending on the exchange rate utilized.
- Loan registers not up-to-date.

This shows the laxity of the Ministry in maintaining records pertaining to borrowings.

Failure to keep an up-to-date and detail record could result in incorrect balances in the Accounts and Finance.

### **Recommendations**

**The Ministry should ensure that:**

- Creditor Statements are received at the end of the year as confirmation for the loan balances;
- All payment advices are filed and made available upon request;
- Advices of loan disbursements to include information of the local and foreign dollar disbursed with the corresponding exchange rate;
- Loan Registers are up-to-date.

### **Ministry's Comment**

*No comment received.*

<sup>33</sup> Ministry of Finance, Finance Manual 2005, Recording, page iv

## 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 the Fiji Islands.<sup>34</sup>

Loans made by Government and outstanding as at 31/12/08 totalled \$105,861,373, a decrease of \$8,203,081 or 7% compared to 2007. Repayments received in 2008 totalled \$12,323,747 whilst additional loans given and interest capitalized in 2008 was \$4,120,666.

Lending Fund Account balances for the past six years is shown in Table 8.1.

TABLE 8.1: LENDING FUND BALANCES TREND

Year	Balance Outstanding (\$)
2003	118,034,133
2004	117,905,093
2005	118,656,991
2006	120,294,477
2007	114,064,454
2008	105,861,373

### 8.1 Loans Converted to Grants without Budgetary Appropriation

Parliamentary resolutions between 2001 and 2004 and cabinet decisions in 2008 approved the conversion of loans to grant owed by the Fijian Affairs Board, the Fiji Sugar Corporation and the Rabi Council of Leaders. Refer to Table 8.2 for details:

TABLE 8.2: LOANS CONVERTED TO GRANTS

Entity	Date of Approval	Years Lapsed (Years)	Authority	Amount (\$)
FAB	27/11/01	7	Parliamentary Resolution	20,000,000
FSC	28/09/04	4	Parliamentary Paper	34,000,000
Rabi Council of Leaders (1)	07/10/08	2 months	Cabinet Decision	900,000
Rabi Council of Leaders (2)	07/10/08	2 months	Cabinet Decision	700,000
<b>TOTAL</b>				<b>55,600,000</b>

Nonetheless, the Ministry of Finance has failed to provide budgetary provision over the years for the conversion of loans to grant. As such the debt owed to the government in the Accounts and Finance is inflated by \$55.6m.

Despite being highlighted in previous years' audit memorandums, no commitment has been made by the Ministry for budgetary provisions for the conversion of debts into grant.

Moreover, the Ministry failed to capture the Rabi Council of Leaders loan that has been approved for conversion to grant through Cabinet decision dated 07/10/2008 in the current 2009 budget.

<sup>34</sup> Finance Management Act 2004, Section (61)

The above shows the governments inability to meet its debt obligations as per the parliamentary decisions.

### **Recommendation**

**The ministry should plan how to implement the parliamentary and current cabinet resolutions of conversion of loans to grant.**

### **Ministry's Comment**

*Outstanding advances have always been an issue in past audits because the Ministry found it very difficult to locate the officers and also records (some as far back as 18 years) had gone beyond the seven years limitation. Staff turnover during these years also contributed to the matter not regularly followed up. To put the matter to rest the Ministry had to write them off. This should put an end to the issue.*

## **8.2 Dormant Loan Accounts**

All advances made by the Government are recorded in the Lending Fund Account.<sup>35</sup>

In the Detailed Statement of Loans made by Government as at 31/12/08, are 3 loan accounts that are dormant for which no additional advances were made, nor interest capitalized or recoveries made over a considerable period of time. The recovery of these loans is uncertain due to the lapse in time. Table 8.3 shows details of these dormant loan accounts.

TABLE 8.3: DORMANT LOANS

LENDING ACCOUNTS	AMOUNT LENT/APPROPRIATED (\$)	BALANCE OUTSTANDING AS AT 31/12/08 (\$)	INTEREST RATE (%)	YEAR LENT	PERIOD LAPSED (YEARS)
Native Land Trust Board	2,019,701	1,395,509	6	1979-1980	29
Production Loan to Farmers	72,000	16,288	1	1990	18
Timber Exporters	1,000,000	795,034	FREE	1983-1984	26

Despite the earlier write off of \$2.2m of Native Land Trust Board loan through parliamentary resolution 20/02/03, the board has not made any effort to clear the outstanding balance of \$1,395,509.

Moreover, a submission for write off of Production Loan to Farmers was made by the Ministry of Agriculture in 1992; the Ministry of Finance however, has not taken any action indicating that the Ministry of Agriculture has to make another submission since the 1992 submission has lapsed.

These dormant loan account have been raised in previous audit reports, the Ministry has not taken any action to deal with these inactive or dormant loans.

### **Recommendation**

**The Ministry of Finance should review these loan accounts, establish their recoverability and identify options to recover them.**

<sup>35</sup> Ministry of Finance, Finance Manual 2005

**Ministry's Comment**

*The comments for drawing up a manual outlining accounting treatment for lending transactions will be considered once the freeze on granting advances is lifted. This will also include the need to identify accounting postings clearly.*

**8.3 Amount Drawn In Excess of Appropriation**

Advances for Students Loan Schemes had an appropriation of \$1,500,000 that was reduced to \$930,000 as a result of virement of \$570,000.

Nonetheless, amount lent from the budgetary provision for the year 2008 totalled \$1,242,267, exceeding the budgetary provision by \$312,267. Refer to the following table:

TABLE 8.4 LOANS IN EXCESS OF APPROPRIATION

PARTICULARS	DETAIL	
	Student Scheme	Loan
Appropriation (\$)		930,000
Lent/Interest Capitalized (\$)		1,242,267
Amount in Excess of Appropriation (\$)		312,267
Percentage Excess (%)		33.6

Amounts spent in excess of appropriations are tantamount to unauthorised expenditure and indicate a lack of monitoring not only by the administering agency and the Ministry of Finance which controls the funds.

**Recommendation**

**The Ministry of Finance should ensure that total expenditures incurred are within the approved limits before releasing subsequent funding.**

**Ministry's Comments**

*No comments received.*

**8.4 Viti Corps Company Limited**

Due to its financial difficulties, the Government and the Viti Corps Company Limited through the Public Enterprise entered into a lease agreement of the farm owned by Viti Corporation Limited for the repayment of the \$3.7 million loan for a period of 30 years at \$129,000 per annum.

Viti Corps Company Limited had made payment for their loan totalling \$129,000 in year 2008. However, there are inconsistencies in the recording of the loans repayment in the general ledger. Refer to the following table for detail:

TABLE 8.5: JOURNAL POSTINGS TO RECORD RECOVERY

DATE OF PAYMENT	RECEIPT No.	AMOUNT (\$)	GENERAL LEDGER ACCOUNT RECORDING		ACCOUNTS AND FINANCE
			REVENUE A/C	LENDING A/C	
31/07/08	176367	64,500	64,500	---	---

			GENERAL LEDGER RECORDING	ACCOUNT	
21/02/08	905043	64,500	---	64,500	64,500

Moreover, the recording error is continuing from year 2006 and the Ministry has not made any effort to correctly reflect the balances in the Accounts and Finance and the General Ledger. Refer to the following table:

TABLE 8.6: INCORRECT GENERAL LEDGER BALANCE

Year	Recovery as per Receipt (\$)		Posting in the GL (Repayments)		Ending Balance	
	Principal	Interest	Principal (610000)	Interest (310000)	General Ledger	Audit
2004	Balance b/f				3,700,000.00	3,700,000.00
2005	123,333.32	26,667.00	123,333.32	26,667.00	3,576,666.68	3,576,666.68
2006	61,666.50	2,833.50	---	26,667.00	3,576,666.68	3,515,000.18
2007	123,333.32	5,667.00	---	37,833.00	3,576,666.68	3,391,666.86
2008	123,333.32	5,667.00	64,500.00	---	3,512,166.68	3,268,333.54

In addition to this, as per the revised loan schedule, Viti Corps Company Limited should have an outstanding loan balance as at 31/12/2008 of \$3,206,667. However, the loan balance is \$3,268,334. This is because loan repayment in year 2006 was only for \$64,500 rather than \$129,000.

As a result of non-posting of the recoveries on the term loan repayments account, Viti Corps Company Limited account in the general ledger is overstated by \$243,833.

Despite being raised in previous audit paragraphs, the Ministry is continuing with the incorrect postings of the repayments from Viti Corps Company Limited.

#### **Recommendations**

The Ministry should ensure that:

- All recoveries receipted should immediately be posted to the General Ledger to disclose accurate balances.
- Repayments due should be followed up.

#### **Ministry's Comment**

*No comment received.*

### **8.5 Mispostings by Ministries/Departments**

The Accounts Officer shall prepare a journal voucher or journal entry input form before posting transactions into the general ledger. The journal voucher for an adjustment should outline reason for raising adjustments, the accounts that should be debited and credited and the amount debited and credited to each account

All journalised adjustments shall be sequentially numbered and dated to avoid double postings. Each journal voucher or input form shall be checked by the Accounting Head who must ensure that

vouchers are adequately supported, dollar values are accurately computed and the correct account codes have been debited and credited.<sup>36</sup>

Mispostings were identified under the Lending Fund Account that created accounts that are not of loan in nature or mispostings that have resulted in the reduction in outstanding loan balance, in spite of no recovery.

TABLE 8.7: MISPOSTING TO LENDING FUND ACCOUNT

YEAR	FROM DEPARTMENT	DESCRIPTION	ACCOUNT NUMBER	AMOUNT (\$)
2007	Department of Water	Loan to FDB	1-41201-95871-620301	275.00
2008	Ministry of Agriculture	NLTB/NLDC	1-30203-30369-620101	107.91
<b>TOTAL</b>				<b>382.91</b>

The above shows the Ministry's passive role in monitoring postings to the Lending Account and ensuring the accuracy of postings in the general ledger.

### **Recommendation**

The Ministry should ensure that postings to the general ledger are checked on a monthly basis and adjustments made accordingly for any misposting.

### **Ministry's Comment**

*No comment received.*

## **8.6 Aging of Debtors**

The Minister may make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit.<sup>37</sup>

Of the total amount of loan outstanding, 39% are outstanding for over 10 years and a further 39% are outstanding for 5-10 years ago while 8% are outstanding for 2 to 5 years. Table 8.8 below shows the age of amounts lent by Government to various Institutions.

TABLE 8.8: AGING OF DEBTORS

PERIOD	BALANCE OUTSTANDING 2008 (\$)	PERCENTAGE OUTSTANDING (%)	BALANCE OUTSTANDING 2007 (\$)	PERCENTAGE CHANGE (%)
0-1 Year	15,256,403	14.4	22,945,613	(33.5)
2-5 Years	8,500,000	8.0	8,500,000	-
5-10 Years	41,071,091	38.8	41,135,591	(0.2)
10 Years and Over	41,033,882	38.8	41,483,251	(1.1)
<b>Total Outstanding</b>	<b>105,861,376</b>	<b>100.0</b>	<b>114,064,455</b>	<b>(7.2)</b>

Detail Statement per borrower is attached at *Appendix 5*.

<sup>36</sup> Financial Instructions 2005, s(30)

<sup>37</sup> Clause 61 s (1) Financial Management Act 2004



Of the total loan of \$105.9 million outstanding at 31 December 2008, \$55.6 million (52.5%) have been approved for conversion into grant. At the current rate debt recovery, there is a high risk of not recovering all debts more than 1 year totalling \$90,604,973.

### **Recommendation**

**The Ministry should improve on its debt and recovery policy and be stringent on defaulting institutions whose loans from Government have been stagnant for over 10 years.**

### **Ministry's Comments**

*No comment received.*

## **8.7 Variances in Entities Reconciliation and the General Ledger**

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>38</sup>

Variance between the department's reconciliation and the general ledger balances was noted for Copra Price Stabilization Fund and the Post and Telecommunications Loan.

TABLE 8.9: VARIANCES BETWEEN GENERAL LEDGER AND DEPARTMENT RECONCILIATION

PARTICULARS	LAST DATE OF PAYMENT	GL FIGURE (\$)	RECONCILIATION FIGURE (\$)	VARIANCE (\$)
Island Industries	06/12/85	1,732,814	1,857,725	(124,911)
Punja & Sons Ltd	31/12/08	2,814,230	2,798,757	15,473
Copra Millers of Fiji Ltd	08/01/07	7,075,645	6,901,668	173,977
Post and Telecommunication Loan No.5	30/06/08	(230,605)	---	(230,605)
<b>Total</b>		<b>11,392,084</b>	<b>11,558,150</b>	<b>(166,066)</b>

Moreover, despite the telecommunications loan been fully paid, the general ledger showed a balance of \$230,605 as owed to Telecommunications. This is because the general ledger has not been maintained accurately.

The variance in the other three loans could not be explained by the Ministry.

In addition to this, of the seven entities that borrowed under the Copra Stabilization Fund, only two of these are in operation, namely, the Copra Millers Fiji Ltd and Punja and Sons. The others have ceased operation with outstanding balances in government records. Refer to the table below for details:

TABLE 8.10: INOPERATIVE LENDERS

LENDER	AMOUNT (\$)	DATE OUTSTANDING	PERIOD LAPSED (YEARS)
Carl James Patterson	1,805	30/07/88	20
Island Industries	1,732,814	06/12/85	23
Lakeba Co-operative	676,153	31/01/94	14
B. P. Cope Allman	(222,649)	31/01/85	23

<sup>38</sup> Ministry of Finance, Finance Manual 2005, Recording, page iv

LENDER	AMOUNT (\$)	DATE OUTSTANDING	PERIOD LAPSED (YEARS)
Commodity Traders (Fiji) Ltd	(479,825)	31/05/02	6
<b>Total</b>	<b>1,708,298</b>		

The accounts with credit balances could not be explained by the Ministry and it demonstrate poor record keeping and lack of reconciliations and supervision of work.

The existence of balances owed over 5 years and the non-existence of businesses indicates lack of efficient and effective debt recovery procedures in place.

As such the government will have to bear the burden of writing off these loans, restricting the use of its financial resources to other viable projects.

### **Recommendations**

The Ministry should ensure that:

- Reconciliations are up to date and as per the General Ledger;
- Variances between the General Ledger and the reconciliation are investigated and necessary adjustments made accordingly.
- Officers are active in following up for timely collection of the government loans and that avenue to be looked into for the collection of these debts.
- The credit balances to the accounts are investigated and adjustments made accordingly.

### **Ministry's Comment**

*No comment received.*

## **8.8 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>39</sup>

There is no mechanism in place for the Scholarship Unit to effectively monitor the employment status of graduates entering into the Private Sector in order to successfully recover the loans.

An examination of scholarship records revealed that the Scholarship Unit has yet to initiate recovery action of substantial amount from either the awardees or the guarantors as at 31<sup>st</sup> December, 2008.

Moreover, proper audit of the Unit could not be carried out as all the necessary information was not provided, therefore reliance can not be placed on the actual amount stated by the Commission in their reconciliation. Also, the reconciliation is incomplete and not up-to-date.

Also an aged analysis of the arrears was not provided and therefore it could not be determined as to how old these arrears are.

In addition to this, scrutiny of a sample recovery of loans revealed that the Student Loans Scheme have not been properly monitored to ensure the successful recovery of loans upon completion of studies.

<sup>39</sup> PSC Scholarship and Student Loan Scheme Handbook

If the Commission does not implement other effective and stringent measures and controls then there is a possibility that these arrears may become irrecoverable and thus may end up being written off.

### **Recommendations**

The Ministry should ensure that;

- The Public Service Commission reconciliation for the loan account are received monthly;
- The loaning process is transparent and follow-up on recoveries done accordingly;
- Officers are penalized for not been able to produce reconciliations, provide explanation of variances and for prolonged debts.
- Effective self-reliant mechanisms to be in place for the recoverability of the loans from students.

### **Ministry's Comment**

*No comment received.*

## **8.9 Outstanding Consumer Loan**

Consumer Co-operative Loan Scheme was established by the Government in 1973 to fund low interest, short term borrowing by consumer cooperatives to finance inventories. Initially the pool was limited to \$100,000 but was raised in 1982 to \$250,000 with conditions that the sums borrowed were to be repaid in full within a period of 12 months. The loan would be charged an interest rate of 1% per annum on the principal sum and 3% or any accumulated arrears.<sup>40</sup>

Outstanding balances for this loan date back to 1981, surpassing the twelve month loan tenure from the date of the loan. Refer to the following table for details:

TABLE 8.11: OUTSTANDING LOANS OF CO-OPERATIVES

CO-OPERATIVE	DATE OF LOAN	DATE OF LAST RECEIPT	AMOUNT LENT	OUTSTANDING BALANCE (\$)	% LOAN OUTSTANDING COMPARED TO AMOUNT LENT	ACCRUED INTEREST (\$)
Central Fijian Co-operative Association	01/07/81	04/09/81	4,499	3,957	88.0	3,108
Natogadravu Co-operative Society	02/02/82	16/10/81	1,000	4	0.4	111
Karo Co-operative Association Ltd	19/05/83	16/03/84	7,000	5,813	83.0	4,016
Naivara Co-operative Society	28/06/83	02/09/82	4,000	2,629	65.7	1,941
Rewa Co-operative Association Ltd	27/08/83	31/10/84	8,000	7,540	94.3	5,429
Naitodua Co-operative Society Ltd	19/06/84	---	700	700	100.0	490
Kadavu Co-operative Association Ltd	06/07/84	01/08/89	10,000	6,847	68.5	5,038
Ovalau Co-operative Association	12/11/84	04/08/98	19,894	---	-	5,265
Raho Co-operative Association Ltd	13/05/85	26/02/85	25,000	22,862	91.4	15,775
Laginiceva Co-operative Society Ltd	17/01/86	22/07/85	9,200	5,270	57.3	3,320
Nadi Industrial Co-operative Society Ltd	12/04/88	25/08/97	7,000	2,217	31.7	312
Buca Bay Farmers Co-operative Association Ltd	10/06/88	28/10/94	1,000	100	10.0	116
Mataqali Vakalolo Co-operative Society Ltd	15/11/88	21/08/89	1,500	700	46.7	364

<sup>40</sup> Consumer Loan Scheme Paper, 16/07/92

CO-OPERATIVE	DATE OF LOAN	DATE OF LAST RECEIPT	AMOUNT LENT	OUTSTANDING BALANCE (\$)	% LOAN OUTSTANDING COMPARED TO AMOUNT LENT	ACCRUED INTEREST (\$)
Tailevu North Farmers Co-operative Association Ltd	14/08/94	14/08/94	1,500	1375	91.7	660
Waidina Marketing Co-operative Society Ltd	19/04/91	16/07/91	500	458	91.6	217
Marama Co-operative Society Ltd	03/06/92	09/07/92	5,000	4,000	80.0	1,681
Waiqori Co-operative Society Ltd	03/07/93	10/12/99	2,500	2,026	81.0	949
Tawake Co-operative Society Ltd	30/09/05	30/09/05	4,000	7	0.2	39
Muanaicake Co-operative Society Ltd	15/04/95	30/03/94	3,690	1,333	36.1	560
Koronasau Co-operative Society Ltd	20/05/93	02/09/94	2,000	1,500	75.0	858
Dravuwalu Co-operative Society Ltd	10/05/93	12/07/94	3,000	1,800	60.0	732
Delainavesi Co-operative Society Ltd	15/09/94	21/08/07	5,000	1,450	29.0	722
Vatoa Sports Club	20/09/94	01/08/97	947	852	90.0	367
Folo Co-operative Society Ltd	02/08/95	07/02/95	3,635	3,272	90.0	1,214
Tabusoro Co-operative Society Ltd	02/12/95	20/08/98	5,000	1,300	26.0	650
Qalitu Co-operative Society Ltd	04/03/95	04/04/08	5,000	1,790	35.8	916
Taiji Co-operative Society Ltd	05/03/95	---	4,500	4,500	100.0	1,670
Nasaqalau Co-operative Society Ltd	21/02/96	30/09/05	5,000	2,730	54.6	1,133
Naivaka Co-operative Society Ltd	19/03/95	30/01/02	5,000	1,537	30.7	739
Malawi Co-operative Ltd	17/05/96	04/09/99	4,280	2,252	52.6	922
Narocake Pine Scheme Ltd	20/05/96	20/05/96	5,000	4,500	90.0	1,535
Noatau Co-operative Society Ltd	21/08/96	20/05/99	2,500	1,400	56.0	378
Kiobo Co-operative Society Ltd	01/02/97	23/05/98	4,000	2,560	64.0	909
Turagasau Management Society Ltd	17/11/00	20/06/01	5,000	2,205	44.1	447
Caukala Co-operative Society Ltd	26/04/02	31/10/02	5,000	2,570	51.4	540
Korowaiwai Co-operative Society Ltd	17/11/06	5/12/07	3,000	75	2.5	32
Vicelea Co-operative	22/08/07	06/02/07	5,000	4,500	90.0	185
Nalotu Co-operative Ltd	28/04/08	19/05/08	5,000	4,150	83.0	175
<b>TOTAL</b>			<b>193,845</b>	<b>112,781</b>	<b>58.2</b>	<b>61,980</b>

Of the total loans to co-operatives, 58% of the loans remained outstanding with some as long as 27 years, indicating poor and ineffective lending procedures. Loans outstanding for more than 10 years are more likely to be irrecoverable due to prolonged deferment of repayment.

Moreover, loan made in the current year of \$5,000 to Nalotu Company is also indicating that this loan will become irrecoverable as interest is accumulating and last date of payment was on 19/05/08. This also questions the Departments current personnel ability to assess borrowers for a successful recovery of the loans in the future.

The Department of Co-operative is not vigilant and pro-active in the collection of the debts while the Ministry of Finance is maintaining a passive role in monitoring prolonged outstanding debts.

Ineffective and inefficient recovery measure can put unnecessary burden on the cash flow of government in write-off of the debts.

### **Recommendation**

**The Ministry should ensure that loans made through the Department of Co-operative is monitored on a monthly basis and successful recovery measures put in place for the timely repayment of the debt.**

**Ministry's Comment**

*No comment received.*

**8.10 Under – Utilization of the Lending Appropriation**

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 the proper authorization of the Ministry of Finance, pending approval by Parliament.<sup>41</sup>

Despite the Appropriation made in the year 2008 budget for loan facility to institutions/sectors, this remained unutilized or under-utilized during the year. Refer to the table below:

TABLE 8.12: LENDING APPROPRIATION UNDER-UTILIZED

LOAN FACILITY	APPROPRIATION AMOUNT (\$)	AMOUNT UTILIZED (\$)	UNDER- UTILIZED (\$)	%AGE UNDER- UTILIZED
Timber Exporters	1,000,000	-	1,000,000	100.0
Tertiary Education	5,000,000	2,637,042	2,362,958	47.3
Private Students	500,000	226,041	273,959	54.8
Copra Industry for Stabilization of Earnings	13,500,000	-	13,500,000	100.0
Consumer Co-operative Societies	250,000	5,000	245,000	98.0
Advances to Public Officers	1,000,000	258	999,742	99.9
Advances to Ministers & Members of House of Representatives	1,100,000	10,058	1,089,942	99.1
Production Loan to Farmers	72,000	---	72,000	100.0
Fiji Sugar Corporation	34,000,000	---	34,000,000	100.0
Total	56,422,000	2,878,399	53,543,601	94.9

Moreover, provisions above are not included in the Whole of Government operating expenditure in the Accounts and Finance.

The above shows the Ministry's inability to budget for institutions/sectors that are seeking funds or the Ministry is failing to identify sectors/institutions that can be developed through this loan facility.

The above is an indication of poor and ineffective budget forecasts, which could impact the budgetary allocation of funds to government programs.

Non-reflection of provisions in the operating expenditure forecasts understates the budgeted expenditure for the whole of government in the Accounts and Finance.

**Recommendations**

**The Ministry should ensure that:**

- Budget provisions are realistic and made according to the loan seekers from viable sectors;
- Provisions for the yearly Lending to be included in the Accounts and Finance as operating expenditure.

<sup>41</sup> Financial Instructions 2005 s(8)

**Ministry's Comment**

*No comment received.*

**8.11 Write off of Loans**

Subject to this or any other Act, the Minister may:

- write off losses in respect of public money, state assets and agency assets
- approve refunds of public money and
- approve ex-gratia payments of public money.

The power to write off losses includes the power to abandon or discontinue the recovery of amounts revenue, debts and overpayments.<sup>42</sup>

A total of \$56,688 of loan, namely, Car Loan, Computer Loan and Insurance Premiums for previous years were written off. Refer to table below for details:

TABLE 8.13: LOANS WRITTEN OFF

EDP NUMBER	REASON FOR WRITE-OFF	DATE	AMOUNT (\$)	PERIOD LAPSED (YEARS)
<b>Car Loan to Public Officers</b>				
20400	Deceased	JAN - 1990	8,801.65	18
22199	Residing in USA	MAR - 1993	5,428.44	15
23271	Ministry Records not up-to-date, was fully paid.	NOV - 1995	4,658.80	13
22556	Ministry Records not up-to-date, was fully paid.	NOV - 1998	2,955.81	9
23361	Ministry Records not up-to-date, was fully paid.	MAY - 2000	2,195.48	8
21694	Ministry Records not up-to-date, was fully paid.	MAY - 2000	3,170.00	8
45848	Ministry Records not up-to-date, was fully paid.	MAY - 2000	897.18	8
<b>Computer Loan to Public Officers</b>				
25438	Residing in Kuwait	SEPT - 1997	2,015.39	10
21191	Deceased	MAY - 2000	1,042.25	8
20992	Resigned	MAY - 2000	1,443.67	8
<b>Insurance Premium of Members of Parliament</b>				
53755	No details of residence	MAY - 2000	7,829.31	8
61789	Deceased	01/09/02 TO 28/08/03	4,468.04	6
61801	No details of residence	01/09/02	9,119.42	6
61792	Deceased	28/08/03	1,087.50	5
07846	Unemployed	28/08/03	56.75	5
61800	Migrated	28/08/03	1,518.75	5
<b>TOTAL</b>			<b>56,688.44</b>	

The above shows the Ministry's passive role in monitoring the timely recovery of loans and non-maintenance of an up-to-date accounting record, hence resulting in the write-off.

**Recommendation**

The Ministry should ensure that proper accounting records are kept for any issue of loans and that timely recovery mechanisms are instigated to avoid write-offs.

<sup>42</sup> Financial Management Act 2004 s.(34)

**Ministry's Comment***No comment received.***8.12 National Trading Corporation Limited Loan (NATCO)**

All advances made by the Government are recorded in the Lending Fund Account.<sup>43</sup>

A loan of \$2.9m was given to National Trading Corporation Limited (NATCO) in 2001. In March 2003, Cabinet endorsed that NATCO wind up and all assets and liabilities including the \$2.9m loan be transferred to Food Processors Fiji Ltd (FPFL), a government commercial company and the only operating subsidiary of NATCO.

Nonetheless, the following tasks on the above are yet to be completed.

TABLE 8.14: INCOMPLETE TASKS OF NATCO

ACTION REQUIRED	STATUS
Amend FPFL's Memorandum and Association by increasing their authorised capital to \$1 million and incorporate NATCO functions as a separate business unit	Awaiting the formalization of the Restructure of Balance Sheet of FPFL. Cabinet to be presented in July 2009.
Complete the legal aspects of NATCO liquidation.	Not completed due to pending issues such as (i) loan restructure of FPFL's (ii) Lami Fish Terminal and (iii) Batiri Orchards Ltd.

Despite the Cabinet decision in 2003, the winding up has now taken 5 years and is yet to be finalized.

The NATCO loan continues to inflate the Lending Fund Account given the prolonged liquidation process.

**Recommendation**

**The Ministry should ensure that the liquidation is completed and an amicable decision reached on the repayment of the loan.**

**Ministry's Comments***No comment received.***8.13 Private Students Loan**

A loan of Public money can only be made in accordance with an appropriation of the money concerned. It must be evidenced by an instrument signed by the Minister.<sup>44</sup>

Private Student loan account with the Public Service Commission (PSC) did not have any reconciliation prepared for the year because the account has been rendered as inactive. Nevertheless, the account in the general ledger showed that there are activities related to this account. Refer to the following table:

<sup>43</sup> Chapter 17 of the Ministry of Finance Accounting Training Manual

<sup>44</sup> Clause 61 s. (3) Financial Management Act 2004

TABLE 8.15: PRIVATE STUDENT LOAN ACCOUNT IN GENERAL LEDGER

ACCOUNT ALLOCATION	OPENING BALANCE (\$)	PAYMENTS (\$)	RECEIPTS (\$)	CLOSING BALANCE (\$)
1-02101-02999-610901	(101,543.43)	101,543.43	0.00	0.00
1-02105-02999-610901	(3,382,763.58)	0.00	0.00	(3,382,763.58)
1-02301-02999-610901	0.00	9869.67	200.00	9669.67
1-02305-02999-610901	(338,818.32)	114,628.11	145,405.00	(369,595.21)
<b>TOTAL</b>	<b>(3,823,125.33)</b>	<b>226,041.21</b>	<b>145,605</b>	<b>(3,742,689.12)</b>

In addition, the account is showing a credit balance indicating that the government owes money to the borrowers.

The above shows the Public Service Commissions negligence in maintaining records related to this account and Ministry's of Finance laxity in its monitoring role.

Failure to maintain an accurate record could be attributed to such large credit balance in the account and hence is unsubstantiated.

### Recommendation

The Ministry should ensure that:

- The Public Service Commission submits account reconciliation on a monthly basis clearly identifying the payments and recovery from the account;
- Officers are surcharged for the non-submission of the reconciliation and for any unexplained variances in the account;
- Inactive Loan accounts are de-activated in the general ledger to avoid postings into the account.

### Ministry's Comments

*No comment received.*

## 8.14 Recognizing Loan Made and Recoveries

All payments, including VAT, must be immediately recorded in the financial management information system or an Expenditure Ledger.<sup>45</sup>

Adjustments have been made to the Loan account titled Advances to Ministers and Members of House of Representatives to correct mispostings. However, these adjustments have been taken as new loans issued in the Accounts and Finance, Detailed Statement of Loans totalling to \$10,059. For illustration refer to the table below.

TABLE 8.16: ADJUSTMENTS AS NEW LOANS

PARTICULARS	AMOUNT (\$)	COMMENTS
JV No. 70/04/08	4,305	Interest rebate for clearance of loan in advance.
Loan EG 920	1,702	Payment of interest rebate through voucher No. 20404 and cheque No. 13637.

<sup>45</sup> Financial Instructions 2005 s(20)



PARTICULARS	AMOUNT (\$)	COMMENTS
JV No. 37/06/08	1,702	Reversal of Journal Voucher (JV) V 70/04/08.
JV no. 50/08/08	500	Reversal of JV 37/06/08
JV No. 52/09/08	350	Reversal of JV 37/06/08
JV No. 52/09/08	1,500	Adjustment of advance written off in 2006.
TOTAL	10,059	

The Ministry is not cautious and alert to its accounting entries and indicates lack of knowledge among the accounting staff for the correct treatment accounting entries.

As such, the amount of loan lent for the period is overstated by \$10,059.

### **Recommendations**

- The Ministry should ensure that a Lending Fund accounting manual is drawn up outlining the accounting treatment for lending transactions.
- Monthly reconciliations to identify account postings clearly identifying new loans issued or recoveries made.

### **Ministry's Comment**

*No comment received*

## **8.15 Fiji Pine Ltd**

A loan of Public money can only be made in accordance with an appropriation of the money concerned. It must be evidenced by an instrument signed by the Minister.<sup>46</sup>

Fiji Pine Ltd (FPL) was lent \$12.2 million between 1991 and 1995 with the first repayment to commence in 2006. This loan was granted after a conversion of \$4.4million loan to equity in 1990. Refer to the following table:

TABLE 8.17: FIJI PINE LIMITED LOAN

LOAN No.	AMOUNT LENT (\$)	AMOUNT OUTSTANDING (\$)	REPAYMENT COMMENCEMENT DATE
13	4,750,000	4,750,000	2006
14	2,200,000	2,200,000	2007
15	2,200,000	2,200,000	2008
16	2,200,000	2,200,000	2009
17	650,000	650,000	2010
TOTAL	12,000,000	12,000,000	

However, no repayment has been made since 2006 with FPL requesting the deferment of repayment to year 2011 through memorandum dated 18/07/2007 due to its cash flow problems. It is now over one year and the Ministry has not taken any action on the request for the deferment of the repayment.

In addition to this, the major detriment as per the memorandum for the deferment of the repayments identified is that all the company (FPL) loan were based on the assumption that government will build

<sup>46</sup> Clause 61 s. (3) Financial Management Act 2004

the necessary infrastructure, that is, a port in Vanua Levu and Tropik Wood Industries Ltd would build a processing plant and commence operation.

The above raises questions on government's assessment of granting loans on such assumptions irrespective of the company's previous loan history whereby loans were converted to equity.

Deferments of repayments raise the possibility of loans being converted to equity or having it written down.

### **Recommendations**

The Ministry should ensure that:

- submissions for the deferment of repayment of loans are given priority;
- assessment on the issue of the loan made on realistic and achievable assumptions;
- conversion of debt to equity is based on cost-benefit analysis minimising risky government ventures.

### **Ministry's Comment**

*No comment received.*

## **8.16 Fiji Sports Council**

Any sum payable by the Government in fulfilment of a guarantee is taken to be a loan to the entity whose financial liability has been guaranteed.<sup>47</sup> In addition, loans of public money under Lending Fund must be evidenced by an instrument signed by the Minister.<sup>48</sup>

The Fiji Sports Council's (FSC) \$2,990,000 loan with the Fiji National Provident Fund in 1995 was guaranteed by Government. The Council's inability to honour its debt obligation with the Fiji National Provident Fund prompted the Fund to invoke the guarantor's clause.

As at 31/12/08, government had paid a total of \$2,296,954 to Fiji National Provident Fund (FNPF) honouring its loan guarantee for the FSC loan. Nonetheless, the Accounts and Finance only recorded \$57,656 as loan outstanding for FSC to government. Refer to the table below for details of loans paid by government on behalf of FSC.

TABLE 8.18: REPAYMENT OF FIJI SPORTS COUNCIL LOAN

YEAR	AMOUNT (\$)	DETAILS	DATE
2001	364,033	Cheque No. 36408	27/07/01
2002	124,039	FNPF Receipt No. 575726	28/06/02
2002	60,385	FNPF Receipt No. 575729	28/06/02
2002	115,248	FNPF Receipt No. 584465	14/08/02
2002	62,951	FNPF Receipt No. 584466	14/08/02
2003	178,199	FNPF acknowledgement of receipt	---
2005	321,870	Cheque No. 3280	15/07/05
2006	178,199	Cheque No. 173540	01/02/06

<sup>47</sup> Financial management Act 2004, Section 62(5.b)

<sup>48</sup> Financial Management Act 2004 Section 61(3)

YEAR	AMOUNT (\$)	DETAILS	DATE
2006	179,236	Cheque No. 394691	25/08/06
2007	178,199	Cheque No. 396984	31/01/07
2007	178,199	Cheque No. 397751	31/07/07
2008	178,199	Cheque No. 398203	31/01/08
2008	178,199	Cheque No. 398590	31/07/08
<b>TOTAL</b>	<b>2,296,954</b>		

Moreover, there is no loan agreement drawn up between the FSC and government, despite being raised in previous audit reports.

This shows that the Ministry has not made any progress for an effective repayment schedule to be put in place for the successful recovery of the loan.

As such loans outstanding for government are understated by \$2,239,298. The non disclosure of the actual debts honoured by government understates the monies lent and which may in time be inadvertently abandoned.

### **Recommendation**

**The Ministry should ensure that all payments made by government on behalf of FSC is reflected in the Accounts and Finance of government and a loan agreement drawn for the timely recovery of the loan.**

### **Ministry's Comment**

*No comment received.*

## **8.17 Rewa Rice Limited**

A loan of Public money can only be made in accordance with an appropriation of the money concerned. It must be evidenced by an instrument signed by the Minister.<sup>49</sup>

Outstanding advances and loans of Rewa Rice Limited totalled \$4.6 million and \$1.9 million respectively. Of these, the advance through the Cabinet decision dated September 2004 (\$4.6m) was endorsed to be converted to grant. However, the conversion would attract vat of \$575,000 which, Rewa Rice Ltd is not in a position to pay. As such, option for the conversion of the advance to equity rather than grant is been sought for.

Nonetheless, almost 5 years (as at audit date)<sup>50</sup> has lapsed since the date of the Cabinet decision and this conversion is yet to be finalised.

Furthermore, the conversion of loans to equity is becoming a norm among the lending institutions and the government, increasing risky and economically inefficient government portfolios.

Moreover, the \$4.6million advance has not been recorded in the Accounts and Finance and thus raises questions on the accountability and reliability of accounting records.

In addition the loan repayment of \$1.9 million has neither commenced as well.

<sup>49</sup> Clause 61 s. (3) Financial Management Act 2004

<sup>50</sup> 31 July 2009

The above shows the Ministry's laxity in implementing Cabinet decisions in a timely and practical manner as well as the recording of transactions and repayment of loans.

Failure to record the \$4.6 million advance has understated the debt owed to the state.

### **Recommendations**

**The Ministry should ensure that;**

- the conversion of the advance to grant is finalised at the earliest and the option of the conversion of the advance to equity is approved after a cost-benefit analysis.
- the advance of the \$4.6million be recorded into the Accounts and Finance of Government.
- repayment for the \$1.9 million to commence as soon as possible.

### **Ministry's Comment**

*No comment received.*

## **9.0 REVOLVING FUND ACCOUNT (RFA)**

### **9.1 Anomalies in the Draft Appendix (Accounts) submitted to Audit**

The draft financial statements must be submitted to the Auditor General by 31 March in the following year, or within such other time as agreed with the Auditor General.<sup>51</sup>

The draft RFA Appendix submitted to audit had the following anomalies to the balances:

- incorrect opening balances;
- balances remaining in old allocations despite the re-shuffle of Heads and Programmes;
- incorrect extraction of reports as extraction parameters were not defined correctly to include Whole of Government balances;
- balances in the Appendix not balancing with the general ledger balances and
- unjustified balances on numerous Inter-departmental accounts (IDCs) and balances that are not reflected on the Appendix.

The above shows lack of commitment by the Ministry in producing an accurate account and therefore questions the capability of the officers in terms of output produced.

Erroneous and unjustified balances to the accounts increases audit time and does not justify the time spent by an officer at the Ministry of Finance in producing the draft accounts. This thus reflects on the worker's productivity and efficiency.

### **Recommendations**

**The Ministry should ensure that:**

- the draft accounts submitted to audit is as accurate as possible with balances fully supported.
- balances not reflected on the Appendix are justified.

### **Ministry's Comment**

*No comment received.*

<sup>51</sup> Finance Instruction 2005, Division 2, Section 81(4)

## 9.2 RFA - IMPREST ACCOUNT

### 9.2.1 Unretired Petty Cash Balances

The cashier must retire their petty cash before the end of the financial year, that is, by the first week of December.<sup>52</sup>

Contrary to the above regulation, the following ministries/departments had outstanding balances in their imprest accounts as at 31/12/08, which should have been retired:

TABLE 9.1: UNRETIRED PETTY CASH BALANCE

MINISTRY/DEPARTMENT	OPENING BALANCE AS AT 01/01/08 \$	RECEIPTS \$	PAYMENTS \$	OUTSTANDING BALANCE AS AT 31/12/08 \$
Agriculture	26.86	69,479.29	69,479.29	26.86
Health	---	15,770.30	15,997.30	227.00
Home Affairs	(6.40)	---	---	(6.40)

Ministries/departments failed to provide satisfactory explanation for the outstanding balances in their RFA Imprest Accounts.

Despite being raised in previous audit paragraphs, improvement in the clearance of these Imprest account has not materialised.

The lack of controls and supervision has resulted in the uncleared imprest accounts.

### Recommendations

- Ministries/departments are to provide the explanation as to why these imprest accounts have not been retired.
- Section 7.3.25 of the Finance Manual 2005 should be strictly complied with.
- Ministry of Finance to take an active role in monitoring the clearance of these accounts by respective Ministry/Department.

### Ministry's Comment

*The Ministry has been reminding the Ministries to clear the account. From the three Ministries stated, Agriculture had zeroed their imprest while Home Affairs had two different natural account numbers for their imprest (537102 and 537103). The first account had a zero balance while the second had a credit balance of \$6.40 since 2007. As for the Ministry of Health, at one point in time (17-22/01/09) the GL reflected a zero balance which was taken into consideration as being cleared then.*

## 9.3 RFA – INTERDEPARTMENTAL CLEARANCE ACCOUNT (IDC)

### 9.3.1 Inter-Departmental Clearance (IDC) Account

The Inter-Departmental Clearance (IDC) account is maintained to record transactions effected by one department on behalf of another. The type of transactions referred to include:

<sup>52</sup> Ministry of Finance, Finance Manual, Section 7.3.25

- Revenue collections;
- Payment of salaries;
- Re-allocation of costs.<sup>53</sup>

There are Ministries/Departments that have more than one IDC account. Refer to the following table:

TABLE 9.2: NO. OF IDC ACCOUNTS

MINISTRY/DEPARTMENT	NO. OF ACCOUNTS
Prime Ministers Office	3
PSC	3
Public Enterprise	3
Ministry of Finance	3
National Planning	2
Provincial Development	2
Labour	2
Director of Public Prosecution	3
Police	2
Health	2
Social Welfare	3
Local Government	4
Youth and Sports	3
Agriculture	2
Forestry	3
Minerals	2
Tourism	4
Meteorological Services	2
Works	449
Roads	26
Water	28

Explanation for the utilization of various IDC accounts could neither be provided by the Ministries/Departments nor the monitoring agency, Ministry of Finance.

The above shows operations of accounts within government with no specific guideline defining the usage of the accounts and the lack of monitoring by the Ministry of Finance on the additional active accounts.

Utilisation of various accounts has resulted in unverified balances and therefore questions the integrity with which the accounts have been cleared. Also, monitoring and reconciling various accounts could become a tedious task.

### **Recommendation**

**The Ministry of Finance should monitor and ensure that the additional active accounts are de-activated.**

### **Ministry's Comment**

*No comment received.*

<sup>53</sup> Ministry of Finance, Finance Manual, Schedule 1, Page 98

## 9.4 RFA - MISCELLANEOUS

### 9.4.1 Non-submission of Reconciliation to Ministry of Finance

Departments should forward monthly Revolving Fund Account reconciliation statements to Treasury and ensure that all operators submit quarterly Trading Accounts for evaluation purposes.<sup>54</sup> The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

There are Ministries/departments that have failed to submit their reconciliations to Ministry of Finance, despite numerous reminders being sent.

TABLE 9.3: RFA RECONCILIATIONS NOT SUBMITTED

MINISTRY/DEPARTMENT	IDC RECONCILIATION	RFA MISCELLANEOUS RECONCILIATION
Presidents Office	None received	None received
Fijian Affairs	OK	None received
Elections	N/A	None received
Energy	Not received for the month of December	None received
Water	Not received for the month of December	None received

Moreover, RFA- Miscellaneous account is made up of four natural accounts, namely, Standard Asset Group (SAG) 56 and 57 and Standard Liability Group (SLG) 84 and 85. However, the reconciliation prepared and submitted by the Ministries/Departments to Ministry of Finance only includes SAG 56 and 57 reconciliations. SLG account 84 and 85 totalled (\$1,162,438) and \$1,639,864 respectively.

The above indicates lack of monitoring from Ministry of Finance for submission of reconciliations and the passive role of Ministry of Finance in ensuring that Ministries/Departments adhere with Ministry of Finance regulations.

As such balances reflected under RFA for natural accounts SLG 84 and 85 are unsubstantiated.

### Recommendations

- The Ministry should be vigilant on the reconciliations that are submitted and ensure that all account reconciliations are submitted;
- Accounting Heads of Ministries and Departments that have not submitted their reconciliations are to be penalised.

### Ministry's Comment

*No comments received.*

### 9.4.2 Transfer of End Account Balances

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>55</sup>

<sup>54</sup> Finance Circular No. 10 of 0 April, 1982

<sup>55</sup> Ministry of Finance, Finance Manual 2005, Part 16

Despite the re-shuffle of Portfolios in 2008; the Ministries/Departments account allocations as per budgetary allocations of head and programme were not changed, thus, resulting in some ministries/departments postings remaining in these old allocations.

In addition to this, for other ministries/departments, only the end account balances of old head and programme budgetary allocations were transferred to the new (re-shuffled) head and programme budgetary allocations. Refer to the table below for illustration:

TABLE 9.4: TRANSFER OF ENDING BALANCES DUE TO RE-SHUFFLE

MINISTRY/DEPARTMENT	OLD ALLOCATION	TRANSFERRED TO NEW ALLOCATION	AMOUNT (\$)
Public Service Commission	1-01201-61999-560203	1-02201-61999-560203	34,312
	1-01201-61999-570302	1-02201-61999-570302	3,532
Public Enterprise	1-04701-04701-560203	YET TO BE TRANSFERRED	(19,457)
	1-04701-04999-570301	YET TO BE TRANSFERRED	2,663
	1-04701-04999-840602	1-03201-04999-840602	(15,170)
Social Welfare	1-24101-24999-560301	1-22501-24999-560301	(20,314)
	1-24101-24999-560201	1-22501-24999-560201	2,100,000
	1-24101-24999-560203	1-22501-24999-560203	732,401
	1-24101-24999-570101	YET TO BE TRANSFERRED	46,362
	1-24101-24999-570304	1-22501-24999-570304	332.50
Women	1-24301-75999-570301	1-22701-75999-570301	122,822
	1-24202-91011-560301	1-22601-91011-560301	301
Presidents Office	1-60101-60101-560203	1-01101-01101-560203	(16,395)
	1-60101-60101-560302	1-01101-01101-560302	98,171
	1-60101-60101-570101	1-01101-01101-570101	(3,870)
	1-60101-60101-570301	1-01101-01101-570101	87,601
Energy	1-40401-40999-570301	1-41101-41999-570301	(26,407)
	1-40401-40999-840602	1-41101-41999-840602	(4,170)

As a result, the details of the transferred account balances have remained in the old allocation.

The above should have been rectified through the mapping of the whole accounting data from the old budgetary allocation to the new budgetary allocations. Transfer of end balances is rather a short-term solution as thus could hinder the reconciliation process of tracing the source of the account balances.

Furthermore, balances remaining at year end in the old budgetary allocations indicate lack of monitoring and commitment of the Ministry of Finance to map account allocations according to the re-shuffle of portfolios.

#### **Recommendations**

- The Ministry should ensure that the account balances are mapped as and when with the re-shuffle of the portfolios rather than the transfer of end balances at year end.
- The Ministry of Finance should adopt a more pro-active role in monitoring and advising the ministries/departments to changes in budgetary portfolio allocation.

#### **Ministry's Comment**

*No comment received.*



### 9.4.3 Large Outstanding balances in RFA

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>56</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>57</sup>

RFA – Miscellaneous has large outstanding balances from various Ministries/Departments totalling to \$66,228,069. Refer to the following table for details:

TABLE 9.5: OUTSTANDING BALANCES IN RFA

MINISTRY/DEPARTMENT	BALANCE OUTSTANDING IN 2008 (\$)	BALANCE OUTSTANDING IN 2007 (\$)	%AGE OF TOTAL BALANCE
Ministry of Agriculture	2,200,090	2,232,489	3.3
Ministry of Finance	4,637,667	11,696,617	7.0
Government Supplies	8,396,175	7,232,359	12.7
Public Service Commission	9,647,542	3,681,509	14.6
Public Woks	33,790,825	34,225,243	51.0
Others	7,555,770	10,984,361	11.4
<b>TOTAL</b>	<b>66,228,069</b>	<b>70,052,578</b>	<b>100.0</b>

Furthermore, there are ministries/departments that have not made any major improvement in the clearance of their outstanding balances in that percentage change in their outstanding balance is below 10%. Refer to the following table :

TABLE 9.6: NO IMPROVEMENT IN THE CLEARANCE OF OUTSTANDING BALANCES IN RFA.

MINISTRY/DEPARTMENT	BALANCE OUTSTANDING IN 2008 (\$)	BALANCE OUTSTANDING IN 2007 (\$)	VARIANCE (\$)	%AGE CHANGE
Agriculture	2,200,090	2,232,489	(32,399)	(1.5)
Auditor General	376,966	408,059	(31,093)	(7.6)
Co-operatives	87,436	87,531	(95)	(0.1)
Elections Office	64,815	64,698	(117)	(0.2)
Foreign Affairs	631,873	633,796	(1,923)	(0.3)
Judicial	35,634	33,919	(1,716)	(5.1)
Legislature	42,048	44,429	(2,381)	(5.4)
Public Enterprise	(31,073)	(31,964)	(890)	(2.8)
Roads	301,162	302,958	(1,796)	(0.6)
Social Welfare	2,828,408	2,859,083	(30,675)	(1.1)
Water	720,073	723,681	(3,608)	(0.5)
Public Works	33,790,825	34,225,243	(434,418)	(1.3)
Ombudsman	15,284	15,284	---	---
Women	122,822	122,822	---	---

<sup>56</sup> Ministry of Finance - Finance Manual 2005, Section 16.3.1

<sup>57</sup> Ministry of Finance - Finance Manual 2005, Section 16.3.6

In addition to this, there were outstanding balances for Ministries/Departments that significantly increased in year 2008 compared to 2007. Refer to the following table for details:

TABLE 9.7: SIGNIFICANT INCREASE IN OUTSTANDING BALANCES IN RFA

MINISTRY/DEPARTMENT	BALANCE OUTSTANDING IN 2008 (\$)	BALANCE OUTSTANDING IN 2007 (\$)	VARIANCE (\$)	PERCENTAGE INCREASE
Attorney General	(673,008)	(272,967)	(400,042)	147.6
Energy	(54,853)	(30,577)	(24,276)	79.4
Fisheries and Forest	52,740	(1,246)	53,986	4,334
Government Procurement	8,396,175	7,232,359	1,163,816	16.1
Home Affairs	8,653	6,136	2,517	41.0
ITC	46,021	35,457	10,564	29.8
Judicial	35,634	33,919	1,716	5.1
Lands and Environment	467,856	268,708	199,148	74.1
National Planning Office	13,446	7,557	5,889	78.0
Police	501,506	424,497	77,010	18.1
Public Service Commission	9,647,542	3,681,509	5,966,034	162.1
Youth and Sports	(86,968)	18,023	(104,991)	582.6

The above shows the laxity of ministries/departments in the timely clearance of their miscellaneous account and Ministry of Finance's passive role in monitoring the monthly clearance of the accounts.

As such balances are accumulating and therefore in identifying the balances for clearance could be difficult. Furthermore, the outstanding could be susceptible to becoming bad debts as a result of resignations or retirement of officers, migration, deaths, closure of companies or change in accounting personnel or management over the years.

### **Recommendations**

- The Ministry of Finance should ensure that outstanding balances are cleared by Ministries/departments on a monthly basis.
- Accounting Personnel of Ministries/Departments with accumulating large balances are to be penalised.

### **Ministry's Comment**

*The Ministry agrees with the recommendation of the Auditor General that the Accounting Heads should be taken to task as the onus is on them to clear the account. The Ministry RFA balance reduced from \$11m in 2007 to \$4m in 2008, a reduction of 60% which is an indication that we have been doing our part.*

#### **9.4.4 Account Balances not reflected on the Appendix**

The draft financial statements must be submitted to the Auditor General by 31 March in the following year, or within such other time as agreed with the Auditor General.<sup>58</sup>

Account balances totalling to \$64,887,928 in natural account 57,800 namely, clearing account for domestic and overseas loans appearing under the revolving fund account has not been included on the Accounts and Finance of Government. Refer to the table below for the details:

<sup>58</sup> Finance Instruction 2005, Division 2, Section 81(4)

TABLE 9.8: OUTSTANDING BALANCES IN RFA

ACCOUNT NUMBER	MINISTRY	DESCRIPTION	AMOUNT (\$)
10410204206578202	Finance	Principal domestic loans	3,000,000.00
10410204208578101	Finance	Interest overseas loans	---
10410404105578102	Finance	Principal on overseas loans	(26,850,954.86)
10410404106578102	Finance	Principal on overseas loans	(152,432.50)
10410404106578201	Finance	Interest domestic loans	437,050.00
10410404203578201	Finance	Interest domestic loans	2,543,240.50
10410404204578101	Finance	Interest overseas loans	204,058.61
10410404204578102	Finance	Principal on overseas loans	92,020.47
10410404204578201	Finance	Interest domestic loans	(12,150,886.50)
10410404204578202	Finance	Principal domestic loans	9,607,646.00
10410404205578101	Finance	Interest overseas loans	(4,197,892.58)
10410404205578102	Finance	Principal on overseas loans	18,688,313.97
10410404205578201	Finance	Interest domestic loans	(7,490,107.00)
10410404205578202	Finance	Principal domestic loans	(38,324,323.63)
10410404206578101	Finance	Interest overseas loans	19,062,239.28
10410404206578102	Finance	Principal on overseas loans	(3,791,205.02)
10410404206578201	Finance	Interest domestic loans	547,050.00
10410404206578202	Finance	Principal domestic loans	(7,767,669.58)
10410404207578101	Finance	Interest overseas loans	(11,004,170.18)
10410404207578102	Finance	Principal on overseas loans	(4,602,528.13)
10410404207578201	Finance	Interest domestic loans	(2,172,425.00)
10410404207578202	Finance	Principal domestic loans	(1,000,000.00)
10410404402578101	Finance	Interest overseas loans	435,048.12
<b>TOTAL</b>			<b>(64,887,928.03)</b>

Moreover, the following imprest and miscellaneous accounts have also not been included in the Accounts and Finance for the year 2008 despite having balances in the general ledger.

TABLE 9.9: BALANCES NOT INCLUDED IN RFA

MINISTRY/DEPARTMENT	ACCOUNT NUMBER	RECEIPTS (\$)	PAYMENTS (\$)	BALANCE OUTSTANDING
Social Welfare	1-22501-24999-537103	150.00	150.00	---
Social Welfare	1-24101-24999-537103	150.00	150.00	---
Forestry	1-30A01-77101-537103	3,106.03	3,106.03	---
Roads	1-40601-99991-537102	630.00	630.00	---
Water	1-41201-85999-537102	1,140.00	1,140.00	---
Youth and Sports	1-25301-25101-537103	1,650.00	1,650.00	---
Youth and Sports	1-25301-25301-537103	0.02	0.02	---
Public Prosecution Office	1-14101-14999-537103	100.00	100.00	---
Justice	1-15101-15999-537103	280.00	280.00	---
Co-operatives	1-34401-80101-567480	1,160.00	1,160.00	---
Water	1-41201-95214-567465	6,367.18	6,367.18	---

The reason for not including the accounts in the Revolving Fund Account into the Accounts and Finance could not be provided.

**Recommendation**

**The Ministry should ensure that all revolving funds accounts are accounted for in the Accounts and Finance report.**

**Ministry's Comment**

*No comment received.*

**9.4.5 Receipts and Payments in the RFA**

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.<sup>59</sup> The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

Receipts and Payments reflected in the Accounts and Finance of Government from the operation of the Revolving Fund Account totalled \$3,343,457,332 and \$3,351,545,208 respectively. This includes all the debits and credits that have been made in the year to the account, irrespective of whether they are only adjustments to correct mispostings.

In comparison, total government revenue totalled \$1,800,583,846, that is, 54% of the RFA receipts while government expenditure totalled \$1,680,489,933, which is only 50% of RFA payments.

Numerous mispostings and their corresponding adjustments to the revolving fund accounts have distorted the Revolving Fund statements of receipts and payments. The Revolving fund has also been abused by various departments and ministries for charging their expenditure which are subsequently cleared when warrants for the operating funds are received.

The receipts and payments in the Revolving Fund Account is exaggerated as it include numerous errors, mispostings and their subsequent adjustments.

**Recommendation**

**Proper controls are to be implemented to stop abuse of the revolving fund accounts by accounting officers.**

**Ministry's Comment**

*No comments received.*

**9.4.6 Difference in the Audited General Ledger for Year 2007**

The principles of responsible financial management are as follows –

- (a) to manage finances over the medium term on a responsible and transparent basis;
- (b) to manage revenues and expenditure in such a way as to achieve prudent levels of debt;
- (c) to ensure value for money in the use of money and resources;
- (d) to manage contingent liabilities in a prudent manner;
- (e) to report transparently in accordance with relevant accounting and statistical

<sup>59</sup> Finance Circular No. 10 of 02 April, 1982

standards.

Audited Accounts and Finance general ledger for the year 2007 showed that the Department of Water had an RFA – Miscellaneous balance of \$723,681 under Head 23, Programme 3. However, the period 2007 general ledger has been changed after audit of accounts, that is, balances for department of Water, Head 23; programme 3 has been transferred to head 41 in period 2007.

This transfer has been done due to the re-shuffle of ministerial portfolios. Nonetheless, the transfer has altered the opening balance for the department of Water with only \$722,476 taken across to the new appropriation head. As such the opening balance for RFA Miscellaneous as at 01/01/2008 is understated by \$1,205.

No explanation could be provided for the shortfall in the transfer of balance to Head 41.

Transfer or amending of balances in the general ledger after the audit of accounts alters the signed audit accounts tabled and raises questions on the integrity of the ministry in maintaining the audited general ledger balances.

### **Recommendations**

- The Ministry should not alter the general ledger balances after the audit of the Accounts.
- Transfer of balances due to change in portfolios should be done in the period in which the changes occur.

### **Ministry's Comment**

*No comments received.*

## **9.5 RFA – SUSPENSE (TMA)**

### **9.5.1 Balancing Entries in the Trading Manufacturing Account (TMA)**

Trading and Manufacturing Accounts (TMAs) 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>60</sup>

Balancing accounting entries to the Equity of government's TMA have been made to produce a balanced Balance Sheet. As such the balances in the following table could not be substantiated.

TABLE 9.10: BALANCING ENTRIES IN TMA

ACCOUNT	DESCRIPTION	BALANCE
4-19151-19999-940319	TMA Surplus-FMF	58,543.80
4-22251-22999-940322	TMA Surplus-Min Of Health	29,666.50
4-30351-30999-940330	TMA Surplus-Agriculture	2,098,107.49
4-34251-34999-940334	TMA Surplus-Commerce	(7,930.86)
4-40153-40999-940340	TMA Surplus-Transport	(7,370.36)
4-04351-65999-940365	TMA Surplus-Supplies	4,500,187.43
4-04451-66999-940366	TMA Surplus-Printing	(227,934.75)
4-30651-77999-940377	TMA Surplus-Forests	94,441.57

<sup>60</sup> Ministry of Finance, Finance Manual, Part 6

ACCOUNT	DESCRIPTION	BALANCE
4-40251-91011-940383	TMA Surplus-Works	2,314,808.62
4-40253-91071-940383	TMA Surplus-Works	(823.69)
4-40254-92011-940383	TMA Surplus-Works	(1,883.16)
4-40263-91011-940383	TMA Surplus-Works	(3,211,462.29)
4-40263-92011-940383	TMA Surplus-Works	1,316,935.86
4-40263-93011-940383	TMA Surplus-Works	(1,319,470.31)
4-19151-19999-940419	TMA Acc Surplus-FMF	(58,489.65)
4-22251-22999-940422	TMA Acc Surplus-Health	(1,001,190.33)
4-30351-30999-940430	TMA Acc Surplus-Agriculture	(2,559,456.93)
4-34251-34999-940434	TMA Acc Surplus-Commerce	(91,882.82)
4-40153-40999-940440	TMA Acc Surplus-Transport	(44,629.49)
4-04351-65999-940465	TMA Acc Surplus-Supplies	(15,891,252.01)
4-04451-66999-940466	TMA Acc Surplus-Printing	(3,881,259.29)
4-30651-77999-940477	TMA Acc Surplus-Forests	(229,812.34)
4-40251-91011-940483	TMA Accumulated Surplus/Deficit	(4,070,822.31)
4-40253-91071-940483	TMA Acc Surplus-Works	(575,285.11)
4-40254-92011-940483	TMA Acc Surplus-Works	(381,927.49)
4-40263-91011-940483	TMA Accumulated Surplus/Deficit	2,844,310.92
4-40263-92011-940483	TMA Acc Surplus-Works	(2,188,767.34)
4-40263-93011-940483	TMA Acc Surplus-Works	(174,071.60)
<b>TOTAL</b>		<b>(22,668,719.94)</b>

Satisfactory explanation could not be provided as to the components of these Equity balances. Rather they are a balancing item to equate Net Assets to Equity for the balance sheet and are presumed to be TMA expenditures financed from the Operating Fund Account. However, evidence for the presumption cannot be substantiated.

The above indicate the Ministry's lack of commitment in maintaining an accrual accounting record resulting in unjustified accounting entries.

As such adjustments postings for TMA equity is unsubstantiated.

### **Recommendations**

**The Ministry should ensure that:**

- **postings made to the equity of the TMA to be traced and supported and any variances to Net Assets investigated;**
- **TMA operators to be held liable for the proper record keeping and the production of the balance sheet;**
- **monthly TMA Financial Statements to be prepared and monitored by the Ministry of Finance to trace any variances to Net Assets and Equity;**
- **Internal Audit is actively involved to audit these monthly accounts for any discrepancies.**

### **Ministry's Comment**

*No comment received.*

### 9.5.2 RFA – Suspense Balances in the Accounts and Finance

The whole of government financial statements required to be included in the whole of government annual report for a financial year must include;

- (a) for financial years where the Minister is satisfied that relevant reliable accrual information is available-
  - (i) a statement of financial position;
  - (ii) a statement of financial performance;
  - (iii) a statement of changes in net assets;
  - (iv) a cash flow statement; and
  - (v) notes on significant accounting policies, prepared in accordance with international accounting standards relevant to whole of government reporting on an accrual basis;

or

- (b) for financial years where the Minister is satisfied that relevant reliable accrual information is not available-
  - (i) one or more statements of receipts and payments;
  - (ii) a statement of assets and liabilities, including details of cash balances, investments, sinking funds and borrowings;
  - (iii) a statement of contingent liabilities.<sup>61</sup>

Despite the availability and operation of the TMA accounts on accrual basis, the presentation of TMA balances in the Accounts and Finance is restricted only to receipts and payments. Balance sheet accounts such as Accounts Receivable, Inventory and Surplus/Deficit are not disclosed in the Whole of Government accounts.

Refer to the following table for details.

TABLE 9.11: BALANCE SHEET ITEM NOT IN ACCOUNT & FINANCE

ACCOUNT ALLOCATION	AMOUNT (\$)	DESCRIPTION
4-00000-00000-560000	3,392,525	Accounts Receivable
4-00000-00000-580000	8,985,619	Inventory
4-00000-00000-940300	(5,635,816)	TMA Surplus Capital
<b>TOTAL</b>	<b>6,742,328</b>	

In addition to this, credit sales of \$12.5 million have been taken as receipts in the Accounts and Finance despite reporting done on cash-basis of accounting. Refer to the following table:

TABLE 9.12: CREDIT SALES INCLUDED IN ACCOUNT & FINANCE

TMA	ACCOUNT ALLOCATION	AMOUNT (\$)
Trade and Commerce	4-34251-00000-240202	(16,253)
Government Printing	4-04451-00000-240202	(55,755)
Government Procurement Office	4-04351-00000-240202	(6,133,890)
PWD – Fuel and Oil	4-40257-91000-240202	(191,916)
	4-40257-92000-240202	(2,089,183)
	4-40257-93000-240202	(988,606)
PWD – Concrete Products Labasa	4-40255-93000-240202	(12,755)
Meteorological Services – JMS Labasa	4-40251-93000-240202	(198,358)
Plant Hire – Lautoka	4-40258-91000-240202	(17,917)

<sup>61</sup> Financial Management Act 2004, Section 46(1)

TMA	ACCOUNT ALLOCATION	AMOUNT (\$)
	4-40258-93000-240202	(2,015,607)
PMS - Labasa	4-40252-93000-240202	(58,562)
Workshop Wages	4-40262-91000-240202	(257,527)
Works Suspense	4-40263-93000-240202	(482,737)
TOTAL		(12,519,066)

The above indicates the inconsistencies in reporting and questions the timeliness and government's commitment for the gradual adoption of accrual basis of accounting.

The Accounts and Finance does not report the TMA accounts and the inclusion of credit sales as receipts under cash basis of accounting is overstating the revolving fund receipts.

### **Recommendation**

**The Ministry should improve the reporting of TMA operations.**

### **Ministry's Comment**

*No comments received.*

## **9.5.3 Closure of In-operative TMA Accounts**

Trading and Manufacturing Accounts (TMAs) 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>

There were four TMA's that were closed off in the year 2008, namely the Gravel Washing Plant, Cane Trucks, Royal Fiji Military Forces (RFMF) Air Wing and Marine Shipbuilding TMA. Of these, Marine Shipbuilding and RFMF had balances in the General Ledger. The balances were as follows:

TABLE 9.13: IN-OPERATIVE TMA ACCOUNTS

ACCOUNT NUMBER	AMOUNT (\$)	DESCRIPTION	TMA
4-19153-19999-580211	1,240,988	Inventory	RFMF Air Wing
4-40152-40999-560103	3,197,777	Accounts Receivable	Marine Shipbuilding
TOTAL	4,438,765		

Upon the approval of the Minister of Finance, these balances were written off.

The non viability of the TMA operations has lead to their closure. The capital loss to government as a result of the operation closure amounts to \$4.4 million.

### **Recommendations**

- **Viability and Business plan of TMA operations should be carefully scrutinised before implementation.**
- **The current TMA operations incurring losses should be reviewed.**

<sup>62</sup> Ministry of Finance, Finance Manual, Part 6



**Ministry's Comment**

*No comments received.*

**9.5.4 TMA and their Ceiling**

Trading and Manufacturing Accounts (TMA's) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods and services or works more cost-effectively.<sup>63</sup>

There are Trading and Manufacturing Accounts (TMAs) that are either operating above/below their appropriated ceiling. Refer to the following table:

TABLE 9.14: TMA CEILING

TMA	APPROPRIATION (\$)	BALANCE OUTSTANDING (\$)
Bulk Purchase of Drugs	500,000	1,082,739
Livestock Undertaking	80,000	(1,632,557)
Nautical Chart Project	15,000	68,408
Government Printing	500,000	(654,689)
Government Supplies	6,000,000	43,568,748
PWD – Concrete Products (Labasa)	15,000	609,973
PWD – Fuel and Oil	200,000	11,438,458
PWD – JMS Labasa	50,000	(291,573)
PWD – JMS Lautoka	75,000	(341,883)
PWD – JMS Suva	150,000	(1,281,283)
PWD – Lomolomo Quarry	100,000	(910,507)
PWD – Lomolomo Starmix	120,000	(664,519)
PWD – Lubrication Services	2,000	(42,838)
PWD – Nasinu Quarry	200,000	(1,597,550)
PWD – Nasinu Starmix	250,000	(4,169,954)
PWD – Plant Hire	400,000	(23,542,627)
PWD – PMS Labasa	10,000	(45,224)
PWD – PMS Lautoka	10,000	(42,921)
PWD – PMS Suva	40,000	(128,427)
PWD – Workshop Stock	5,000	(233,037)
PWD – Workshop Wages	NIL	(5,671,889)
PWD – Works Suspense	500,000	(1,934,368)

The Public Works Department (PWD) Workshop Wages TMA is operating without any appropriation and therefore questions whether this is an authorized TMA.

Furthermore, TMA's operating below their appropriation limit indicates a loss that is payments exceeding receipts (revenue generated) indicating financially unviable.

Operations of financially unviable TMAs are an added cost to government and therefore could result in difficulty in honouring payments through TMA.

<sup>63</sup> Ministry of Finance, Finance Manual, Part 6

**Recommendations****The Ministry should:**

- review the financially unviable TMAs either to close off or put in mechanisms to revive the TMAs;
- ensure that balance in excess of the ceiling is remitted to the consolidated fund; and/or review ceiling for large TMA's.
- ensure that TMA operating without appropriation is investigated.

**Ministry's Comment**

*No comments received.*

**10.0 CONTINGENT LIABILITIES****10.1 Variance in Government Guarantee of Loans through FNPF**

The Government may under the authority of a resolution of the House of Representatives, guarantee the financial liability of any person in respect of a loan.<sup>64</sup>

Government Guarantee of Loans for entities that borrowed through the Fiji National Provident Fund (FNPF) showed variances between loan balances with FNPF to what has been recorded in the Statement of Contingent Liabilities of Government. Refer to the following table for details:

TABLE 10.1: VARIANCE IN FNPF CONFIRMATION OF LOANS

Name of Entity	Loan Reference Number	FNPF Confirmation (\$)	Statement of Contingent Liability (\$)	Variance (\$)
Fiji Hardwood Corporation	1,150	7,513,322	6,771,353	741,969
Public Rental Board	H76	2,243,308	2,054,888	188,420
Public Rental Board	H81	598,539	549,369	49,170
Public Rental Board	H70	1,508,503	1,378,103	130,400
Public Rental Board	H67	324,754	295,565	29,189
Public Rental Board	H47	21,970	17,517	4,453
Housing Authority	H50	39,833	39,755	78
Housing Authority	H63	468,377	468,107	270
Housing Authority	H8	54,927	54,925	2
Housing Authority	H56	80,150	80,067	83
<b>Total</b>		<b>12,853,683</b>	<b>11,709,649</b>	<b>1,144,034</b>

The above variances could not be explained by the Ministry of Finance. Also, the Ministry does not prepare reconciliations of guaranteed loans balances, but rather relies on the entity to provide year end loan balances.

As such, the Statement of Contingent Liability is understated by \$1.1 million.

<sup>64</sup> Finance Management Act 2004, Section 62(1)

**Recommendation**

The Ministry should ensure that loan balances are verified with loaning agency of the guaranteed entity.

**Ministry's Comments**

*No comments received.*

**10.2 Guarantee of Members contributions to Fiji National Provident Fund**

The government guarantee of members' contribution to the Fiji National Provident Fund (FNPF) totalled \$2,618,006,433 or 75% of total government guarantee as at 31 December 2008. The Solicitor General in its memo dated 9 August 2005 highlighted that the maintenance of this guarantee may not depend on the liquidity of the reserves of the Fund but on the responsibility the Fund exercises as custodian of employee funds.<sup>65</sup>

Apart from guaranteeing the members contributions, the government owes \$1,743,304,300 to FNPF, which is 74% of total domestic borrowings in bonds as a means of investing members' contributions.

**10.3 Increased Liabilities for Government Guarantees**

The Government may under the authority of a resolution of the House of Representatives, guarantee the financial liability of any person in respect of a loan.<sup>66</sup>

There has been a notable increase in liability for the following Government guarantee as at 31st December 2008.

TABLE 10.2 INCREASED LIABILITIES FOR GOVERNMENT GUARANTEE

Institutions	Government Guarantee 2008 (\$)	Liability as at 31/12/08 (\$)	Liability as at 31/12/07 (\$)	Variance (\$)	% change	Reason for Increase
Fiji Electricity Authority (FEA)	330,000,000	235,767,426	156,171,854	79,595,572	51.0	Additional Loans and issue of bonds
Fiji Sugar Corporation (FSC)	126,000,000	65,157,441	32,650,770	32,506,671	99.6	Unsubstantiated
Fiji Ports Corporation	48,566,570	43,585,421	41,434,008	2,151,413	5.2	Movement in exchange rate
PAFCO	4,109,700	3,361,125	2,436,412	924,713	38.0	Unsubstantiated
Fiji National Provident Fund (FNPF)	2,618,006,433	2,618,006,433	2,481,084,497	136,921,936	5.5	Unsubstantiated

<sup>65</sup> Government guarantees the Fiji National Provident Fund members annual contribution as stipulated under Legislation Act No. 19 of 1966, Section 9.

<sup>66</sup> Finance Management Act 2004, Section 62(1)

Furthermore, the movement in guaranteed amount or the outstanding loan balance for entities are not monitored by the Ministry of Finance; hence the movement in balances for the above balances could not be substantiated.

In addition to this, approval for the increase in the FNPF guaranteed amount could not be substantiated and neither could the Ministry provide explanation or supporting documentation from FNPF for the increase.

The above shows the laxity of the Ministry in monitoring in maintaining a transparent record of the movements in the guaranteed amount.

Failure to keep record of movements in the guaranteed liability could result in other non-guarantees taken up as liability at year end.

### **Recommendation**

**The Ministry should ensure that movements in the loans balances and guarantee are monitored and reconciled on a monthly basis.**

### **Ministry's Comment**

*No comment received.*

## **10.4 Invoked Guarantee for Fiji Sports Council**

Subject to any other Act, the Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorised by the House of Representatives. A guarantee given in subsection (1) is to be evidenced in writing by the Minister.<sup>67</sup>

Any sum payable by the government in fulfilment of a guarantee given under this section is appropriated from the Consolidated Fund without further appropriation than this Act and is taken to be loan to the entity whose financial liability has been guaranteed.<sup>68</sup>

The guarantee clause for the Fiji Sports Council (FSC) loan was invoked by the lender in 2000 thereby committing the government to meet all payments owed. The Fiji Sports Council have made some payments from the initial stages of the loan and to date, government has been meeting all the payments. Fiji Sports Council has become a debtor to government and as such, total liability owing as at 31 December, 2008 amounts to \$1,648,408.81. Total scheduled instalments are estimated at \$5.3 million to be paid by 31 July 2014.

Despite the government honouring the loan payment to FNPF on behalf of FSC, FSC is still appearing in the Statement of Contingent Liability as a government guarantee.

As such the government guarantee of loans as at 31/12/08 is overstated by \$1,648,409.

### **Recommendation**

**The Ministry should ensure that section 62(5) of the Financial Management Act 2004 is adhered to and recovery measures put in place for the repayment of the loan from FSC to government.**

<sup>67</sup> Financial Management Act, 2004, Section 62 (1) & (2)

<sup>68</sup> Financial Management Act, 2004, Section 62(5)

**Ministry's Comments***No comment received.***10.5 National Bank of Fiji Guarantee**

The repayments of all monies deposited in the bank, together with such interest as may be due thereon, is guaranteed by the state.<sup>69</sup> These are term deposits outstanding with the then National Bank of Fiji.<sup>70</sup> Colonial National Bank (CNB) is now administering this account. Colonial has undertaken to use all reasonable endeavours to ensure that the business of the Bank will be carried out in such a manner that the State will not be called upon under or in relation to the guarantee, until the State no longer has any liability under the guarantee.<sup>71</sup>

It was established that upon corporatisation of the National Bank of Fiji, it (NBF) has disposed majority of its share to the Colonial National Bank. However, the Government is still providing guarantee to the Bank.

Deposits guaranteed as at 31 December 2008 of \$7,159,221 is simply a restatement of 2007 audited balance as the CNB could not retrieve data, stating that their system had been corrupted. At the audit date,<sup>72</sup> confirmation from the CNB was still yet to be received.

Moreover, despite the guarantee of the deposits by the government, the Ministry of Finance did not seek the balance of the guaranteed deposits for its inclusion in the Accounts and Finance.

This shows the Ministry's passive role in monitoring government guarantees to entities in terms of record keeping.

As such, the CNB bank deposits in the statement of contingent liability cannot be relied upon to be reflecting the true and fair value of the government guarantee.

**Recommendations**

**The Ministry should:**

- take a more pro-active approach in obtaining balances in entities with government guarantees on the monthly basis.
- include provision within the government guarantee policy for entities to maintain an up-to-date record readily available upon request.

**Ministry's Comment***No comments received.***10.6 Reported Claims against Government**

A register of contingent liabilities must be maintained and must include the following information:

- a description of the contingent liability;

<sup>69</sup> Section 62 (1) of Act 14 of 1996

<sup>70</sup> This in reference to section 63(3) of the National Bank of Fiji Restructuring Act 1996, whereby all monies deposited between 1 September 1998 and 28 February 1999 are subject to the guarantee provided by the State under this Act.

<sup>71</sup> Clause 7.2 of the 2<sup>nd</sup> February 1999 Shareholders Agreement.

<sup>72</sup> 30 July 2009

- its value, if this can be measured reliably;
- the way in which the contingent arose;
- details of any action required to minimize the potential loss and
- details of progress in managing the risk.<sup>73</sup>

Total reported claims against Government for the year ended 31/12/2008 was \$16.5 million compared to \$17.1 million last year, a decrease by only 3.7%. Refer to the following table for details:

TABLE 10.3: REPORTED CLAIMS AGAINST GOVERNMENT

Entity	Claims Against Government 2008 (\$)	Claims Against Government 2007 (\$)	Variance (\$)	% Change
National Bank of Fiji – AMB	16,393,718	16,388,518	5,200	0.03
Office of the Solicitor General	115,277	751,051	(635,774)	(84.65)
<b>Total</b>	<b>16,508,995</b>	<b>17,139,569</b>	<b>(630,574)</b>	<b>(3.68)</b>

While the decrease in claims for the Solicitor General's is noted, there has been no major change in the claim against National Bank of Fiji.

Moreover, the Statement for Contingent Liability of Government has failed to disclose payments for claims against government by Ministries/Departments across government. For illustration, payments totalling \$171,412 made by Ministry of Education and Public Works Department of \$55,000 and \$116,412 respectively have not been disclosed in the Statement for Contingent Liability.

This shows that the reported claims against government in the Accounts and Finance are not reliable and accurate as only few contingent payouts are included.

Failure to collate contingent payouts across government has resulted in an understatement of reported claims against government.

### **Recommendations**

- The Ministry in its monitoring role should ensure that Ministries/Departments adhere to the Finance Instructions, section 64 at all times.
- The Ministry should ensure that all reported claims against government are disclosed in the Statement of Contingent Liability and that measures are put in place to minimize such payouts.

### **Ministry's Comment**

*No comment received.*

## **10.7 Accrued Government Guarantee Fee**

A fee of up to 2 percent will be charged on all guarantees. The guarantee fee to be applied will be in accordance with Government's shareholding rights as well as the interest differentials that would have

<sup>73</sup> Finance Instruction 2005, Section 64

been paid without the guarantee. In addition, a guarantee fee percentage range has been agreed taking into account each entity's financial performance.<sup>74</sup>

The Finance Instructions may make provision for the adoption of accrual accounting principles, policies and procedures for whole of government or budget sector agency reporting or both.<sup>75</sup>

The government guarantee for Fiji Electricity Authority (FEA) loan is subject to a guarantee fee of 0.75%. This guarantee fee totalling \$596,967 is yet to be paid to government.

This shows the laxity of the Ministry in ensuring timely collection of revenue, unnecessarily tying up the cash flow of government.

Moreover, despite the guarantee fee being accrued as at 31/12/2008, this has not been reflected in the Accounts and Finance of government.

This shows the Ministry's lack of commitment in the adoption of accrual accounting principles in its financial reporting.

Non-reflections of accrued revenue into the Accounts and Finance understate the government's performance as at 31/12/2008.

### **Recommendation**

**The Ministry should ensure that financial reporting at year end adopts accrual basis of accounting to fully reflect the financial performance of the government.**

### **Ministry's Comment**

*No comment received.*

## **10.8 Government Guarantee to Fiji Pine Limited**

Any sum payable by the government in fulfilment of a guarantee given under this section is appropriated from the Consolidated Fund without further appropriation than this Act and is taken to be loan to the entity whose financial liability has been guaranteed.<sup>76</sup>

Due to Fiji Pine Ltd's inability to meet the interest payment on bonds issued, the guarantee clause for Fiji Pine Ltd loan was invoked in August 2007 thereby committing the government to meet interest payments owed to bondholders on behalf of Fiji Pine Ltd.

Interest Payment totalling \$256,200 has been met by government from August 2007 to February 2008. Refer to the following table:

TABLE 10.4: FIJI PINE PAYMENTS BY GOVERNMENT

Year	Month	Amount (\$)
2007	August	74,750
2007	September	106,700
2008	February	74,750

<sup>74</sup> Finance Circular No. 8/2004, Section 6

<sup>75</sup> Financial Management Act 2004, Section 26 (1)

<sup>76</sup> Financial Management Act, 2004, Section 62 (5)

Year	Month	Amount (\$)
Total		256,200

Fiji Pine Limited inability to meet interest payments reflects the poor assessment and financial forecasting carried out and as such has burdened the government.

Furthermore, despite the government meeting interest payments for the past 3 years, these have not been included into the Statement of Lending Fund Account as loan to Fiji Pine Ltd nor any effort made by government on the recovery these loans.

Non-reflection of debt payments as a result of the honouring of government guarantee understates the loans owed to government and therefore could become bad with lapse of time.

### **Recommendations**

The Ministry should ensure that:

- future guarantees and loans to the company need to be fully scrutinized given the Management's financial performance and inability to service its loans obligations.
- loans payments made on behalf of the Fiji Pine Ltd to be reflected in the Statement of Lending Fund Account and timely recoveries made accordingly.

### **Ministry's Comment**

*No comment received.*

## **10.9 Housing Authority Loans**

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>77</sup>

Fiji National Provident Fund (FNPF) confirmation of government guaranteed loan in respect of Housing Authority totalling \$183,456 has not been reflected in the Statement of Contingent Liability. Refer to the following table:

TABLE 10.5: GOVERNMENT GUARANTEE AS PER FNPF RECORD

Entity	Reference No.	Date-Loan paid	Guaranteed amount (\$)	Liability balance (\$)
Housing Authority	H28	31/08/77	1,000,000	43,680
Housing Authority	H30	30/09/89	1,000,000	43,680
Housing Authority	H32	15/11/77	1,000,000	43,680
Housing Authority	H33	32/12/77	1,200,000	52,416
Total			4,200,000	183,456

Explanation from Housing Authority revealed that overpayments of loan were done to FNPF and thus the overpayment is to offset the current loan liability with FNPF.

<sup>77</sup> Financial Management Act, 2004, Section 62 (1) & (2)



This shows that the Ministry is not vigilant of the movement in loan balances and liabilities pending against it.

Failure to follow-up government guaranteed loan balances with loaning agencies has resulted in the variances of balances in respect of the government.

### **Recommendation**

**The Ministry should ensure that government guarantee balances with loaning agencies are verified on a regular basis and necessary follow-up done on any variances.**

### **Ministry's Comment**

*No comment received.*

## **10.10 Fiji Ports Corporation Guaranteed Loan**

Subject to any other Act, the Government may guarantee the financial liability of an entity in respect of a loan or otherwise, but only if the giving of the guarantee is authorized by the House of Representatives. A guarantee given in subsection (1) is to be evidenced in writing by the Minister.<sup>78</sup>

Variances between the guaranteed loan balances in the Statement of Contingent liability to that of the guaranteed entities (Fiji Ports Corporation Ltd) confirmation were noted.

Refer to the table below:

TABLE 10.6: VARIANCE TO FIJI PORT CORPORATION CONFIRMATION OF BALANCE

Details	Amount (\$)
Balance as per Statement of Contingent Liability	48,566,570
Balance as per Entities (FPCL) Confirmation	48,066,175
<b>Variance</b>	<b>500,395</b>

Explanation for the variances between the balances could not be explained by the Ministry of Finance or the entity, Fiji Ports Corporation Limited (FPCL).

The above shows the laxity of the Ministry in preparing the statement of contingent liability accounts where balances could not be supported/explained.

### **Recommendation**

**The Ministry should ensure that balances reflected in the Statement of Contingent Liability are supported and variances to the entities balances are investigated.**

### **Ministry's Comment**

*No comment received.*

<sup>78</sup> Financial Management Act, 2004, Section 62 (1) & (2)

## **11.0 SINKING FUND ACCOUNT**

### **11.1 Difference in Cash Balance and Sinking Fund**

The J.P Morgan cash account is an overseas account where funds are put aside for the repayment of global bonds that were issued in 2006. Repayment for these bonds will be done in 2011. Cash balances with JP Morgan as at 31 December 2008 amounts to \$117,876,607.

The Sinking Fund account is a liability account set up to record funds set aside for the repayment of the issued bonds. As at 31 December 2008, Sinking Fund account: Appendix 13b states cash balances with Reserve Bank and JP Morgan account amounting to \$68,659,964.

Audit noted the differences in cash balance recorded for J.P Morgan account and that of the Sinking Fund account with a variance of \$49,216,643. This difference is made up of the 2007 balance in the JP Morgan cash account that has yet to be recognised into the Sinking Fund.

As such, the Sinking Fund account is understated as it is the Ministry's intention to keep the cash in JP Morgan account aside for the repayment of the global bond issued in 2006.

#### **Recommendations**

**The Ministry should ensure that money set aside should be correctly reflected in the Sinking Fund account.**

#### **Ministry's comments**

*No comment received.*

**Appendix 1.1(a): Operating Fund – Expenditures**  
**[Schedule 1 – Appropriation Promulgation 2007]**

Head No	Ministry/Department	Appropriation Amount \$	Revised Amount \$	Actual Expenditure 2008 \$	Savings/(Over-Spent) \$	%
1	Office of the President	1,569,233	1,569,300	1,307,182.97	262,117.03	17%
2	Office of the Prime Minister and Public Service Commission	17,443,751	15,943,800	13,082,960.22	2,860,839.78	18%
3	Office of the Attorney – General	10,251,112	10,251,000	8,928,070.98	1,322,929.02	13%
4	Ministry of Finance, National Planning, Public Enterprise and Sugar Industry	90,240,307	88,666,900	83,155,306.78	5,511,593.22	6%
5	Ministry of Provincial Development, Indigenous Affairs and Multi-Ethnic Affairs	45,905,200	49,457,660	45,303,388.94	4,154,271.06	8%
6	Ministry of Defence, National Security and Immigration	5,318,566	5,318,600	3,821,387.15	1,497,212.85	28%
7	Ministry of Labour, Industrial Relations, and Employment	7,882,213	7,882,200	6,896,955.08	985,244.92	12%
8	Ministry of Foreign Affairs, International Co-Operation and Civil Aviation	20,941,135	19,507,196	18,252,577.60	1,254,618.40	6%
9	Office of the Auditor General	3,173,917	3,174,000	2,800,739.90	373,260.10	12%
10	Elections Office	4,241,087	1,428,600	841,593.25	587,006.75	41%
11	Judiciary	12,384,292	12,384,200	10,989,529.03	1,394,670.97	11%
12	Legislature	1,019,771	1,019,800	948,085.94	71,714.06	7%
13	Office of the Ombudsman	1,479,889	1,479,900	1,407,034.76	72,865.24	5%
14	Office of the Director of Public Prosecutions	4,641,786	4,641,800	4,070,239.89	571,560.11	12%
15	Ministry of Justice, Prisons and Corrections Department	15,773,103	15,773,200	14,927,818.84	845,381.16	5%
16	Department of Information	4,422,917	4,422,700	4,398,792.71	23,907.29	1%
19	Fiji Military Force	81,521,829	81,353,050	84,044,973.35	(2,691,923.35)	(3%)
20	Fiji Police Force	70,530,550	72,816,067	80,772,472.18	(7,956,405.18)	(11%)

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Head No	Ministry/Department	Appropriation Amount \$	Revised Amount \$	Actual Expenditure 2008 \$	Savings/(Over-Spent) \$	%
21	Ministry of Education, National Heritage, Culture and Arts	296,494,311	304,935,941	291,133,318.88	13,802,622.12	5%
22	Ministry of Health, Women and Social Welfare	163,868,260	166,552,330	162,341,457.95	4,210,872.05	3%
23	Department Local Government, Urban Development and Housing	11,417,005	9,167,000	7,732,275.86	1,434,724.14	16%
25	Department of Youth and Sports	4,553,755	4,553,600	3,946,213.42	607,386.58	13%
30	Ministry of Primary Industries	58,771,357	56,615,350	48,295,370.58	8,319,979.42	15%
33	Ministry of Lands, Mineral Resources and Environment	40,751,864	44,060,334	39,420,112.69	4,640,221.31	11%
34	Ministry of Industry, Tourism, Trade and Communications	31,276,827	29,195,750	25,983,121.52	3,212,628.48	11%
40	Ministry of Works and Transport	138,753,454	141,921,500	133,390,685.57	8,530,814.43	6%
41	Department of Public Utilities and Energy	112,416,268	102,156,300	80,786,966.24	21,369,333.76	21%
50	Miscellaneous Services	45,131,204	46,497,222	37,994,219.88	8,503,002.12	18%
51	Pensions, Gratuities and Compassionate Allowance		38,628,200	35,533,053.59	3,095,146.41	8%
52	Charges on Account of Public Debt		439,345,100	427,984,116.90	11,360,983.10	3%
<b>Total</b>		<b>1,302,174,963</b>	<b>1,780,718,600</b>	<b>1,680,490,022.65</b>	<b>100,228,577.35</b>	<b>6%</b>

**Appendix 1.1(b): Lending Fund Account**  
**Schedule 1 – Appropriation Promulgation 2008**

Ministry/Department	Appropriation Amount \$	Revised Amount \$	Recovery 2008 \$	Additional Loan 2008 \$
<b>Re-current Loans</b>				
Advances to Public Officers	1,000,000	1,000,000	32,609	258
Production Loans to Farmers	72,000	72,000		
Loans to Consumer Co-operatives Societies	250,000	250,000	1,405	5,000
Loans to Copra Industry for Stabilization of Earnings	13,500,000	13,500,000	468,731	
Loans to Students Attending Tertiary Education Institutions	5,000,000	5,000,000	9,490,542	2,637,042
Loans to Private Students	500,000	500,000	145,605	226,041
Loans to Timber Industry for Stabilization of Earnings	1,000,000	1,000,000	63,453	
Loans to Ministers and Members of Parliament	1,100,000	1,100,000		10,058
Fiji Sports Council				
<b>Non-recurrent Loans</b>	<b>22,422,000</b>	<b>22,422,000</b>	<b>10,202,345</b>	<b>2,878,399</b>
Students Loan Scheme	1,500,000	930,000	1,607,534	1,242,267
<b>Total</b>	<b>23,922,000</b>	<b>23,352,000</b>	<b>11,809,879</b>	<b>4,120,666</b>

**Appendix 1.2: Variances in Balances in Ministries/Departments and General Ledger**

Department	Drawings	Trust Fund	RFA Miscellaneous
Agriculture	(138,035)		(226,043)
Attorney General	(66)		(683,444)
Bureau of Statistics	(1,020)		
Cabinet	60,423	(56)	(569)
DPP			(300)
Education	1,929		(60,767)
Elections Office			(84)
Energy	138,513	6,936	(21,703)
Fiji Military Forces	32		1,508,939
Finance			(1,562)
Fisheries and Forest		45,499	(6,677)
Foreign Affairs	210,944	332,283	
Government Supplies	110,378		
Health	1,125,442		
Immigration	(229,967)		
ITC	32,711		(2,057)
Judicial	73,773	12,239	(882)
Justice	4,935		
Labour	70,083		
Lands and Environment	(1,512,778)	(6,242)	(4,123)
Legislature	3,138	311	
Local Government	4,380		143
Marine			(60,400)
Meteorology		9	
Mineral Resources	83,218		
Ministry of Finance - Pension	7,239		
Ministry of Finance - Treasury	767,625		
National Planning Office	(80,268)		
Police	5,685,920	12,239	(26,757)

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Department	Drawings	Trust Fund	RFA Miscellaneous
Presidents Office		78,468	
Prisons		(13)	
Provincial Development			(33,410)
Public Service Commission	(999)		
Public Enterprise	971		(14,504)
Regional Development	54		
Roads	550,244		
Tourism		(207)	
Trade and Commerce	89,783		(3,160)
Water and Sewerage	(311,121)		130,182
Water Supplies	1,396,308		
Works and Transport	(525,500)		(15,397)
<b>Total</b>	<b>7,618,289</b>	<b>481,465</b>	<b>477,425</b>

### Appendix 1.3: Variances in Balances in Ministries/Departments and General Ledger

Ministry/Department	Drawings	Trust Fund (Operating Trust)	Trust Fund (Main Trust)	RFA - IDC	RFA Miscellaneous (SLG 84 and 85)	RFA Admin
Agriculture		Dec NS	Dec NS		NS	
Attorney - General's Chamber		Dec NS			NS	
Auditor-General					NS	
Bureau of Statistics		Dec NS			NS	
Cabinet Office		Dec NS			NS	
Co-operatives					NS	
Fiji Islands Customs Services (FICS)	NS				N/A	
Director of Public Prosecutions		Dec NS			NS	
Education		Dec NS			NS	

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Ministry/Department	Drawings	Trust Fund (Operating Trust)	Trust Fund (Main Trust)	RFA - IDC	RFA Miscellaneous (SLG 84 and 85)	RFA Admin
Election					NS including SAG 56 and 57	
Energy		NS		Dec NS	NS including SAG 56 and 57	
Environment					NS	
Fiji Military Forces		Dec NS			NS	NS
Fijian Affairs	NS				NS including SAG 56 and 57	
FIMSA					NS	
Finance	NS	Dec NS			NS	NS
Foreign Affairs		Dec NS			NS	
Forestry		Dec NS			NS	
Fisheries		SANS			N/A	
Health		Dec NS			NS	
Home Affairs	NS				NS	
Local Government & Urban Development		Dec NS			NS	
Immigration					NS	
Information		Dec NS			NS	
ITC Services		Dec NS			NS	
Judicial		Dec NS			NS	
Justice		Dec NS			NS	
Labour and Industrial Relations					NS	
Lands		NS			NS	
Legislature		Dec NS			NS	
Marine & Civil Aviation					NS	
Meteorological Services		Dec NS			NS	
Mineral Resources					NS	
Multi Ethnic Affairs		Dec NS			NS	

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Ministry/Department	Drawings	Trust Fund (Operating Trust)	Trust Fund (Main Trust)	RFA - IDC	RFA Miscellaneous (SLG 84 and 85)	RFA Admin
National Planning		Dec NS			NS	
National Roads					NS	
Ombudsman		NS - Office ceased operation (no access to accounts)			NS	
Police		SANS			NS	
President			NS	NS	NS including SAG 56 and 57	
Printing and Stationery		Dec NS			NS	
Prisons		Dec NS			NS	
Public Enterprises		Dec NS			NS	
Public Service Commission		Dec NS			NS	
Public Works and Infrastructure		Dec NS			NS	
Regional Development					NS	
Roads		Dec NS			N/A	
Social Welfare	NS	NS			NS including SAG 56 and 57	
Supplies		Dec NS	Dec NS		NS	
Tourism		Dec NS			NS	
Trade and Commerce		Dec NS			NS	
Transport		Dec NS			NS	
Water & Sewage					NS including SAG 56 and 57	
Women and Culture	NS	NS		Dec NS	NS	
Youth, Employment Opportunities and Sports		Dec NS			NS	

**Appendix 1.4: Summary of Audit Opinion Issued**

HEAD	Ministry/Department	Consolidated	Complete FS	Adverse Opinion (No opinion expressed)	Qualified Opinion (Except-for opinion)
1	Office of President	N/A	x		√
2	Office of PM & Peoples Charter for Change	√	x		√
	PSC				
3	Office of Attorney General & Solicitor Gen.	√	x		√
	Public Enterprise				
4	Ministry of Finance, National Planning & Sugar Industry				
	Bureau of Statistics	√	x		√
	Government Procurement Office				
	Government Printing & Stationery				
	ITC				
5	Ministry of Indigenous affairs				
	Provincial Development	√	x		√
	Multi-Ethnic affairs				
6	Ministry of Defence & national security	√	x		√
	Immigration				
7	Labour, Industrial Relations, Employment	N/A	x		√
8	Foreign Affairs & International Co-operation	√	x		√
	Civil Aviation				
9	Auditor General				
10	Elections Office	N/A	x		√
11	Judiciary	N/A	x		√
12	Legislature	N/A	x		√
13	Ombudsman	NS	NS		
14	Director of Public Prosecution	N/A	x		√
15	Justice	√	x		√
	Prisons & Corrections Department				
16	Information	√	x		√
	National Archives				
19	Fiji Military Forces	N/A	x		√
20	Police	N/A	x		√
21	Education ,National Heritage, Culture &Arts	N/A	x		√
22	Health	√	x		√
	Social Welfare				
	Women & Gender Development				
23	Local Government & Urban	N/A	x		√

HEAD	Ministry/Department	Consolidated	Complete FS	Adverse Opinion (No opinion expressed)	Qualified Opinion (Except-for opinion)
	Development and Housing				
25		N/A	x		√
	Youth & Sports				
30	Primary Industries-Agriculture	x	x		√
30 A	Forestry	x	x		√
30 B	Fisheries				
33	Lands	x	x		√
33	Mineral Resources	x	x		√
33	Environment	x	x		√
34	Commerce & Industry	√	x		√
	Co-operatives				
	Communication				
	Tourism				
40	Ministry of Works and Transport	√	x		√
	GSS				
	Meteorology				
	FIMSA				
	Roads	√	x		√
41	Energy				
	Provision of Water Supplies				
	Sewerage Services				

**Appendix 1.5: Summary of Financial Statement submitted for 2007**

HEAD No.		Ministry/Department	Financial Statements Submitted for 2008						
			Receipts & Expend	Statement of output Costs	Appropriation Statement	Losses	P & L - TMA	Trust Accounts	Statement of Assets & Liabilities
1		Office of President	✓	x	✓	✓	N/A	x	x
2		Office of PM & Peoples Charter for Change	✓	✓	✓	✓	N/A	x	x
		PSC							
3		Office of Attorney General & Solicitor Gen.	✓	Incomplete	✓	✓	N/A	N/A	x
		Public Enterprise							
4		Ministry of Finance, National Planning & Sugar Industry							
		Bureau of Statistics	✓	✓	Incomplete	✓	N/A	✓	x
		Government Procurement Office							
		Government Printing & Stationery							
		ITC							
5		Ministry of Indigenous Affairs	✓	x	✓	✓	N/A	x	x
		Provincial Development							
		Multi-Ethnic affairs							
6		Ministry of Defence & national security	✓	✓	✓	x	N/A	x	x
		Immigration							
7		Labour, Industrial Relations, Employment	✓	✓	✓	x	N/A	x	x
8		Foreign Affairs & International Co-	✓	✓	✓	x	N/A	N/A	x

Whole of Government Financial Statements and Annual Appropriation Statement

HEAD No.	Ministry/Department	Financial Statements Submitted for 2008						
		Receipts & Expend	Statement of output Costs	Appropriation Statement	Losses	P & L - TMA	Trust Accounts	Statement of Assets & Liabilities
	operation							
	Civil Aviation							
9	Auditor General							
10	Elections Office	✓	✓	✓	x	N/A	x	x
11	Judiciary	✓	✓	✓	x	N/A	x	x
12	Legislature	✓	✓	✓	✓	N/A	N/A	x
13	Ombudsman	NS	NS	NS	NS	NS	NS	NS
14	Director of Public Prosecution	✓	✓	✓	x	N/A	x	x
15	Justice							
	Prisons & Corrections Department	✓	✓	✓	x	N/A	x	x
16	Information							
	National Archives	✓	✓	✓	✓	N/A	x	x
19	Fiji Military Forces	✓	✓	✓	✓	✓	N/A	x
20	Police	✓	✓	✓		N/A	N/A	x
21	Education, National Heritage, Culture & Arts	✓	✓	✓	✓	N/A	✓	x
22	Health							
	Social Welfare	✓	✓	✓	x	x	x	x
	Women & Gender Development							
23	Local Govt & Urban develop and Housing	✓	✓	✓	✓	N/A	x	x
25	Youth & Sports	✓	✓	✓	x	N/A	x	x
30	Primary Industries-Agriculture	✓	✓	✓	✓	✓	✓	x

Whole of Government Financial Statements and Annual Appropriation Statement

HEAD No.		Ministry/Department	Financial Statements Submitted for 2008						
			Receipts & Expend	Statement of output Costs	Appropriatn Statement	Losses	P& L - TMA	Trust Accounts	Statement of Assets & Liabilities
A		Forestry	✓	✓	✓	✓	✓	✓	x
B		Fisheries	✓	✓	✓	✓	✓	N/A	x
33		Lands	✓	✓	✓	✓	N/A	N/A	x
		Mineral Resources	✓	x	✓	x	N/A	✓	x
		Environment	✓	✓	✓	✓	N/A	N/A	x
34		Commerce & Industry		✓			✓	✓	
		Co-operatives	✓	x	✓	✓	NA	NA	x
		Communication		x					
		Tourism		✓					
40		Ministry of Works and Transport							
		GSS							
		Meteorology	✓	✓	✓	✓	✓	✓	x
		FIMSA							
		Roads							
41		Energy	✓	✓	✓	✓	N/A	x	
		Provision of Water Supplies Sewerage Services							

**APPENDIX 2: Trust Fund Details****Main Trust Fund Balances as at 31/12/08**

Ministry/Department	Balance \$
Cabinet	2,377,997
Director of Public Prosecutions	126,494
Ministry of Finance	---
Government Supplies	628,879
Ministry of Labour & Industrial Relations	857,224
Judiciary	9,820,730
Ministry of Local Government	---
Ministry of Agriculture	27,263
Ministry of Fisheries & Forestry	34,968
Department of Social Welfare	---
Immigration Department	10,302,888
Tourism and Environment	146,229
<b>Less: Overdrawn Trust Accounts</b>	
Attorney – General	---
Ministry of Commerce	---
Department of Energy	(58,953)
Mineral Resources	(3,948)
Provincial Development	(107,185)
<b>Total Main Trust Fund</b>	<b>24,152,586</b>

**Operating Trust Fund (Payroll Deductions) Balances as at 31/12/08**

Ministry/Department	Balance \$
Agricultural Tribunal	751
Attorney-General	274,818
Auditor-General	26,381
Bureau of Statistics	31,758
Commerce, Business Development and Investment	88,951
Director of Public Prosecution	46,924
Education, Women, Culture, Science and Technology	1,302,973
Energy	438,050
FMF	225,838
FIMSA (Civil Aviation)	40
Foreign Affairs	2,574,983
Forestry	241,817
Government Supplies	110,504
Health	8,943,060
Home Affairs	88,477
Information	5,722
Information Technology & Computing Services	109,539
Justice	14,267
Lands and Environment	1,478,758
Legislature	177,079
Local Government, Housing and Environment	35,347

Ministry/Department	Balance \$
Multi - Ethnic Affairs	3,288
National Planning Office	29,507
National Roads	11,926,473
Police	2,330,079
President's Office	9,828
Prisons	63,025
Provincial Development	43,914
Public Service Commission	469,682
Public Works	2,438,726
Tourism	64,887
Transport & Civil Aviation (Marine)	1,555
Water & Sewage	2,977,871
Youth, Employment Opportunities & Sports	288,586
<b>LESS: Overdrawn Accounts</b>	
Agriculture	(1,064,100)
Co-operatives	(6,851)
Cabinet	(43,008)
Elections Office	(519,266)
Fijian Affairs	(87,146)
Government Printing and Stationery	(14,307)
Immigration	(36,008)
Judicial	(1,032,189)
Labour and Industrial Relations	(124,212)
Meteorological Services	(63,575)
Mineral Resources	(660)
Ministry of Finance	(88,915)
Ombudsman's Office	(4,494)
Public Enterprise	(91,975)
Social Welfare	(32,059)
Women's Affairs	(10,993)
<b>Total Operating Trust Fund</b>	<b>33,643,700</b>



**APPENDIX 3: Submission of Reconciliations**  
**Main (True) Trust Fund Account**

Title of Account	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cabinet	S	S	S	S	S	S	S	S	S	S	S	NS
Director of Public Prosecutions	S	S	S	S	S	S	S	S	S	S	S	S
Ministry of Finance	S	S	S	S	S	S	S	S	S	S	S	S
Government Supplies	S	S	S	S	S	S	S	S	S	S	S	NS
Ministry of Labour & Industrial Relations	S	S	S	S	S	S	S	S	S	S	S	S
Judiciary	S	S	S	S	S	S	S	S	S	S	S	S
Ministry of Local Government	S	S	S	S	S	S	S	S	S	S	S	S
Ministry of Agriculture	S	S	S	S	S	S	S	S	S	S	S	S
Ministry of Fisheries & Forestry	S	S	S	S	S	S	S	S	S	S	S	NS
Department of Social Welfare	S	S	S	S	S	S	S	S	S	S	S	S
Immigration Department	S	S	S	S	S	S	S	S	S	S	S	S
Tourism and Environment	S	S	S	S	S	S	S	S	S	S	S	S

**Operating Trust Fund Account**

Title of Account	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Agricultural Tribunal	S	S	S	S	S	S	S	S	S	S	S	NS
Attorney-General												
Auditor-General	S	S	S	S	S	S	S	S	S	S	S	NS
Bureau of Statistics	S	S	S	S	S	S	S	S	S	S	S	NS
Commerce, Business Development and Investment	S	S	S	S	S	S	S	S	S	S	S	NS
Director of Public Prosecution	S	S	S	S	S	S	S	S	S	S	S	NS
Education, Women, Culture,	S	S	S	S	S	S	S	S	S	S	S	NS

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Title of Account	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Science and Technology												
Energy	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
FMF	S	S	S	S	S	S	S	S	S	S	S	NS
Foreign Affairs	S	S	S	S	S	S	S	S	S	S	S	NS
Forestry	S	S	S	S	S	S	S	S	S	S	S	NS
Government Supplies	S	S	S	S	S	S	S	S	S	S	S	NS
Health	S	S	S	S	S	S	S	S	S	S	S	NS
Home Affairs	S	S	S	S	S	S	S	S	S	S	S	NS
Information	S	S	S	S	S	S	S	S	S	S	S	NS
Information Technology & Computing Services	S	S	S	S	S	S	S	S	S	S	S	NS
Justice	S	S	S	S	S	S	S	S	S	S	S	NS
Lands and Environment	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Legislature	S	S	S	S	S	S	S	S	S	S	S	NS
Local Government, Housing and Environment	S	S	S	S	S	S	S	S	S	S	S	NS
Multi - Ethnic Affairs	S	S	S	S	S	S	S	S	S	S	S	NS
National Planning Office	S	S	S	S	S	S	S	S	S	S	S	NS
National Roads	S	S	S	S	S	S	S	S	S	S	S	NS
Police	S	S	S	S	S	S	S	S	S	S	S	NS
President's Office												
Prisons	S	S	S	S	S	S	S	S	S	S	S	NS
Provincial Development	S	S	S	S	S	S	S	S	S	S	S	NS
Public Service Commission	S	S	S	S	S	S	S	S	S	S	S	NS
Public Works	S	S	S	S	S	S	S	S	S	S	S	NS
Tourism	S	S	S	S	S	S	S	S	S	S	S	NS
Transport & Civil Aviation (Marine)	S	S	S	S	S	S	S	S	S	S	S	NS
Water & Sewage	S	S	S	S	S	S	S	S	S	S	S	NS
Youth, Employment Opportunities & Sports	S	S	S	S	S	S	S	S	S	S	S	NS
Agriculture	S	S	S	S	S	S	S	S	S	S	S	NS

Whole of Government Financial Statements and Annual Appropriation Statement

Title of Account	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Co-operatives	S	S	S	S	S	S	S	S	S	S	S	NS
Cabinet	S	S	S	S	S	S	S	S	S	S	S	NS
Elections Office	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS	NS
Fijian Affairs	S	S	S	S	S	S	S	S	S	S	S	NS
Government Printing and Stationery	S	S	S	S	S	S	S	S	S	S	S	NS
Immigration	S	S	S	S	S	S	S	S	S	S	S	NS
Judicial	S	S	S	S	S	S	S	S	S	S	S	NS
Labour and Industrial Relations	S	S	S	S	S	S	S	S	S	S	S	NS
Meteorological Services	S	S	S	S	S	S	S	S	S	S	S	NS
Mineral Resources	S	S	S	S	S	S	S	S	S	S	S	NS
Ministry of Finance	S	S	S	S	S	S	S	S	S	S	S	NS
Ombudsman's Office	S	S	S	S	S	S	S	S	S	S	S	NS
Public Enterprise	S	S	S	S	S	S	S	S	S	S	S	NS
Social Welfare	S	S	S	S	S	S	S	S	S	S	S	NS
Women's Affairs	S	S	S	S	S	S	S	S	S	S	S	NS

**APPENDIX 4 : Opening of Bank Accounts for Main Trust**

Agency	Title of Account	Bank GL Account	Account Number \$	Comments
Immigration	Immigration Bond	9-05201-70002-530201	9-06201-70002-895001	<ul style="list-style-type: none"> <li>Bank Account Opened – 07/08/08 (Account # 9801907123) Amount transferred - \$10,182,375.37</li> </ul>
Provincial Development	Tender Deposits - CWD	9-05201-68999-530301	9-05201-68033-895015	<ul style="list-style-type: none"> <li>Processing opening of bank account</li> <li>Bank Account Opened – 06/01/09 (Account # 9802029299) Amount transferred - \$1,344,124.95</li> </ul>
	Tender Deposits - CND		9-05201-68034-895015	
	Rural Housing Deposits - CCD		9-05201-68035-895016	
	Rural Housing Deposits - CWD		9-05201-68036-895016	
	Rural Housing Deposits - CND		9-05201-68037-895016	
	Rural Housing Deposits - CED/HQ		9-05201-68038-895016	
	Unclaimed Wages - CCD		9-05201-68027-895017	
	Unclaimed Wages - CWD		9-05201-68028-895017	
	Unclaimed Wages - CND		9-05201-68029-895017	
	Unclaimed Wages - CED		9-05201-68030-895017	
	CND Community Contribution		9-05201-68032-895018	
	Election		9-05201-68032-895019	
	PMRRC - Rewa		9-05205-68011-895020	
	PMRRC - Naitasiri		9-05205-68012-895020	
	PMRRC - Serua		9-05205-68013-895020	
	PMRRC - Namosi		9-05205-68014-895020	
	PMRRC - Tailevu		9-05205-68015-895020	
	PMRRC - Lau		9-05205-68017-895020	
	PMRRC - Lomaiviti		9-05205-68018-895020	
	PMRRC - Kadavu		9-05205-68016-895020	
	PMRRC - Rotuma		9-05205-68019-895020	
	PMRRC - Macuata		9-05205-68022-895020	
	PMRRC - Bua		9-05205-68021-895020	
	PMRRC - Cakaudrove		9-05205-68020-895020	
	PMRRC - Ba		9-05205-68025-895020	
	PMRRC - Nadroga		9-05205-68023-895020	
	PMRRC - Ra		9-05205-68026-895020	
	PMRRC - Navosa		9-05205-68024-895020	

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REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF THE FIJI ISLANDS – SEPTEMBER 2009

Agency	Title of Account	Bank GL Account	Account Number	Comments
Energy	Rural Electrification	9-41101-41039-530201	9-41101-41039-895014	<ul style="list-style-type: none"> <li>Bank Account Opened – 06/01/09 (Account # 9802022849)</li> <li>Amount transferred - \$1,173,320.64</li> </ul>
Fisheries & Forestry	Fisheries & Forests Trust	9-30B01-78068-530201	9-30B01-78068-895005	<ul style="list-style-type: none"> <li>Bank Account Opened – 03/09/07 (Account # 9801916447)</li> <li>Amount transferred - \$ 53,960.48</li> </ul>
DPP	Prosecution Courses & Confirce	9-14101-14999-530201	9-04102-04009-895021	Bank Account Opened – 19/01/09 (Account # 9802034075)
	Exhibit Fisheries		9-04102-04009-895022	Amount transferred - \$126,494.32
	Forfeited Funds		9-14101-14074-895023	
Prisons	Prisons Cash	9-15201-71084-530301	9-15201-71084-895006	Bank Account Opened – 30/12/08 (Account # 9801916413)
				Amount Transferred \$6,459.38
Judicial	Maintenance PD Levuka	9-11101-11999-530201	9-11101-11041-89502	Bank Account Opened – 08/05/09 (Account # 9802059684)
	Maintenance Suva		9-11101-11043-895027	Amount transferred - \$10,106,301.18
	Maintenance Nausori		9-11101-11044-895027	
	Maintenance PD Lautoka		9-11101-11046-895027	
	Maintenance Sigatoka		9-11101-11047-895027	
	Maintenance Nadi		9-11101-11048-895027	
	Maintenance Lautoka		9-11101-11049-895027	
	Maintenance Ba		9-11101-11050-895027	
	Maintenance Labasa		9-11101-11051-895027	
	Maintenance Savusavu		9-11101-11052-895027	
	Maintenance Tavuni		9-11101-11053-895027	
	Maintenance Levuka		9-11101-11057-895027	
	Maintenance Nasinu		9-11101-11077-895027	
	Sundries Nasinu Court		9-11101-11040-895028	
	Sundries Suva Court		9-11101-11054-895028	
	Sundries Nausori Court		9-11101-11055-895028	
	Sundries Navua Court		9-11101-11056-895028	
	Sundries Levuka Court		9-11101-11057-895028	
	Sundries Sigatoka Court		9-11101-11058-895028	
	Sundries Nadi Court		9-11101-11059-895028	

Whole of Government Financial Statements and Annual Appropriation Statement

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF THE FIJI ISLANDS – SEPTEMBER 2009

Agency	Title of Account	Bank GL Account	Account Number \$	Comments
	Sundries Levuka Court		9-11101-11057-895028	
	Sundries Lautoka Court		9-11101-11060-895028	
	Sundries Ba Court		9-11101-11061-895028	
	Sundries Labasa Court		9-11101-11062-895028	
	Sundries Savasavu Court		9-11101-11063-895028	
	Sundries Taveuni Court		9-11101-11064-895028	
	Suitors Fund Suva		9-11101-11040-895029	
	Suitors Fund Lautoka		9-11101-11041-895029	
	Suitors Fund Labasa		9-11101-11042-895029	
Labour	Workmens Compensation	9-07101-07003-530201	9-07101-07003-895002	• Bank Account Opened – 05/11/08
	Wages Dispute		9-07101-07004-895003	•
				(Account # 9801916389)
Mineral Resources	OHS Consultancy		9-07101-07005-895004	Amount transferred - \$574,316.77
	Mining Trust	9-33201-33066-530201	9-33201-33066-895002	• Bank Account Opened – 06/01/09 (Account # 9801916389)
	Non-mining Trust		9-33201-33067-895002	• Amount transferred -
	Miscellaneous Fund		9-33401-33078-895011	\$1,160,458.00
Agriculture	Retention of Funds LWRM	9-30101-30065-530201	9-30101-30065-895012	• Bank Account Opened – 06/01/09 (Account # 9801959850)
	Retention of Funds ALTA Lease		9-30101-30075-895013	Amount transferred - \$1,160,458.00
Environment	ODS Fines	9-33401-33006-530201	9-23101-23007-895009	• Bank Account Opened – 06/01/09 (Account # 9802022948)
	HUD Litter Decree		9-23101-23006-895010	Amount transferred - \$142,156.08
	Environment Trust		9-33401-33078-895011	

**APPENDIX 5: Opening of Bank Accounts for Main Trust**

INSTITUTION	TOTAL (\$)	0-1 YEAR (\$)	2-5 YEARS (\$)	5-10 YEARS (\$)	10 YEARS & OVER (\$)
Native Land Trust Board	575,509	---	---	---	575,509
Native Land Trust Board/NLDC	820,000	---	---	---	820,000
Fiji Pine Ltd-loan 13	4,750,000	---	---	---	4,750,000
Fiji Pine Ltd-loan 14	2,200,000	---	---	---	2,200,000
Fiji Pine Ltd-loan 15	2,200,000	---	---	---	2,200,000
Fiji Pine Ltd-loan 16	2,200,000	---	---	---	2,200,000
Fiji Pine Ltd-loan 17	650,000	---	---	---	650,000
Post & Telecommunication – loan No.5	(230,605)	---	---	---	(230,605)
Fijian Affairs Board	20,000,000	---	---	---	20,000,000
Fijian Affairs Board	2,000,000	---	---	---	2,000,000
Fijian Affairs Board	1,500,000	---	---	---	1,500,000
Fijian Affairs Board	1,500,000	---	---	1,500,000	---
Fijian Affairs Board	1,500,000	---	---	1,500,000	---
Fijian Affairs Board	1,500,000	---	---	1,500,000	---
Fijian Affairs Board	4,658,924	---	---	4,658,924	---
Rabi Council of Leaders	900,000	---	---	---	900,000
Rabi Council pf Leaders	700,000	---	---	---	700,000
Fiji Sugar Corporation Ltd	8,500,000	---	---	8,500,000	---
Fiji Sugar Corporation Ltd	8,500,000	---	---	8,500,000	---
Fiji Sugar Corporation Ltd	8,500,000	---	---	8,500,000	---
Fiji Sugar Corporation Ltd	8,500,000	---	8,500,000	---	---
National Trading Corporation Ltd	2,900,000	---	---	2,900,000	---
Timber Exporters	795,034	---	---	---	795,034
Tertiary Education	4,009,570	4,009,570	---	---	---
Private Students	(3,742,689)	(3,742,689)	---	---	---
Copra Industry for Stabilisation of Earnings	11,598,173	11,598,173	---	---	---
Consumer Cooperatives Societies	112,706	112,706	---	---	---
Advances to Public Officers	3,171	3,171	---	---	---
Advances to Ministers & Members of House of Representatives	193,912	193,912	---	---	---
Production Loan to Farmers	16,288	---	---	---	16,288
Viti Corps Company	3,512,167	---	---	3,512,167	---
Student Loan Scheme	3,081,285	3,081,285	---	---	---
Fiji Sports Council	57,656	---	---	---	57,656
Rewa Rice Ltd	1,900,000	---	---	---	1,900,000
Fiji Development Bank	275	275	---	---	---
<b>TOTAL</b>	<b>105,861,376</b>	<b>15,256,403</b>	<b>8,500,000</b>	<b>41,071,091</b>	<b>41,033,882</b>

