



EXCELLENCE IN PUBLIC SECTOR AUDITING

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

**Volume 1 Audit Report on Government Financial
Statements and Annual Appropriation
Statement - 2012**



PARLIAMENTARY PAPER NO 27 OF 2014



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Volume 1 Audit Report on Whole of
Government Financial Statements
and Annual Appropriation
Statement 2011





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Excellence in Public Sector Auditing

File: 102

28 September, 2012

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

Dear Commodore Bainimarama

AUDIT REPORT ON GOVERNMENT MINISTRIES AND DEPARTMENTS 2011
VOLUME 1

In accordance with section 7(7) of the State Services Decree 2009, I am pleased to transmit to you my audit report on the Whole of Government Financial Statements and Annual Appropriation Statement for 2010. The report includes the following

Volume 1: Whole of Government Financial Statements and Annual Appropriation Statement for 2011

Volume 2 – 4: Audit Report on Government Ministries and Departments - 2011

The report should be presented to Cabinet within 30 days of receipt as required under section 7 (8) of the State Services Decree 2009.

Tevita Bolanavanua
Auditor - General



FOREWORD

This report covers the results of my audit of the Whole of Government (WOG) Financial Statements and the Annual Appropriation Statement for 2012 and its 35 ministries and departments as provided in the 2012 Appropriation Decree.

The purposes of this report are to:

- report on the audit of the WOG Financial Statements as at 31 December 2012, covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments as at 31 December 2012, covered under volume 2-4 of the report;
- report on the results of and matters arising from our 2012 audits of ministries and departments, also covered under volume 2-4; and
- raise other matters that I believe warrant consideration by Cabinet.

The WOG Financial Statements for 2012 have been presented in accordance with section 46 of the Financial Management Act 2004 and have been prepared on a cash basis of accounting as full accrual information, including the value of assets and liabilities is not yet available.

These financial statements report the receipts and payments and financial assets and liabilities on a consolidated basis in accordance with Government's move towards accrual accounting and the adoption of international accounting and statistical reporting standards. The format of the financial statements therefore significantly differed from previous years reports of the Accounts and Finances of the Government.

A qualified audit opinion was issued on the WOG Financial Statements for 2012. Issues qualified are as follows:

- bank accounts held with the Ministry of Finance contained errors and omissions that could not be determined due to absence of bank reconciliations;
- government investment in the Sinking Fund is overstated by \$138.5 million
- investments totalling \$42.5 million are not supported by share certificates;
- accounts receivables totalling \$21.3 million and term loan receivables of \$67.8 million could not be substantiated;
- prepayments and accrued income of \$13.7 million, accounts payable of \$17.3 million and accrued expenses and deferred income with a debit balance of \$1.3 million were not supported;
- trust accounts with ministries and departments were overdrawn by \$7.3 million;
- equity opening balance of \$2,815,628,265 could not be substantiated; and
- a variance of \$10 million exists between the Ministry of Finance general ledger balances and the FRCA revenue collection report for 2012.

The preparation of the 2012 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.

Section 70 (3) of the Finance Instructions states that the draft agency financial statements for ministries and departments must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor-General. Of the 35 ministries and departments appropriated in the 2012 appropriation decree, 5 failed to submit their agency financial statements by 31/3/13 delaying the issue of their respective audit reports.

Out of the agency financial statements audited, 15 were issued unqualified audit opinions while 20 were qualified. The qualification issues include: trust fund account balances in the general ledger did not reconcile with bank balances; trust fund account statement of receipts and payments were not provided for audit; financial statements were not presented in accordance with the Finance Management Act 2004 and adequate records were not maintained to support Trading and Manufacturing Account balances.

Most issues qualified above were the same as those highlighted in 2011 but at a lesser extent as some ministries and departments had shown some improvement. There however remains a lot of work to improve the requirements of all stakeholders.

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

T Bolanavanua

Tevita Bolanavanua
AUDITOR - GENERAL

Suva, Republic of Fiji
30 September, 2013



EXECUTIVE SUMMARY

The Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of Fiji for the year ended 31 December 2012 have been audited in accordance with section 5 of the State Services Decree No. 6, section 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 the following matters:

- Bank reconciliations were not undertaken for various bank accounts, there were bank balances without any cash held, certain cash at bank balances were not recorded, there were cash at bank with negative balances and material variances were noted between the general ledger and the actual cash.
- Investment in the Sinking Fund was overstated by \$138.5 million with only \$53.7 million supported by independent confirmations.
- Share certificates were not produced for investments totaling \$42.5 million.
- Balances disclosed as accounts receivable totaling \$21.3 million and Term Loan Receivable of \$67.8 million could not be substantiated as supporting schedules for accounts receivables were not provided; errors and omission, receivables with negative balances and the absence of reconciliations to substantiate term loans receivable balances were lacking.
- Prepayments and accrued income balance of \$13.7 million, accounts payable balance of \$17.3 million and accrued expenses and deferred income with a debit balance of \$1.3 million were not supported;
- Trust accounts with Ministries/Departments were overdrawn by \$7.3 million contrary to Finance Circulars 4 of 30/3/98.
- The correctness, completeness and existence of the equity opening balance amounting to \$2,815,628,265 could not be substantiated.
- A variance of \$10 million exists between Ministry of Finance general ledger balances and the FRCA revenue collection report for the year 2012.

The attentions of Ministry of Finance were also drawn to the following matters:

- a) The correctness of operating revenue receipted through the Accounts Receivable Module of the Financial Management Information System, totaling \$10.7 million was not correctly accounted in accordance with cash basis of accounting as stated in Note 1 to the Financial Statements.
- b) Inventory totaling \$7.2 million is misstated by \$978,349. In addition, closing stock of finished goods of \$1,128,750 could not be verified.
- c) Government has recognized trusted assets worth \$781,571 in the statement of assets and liabilities which was not supported by individual asset records.

The following is a summary of the audit observations.

2012 Whole of Government Financial Statements

Cash at Bank

The Cash at Bank balance increased significantly from \$80,632,359 in 2011 to \$96,597,006 in 2012. This cash balance is the net off bank balances after offsetting the un-presented cheque amount as at 31/12/12.

This increase was due to a significant increase in domestic bank balance and overseas bank balance by 19% and 248% respectively. However, the trading and manufacturing account bank balance declined by 46%.

Accounts Receivable

The audit noted that there is no consolidated supporting schedule at whole of government level to substantiate the accounts receivable balance of \$21,252,166 at year end.

The accounts receivable balances are extracted from the FMIS general ledger (GL) however these balances are not properly supported as the FMIS system cannot generate a debtors' schedule/register as at 31/12/12. In addition, Ministries/Departments are not maintaining manual debtors' registers to validate the following balances.

Prepayments and Accrued Income

There is no consolidated supporting schedule at Whole of Government level to substantiate the Prepayments and Accrued Income balance of \$13,687,618 at year end.

The balances are extracted from the FMIS GL however these balances are not properly supported as agencies are not maintaining prepayments schedules and no consolidation is done by the Ministry of Finance at year end to validate the prepayments balances as at 31/12/12.

Inventory

The value of inventory held by Government was \$781,571 compared to \$875,150 in 2011. Inventory is measured at cost. The Whole of Government financial statements only showed the ending balances of inventories. It also failed to disclose the accounting policies adopted in measuring inventories including the cost formula used.

Trusted Asset

The balance of Trusted Asset (SAG 59) as at 31/12/12 totalled \$781,571 compared to \$93,578 in 2011. The audit noted that a balance of \$873,950 for the Ministry of Agriculture has been reflected in the general ledger since 2006 which was in relation to a project for the Alternative Livelihood Project. This balance could not be substantiated.

In addition, the Ministry of Foreign Affairs incorrectly credited \$93,578 to Standard Asset Group (SAG) 59 instead of Standard Liability Group (SLG) 84 funds to facilitate vehicle purchase for the Fiji Embassy in Malaysia. This fund was supposed to be carried over to 2013.

There is also a lack of clear description of the account as the chart of accounts failed to explain what constitutes and/or qualified to be treated as a trusted assets.

Term Loans Receivables

The outstanding loans made by Government as at 31/12/12 totalled \$67,813,754; a decrease of \$2,563,586 compared to 2011.

The loan balances have decreased steadily over the years except in 2010 which resulted from a loan repayment of \$20,000,000 by the I-Taukei Affairs Board.

Investments

Government investment in 2012 totalled \$426,197,668 held in 25 companies have decreased by \$12,709,536 or 2.9% compared to 2011. The decrease in government investment in 2012 was due to

the sale of Government shares in Fiji Television Limited and those inoperative entities being struck off.

The dividends on investments have decreased in year 2012 compared to 2011 by \$107,705 or 1%. There was a shortfall of \$16.9 million or by 62% in dividends received compared to the 2012.

The dividend totalling \$10.5 million was received in 2012 from 6 out of the 25 entities.

Term-Loans Payable

There is an unexplained dormant general ledger account reflected in the borrowing fund account ledger totalling \$46.3 million.

Public debt in 2012 totalled \$3,678,821,497 and comprised of domestic loans of \$2,631,565,650 or 72% of total debt; overseas loans of \$935,524,571 or 25%; and Treasury Bills \$111,731,276 or 3%.

Accounts Payable

The accounts payable for the Government as at 31/12/12 showed a balance of \$17,321,156 being unutilised project funds at year end which has been approved to be carried over to the next financial year.

Actual verification however showed a total of \$17,429,328 with a variance of \$108,172 as a result of incorrect postings by ministries and departments.

Accrued Expenses and Deferred Income

The standard liability group (SLG) 85 has been overdrawn by \$1.28 million as at 31/12/12, a decrease of \$666,614 or 34% compared to the overdrawn balance as at 31/12/11.

Majority of the debit balances relate to the Republic of the Military Forces (RFMF) whilst the remainder is for the Department of Water and Sewerage, Ministry of Fisheries and Forests and Ministry of Agriculture.

Trust fund Account

The Trust Fund Account had a balance of \$73,764,291 as at 31/12/12, an increase of \$12,644,968 or 21% from 2011.

The Main Trust account increased by \$15,069,863 or 39% compared to 2011 and Operating Trust fund account balance increased by \$1,711,057 or 9% from \$18,066,392 in 2011.

Revenue

A variance of \$10 million exists between Ministry of Finance general ledger balances and the FRCA revenue collection report for the year 2012.

Expenditure

Government spending for the year ended 31st December 2012 totalled \$2,294,103,654 a decline of \$108.6 million or 5% from \$2,402,752,517 spent in 2011.

Total operating expenditures amounted to \$1,710,220,999 or 75%, capital expenditure totalled \$533,838,990 or 23% and VAT totalled \$ 50,043,665 or 2%.

Compared to 2011, total operating expenditure declined by \$154 million or 8% and capital expenditure increased by \$39 million or 8% from \$494.5 million in 2011 to \$533.8 million in 2012. There was an increase of \$6.1 million or 14% in VAT expenditure from \$43.9m in 2011 to \$50m in 2012.

Equity

The correctness and existence of the opening equity balance amounting to \$2,815,628,265 cannot be verified as there is no schedule to adequately support these balances at Whole of Government level which is inclusive of accumulated surplus deficits [SLG 91] and Appropriation TMA operations [SLG 94].

Contingent Liability

The total contingent liabilities as at 31/12/12 amounted to \$2,155,254,122. Domestic loans accounted for \$2,146,810,005 or 99.6% of total liabilities during the year. Overseas loans on the other hand accounted for \$8,444,117 or 0.4% of total liabilities as at 31/12/12. A total of 15 entities were covered under Government guarantee in 2012, compared to 16 entities in 2011.

2012 Accounts of Ministries and Departments

Office of the President

There were account balances recorded in the general ledger that were not reconciled, remained outstanding for long and were recorded erroneously. The carry-over of budget to year 2013 was recorded as current year expenditure contrary section 19 (1) of the Financial Management Act 2004.

A Board of Survey was not carried out contrary to section 49 (1) of the Finance Instructions 2010. Sixteen staffs were occupying the government quarters contrary to General Order 601 and 607.

Office of the Prime Minister

The account balances recorded in the general ledger did not have adequate supporting documents; had un-reconciled variances, were outstanding for long while some had balances that were contrary to the nature of the account.

Capital construction expenditure allocation was over-spent by \$1,243,830 and there was expenditure that was paid contrary to the budget appropriation provided. The Board of Survey of was not carried out contrary to section 49 (1) of the Finance Instructions 2010.

Office of the Attorney General and the Solicitor General

There were journals raised that lacked authority and supporting documents. Government Wage Earners expenditure was overspent by \$49,801.

The Operating grant for Legal Aid Commission was managed by the Attorney General and Solicitor General's office, of which seventy percent related to payroll expenditures that was processed manually.

Fees charged to censor films have not been revised since 1978 resulting in far less censor fees charged than the sitting allowance paid for censoring.

Ministry of iTaukei Affairs

There were numerous account balances in the general ledger that were not reconciled with the source documents. Some accounts had outstanding balances from previous years while some had balances contrary to the nature of the account.

The Board of Survey was not carried out contrary to section 49 (1) of the Finance Instructions 2010 and the fixed asset and expandable items register was not up-dated. The loss report was not prepared for the loss of the Compact Array Broadband Backend (CABB) software.

The administration of scholarships lacked the planning and monitoring of its desired results. Awareness on the availability of the scholarship was not carried out and funds were allocated to students as funds were available.

Substantial recoveries of bond monies were not recorded as revenue whilst substantial recoveries are yet to be instigated and are increasing as reconciliations are not carried out. The scholarship award management system failed to provide record of students who have absconded their bond.

In addition, there were fifty – two recipients that were not selected by the scholarship committee for the leadership and entrepreneurship training with the Centre of Appropriate Technology and Development (CATD). The result of their training was not provided and only 32% of the approved trainees were trained. The agreement with CATD in Nadave for the scholarship funds provided was lacking.

Department of Defense

The contract and acquittals for projects undertaken were not provided for the National War Memorial and the War Museum project and the construction of perimeter fence and railings respectively.

The Board of survey was not carried out contrary to section 49 (1) of the Finance Instructions 2010.

Department of Immigration

Account balances in the general ledger was not reconciled resulting in unexplained variances from the source documents or records maintained by the department. The board of survey report failed to record the original cost of the boarded of items.

Short term work permit was not provided contrary to the provision of Policies & Management guidelines on Processing and Issuance of Non- Citizen permits, visas & exemptions.

Ministry of Labour, Industrial Relations and Employment

The trust fund account balances in the general ledger was not reconciled resulting in unexplained variances between the source documents or records maintained by the department.

Leave compensations were paid to officers without the approval of the Public Service Commission.

Ministry of Foreign Affairs and International Co-operation

The overseas mission cash at bank balances reflected in the general ledger was not reconciled to the actual cash held in the overseas mission bank accounts. The cash at bank general ledger accounts for embassies in South Korea, Brazil and Abu - Dhabi has not been created. Mission transactions converted to Fiji dollar and recorded in the general ledger was not traceable to source documents. Diplomatic posting to missions were made contrary to the authorised establishment in the diplomatic consular regulations.

The board of survey was not carried out for missions and embassies. Loss reports were not prepared for assets while lost and damaged items recorded in the headquarters board of survey report have not been investigated.

Substantial payments in overtime were made that was retrospectively approved, were paid contrary to general orders and justification was not provided for the non-completion of work during normal working hours. Further, large outstanding account balances existed for trust fund and revolving fund accounts.

Elections Office

There were account balances that were overdrawn and had been outstanding for long.

Various anomalies were noted for the Electronic Voter Registration (EVR) exercise. The master list for the Electronic Voter Registration Clerks was not maintained. Unethical behavior of EVR Clerks causing property damages and thefts were reported. Substantial cash advances were taken for the EVR exercise without retiring the previous advances. Catering expenses incurred during the training of EVR Clerks noted poor management and internal control weaknesses within the payments system.

The motor vehicle accident reports were not submitted to Ministry of Finance and Solicitor General's Office for appropriate action.

Judiciary

The trust fund account balance had a variance between the reconciliation performed by the department and its bank statement balance. The revenue in arrears totalled \$11,341,730.

The cases pending with the courts are accumulating delaying judgement and penalties. Exhibits were not monitored and maintained in accordance with exhibit's maintenance procedure for disposal, retention and distribution of exhibits.

The roof of the government building is leaking and as a result the newly painted walls have been damaged.

Disciplinary procedures for the recovery of damages caused to hired motor vehicle were not followed in accordance with section 12 of the Finance Manual.

Legislature

The operating trust fund for payroll deductions was written off and was recorded as revenue. The board of survey was not carried out contrary to section 49 (1) of the Finance Instructions 2010.

Substantial payments have been made for the renovation of parliamentary complex without much work carried out. The contract has been terminated without any remedy. Numerous procurement and contractual anomalies were evident.

Office of Accountability and Transparency

Grant was provided to the Fiji Human Rights Commission without the grant agreement.

Office of the Director of Public Prosecutions

Exhibits were not monitored and maintained in accordance with exhibit's maintenance procedure. There were exhibits that were not returned despite the conclusion of cases. Some exhibits held dated to year 2002.

Department of Justice

The records and documents for the titles and official receivers office were not backed up for business continuity during recovery from disasters. The company annual returns and status of the bankruptcy and insolvent cases were administered manually through individual files.

There were pending bankruptcy and insolvent cases that dated as far back to 1986. The bankruptcy act has not been revised since 1978.

Prison and Corrections Department

Various accounts balances in the general ledger was not reconciled resulting in unexplained variances with department records and its source documents.

A total of six Trading and Manufacturing Activities (TMA) were carried out without authorised business plans and its quarterly performance reports were not prepared.

Records were not properly kept resulting in missing and misplaced journal vouchers. Further, records relating to the construction of the coffee shop at the Korovou prison compound, contracts for the implementation of the prisons database and motor vehicle records such as running sheets, log books, records relating to accidents was not provided. Various anomalies contrary to the transport rules and regulations in the management of motor vehicle were noted.

Furthermore, the Prisons database remained incomplete as migration of data continued among other various project implementation and testing anomalies. The department's annual corporate plan failed to reflect the completion of the database project as one of the departments' output.

Ministry of Information, National Archives and Library Services

The list of boarded computers replaced with the newly purchased computers was not provided. The fixed asset register was not updated accordingly. Appointment of officers lacked evidence that the positions were advertised, the number of applications that was received for the position, the number of applicants selected and the criteria for the selection, the interview panel and interview scores of the applicants and the staff board decision for the appointment.

The Ministry failed to instigate surcharge on officers responsible for assets that were lost or damaged through motor vehicle accidents. In addition, motor vehicle quarterly returns were not prepared in accordance with that authorized in the transport rules and regulations.

Ministry of Provincial Development and Disaster Management

The journals raised lacked approval and supporting documents. True trust fund account records were not properly kept and reconciled to source documents resulting in unexplained variances.

Reconciliation of projects outstanding was not performed and the project funds were held contrary to section 19 (1) of the Financial Management Act 2004 and Finance Circular 13/2012. Various anomalies were noted in the planning, implementation, monitoring, evaluation and record keeping of capital works related to divisional projects, non-Government schools, provision for rural housing and roads and boarding schools. Also, the statement of acquittals prepared by the divisions for the various projects was not reconciled with the general ledger.

Further, various anomalies were noted in the management of inventories at storehouse in Topyard, Walubay such as damaged and obsolete items, unaccounted materials stacked idly outside the yard, items and materials for the Tropical Cyclone Evan Rehabilitation were stacked inside the store room and some are lying idly outside the yard. In addition, the separation of items purchased by the Ministry

for its community and housing projects and that received through donations was lacking. Stock take of items in the store room and outside the yard has not taken place at the end of the year.

Circumvented financial regulations were noted where cheques were raised but was not released to the suppliers.

Fiji Military Forces

The Force over spent \$2.2 million and had outstanding liabilities totalling \$505,533 at the end of the financial year. There were account balances in the general ledger that were not reconciled, had unexplained balances and some had balances contrary to the nature of the account.

A motor vehicle accident surcharge was not instigated and was awaiting the report from the board of enquiry. Competitive quotations, delivery dockets, assessment of satisfactory services provided and the authorization of payment vouchers was lacking for the goods and services purchased.

The approval of the Ministry of Finance was not provided for operation RFMF Engineers account. In addition, its bank account reconciliation was not performed contrary to section 32 (6) of Finance Instructions 2010, the general ledger account was not created for the operation of the bank account and therefore, was not recorded in the Whole of Government accounts.

Furthermore, the authority for the operation of RFMF farm at the Force Training Group in Nasinu and the sale of farm produce records was not provided. A total of \$135,222 of farm produce was purchased by the Force from the RFMF farm. The approved supplier for whole of Government for farm produce was Fresh'et International.

Conversely, The Royal Fiji Navy Services (RFNS) bought general food items at higher prices from Fresh'et International violating procurement regulation where the purchases of general food items have been contracted to various other suppliers. A total of \$296,114 was paid to Fresh'et International during the year.

Fiji Police Force

The processes for the salary and wages totaling \$69.5 million were not adequately performed. Records such as board of survey reports, payment vouchers, journal vouchers and its supporting documents were kept properly and this was not provided.

Numerous account balances variances between the reconciliations, its source documents and the general ledger remained. Falsified unpresented cheques and its details were recorded in the drawings account reconciliation.

Sixty seven operating trust fund account existed of which some were dormant and overdrawn. The overdrawn balances have increased whilst substantial statutory payments are yet to be paid. Also, substantial advances remained outstanding in the revolving fund account.

There were officers that were recruited in excess of the authorized establishment at lower levels while the higher positions did not adequately have the authorized minimum officers.

Contracts were not entered into with the suppliers for the purchase of equipment and materials. Numerous inactive landlines, mobile and flashnet numbers existed.

Ministry of Finance

Records to substantiate \$4.7 million for the surplus capital transferred to Operating Fund Account and \$15.06 million as TMA accumulated surplus was lacking for the TMA operated by the Government

Printing & Stationery Department and the Fiji Procurement Office in the Trading & Manufacturing Account.

Records to substantiate accounts payable of \$552,955 and account receivable balance of \$3.0 million reflected in TMA Balance Sheet in the Trading & Manufacturing Account was not provided for audit.

There is no acquittal guideline for Ministries/Departments after the release of funds from Head 50 – Miscellaneous Expenditure. As such the actual acquittal for expenditure incurred under Head 50 SEG 10 Item 3 Miscellaneous Aid in Kind of \$2,997,540 and SEG 7 Item 3 General Reserve totalling \$1,518,548 were not maintained.

The consolidated revolving fund account reconciliations for both Ministry of Finance and Government Printing & Stationery Department as at 31/12/12 were not provided for audit.

The absence of reconciling the revenue collected by the Fiji Revenue & Customs Authority with the Ministry's records resulted in double posting of \$3,292,921 revenue in the Ministry of Finance general ledger as per the FRCA revenue report for the year 2012.

TMA cash balance totalling \$1,204,937 million was held in excess of the TMA ceilings appropriated.

A total of \$65,825 is owed by former members of House of Representatives and Senators and there was no segregation of duties at Salaries Section.

Vehicles on lease have incurred excess mileage cost for the year ended 31/12/12 while 1,276 of the Government vehicles currently used by Ministries/Departments are more than 6 years old.

Foreign exchange losses of \$5,204,863.31 were incurred by the Ministry due to fluctuations in exchange rates for overseas loans.

Government Printing and Stationery Department (GPSD)

The Department purchased diary covers from That IT Shop Fiji Ltd totaling \$88,032.50 without tender board approval.

In 2012, the Department sold 9,169 A5 diaries at selling price of \$15.00 each without taking into account the total cost of direct labour, direct material and other overhead cost. The A5 diary covers were sold at a loss.

The Department sold 647 A5 Executive diaries in 2012 which were returned to the Department due to poor quality diary covers.

Fiji Procurement Office (FPO)

Trading & Manufacturing Account (TMA) creditors for FPO showed debit balance of \$552,955 contrary to the nature of the balance that the account should have. TMA debtors for the Office totalled \$2,120,152 whereas the arrears of revenue as at 31/12/2012 showed arrears of \$113,548 only.

Tender process from the advertisement of the tender to the Board approval has gone over period of three months which compromise the fairness and impartiality of the procurement process.

Information Technology and Computing Services (ITC)

There were numerous Officers whose salary were above \$20,295 were granted time-off contrary to General Order 418(b) and the Overtime policy as stated in PSC Circular 52/2011.

Ministry of Strategic Planning, National Development and Statistics

National Planning Office

Officers were going on leave without any supervisor's approval.

Two officers in the National Planning Office have been holding continuous acting posts for more than two years.

The Office was allowing manual salary payments to staffs without the approval from the Permanent Secretary of Finance. These manual payments were neither updated into the automated payroll system nor the fortnightly salary reconciliation.

Acting allowances paid through cheques were made without any deduction of the Pay As You Earn (PAYE) tax contrary to the Income Tax Act

There was inadequate segregation in the handling of cash from receipting, banking and updating records into the general ledger which was solely handled by the former acting assistant accounts officer.

Official revenue receipts were not immediately issued upon receiving the cash refund from Officers when refunding the unutilized accountable advances. In addition, the revenue receipts are issued to the Officers after a considerable number of days from 21 to 173 days which indicates the risks of misappropriation of funds.

The drawings reconciliation for neither the whole year nor a list of un-presented cheques as at 31/12/12 was provided during the audit.

The one third community contributions towards the Integrated Human Resource Development Program (IHRDP) projects were receipted into the Service Worker Credit Union trust account overstating operating trust fund account.

Fiji Bureau of Statistics

The Bureau paid a total of \$23,633.94 out from the personal emoluments vote on separate occasions as overtime payments to various staffs even though overtime payment was not provided for in the Bureau's approved budget for the year 2012 and contradicted part 6.3 of the overtime policy issued by Public Service Commission on 6/9/2011.

Ministry of Industry and Trade

The Ministry did not carry out an extensive performance assessment of the Mindpearl Project during the three year period of the project to determine its viability and success.

Ministry of Public Enterprises, Tourism and Communications

For the Telecommunication Development Trust Fund, a significant variance of \$6,326,426 existed between the cash at bank and the general ledger balance. In addition, the bank reconciliation for 2012 was not carried out. Significant un-explained and un-reconciled variances noted between the financial statements, the general ledger and the reconciliation statements.

FREQMAN spectrum management system format is not compatible with current computer applications, the information generated from the system was unreliable and that there were no data backup and recovery plan.

Government Commercial Companies and Commercial Statutory Authorities have not complied with reporting requirements under the Public Enterprises Act.

Ministry of Works and Transport

Trading and Manufacturing Accounts have continuously been operated at a loss. Accounting records were inadequate to provide sufficient appropriate evidence to substantiate the balances reported in the financial statements.

The effectiveness of the reconciliation process and the reliability of information provided through the reconciliation of accounts were doubtful as there were variances noted between the various reconciliations statements prepared by the Ministry and the balances reflected in the general ledger (FMIS). These also resulted in the qualification of the Ministry's Agency Financial Statement.

Monitoring for compliance of contracts with suppliers of goods and services to the Ministry before payments are effected should be improved. Proper project estimation, accounting and monitoring of capital works need to be carried out.

Adjustments to the general ledger without approval were prevalent which increases the risk of manipulation of accounting records.

Procurement and payment procedures were being circumvented, increasing the risk of fraud and mismanagement of public funds.

Ministry of Agriculture

The Ministry did not maintain adequate accounting records to provide sufficient and appropriate evidence to substantiate Accumulated Surplus of \$2,265,196.82 and Surplus of \$769,283.74 as stated in the Trading and Manufacturing Account (TMA) Balance Sheet.

The Ministry's stock certificates reflected total closing stock of \$1,128,749. However, reliance on this balance was limited as the stock takes were carried out by officers directly involved in maintaining and accounting for the stock without an independent supervision.

Reconciliations of accounts were not carried out properly and correctly resulting in significant variances between the reconciliation statements and the general ledger (FMIS). In addition, balances in the reconciliation statements and the general ledger were not properly supported with relevant documents. The un-explained and un-reconciled variances were not investigated and resolved.

Overall financial performance of the TMA from previous years has been poor. There were ineffective controls on the management of property, plant and equipment.

\$702,329.61 or 85% of arrears of revenue have been outstanding for more than 5 years. The arrears are mainly related to the outstanding repayments from farmers for assistance provided to them under different agricultural programs in previous years.

There was insufficient information available to determine the extent to which the Rural and Outer Island Programme has been successful in meeting its overall objectives. Individual projects were supposed to result in commercial or semi-commercial benefits but there was little or no evidence of this from the projects sited in Rewa and Tailevu. Weaknesses noted in the selection process and performance management process of monitoring, evaluating and reporting on the progress towards achieving the objectives of the individual projects.

Data from various agricultural programs have not been properly captured and consolidated that could be easily analysed and evaluated for improving policies and procedures and to assist in the decision making process on issues relating to the programs.

TMA stores/stock at the Animal Health & Production Division (AH&P) in Vatuwaqa were not properly accounted for and maintained.

New farming machines that cost thousands of dollars to purchase were lying idle as the machines did not operate as intended.

There were inadequate controls over the custody of stock including fuel at the Lakena Station.

Officers that have retired or resigned from the service were continued to be remunerated resulting in substantial overpayments of salaries.

A total of \$226,976 was paid out as leave compensation to 96 officers. Several officers were compensated outstanding leave on their promotion in 2012. However, the compensations were made using new salary rates instead of the salary rates of the positions they were holding before promotion resulting in substantial overpayments of leave compensations

Ministry of Lands and Mineral Resources

The reconciliation process was ineffective as there were variances noted between the various reconciliation statements prepared by the Ministry and the balances reflected in the General Ledger (FMIS) with some reconciling item still being carried forward over the years.

Adjustments to the general ledger (FMIS) without approval and without supporting documentation were prevalent which increases the risk of manipulation of accounting records to conceal misappropriation and fraud.

Rent arrears for Crown Land lease increased by \$8.5 million or by 44% compared to 2011. Instances were also noted where rents were charged on expired leases.

Breaches of the Crown land residential and agricultural lease conditions.

Ministry of Fisheries and Forests

Trading Manufacturing Accounts have continuously operated at a loss. Accounting records were inadequate to provide sufficient appropriate evidence to substantiate the balances reported in the financial statements.

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

Officers that have left the service due to retirement or resignation were continued to be remunerated after the retirement/resignation dates resulting in overpayments of salaries.

A number of reproduction ponds for tilapia fish and freshwater prawns at the Naduruloulou Station are not in operation and have been left idle.

Data from various assistance programs provided to farmers including fishing licences issued have not been properly captured and consolidated.

There was lack of coordination between Divisional officers' of the Ministry of Rural and Maritime Development and the Department of Fisheries on the issuing of fishing permits.

Excessive telecommunication expenditure recorded which resulted from ineffective telecommunication policy and controls.

Proper procurement procedures were not followed and cost overruns were incurred for the Colo-i-Suva Forestry road upgrade and maintenance work.

A significant increase of \$297,471 or 185% was noted in the Ministry's fuel expenditure in 2012 compared to 2011.

There are delays in the completion of the Marine Resource Inventory Survey Project.

Ministry of Sugar

Ineffective controls on the management and accounting of fixed assets (property, plant & equipment).

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

Journal vouchers raised by the Ministry during and at year end were not adequately supported with relevant explanations and documents.

The Ministry failed to carry out monthly salaries and wages reconciliation during the year.

Acquittal reports were not provided by the Sugar Research Institute of Fiji and the South Pacific Fertilizer Limited for grants and subsidies provided to agencies in 2011 and 2012.

Ministry of Education

The Ministry lost \$47,674.56 through embezzlement by the Ministry's staff.

Board of survey was not carried out for a number of sections of the Ministry.

Staffs were overpaid salaries totaling \$255,169.29 as at 31/12/12.

The Ministry vired funds from other allocations to provide an additional \$6,758,350 to the bus fare scheme.

The Ministry did not reconcile bus fare coupons distributed to the schools with the used coupons received from transport providers. A significant variance of 3,622,694 coupons with a total value of \$2,035,541 was noted between the two records.

The Ministry paid a total of \$230,312 to Telecom Fiji for e-ticketing cards which were not received by the Ministry. A contract between the Ministry and Telecom Fiji was not produced for audit. The purchase order and the cheque was signed the Senior Accountant in excess of his authorized limit of \$3,000.

The Ministry diverted \$115,156 from tuition fee grant allocation for Secondary Schools and \$115,156 from Primary schools allocation to pay the Telecom Fiji.

The Ministry paid a total of \$376,742.35 to Foneology as cost of top up for bus fare cards without a valid contract.

The Ministry vired funds totaling \$926,365 from various allocations to Other Setup and Implementation allocation which had zero balance according to FMIS records. A total of \$681,099.85 was utilized for various payments during the year.

The Ministry paid a total of \$20,450 to Davui Printery for printing of TVET Achievement Level Booklets without obtaining competitive quotes.

The Ministry paid a total \$1,086,239.91 to Dynamic Solutions during the year 2012 for purchase of goods and services. A review of a sample of items purchased revealed that the items were of inferior quality as some of the items became unserviceable within one year from the date of acquisition.

The TVET Section of the Ministry purchased 60 computers in 2012 from various suppliers. The total cost of the computers was \$78,591.89 for which tenders were not called.

Tenders were not called for contracts awarded for school improvement works exceeding \$50,000.

The Ministry purchased laptops and desktop computers totaling \$50,009.95 in 2012 from suppliers other than the contracted supplier of Office Products.

One notebook computer lost while in the custody of a Senior Education Officer Mr. John Vincent was neither reported to police nor investigated by the Ministry.

The Ministry purchased computers from various suppliers in 2012 at a total cost of \$86,687.03 without seeking approval from the Information Technology and Computing (ITC).

The Ministry paid a total of \$149,219 to Government Printing and Stationery Department for printing of FSLC and FSFE exam papers for 2012 on 30/01/13 using 2013 budget allocation. The payment was made on the strength of the quotation and not the invoice.

The Ministry approved a total of \$90,480 to 31 schools to purchase furniture, however none of the schools assisted provided acquittals.

The Ministry deliberately incorrectly posted expenditure to various allocations to avoid over expenditures in certain allocations.

Ministry of Social Welfare, Women and Poverty Alleviation

The Ministry had a balance of \$1.6m in the revolving fund account as at 31/12/12 of which \$1.4m was carried forward from past years.

Permanent Secretary of Social Welfare, Women and Poverty Alleviation terminated Mr. Ledua Soqonidobui EDP 92264 from his existing appointment as a Network Administrator/Assistant Programmer on 01/10/12 as he did not meet the minimum qualification requirement. However on 04/10/12 the Minister of Social Welfare, Women and Poverty Alleviation withdrew the termination and re-appointed him to his existing post.

Eight officers were recruited during the year as welfare officer II were paid \$15,336 salary instead of the minimum salary scale at \$12,666. The ministry was not able to provide any reasons for paying salaries above the minimum of the salary scale. As a result the officers were overpaid \$13,766.67.

The ministry issues financial assistance to families in destitute conditions. The following anomalies were noted.

- Several instances were noted where recipients of family assistance had same reference number;
- Several instances of recipients of family assistance did not have any reference number; and

- Several instances of recipients of family assistance allowance were double paid by the Ministry in 2012.

Anomalies in the expanded food voucher program.

- Relevant information about the recipients including date of birth, residential address, district and division were not filled in the application form;
- Inconsistent reference number format;
- Same reference number was allocated to two recipients;
- Applicants eligible for food voucher program must be over 70 years of age. However several recipients were below 70 years of age; and
- Date of birth was wrongly stated in the expanded food voucher recipients' database. The date was beyond 2020.

The Ministry allocated \$1,321,200 each to Ministry of Health and Ministry of Education for expended food voucher for children in rural schools administered by Ministry of Education and food Voucher programme for expectant mothers. The Ministry of Health and Ministry of Education were disbursed only \$43,808 and \$440,376.67 respectively as their the submission of acquittals to Ministry of Social Welfare, Women and Poverty Alleviation were delayed.

Community Program Officer Administration did not reimburse balance of funds from accountable advance issued to her. Instead she prepared fake receipts to increase expenditure to offset the balance. As a result the officer embezzled a total \$14,577.

The Ministry does not have any contract with its executing agencies for the facilitation of food voucher program and family allowance.

Several Non government organizations do not provide supporting documents to authenticate expenses in the acquittals report.

Review of Family assistance and Care and Protection recipient's file revealed that applications did not contain all relevant information including birth certificates, death certificates, medical report, community letter, etc and Ministry did not carry out reviews of eligibility for the recipients of family assistance and care and protection allowance for the last 3 – 6 years.

Ministry of Local Government, Urban Development, Housing and Environment

The Department of Environment's true trust fund account reconciliation had a balance of \$1,489,745 and \$1,454,505 in FMIS general ledger as at 31/12/12 while the balance or the true trust fund account bank statement as at 31/12/12 was \$2,037,269.

The Department did not reconcile the true trust fund account balance with FMIS general ledger balance or the FMIS general ledger with the bank statement during the year. An unreconciled variance of \$582,764 was noted between the department's true trust fund account FMIS general ledger balance and the bank statement balance.

The Ministry gave a capital grant of \$295,800 to Rakiraki Town Council for market extension project however there was no grant agreement between the Ministry and Rakiraki Town Council. The council submitted first set of acquittals 7 months after the date of payment of the third and final grant.

The Ministry used \$6,549.25 of public funds to procure t-shirts and caps for its staff for PSC sports day.

The Housing Assistance and Relief Trust (HART) over spent the recurrent expenses budget by \$45,804.40 or 51%. HART did not provide supporting documents to authenticate expenses stated in the acquittals report.

The Ministry's mobile phone charges was \$36,053.51 against the limit of \$11,760.00 resulting in an over expenditure of \$24,293.71 or 207%.

Former Permanent Secretary Ms. Taina Tagicikibau's mobile phone charges totalled \$13,716.63. Out of this \$1,981.53 or 14% appeared to be private calls to her daughter in Vanuatu which was paid by the Ministry.

Former Permanent Secretary Ms. Taina Tagicikibau attended the United Nations Framework Convention on Climate Change/Conference of Parties in Durban, South Africa from 21/11/11 to 16/12/11. In addition to her per diem the former per Former Permanent Secretary took \$12,600 an accountable advance and provided acquittals for \$11,908.12.

Ministry of Youth and Sports

PSC approved Mr. Semi Bilitaki a Senior Youth Officer's secondment to Fiji Boxing Commission from 01/03/12 to 28/02/13 under his current terms and conditions of service. However the Ministry prepared a separate terms and conditions for service which included subsistence allowance of \$2,000 and a salary increase of \$3,155 in addition to his existing salary of \$26,845.

The Ministry appointed Mr. James Henry Giles Smith as the consultant for Situational Analysis of Youth in Fiji and noted the following anomalies. The qualifications and work experience required for the position was not stated in the vacancy advertisement.

Mr. Smith was employed for a period of one year with effect from 01/08/12 without a proper work permit. A total of \$8,418.33 was paid to Mr. Smith in 2012 which was sourced through diversion of funds from short term's allocation as no fund was provide for consultancy services in the budget.

The Ministry provided grants totaling \$181,698 to 11 national sporting organizations during 2012. None of these sporting organizations submitted quarterly acquittals to the Ministry for the use of grant funds.

The ministry diverted \$12,800 from other allocations to purchase a server from Office Products for \$12,800 since purchase of server was not budgeted for by the Ministry. Ministry did not prepare a service agreement to be signed by Data vision Technologies for the project.

Ministry of Health

The Ministry had arrears of revenue totalling \$451,365 as at 31/12/12. The audit further noted that arrears of revenue totalling \$305,526 or 68% have been outstanding for more than a year. The arrears of revenue comprised of revenues from vessel agents, Bulk Purchase Scheme and the revenues from the divisions.

The Ministry was operating several Main Trust Accounts during 2012. The total balance for these trust accounts as per the bank statements was \$559,522.96 as at 31/12/12. However the Ministry did not include a Statement of Receipts and Payments for the Main Trust account in its agency financial statements for the year ending 31/12/12.

The audit noted that rental charges for 2012 in the TMA accounts was \$4,500 as it included the rent paid for October to December only. The rents for the months January to September 2012 totalling

\$13,500 which was still outstanding was not taken into account in the TMA and not recorded as payables in the TMA balance Sheet as at 31/12/12.

The Ministry's total revised budget for payroll expenses in 2012 was \$74,987,447. The Ministry's actual payroll expenses for the year of \$88,793,174 exceeded the payroll budget allocation by \$13,805,727 or 18% in 2012. The budgeted payroll expense was also exceeded in 2011 by \$14,498,121.48.

The actual expenditure of \$1,266,414 was paid in 2012 for in house service trainings included payment of outstanding fees totaling \$697,000 to Fiji National University (FNU) for Semester 2, 2011. Funds totaling \$868,523 were vired from other expenditure allocations to facilitate the settlement of these outstanding fees.

The actual cost of overseas medical treatment was more than the quotation obtained from the hospital in several instances. In some cases the variance in the price quoted and the actual cost was quite significant but was still paid by the Ministry. According to the Ministry the quotations for the medical treatment were obtained based on reports from referral doctors.

The budget allocation for charter flight was overspent by \$296,999 in 2012 despite an increase in the revised budget by \$150,000 during the year. The actual expenditure above excludes the traveling expenses of patients back to their villages once they are recovered.

Tenders were not called by the Ministry for supply of banners and billboards costing \$352,680.31.

A total of \$635,645.86 worth of medical stock expired as at 31/12/12. Although 58% reduction in expired stocks was noted in 2012 compared to 2011, audit is of a view that the value of expired stock is substantial.

Some of the drugs and consumables purchased in 2012 were to expire within 1 – 9 months' time from date of receiving.

Several drugs and consumables costing \$39,516.49 purchased in 2012 were not used at all. As a result 100% of these drugs and consumables expired.

FPS ordered clinical items costing \$46,452.33 in 2012 which were still not delivered as at the date of audit¹. These items were to be delivered in 2012.

Scrutiny of the Epicor System revealed that several drugs and consumables were out of stock at FPS.

Most of these consumables and drugs were essential and were out of stock due to poor inventory management which includes monitoring stock levels.

Several drugs and consumables were highly overstocked compared to its maximum stock levels. Review of midyear stocktake report revealed numerous variances between quantity of stock recorded in the Epicor System and quantity available in stock. The stock quantity in the Epicor System was overstated compared to quantity in stock

Fiji Procurement Office charges administration costs totalling 2% of all indent payments to FPS but there was no basis to implement such charges. The administration costs paid in 2012 totalled \$545,668.

The FPS paid CHF608,940 or FJ\$1,194,468.42 on 05/09/12 to Storz Medical for supply, installation, and commissioning of Lithotripter Analyzer. The Lithotripter Analyzer was received on 18/01/13

¹ Date of Audit – 19/03/13

however is yet to be installed as at date of audit². It is currently stored in the warehouse at Nabua since received on 18/1/13.

None of the contract agreement reviewed was signed by the supplier and the FPS. Audit noted that 80% of these unsigned contract agreements were reviewed by Solicitor General's Office while the other 20% were yet to be reviewed.

FPS had commenced purchasing goods and services from these suppliers even though none of the contract agreements were signed and some were yet to be reviewed by Solicitor General's Office. Instances were also noted where the FPS made payments to a few of these suppliers.

A new Boiler was installed at the Lautoka Hospital in 2011. The Boiler uses fuel to heat water and create pressurized steam.

Our inspection on 21/01/13 noted that the boiler was not connected to the fuel pipe and was not in use since its installation in 2011. The audit was advised that a 'Fuel Ring' which is used to connect the boiler to the fuel pipe has not been purchased.

The Ministry engaged Evergreen Environmental Limited for supply of rubbish bins on rent without obtaining three competitive quotes. The Ministry did not have any contract agreement signed between the Ministry and the supplier.

Public Utilities

The Department maintained security deposits received from the contractors engaged in the water and sewerage projects totalling \$1,162,884 together with the Department's Operating Trust Fund account number 1-41201-85999-860101.

A variance of \$208,142 was noted in the Department of Energy's main trust account GL balance and the financial statement.

Unpresented cheques increased from \$263,801 in 2011 to \$2,584,659 in 2012.

There was a significant delay in the supply of the Wind Telemetry Systems by the supplier. The equipment was ordered on 23/2/12 and arrived in the country on 4/4/12 which was only 15 days before the contract expiry date.

The audit noted that the project was not completed as at the date of audit due to delay in the supply of the equipment. The Department did not take any action against the supplier for the delays in fulfilling its obligations under the contract agreement.

The Department awarded the tender for supply and installation of 15 x 34m Wind Telemetry Systems to Clay Engineering for \$403,750. At the time of the tender submission Clay Engineering clarified with the Department whether the Department needed 34m or 50m Wind Telemetry Systems. The Department opted for 34m Wind Telemetry Systems and paid 50% of the total contract sum totalling \$282,625 to the supplier in 3 installments on 1/12/12, 23/03/12 and 25/05/12.

On the arrival of the equipment in Fiji the Department realized that the World Bank standards required 50m Wind Telemetry Systems and not 34m equipment's.

The Department requested the supplier to return the 34m Wind Telemetry Systems and to get 50m Wind Telemetry Systems. The Department paid additional \$345,345 for replacing the 34m Wind Telemetry Systems with 50m Wind Telemetry Systems. In addition the Department paid \$83,852 to

² Date of Audit – 21/02/13

Clay Engineering for shipping cost to return the 34m Wind Telemetry Systems to the overseas supplier. The Department obtained approval from the Government Tender Board for additional cost incurred.

Anomalies were noted on the electrical works at Nauouo and Rukuruku Villages in Ovalau.

The project was still in progress as date of audit³ and was behind by 6 months. The MOU did not have any penalty clause for delay in project completion.

As per the contract agreement the Contractor was to complete the installation of 5 biofuel processing units by 30/12/12. However the contractor was not able to meet the deadline and all projects were delayed.

The audit however noted that both buildings were inspected by the Department's Engineers on 17/04/13 where serious structural defects were identified. The Department's Engineers in their inspection report recommended complete demolition and re-construction of both buildings.

The Department met with the Contractor to resolve the issues raised by the Department's Engineer after which the contractor requested 8 weeks to complete the projects. The contractor however failed to respond to the Departments concern.

³ 27/05/12

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VOLUME 1

Volume 1: Audit Report on the Whole of Government Financial Statements and Annual Appropriation Statement - 2012

Part 1: Audit Certificate and the Audited Accounts

Part 2: Report of the Whole of Government Financial Statements and Annual Appropriation Statement - 2012

**PART 1: AUDIT CERTIFICATE AND THE
AUDIT OF ACCOUNTS**



INDEPENDENT AUDIT REPORT

WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND APPROPRIATION STATEMENT OF THE REPUBLIC OF FIJI FOR THE YEAR ENDED 31 DECEMBER 2012

Scope

I have audited the Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of Fiji for the year ended 31 December 2012 in accordance with Part 5 Section 7 of the State Services Decree 6 of 2009, Sections 46 and 47 of the Financial Management Act (2004) and Section 6 of the Audit Act.

The financial statements comprise the following:

- Statement of Assets and Liabilities
- Consolidated Fund – Statement of Receipts and Payments
- Statement of Changes in Equity
- Cash Flow Statement
- Statement of Contingent Liabilities
- Notes to and Forming Part of the Financial Statements

The Ministry of Finance is responsible for the preparation and presentation of the financial statements and the information contained therein.

My responsibility is to express an opinion on these financial statements based on my audit.

My audit was 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. My 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. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are fairly stated in accordance with the accounting policies in Note 2 and Section 46 and 47 of the Financial Management Act 2004, Section 7 of the State Services Decree 6 of 2009 and Section 6 of the Audit Act, so as to present a view which is consistent with my understanding of the financial performance of the Whole of Government Financial Statement and the Annual Appropriation Statement for the year ended 31 December 2012.

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

Qualification

- The absence of bank reconciliations for various bank accounts, bank balances without any cash held, cash at bank balances not recorded, cash at bank with negative balances, material variances between the general ledger and actual cash have a net impact on cash at bank of \$168.3 million. In view of that, I was unable to satisfy myself on the completeness and existence of the cash at bank balances of \$96.6 million as at 31/12/12.
- Investment in the Sinking Fund totaling \$192.2 million (Note 10) is overstated by \$138.5 million. I therefore only express my opinion on the value of \$53.7 million which is supported by independent confirmations.
- Share certificates were not produced for investments totaling \$42.5 million. I therefore only express my opinion on the value of \$383.7 million of the government shareholding balances disclosed in the statement of assets and liabilities worth \$426.2 million (Note 8).

- Balances disclosed as accounts receivable totaling \$21.3 million (Note 3) and Term Loan Receivable of \$67.8 million (Note 7) could not be substantiated as supporting schedules for accounts receivables were not provided; errors and omission, receivables with negative balances and the absence of reconciliations to substantiate term loans receivable balances were lacking. Therefore, I was not able to verify the accuracy, completeness and existence of these balances as valid debts to government.
- Prepayments and accrued income balance of \$13.7 million (Note 4), accounts payable balance of \$17.3 million (Note 14) and accrued expenses and deferred income with a debit balance of \$1.3 million (Note 15) were not supported; hence I was not able to confirm the rights and obligation, completeness, existence and value of these balances.
- Trust accounts with Ministries/Departments were overdrawn by \$7.3 million contrary to Finance Circulars 4 of 30/3/98.
- The correctness, completeness and existence of the equity opening balance amounting to \$2,815,628,265 (Schedule 3) could not be substantiated as no supporting documentation was provided. Therefore, I was not able to verify the correctness and the completeness on the maintenance of those records to show that the equity balance was fairly stated.
- A variance of \$10 million exists between Ministry of Finance general ledger balances and the FRCA revenue collection report for the year 2012.

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

- the accounts have been faithfully and properly kept;
- transaction with or concerning public money or public property of the State have been authorized by or pursuant to the Services Decrees or any other written law, and
- expenditure has been applied for the purpose for which it was authorized.

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

- The correctness of operating revenue receipted through the Accounts Receivable Module of the Financial Management Information System, totaling \$10.7 million, reflected in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the Whole of Government Financial Statement was not correctly accounted in accordance with cash basis of accounting as stated in Note 1 to the Financial Statements.
- Inventory totaling \$7.2 million (Note 5) is misstated by \$978,349. In addition, closing stock of finished goods of \$1,128,750 could not be verified.
- Government has recognized trusted assets worth \$781,571 (Note 6) in the statement of assets and liabilities. This balance was not supported by individual asset records.



Tevita Bolanavanua
AUDITOR GENERAL

Suva, Republic of Fiji
17 September 2013



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GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF ASSETS & LIABILITIES
AS AT 31 DECEMBER 2012

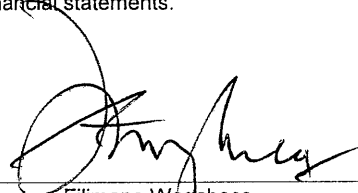
Schedule 1

	Notes	31 December 2012 (\$)	31 December 2011 (\$)
ASSETS			
Cash at Bank	2	96,597,006	80,632,359
Accounts Receivable	3	21,252,166	22,331,900
Prepayments and Accrued Income	4	13,687,618	11,911,283
Inventory	5	7,205,274	6,989,761
Trusted Assets	6	781,571	875,150
Term-Loans Receivable	7	67,813,754	70,377,339
Investments	8	426,197,668	438,907,204
Investments in sinking fund	10	192,170,315	169,393,217
TOTAL ASSETS		825,705,372	801,418,213
LIABILITIES			
Term-loans Payable	11	3,678,821,497	3,550,450,007
Accounts Payable	14	17,321,156	7,428,278
Accrued Expenses and Deferred Income	15	(1,284,516)	(1,951,130)
Trust fund account	16	73,764,291	61,119,323
TOTAL LIABILITIES		3,768,622,428	3,617,046,478
NET ASSETS		(2,942,917,056)	(2,815,628,265)
NET LIABILITIES/EQUITY	Schedule 3	(2,942,917,056)	(2,815,628,265)

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

Ministry of Finance
Suva, Fiji

..... September, 2013


Filimone Waqabaca
Permanent Secretary for Finance

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF RECEIPTS & PAYMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Schedule 2

	Notes	31 December 2012 (\$)	31 December 2011 (\$)	Original budget 2012 (\$)	Revised budget 2012 (\$)
RECEIPTS					
Operating Revenue	17	1,878,989,123	1,799,080,179	1,906,987,800	1,879,631,600
Investing Revenue	18	86,043,083	29,699,034	35,819,200	63,175,800
Loans Drawn	12	192,190,835	650,513,643	338,436,800	338,436,800
TOTAL RECEIPTS		<u>2,157,223,041</u>	<u>2,479,292,856</u>	<u>2,281,243,800</u>	<u>2,281,244,200</u>
PAYMENTS					
Operating Expenditure	22	1,199,876,195	1,121,529,971	1,194,183,543	1,190,883,465
Capital Expenditure	23	533,838,990	494,534,923	554,431,162	558,954,257
Value Added Tax	24	50,043,665	43,978,964	61,058,126	59,835,108
Interest Payments on Loans	25	260,860,919	267,218,638	263,100,400	263,100,400
Repayments of Loans	13	249,483,884	503,003,259	203,314,500	208,464,500
TOTAL PAYMENTS		<u>2,294,103,653</u>	<u>2,430,265,755</u>	<u>2,276,087,731</u>	<u>2,281,237,730</u>
Surplus (Deficit) for the year		<u>(136,880,612)</u>	<u>49,027,101</u>	<u>5,156,069</u>	<u>6,470</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF CHANGES IN NET LIABILITIES/EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

Schedule 3

Notes	31 December 2012 (\$)
	2,815,628,265
	136,880,612
	192,102,000
	91,587
	(233,268,000)
	(19,274,087)
	1,032,228
	32,609,349
	(277,200)
9	12,709,536
	4,664,994
	17,772
	<u>2,942,917,056</u>

Opening Balance, 1st January
Surplus (deficit)
Domestic loans raised
Overseas loans raised
Redemption of domestic loans
Redemption of overseas loans
Capitalized interest
Prior year adjustments of loans
Write-off of loans receivable
Revaluation of shares
TMA (Trading and Manufacturing Accounts)
Other sundry
Net liabilities/equity as at 31 December

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

All amounts in the financial statement are expressed in Fiji dollars (FJD) and have been rounded off to the nearest dollar.

b) **Consolidated Fund Account**

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

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

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

Public money can only be withdrawn from the Consolidated Fund in accordance with an appropriation from Cabinet. When passing the annual Budget, Cabinet approves the Heads of Appropriation by enacting the annual Appropriation 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.

This report includes a Statement of Assets and Liabilities; Statement of Receipts and Payments; Statement of Changes in Net Liabilities/Equity and a Cash Flow Statement.

c) **Scope**

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

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont)
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

	31 December 2012 \$	31 December 2011 \$
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 unrepresented cheques for ministries/departments in the Cash at bank represent the 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		
Overseas Agencies	88,196,257	25,349,728
Domestic Account	106,660,817	89,553,394
Trading and Manufacturing Account	9,100,209	16,841,546
Less: Unrepresented Cheques	(107,360,277)	(51,112,309)
Net Cash	96,597,006	80,632,359
Overseas Agencies:		
Bank in Australia	79,739	92,473
Bank in London	(1,847,615)	(554,342)
Bank in Japan	238,405	77,705
Bank in New Zealand	904,309	840,032
Bank in Brussels	684,885	268,487
Bank in Sinal Unifil	21,956	21,956
Bank in Asia	2,229,359	1,440,839
Bank in America:		
<i>Fiji High Commission UN</i>	270,689	214,331
<i>Washington</i>	378,770	442,233
<i>JP Morgan</i>	85,208,767	22,479,021
<i>JP Morgan Interest Account</i>	26,993	26,993
<i>Cash at Overseas Agencies</i>	88,196,257	25,349,728

3 ACCOUNTS RECEIVABLE

Accounts receivable by the government from third parties as at year end were as follows:

Accounts receivable Trade	5,385,193	4,270,519
Accounts receivable Non-Trade	13,807,821	15,644,105
Accounts receivable Employee Advances	152,316	416,129
Trade & Sundry Debtors	(411,688)	(412,698)
Accounts receivable from government departments	1,639,124	1,544,775
Miscellaneous Receivable	679,400	869,070
	21,252,166	22,331,900

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont)
FORTHE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
4 PREPAYMENTS AND ACCRUED INCOME		
Prepayments and Accrued Income as at year end were as follows:		
Prepayments	2,008,944	1,768,969
Accrued Income	319,979	308,093
Advances, Dishonored Cheque Account	11,909,747	11,680,182
Clearing Accounts Term Loans Payable Overseas Loan	(551,052)	603,814
Clearing Accounts Term Loans Payable Domestic Loan	---	(2,449,775)
	<u>13,687,618</u>	<u>11,911,283</u>
5 INVENTORY		
Inventory as at year end was as follows:		
Raw Materials	2,039,995	1,811,196
Work-in-Progress	1,126	25,352
Finished Goods for Sales	5,164,153	5,153,213
	<u>7,205,274</u>	<u>6,989,761</u>
6 TRUSTED ASSETS		
Trusted assets as at year end was as follows:		
Loan from Ministry of Finance to Ministry of Agriculture (2006)	875,150	875,150
Carry - over Budget allocation (Foreign Affairs)	(93,579)	---
	<u>781,571</u>	<u>875,150</u>
7 TERM-LOANS RECEIVABLE		
Loans provided by the government to third parties as at year end were as follows:		
Term-Loans Receivable		
Term-Loans Receivable for Social Services	421,844	3,062,816
Term-Loans Receivable for Economic Services	67,391,910	68,224,995
Term-Loans Receivable for Infrastructure Services	---	(910,472)
Total Term-Loans Receivable	<u>67,813,754</u>	<u>70,377,339</u>
Term-Loans Receivable for Social Services		
Public Officers & Ministers	152,869	179,432
Fijian Affairs Board	7,518,924	7,518,924
PSC (Public Service Commission) Tertiary Education	(1,941,555)	(1,235,678)
PSC (Public Service Commission) Private Students	(3,756,326)	(3,752,885)
Students Scheme	(1,552,068)	295,367
Loan to Fiji Sports Council	---	57,656
	<u>421,844</u>	<u>3,062,816</u>
Term-Loans Receivable for Economic Services		
Native Land Trust Board	820,000	1,395,617
Copra Industry For Stabilisation Fund	10,262,280	10,519,600
Fiji Pine Commissions	12,000,000	12,000,000
Timber Exporters	795,034	795,034
Fiji Sugar Corporation Ltd	35,500,000	35,500,000
Viti Corporation Ltd	3,189,667	3,189,667
National Trading Corporation	2,900,000	2,900,000
Agriculture Crop Production	16,287	16,287
Consumer Co-Operative	8,642	8,790
Rewa Rice Ltd	1,900,000	1,900,000
	<u>67,391,910</u>	<u>68,224,995</u>
Term-Loans Receivable for Infrastructure Services		
Post & Telecommunications	---	(910,472)
	---	(910,472)

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont)
FOR THE YEAR ENDED 31 DECEMBER 2012

8 INVESTMENTS

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

Investments as at year end were as follows:

Investments

	31 December 2012 (\$)	31 December 2011 (\$)
Investments in Social Services	7,274,885	7,240,160
Investments in Economic Services	209,272,280	209,875,679
Investments in Infrastructure	209,650,503	221,791,365
Total Investments	426,197,668	438,907,204

Investments in Social Services

Post Fiji Ltd	5,600,000	5,600,000
Unit Trust of Fiji (Trustee) Ltd	674,663	639,938
Unit Trust of Fiji (Mngt) Ltd	50,000	50,000
Daily Post	950,220	950,220
Fiji Broadcasting Corporation Limited	2	2
	7,274,885	7,240,160

Investments in Economic Services

Air Pacific Ltd	13,307,075	13,307,075
Fiji Hardwood Corporation	89,999,993	89,999,993
Pacific Fishing Company Ltd	14,728,956	14,728,956
Air Fiji Ltd	171,804	171,804
Equity Investment Mngt Co Ltd	---	51
Fiji Pine Ltd	61,002,064	61,002,064
Fiji Sugar Corporation Ltd	15,119,580	15,119,580
National Trading Corp. Ltd	3,358,186	3,358,186
Rewa Co-Operative Dairy Co	---	27,218
Rewa Rice Ltd	1,506,224	1,506,224
Viti Corps Company Ltd	6,000,000	6,000,000
Yaqara Pastoral Company Ltd	1,191,846	1,191,846
Fiji Sugar Marketing Company	---	2
International Hotels of Fiji	---	2,000,000
Food Processors Fiji Ltd	687,680	687,680
Fiji Shipping Corporation Ltd	---	10,000
Air Terminal Services	765,000	765,000
International Finance Corporation	232,305	---
International Bank for Reconstruction and Development	1,110,000	---
Yaqara Group Ltd	91,567	---
	209,272,280	209,875,679

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont)
FORTHE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
Investments in Infrastructure Services		
Airports (Fiji) Ltd	92,300,180	92,300,180
Amalgamated Telecom Holding Ltd	36,483,052	36,483,052
Fiji International Telecom	3,570,090	3,570,090
Fiji Ships & Heavy Industries	---	7,662,228
Fiji Television Ltd	---	1,442,000
Pacific Forum Line Ltd	4,142,329	4,094,663
Ports Terminal Ltd	---	3,084,300
Fiji Ports Corporation Ltd	<u>73,154,852</u>	<u>73,154,852</u>
	209,650,503	221,791,365

Valuation of investments is at market value if available.
If market value is not available, investments are recorded at cost.
Valuations in foreign currencies are adjusted using the closing rate at year end.

9 **CAPITAL GAIN/LOSS**

The capital gain/loss results from revaluation of shares, from removal of inoperative entities and adding new investments.

To update value of shares	2012
Unit Trust of Fiji (Trustee) Ltd (stock exchange revaluation)	(34,725)
Pacific Forum Line Ltd (foreign-exchange rate change)	(47,666)
To remove inoperative entities	
Fiji Ships & Heavy Industries	7,662,228
Fiji Television Ltd	1,442,000
Ports Terminal Ltd	3,084,300
Equity Investment Mngt Co Ltd	51
Rewa Co-Operative Dairy Co	27,218
Fiji Sugar Marketing Company	2
International Hotels of Fiji	2,000,000
Fiji Shipping Corporation Ltd	10,000
To add new investments	
International Finance Corporation	(232,305)
International Bank for Reconstruction and Development	(1,110,000)
Yaqara Group Ltd	<u>(91,567)</u>
	<u>12,709,536</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
12 LOANS DRAWN		
Forty six new loans were raised locally during the year in the form of Fiji Infrastructure Bonds (FIB) and Viti Bonds, while ten overseas loans were drawn from loans that had been approved in previous years but were yet to be fully drawn. The loans respective repayment periods ranges from 2012 to 2040.		
<i>Overseas Loans Drawn</i>		
ADB Loan No.2541 Emergency Flood Relief	91,587	4,721,873
ADB Loan No.2514 3RD Road Upgrading Supplementary	---	11,258,429
Exim Bank of China Fiji Low Cost Housing	---	5,474,537
Exim Bank of China Fiji Public Rental Housing	---	1,144,576
BR-2011 EXIM China RDS Sigatoka/Serea	---	26,018,963
BR-2011 EXIM China RDS Buca/Moto	---	24,654,993
Suva Nausori Water Supply 2055-FJ	---	21,098,810
BR 2011 International Bond Issuance	---	452,305,199
EXIM Bank Malaysia - Queens Highway Rehabilitation	---	22,365,739
Total Overseas Loans Drawn	91,587	569,043,119
<i>Domestic Loans Drawn</i>	192,099,248	81,470,524
Total loans drawn	192,190,835	650,513,643

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:

ADB Loan No.2514 3RD Road Upgrading Supplementary	11,686,863
ADB Loan No.2541 Emergency Flood Relief	7,854,112
ADB Suva/Nausori Water Supply Supplementary	10,387,349
Exim Bank of China Fiji Low Cost Housing	9,670,439
Exim Bank of China Fiji Public Rental Housing	2,690,170
EXIM Bank Malaysia - Queens Highway Rehabilitation	14,652,547
ADB Suva Nausori Water Supply 2055-FJ	2,417,497
BR-2011 EXIM China RDS Buca/Moto	27,330,867
BR-2011 EXIM China RDS Sigatoka/Serea	14,179,214
Exim Bank of China Nabouwalu/Dreketi	36,591,887
Total Overseas Borrowings	137,460,945

13 REPAYMENTS OF LOANS

<i>Principal Repayments:</i>		
Overseas Loans	16,215,884	289,623,259
Domestic Loans	233,268,000	213,380,000
Total Principal Repayments	249,483,884	503,003,259
<i>Principal Repayments Overseas Loans:</i>		
Overseas loans	3,821,214	12,749,171
Overseas loans open market	12,394,670	276,874,088
Principal repayments overseas loans	16,215,884	289,623,259

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
14 ACCOUNTS PAYABLE		
Accounts payable as at year end were as follows:		
Accounts Payable Trade	17,429,329	6,852,630
Accounts Payable Non-Trade	(1,505)	140,422
Accounts Payable Employee Expenses	---	(36,278)
Trade & Sundry Creditors	(525,893)	(531,528)
Tax Payable	225,407	833,562
Miscellaneous Accounts Payable	<u>193,818</u>	<u>169,470</u>
	17,321,156	7,428,278

15 ACCRUED EXPENSES AND DEFERRED INCOME

Accrued Expenses and Deferred Income as at year end were as follows:

Accrued Expenses	(146,009)	(153,454)
Deferred Income	<u>(1,138,507)</u>	<u>(1,797,676)</u>
	(1,284,516)	(1,951,130)

16 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:

Deposits, Deductions and Retention Money	19,255,218	22,131,280
Consolidated Trust Fund	<u>54,509,073</u>	<u>38,988,043</u>
Total Trust Fund Account	<u>73,764,291</u>	<u>61,119,323</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

31 December	31 December
2012	2011
\$	\$

17 OPERATING REVENUE

Operating Revenue consists of Direct Taxes, Indirect Taxes, Fees Fines & Charges, Grant Aid, Interest & Dividends and Other Receipts.

Direct Taxes	492,714,104	478,807,318
Indirect Taxes	1,229,433,474	1,033,571,079
Fees, Charges, Fines and Penalties	87,195,729	178,802,330
Trading and Manufacturing Accounts - Sales Revenue	24,222,180	24,202,117
Other Revenues and Surpluses	22,282,985	59,350,723
Reimbursements and Recoveries	9,976,409	17,571,841
Grants in Aid	13,164,242	6,774,771
Total Operating Revenue	1,878,989,123	1,799,080,179

18 INVESTING REVENUE

Repayment of Term-Loans Receivable	20,882	60
Sales of Government Assets	25,053,815	200,916
Dividend from Investments	10,524,101	10,631,806
Interest from Bank Balances	47,811,625	18,867,135
Return of Surplus Capital from Investments	2,632,660	---
Exchange rate gain JP Morgan	---	---
Balance surplus & deficit-current year	---	---
Sinking Fund Revenue	---	(883)
Total Investing Revenue	86,043,083	29,699,034

19 WAYS AND MEANS

The Ways and Means is a short term advance facility provided by the Reserve Bank of Fiji for Government where advances are given to Government for a day to meet cash deficits. The Ways and Means are replenished the day after the advances were made.

Ways and Means Receipts	<u>24,900,000</u>	<u>21,500,000</u>
Ways and Means Repayments	<u>24,900,000</u>	<u>21,500,000</u>

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

31 December 2012	31 December 2011
\$	\$

20 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	---	245
Consumer Co-operative Societies	148	102,066
Copra Industry for Stabilisation of Earnings	257,321	601,119
Tertiary Education	705,877	1,077,400
Private Students	3,442	7,670
Advances to Ministers and Members of Parliament	26,563	4,950
Students Loan Scheme	1,847,435	883,732
i-Taukei Trust Board	575,617	---
Fiji Sports Council	57,656	---
Telecom Loan 5 DIGS	---	817,671
Interest	20,881	60
Total Receipts from Debtors	3,494,940	3,494,913

21 REVOLVING FUND ACCOUNT

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 2012 was \$11,392,000.

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) *Revolving Fund Account Receipts:*

Revolving Fund Account - Imprest:	72,464	118,233
Revolving Fund Account -Other Administration:	238,787	5,613
Revolving Fund Account - Miscellaneous:	794,096,916	1,048,379,856
Revolving Fund Account - Inter Departmental Clearance	2,047,608,402	1,944,908,013
Revolving Fund Account - Trading Manufacturing Account:		
Fiji Islands Maritime Safety Administration	44,292	59,926
Fiji Military Forces	1,689,511	755,671
Government Printing & Stationery Department	2,211,929	1,278,841
Fiji Procurement Office	1,233,585	999,614
Ministry of Agriculture & Land Resettlement	1,406,042	1,028,127
Ministry of Fisheries and Forests	89,408	90,295
Ministry of Health	396,620	591,886
Prison Farm	949,330	631,881
Public Service Commission	3,563,652	3,185,362
Ministry of Trade & Commerce	-	3,082
Public Works and Infrastructure	16,301,968	18,888,137
Total	2,869,902,906	3,020,924,537

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
b) <i>Revolving Fund Payments:</i>		
Revolving Fund Account - Imprest:	71,990	118,233
Revolving Fund Account - Other Administration:	49,117	45,570
Revolving Fund Account - Miscellaneous:	784,268,008	1,010,516,693
Revolving Fund Account - Inter Departmental Clearance	2,047,632,128	1,944,931,739
Revolving Fund Account - Trading Manufacturing Account:		
Fiji Islands Maritime Safety Administration	36	32
Fiji Military Forces	1,295,473	778,553
Government Printing & Stationery Department	1,454,557	1,313,948
Fiji Procurement Office	396,491	292,100
Ministry of Agriculture & Land Resettlement	1,434,608	1,981,319
Ministry of Fisheries and Forests	182,975	241,063
Ministry of Health	459,554	361,349
Prison Farm	918,698	661,007
Public Service Commission	3,532,498	1,497,967
Ministry of Trade & Commerce	-	46,307
Public Works and Infrastructure	16,707,016	21,040,928
	<u>2,858,403,149</u>	<u>2,983,826,808</u>
Revolving Fund Account Net (Payments)/Receipts	11,499,757	37,097,729
22 OPERATING EXPENDITURE		
Operating expenditure includes the following:		
Established Staff	554,739,632	523,150,312
Unestablished Staff	46,478,108	46,112,566
Travel and Communications	22,358,274	20,544,449
Maintenance and Operations	77,392,481	72,408,570
Purchase of Goods and Services	74,163,070	67,059,865
Operating Grants and Transfers	313,849,427	292,301,884
Special Expenditure	46,635,976	39,064,782
Pensions, Gratuities and Compassionate Allowances	36,371,123	33,374,303
Trading and Manufacturing Accounts - Expenditure	27,888,104	27,483,408
Total Operating Expenditure	<u>1,199,876,195</u>	<u>1,121,500,139</u>
23 CAPITAL EXPENDITURE		
Capital Expenditure includes the following:		
Capital Construction	202,948,106	181,887,913
Capital Purchases	22,500,630	20,512,530
Capital Grants and Transfers	308,390,254	292,134,480
Total Capital Expenditure	<u>533,838,990</u>	<u>494,534,923</u>
24 VALUE ADDED TAX EXPENDITURE	<u>50,043,665</u>	<u>43,978,964</u>

These are the VAT payments made by Ministries/Departments to FRCA (Fiji Revenue & Customs Authority) during the year.

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
25 INTEREST PAYMENTS ON LOANS		
Charges on Account of Public Debt is provided for in the Budget Estimates for the payment of interest on domestic and overseas loans and principal repayments on these loans.		
<i>Interest Payments:</i>		
Overseas Loans	49,322,771	44,595,110
Domestic Loans	210,534,849	213,248,464
Treasury Bills	850,851	2,081,244
<i>Total Interest Paid</i>	<u>260,708,471</u>	<u>259,924,818</u>
Other charges on Public Debt - Miscellaneous Payments	152,448	7,293,820
<i>Total Interest Paid and Miscellaneous Payments</i>	<u>260,860,919</u>	<u>267,218,638</u>
<i>Interest on overseas loans:</i>		
1979 Airstrips Loan 2019 @ 1%	---	5,715
1990 Rural Elect Prog @ 1%	---	44,349
1994 Exim Boj Frup li Loan	25,752	59,551
1998 Invst & Export Development Loan	---	35,182
1998 Japan Oecf Nad/Ltk Reg Wt	758,990	817,990
INT-EXIM BNK CHN-LOW COST HSNB	679,587	506,241
INT-EXIM BNK CHN-PUB RENT Housing	251,309	199,268
INT-2010 EXIM MALASIA RDS Project	600,981	105,139
INT-2011 EXIM CHINA Roads Sigatoka	1,064,313	412,209
INT- 2011 EXIM CHINA BUCAMOTO	1,141,139	437,706
1989 ADB Rd Maint Sect Project Loan	37,526	86,105
1993 ADB Frup li Ln 1164 Fj	222,251	255,789
ADB Frup 3 Loan #:1530	676,640	911,331
Int- Fiji Govt Global Borrowin	---	18,591,652
Int- China Eximbank-E-Government Project	3,935,021	2,400,423
Int-2011 International Bond IS	39,929,262	19,726,460
<i>Interest on overseas loans</i>	<u>49,322,771</u>	<u>44,595,110</u>

26 ARREARS OF REVENUE

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

The Arrears of Revenue position of Government as at 31/12/12 are as follows:

Agriculture	824,986	3,979,609
Auditor-General	232,734	274,404
Communications	---	1,299,929
Education, Youth and Sports	8,119	16,144
Elections Office	---	21,091
Fiji Islands Maritime Safety Administration	123,645	---
Fiji Islands Revenue & Customs Authority - Customs	3,292,502	8,331,984
Fiji Islands Revenue & Customs Authority - IRD	107,887,503	136,069,034
Fiji Procurement Office	113,548	113,548
Finance (Surcharge)	702,527	769,822
Finance (Pensions Office)	15,589	2,651
Fisheries & Forests	17,308	11,078
Government Printing and Stationery Department	641,013	113,192
Health	451,365	427,160
Immigration	---	17,994

GOVERNMENT OF THE REPUBLIC OF FIJI
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 \$	31 December 2011 \$
Arrears of Revenue (cont)		
Information Technology & Computing Services	1,862	1,014
Judicial	11,341,730	11,397,061
Labour and Industrial Relation	37,907	49,924
Lands	22,729,013	19,561,844
Overseas Peacekeeping Missions	6,133,366	---
Police	2,708	1,993
Prisons	---	379
Provincial Development & Multi Ethnic Affairs	495,059	499,358
Solicitor General's Office	---	---
Water Authority of Fiji	38,127,154	---
Total Arrears of Revenue	193,179,638	182,962,951

GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF CONTINGENT LIABILITIES OF GOVERNMENT
AS AT 31 DECEMBER 2012

Schedule 5

Name	Liability	Authority	Total Government Guarantee as at 31/12/2012 \$	Liability as at 31/12/2012 \$
SECTION A -				
Fiji Development Bank	Guarantee of Loans Raised	Approval of House of Representatives 22/02/02;20/02/03;30/11/2004;28/11/05;28/11/06; IGCP15/1/08;IGCP02/12/08; CP(10)13 19/01/10	249,994,029	249,994,029
Fiji Electricity Authority	Guarantee of Loans Raised	Approval of House of Representatives Decree 1991 ; IGCP6/02/2001;16/10/03;18/8/05;IGCP26/2/08,28/07/08; CP (10) 291 12/10/10	411,000,000	323,502,989
Fiji Hardwood Corporation	Guarantee of Loan Raised	Approved of the House of Representatives 16/10/03; 9/8/06;16/01/09	15,969,221	15,969,221
Fiji National Provident Fund	Guarantee of Contributors	Act No. 19 of 1966 Section 9 ; CP (09) 325 18/12/09	1,247,556,595	1,247,556,595
Fiji Pine Limited	Guarantee of Loans Raised	Approval of House of Representatives dated 6/12/94;17/8/05	17,057,000	17,057,000
Fiji Sugar Corporation	Guarantee of Loans Raised	Approval of House of Representatives ;01/04/2004 ;20/09/04;17/02/2005;10/8/06;IGCP20/05/08; ;05/05/09; CP (10) 74 18/3/10	120,000,000	117,883,274
Housing Authority	Guarantee of Loans Raised	Approval of House of Representatives 24/10/02;2708/03;29/11/05;21/10/08	130,998,000	105,548,292
Fiji Sports Council	Guarantee of Loans Raised	Approval of House of Representatives 19/05/06	18,200,000	15,926,725
Fiji Ports Corporation Limited	Guarantee of Loans Raised	Approval of House of Representatives 17/9/79; Decree No. 22 dated 4/8/89; Decree No. 41 dated 14/10/91; 23/05/02	50,490,018	31,538,026
Fiji Broadcasting Corporation	Guarantee of Loans Raised	Approval of Cabinet; 14/7/2009.	17,846,315	17,846,315
National Bank of Fiji	Guarantee of Depositors	Act No. 14 of 1996	2,540,459	2,540,459
Pacific Fishing Company Limited	Guarantee of Standby Credit Facility	Approval of House of Representatives 02/01/97; 31/08/00	4,100,000	1,447,080
Public Rental Board	Guarantee of Loans Raised	Decree No. 8 dated 20/3/90 Decree No 9 dated 20/3/90; House of Representatives 2/12/2002	-	-
Section A Total			2,285,751,637	2,146,810,005.00
SECTION B-				
International Agencies-Asian Development Bank	Subscription for Membership	Resolutions of Legislative Council 24/3/70; Act No. 34 of 1974	-	-
International Bank for Reconstruction and Development	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971	7,937,026	7,937,026
International Development Association	Subscription for Membership	Approval of House of Representatives 30/3/71; Act No. 21 of 1971	507,091	507,091
Section B Total			8,444,117	8,444,117
SUMMARY-				
Section A			2,285,751,637	2,146,810,005
Section B			8,444,117	8,444,117
Total			2,294,195,754	2,155,254,122

GOVERNMENT OF THE REPUBLIC OF FIJI
BUDGET RESULT
FOR THE YEAR ENDED 31 DECEMBER 2012

Schedule 6

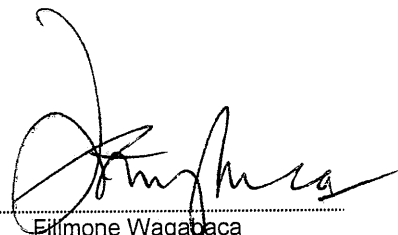
	Estimate 2012 \$	Actual 2012 \$	Increase / (Decrease) \$
REVENUE			
Operating Revenue	1,879,631,600	1,878,989,123	(642,477)
Investing Revenue	63,175,800	86,043,083	22,867,283
Public Debt - New Borrowings	338,436,800	192,190,835	(146,245,965)
TOTAL REVENUE	<u>2,281,244,200</u>	<u>2,157,223,041</u>	<u>(124,021,159)</u>
EXPENDITURE			
Operating Expenditure	1,190,883,465	1,199,876,195	8,992,730
Capital Expenditure	558,954,257	533,838,990	(25,115,267)
Value Added Tax	59,835,108	50,043,665	(9,791,443)
Interest on Payment of Loans	263,100,400	260,860,919	2,239,481
Public Debt Repayments	208,464,500	249,483,884	41,019,384
TOTAL EXPENDITURE	<u>2,281,237,730</u>	<u>2,294,103,653</u>	<u>17,344,885</u>
BUDGET RESULT	<u>6,470</u>	<u>(136,880,612)</u>	<u>(141,366,044)</u>

Note:

- Operating Revenues includes TMA revenue.
- Operating Expenditure includes Standard Expenditure Group (SEG) 1 - 7 & 11 and TMA expenditures.
- Capital Expenditure includes SEGs 8 - 10.

Ministry of Finance
Suva, Fiji

..... September, 2013


Filimone Waqabaca
Permanent Secretary for Finance

GOVERNMENT OF THE REPUBLIC OF FIJI
SUMMARY OF REVENUE
FOR THE YEAR ENDED 31 DECEMBER 2012

Schedule 7

Head of Revenue	Estimate	Actual Revenue 2012	Increase	Decrease
	\$	\$	\$	\$
OPERATING REVENUE				
21 Direct Taxes.....	477,427,400	492,714,104	15,286,704	---
22 Indirect Taxes.....	1,251,770,200	1,229,433,474	---	22,336,726
23 Fees, Fines & Charges.....	87,494,700	87,195,729	---	298,971
24 Operating Revenue - TMA.....	---	24,222,180	24,222,180	---
27 Other Receipts.....	31,925,900	22,282,985	---	9,642,915
28 Reimbursements & Recoveries.....	13,047,700	9,976,410	---	3,071,290
29 Grant Aid.....	17,965,700	13,164,243	---	4,801,458
Operating Revenue Total.....	1,879,631,600	1,878,989,123	39,508,883	40,151,360
INVESTING REVENUE				
31 Repayments of Term Loans Receivable.....	500,000	20,882	---	479,118
32 Sales of Government Assets.....	34,900,000	25,053,815	---	9,846,185
33 Dividends from Investments.....	27,356,600	10,524,101	---	16,832,499
34 Interest from Bank Balances.....	419,200	47,811,625	47,392,425	---
35 Return of Surplus Capital from Investment.....	---	2,632,661	2,632,661	---
	63,175,800	86,043,083	50,025,086	27,157,802
BORROWING PROCEEDS				
15. Overseas Loans.....	142,500,000	91,587	---	142,408,413
16. Domestic Loans.....	195,936,800	192,099,248	---	3,837,552
Loans Revenue Total.....	338,436,800	192,190,835	---	146,245,965
Investing/Loans Revenue Total.....	401,612,600	278,233,918	50,025,086	173,403,767
Grand Total.....	2,281,244,200	2,157,223,041	89,533,969	213,555,128

Heads and Subheads of Revenue	Estimate	Actual Revenue 2012	Increase	Decrease
	\$	\$	\$	\$
OPERATING REVENUE				
21 - DIRECT TAXES				
1. Income Tax				
01. Income Tax.....	411,405,900	477,114,927.14	65,709,027.14	---
02. Capital Gains Tax.....	5,052,400	15,599,176.55	10,546,776.55	---
03. Withholding & Dividend Taxes.....	60,969,100	---	---	60,969,100.00
Total.....	477,427,400	492,714,103.69	76,255,803.69	60,969,100.00
Net Increase.....			15,286,703.69	---
22 - INDIRECT TAXES				
1. Value Added Tax				
01. Value Added Tax.....	669,176,700	663,568,403.24	---	5,608,296.76
2. Custom Taxes				
01. Fiscal Duty.....	366,706,700	254,519,424.69	---	112,187,275.31
02. Excise Dues.....	---	82,980,613.45	82,980,613.45	---
03. Export Duty.....	---	7,304,369.82	7,304,369.82	---
04. Import Duty.....	---	27,300,761.82	27,300,761.82	---
6. Service Turnover Tax				
01. Hotel Turnover Tax.....	56,981,300	52,582,149.07	---	4,399,150.93
7. Water Resource Tax				
01. Water Resource Tax.....	37,830,700	28,382,238.31	---	9,448,461.69
9. Departure Tax				
01. Departure Tax.....	94,095,500	87,070,821.43	---	7,024,678.57
10. Fish Levy Tax				
01. Fish Levy.....	2,323,700	1,492,521.80	---	831,178.20
12. Stamp Duty				
01. Stamp Duty.....	17,655,600	21,081,267.74	3,425,667.74	---
14. Telecommunication Levy				
01. Telecommunication levy.....	2,000,000	---	---	2,000,000.00
15. Credit Card Levy				
01. Credit Card Levy.....	3,000,000	---	---	3,000,000.00
16. Third Party Insurance Levy				
01. Luxury Vehicle Tax.....	2,000,000	1,257,500.00	---	742,500.00
99. Miscellaneous Fees and Receipts				
01. Miscellaneous Fees and Receipts.....	---	1,893,403.04	1,893,403.04	---
Total.....	1,251,770,200	1,229,433,474.41	122,904,815.87	145,241,541.46
Net Decrease.....			---	22,336,725.59
23 - FEES, FINES & CHARGES				
01. Dues				
01. Light Due - Port & Harbour.....	---	2.88	---	(2.88)
02. Duty				
01. Stamp Duty.....	---	146,832.61	146,832.61	---
03. Fees				
01. Agricultural Produce and Inspection.....	181,200	56,817.88	---	124,382.12
02. Native Timber Measurement.....	429,400	869,943.66	440,543.66	---
03. Land and Survey Fees.....	572,500	563,429.61	---	9,070.39
04. Mining Fees.....	202,500	1,311,532.88	1,109,032.88	---
06. Passports.....	11,550,100	9,308,044.27	---	2,242,055.73
07. Town Planning Fees.....	119,900	82,290.41	---	37,609.59
08. Examination Fees.....	14,100	27,887.00	13,787.00	---
09. Government Day Schools-Fees.....	6,500	22,901.00	16,401.00	---
10. Government Boarding Schools-Fees.....	449,700	434,546.09	---	15,153.91
11. Health Fumigation and Quarantine.....	783,100	1,402,187.33	619,087.33	---
12. Hospital.....	1,757,300	2,098,305.17	341,005.17	---
13. Fiji School of Nursing.....	38,500	99,822.75	61,322.75	---
14. Cemetery Fees.....	42,700	50,083.74	7,383.74	---
15. Air Licensing Fees.....	---	11.30	11.30	---
17. Audit Fees.....	165,900	397,874.42	231,974.42	---
18. Court Fees.....	1,281,200	1,261,610.02	---	19,589.98
19. Registration.....	1,965,300	1,294,538.20	---	670,761.80
20. Management Fee.....	2,600	351,972.70	349,372.70	---
21. LTA Fees and Fines.....	24,455,300	22,450,042.66	---	2,005,257.34
23. LTA Road User Levy.....	7,000,000	8,828,494.60	1,828,494.60	---
75. Levy on International Termination Rates.....	---	2,200.00	2,200.00	---
99. Miscellaneous Fees.....	2,932,300	2,438,871.48	---	493,428.52

Heads and Subheads of Revenue	Estimate	Actual Revenue 2012	Increase	Decrease
	\$	\$	\$	\$
04. Licenses				
01. Arms.....	89,700	58,764.83	---	30,935.17
02. Banks.....	---	35.09	35.09	---
03. Coasting.....	---	25.55	25.55	---
05. Liquor.....	180,200	684,789.53	504,589.53	---
06. Trading.....	196,000	298,618.56	102,618.56	---
07. Dogs.....	13,400	19,454.19	6,054.19	---
09. Money Lenders.....	39,100	99,080.82	59,980.82	---
10. Hotels and Guest Houses.....	110,600	150,704.79	40,104.79	---
12. Telecommunications and Television.....	4,789,300	4,965,920.46	176,620.46	---
13. Mining.....	---	---	0.00	---
14. Fishing.....	75,300	336,770.83	261,470.83	---
99. Other.....	753,300	1,195,751.44	442,451.44	---
05. Rates - Public Works				
01. Water Charges.....	24,958,200	23,415,021.92	---	1,543,178.08
06. Fees Royalties				
01. Royalties Timber.....	---	---	---	---
03. Royalties - Sand, Coral, Metal, etc.....	45,000	46,509.66	1,509.66	---
07. Fines				
01. Court Fines.....	2,289,800	2,406,439.61	116,639.61	---
08. Administrative Fines and Penalty				
01. Fines for Overdue, Lost & Damaged Library Books.....	2,600	3,218.58	618.58	---
02. Administrative Fines and Forfeitures.....	2,100	14,380.00	12,280.00	---
Total.....	87,494,700	87,195,728.52	6,892,448.27	7,191,419.75
Net Decrease.....			---	298,971.48
24 - OPERATING REVENUE - SALES				
01. Sales of Government Department.....	---	---	---	---
02. Sales of Companies.....	---	24,222,179.76	24,222,179.76	---
Total.....	---	24,222,179.76	24,222,179.76	---
Net Increase.....				
26. OPERATING REVENUE - TRADING & MANUFACTURING ACCOUNT				
01. Direct Materials Purchases.....	---	---	---	---
02. Personal Emolument.....	---	---	---	---
13. Vat.....	---	---	---	---
Total.....	---	---	---	---
Net Decrease.....				
27 - OTHER REVENUE AND SURPLUSES				
01. Surplus/Deficit from Agency				
01. RBF Revaluation Reserve Account.....	13,000,000	62.62	---	12,999,937.38
02. Rent and Hire of Government Property				
01. Rental for Land.....	11,489,300	10,588,490.37	---	900,809.63
02. Rental for Official Quarters.....	290,500	3,293,675.60	3,003,175.60	---
03. Rental for Buildings.....	1,800	3,507.22	1,707.22	---
04. Hire of Plant and Vehicles.....	29,500	5,380.55	---	24,119.45
05. Hire of Vessels and Punts.....	11,500	-	---	11,500.00
06. Revenue from Rest Houses.....	4,000	6,445.52	2,445.52	---
07. Crown Schedule 'A' Land Rents.....	100	---	---	100.00
08. Rental - Official Quarters - Manual.....	---	---	---	---
03. Commission Revenue				
01. Commission.....	996,500	1,364,298.47	367,798.47	---

Heads and Subheads of Revenue	Estimate	Actual Revenue 2012	Increase	Decrease
	\$	\$	\$	\$
99. Other Revenue				
01. Sale of Photographs.....	---	---	---	---
02. Sales of Publications.....	152,700	358,783.94	206,083.94	---
03. Revenue from Production of Films.....	2,700	4,822.25	2,122.25	---
04. Survey & Sales of Navigation Publications.....	4,800	25,564.16	20,764.16	---
05. Meat Inspection.....	23,700	21,927.50	---	1,772.50
06. Veterinary and Animal Quarantine.....	12,200	13,105.75	905.75	---
07. Freight and Charter Receipts.....	115,100	112,718.50	---	2,381.50
08. Chemical Analysis.....	1,400	11,772.47	10,372.47	---
09. Valuation Fees.....	13,900	9,803.35	---	4,096.65
10. Produce-Agricultural Experimental Stations.....	44,000	32,203.18	---	11,796.82
11. Sale of Surplus Farm Produce.....	55,800	46,886.90	---	8,913.10
12. Agricultural Commercial Undertakings.....	600	114.60	---	485.40
13. Sale of Fish and Ice.....	217,200	236,189.01	18,989.01	---
14. Sale of Sheep and Wool.....	26,000	15,232.92	---	10,767.08
17. Agricultural Landlord and Tenant Tribunal.....	3,400	2,850.70	---	549.30
18. Board Members Fees.....	116,500	183,474.04	66,974.04	---
19. Sales of Cattle and Copra.....	6,900	---	---	6,900.00
99. Other Revenue.....	5,305,800	5,945,675.18	639,875.18	---
Total.....	31,925,900	22,282,984.80	4,341,213.61	13,984,128.81
Net Decrease.....			---	9,642,915.20
28 - REIMBURSEMENT AND RECOVERIES				
11. Reimbursement of Services				
01. Reimbursement for Meteorological Services.....	475,900	533,838.00	57,938.00	---
03. Reimbursement of Debt Servicing.....	1,000,000	1,389,659.29	389,659.29	---
12. Refund of Payments				
01. Training & Productivity Authority of Fiji.....	8,500	---	---	8,500.00
02. Refund of Government Employees Provident Fund....	100	---	---	100.00
03. Recoveries of Overpayments in Previous Years.....	362,700	1,422,198.03	1,059,498.03	---
22. Contributions for Capital Projects				
02. Rural Electrifications.....	500	2,054.90	1,554.90	---
23. Contributions for Overseas Peace-Keeping				
02. Multinational Force and Observers.....	5,600,000	2,869,712.77	---	2,730,287.23
03. UN International Peacekeeping - IRAQ.....	5,600,000	3,758,946.52	---	1,841,053.48
Total.....	13,047,700	9,976,409.51	1,508,650.22	4,579,940.71
Net Decrease.....			---	3,071,290.49
29 - GRANTS IN AID				
02. New Zealand Bilateral Aid Programme.....	41,100	---	---	41,100.00
03. United Nations Development Programme.....	1,353,000	---	---	1,353,000.00
05. Japan Grant.....	6,990,600	---	---	6,990,600.00
99. Other Grant Aid.....	9,581,000	13,164,242.50	3,583,242.50	---
Total.....	17,965,700	13,164,242.50	3,583,242.50	8,384,700.00
Net Decrease.....			---	4,801,457.50
Total Operating Revenue.....	1,879,631,600	1,878,989,123	263,930,534	240,350,831

Heads and Subheads of Revenue	Estimate	Actual Revenue 2012	Increase	Decrease
	\$	\$	\$	\$
INVESTING REVENUE				
31 - REPAYMENTS OF TERM LOANS RECEIVABLE				
11. Interest for Social Services Term Loans				
01. Interest Loans to Public Officers	500,000	---	---	500,000.00
21. Interest for Economic Services Term Loans				
01. Interest- Loans to Copra Industry.....	---	20,881.70	20,881.70	---
Total.....	500,000	20,881.70	20,881.70	500,000.00
Net Decrease			---	479,118.30
32 - SALES OF GOVERNMENT ASSETS				
21. Sales Proceed in Economic Services.....	19,200,000	17,050,365.00	---	2,149,635.00
31. Sales proceeds in Infrastructure services.....	8,200,000	3,450.00	---	8,196,550.00
41. Sales Proceed in TMA Operation.....	7,500,000	8,000,000.00	500,000.00	---
Total.....	34,900,000	25,053,815.00	500,000.00	10,346,185.00
Net Decrease			---	9,846,185.00
33 - DIVIDENDS FROM INVESTMENTS				
01. Investments in Social Services.....	424,400	570,393.03	145,993.03	---
02. Investments in Economic Services.....	21,000,000	2,821,102.00	---	18,178,898.00
03. Investments in Infrastructure Services.....	5,932,200	7,132,606.27	1,200,406.27	---
Total.....	27,356,600	10,524,101.30	1,346,399.30	18,178,898.00
Net Decrease			---	16,832,498.70
34 - INTEREST FROM BANK BALANCES				
01. Interest from Overseas Bank.....	---	---	---	---
02. Interest from Local Banks.....	219,200	47,811,624.89	47,592,424.89	---
03. Interest from T/D with Local Banks	200,000	---	---	200,000.00
Total.....	419,200	47,811,624.89	47,592,424.89	200,000.00
Net Increase			47,392,424.89	---
35 - RETURN OF SURPLUS CAPITAL FROM INVESTMENTS				
74. Return of Surplus Capital from TMA Operations.....	---	2,632,660.69	2,632,660.69	---
Total.....	---	2,632,660.69	2,632,660.69	---
Net Increase			2,632,660.69	---
Total Investing Revenue.....	63,175,800	86,043,083.00	50,025,085.58	---
41 - OVERSEAS LOANS				
1. Direct Payment -International Bank Loans				
02. ADB Loan Suva/Nausori Water Supply.....	---	---	---	---
03. ADB Loan No. 2541 Flood Recovery.....	---	91,586.61	91,586.61	---
04. ADB Loan No. 2603 Supplementary Suva Nsr.....	15,000,000	---	---	15,000,000.00
05. ADB Loan No. 2514 Supplementary FRUP III....	18,000,000	---	---	18,000,000.00
06. Malaysia Exim - Roads Rehabilitation.....	---	---	---	0.00
07. China Exim - E-Government Project.....	---	---	---	---
07. EXIM China Low Cost Housing Project.....	10,000,000	---	---	10,000,000.00
08. EXIM China Fiji Public Rental Housing Project.....	6,000,000	---	---	6,000,000.00
09. EXIM Malaysia Roads Rehabilitation Project.....	45,000,000	---	---	45,000,000.00
10. EXIM China Roads Improvement Sgtka/Serea.....	22,000,000	---	---	22,000,000.00
11. EXIM China Roads Improvement Project Buca/Moto...	24,000,000	---	---	24,000,000.00
2. Other Overseas Loans				
01. ADB Loans - Reimbursement to Govt.....	2,500,000	---	---	2,500,000.00
02. International Bond Market.....	---	---	---	---
Total.....	142,500,000	91,586.61	91,586.61	142,500,000.00
Net Decrease			---	142,408,413.39
42 - DOMESTIC LOANS				
01. Fiji Development Loans.....	195,936,800	192,099,248.00	---	3,837,552.00
Total.....	195,936,800	192,099,248.00	---	3,837,552.00
Net Decrease			---	3,837,552.00
Total Borrowing Proceeds.....	338,436,800	192,190,834.61	---	146,245,965.39
Grand Total.....	2,281,244,200	2,157,223,040.80	313,955,619.26	413,754,598.12
Net Decrease			---	99,798,978.86
SUMMARY OF REVENUE				
Operating Revenue.....	1,879,631,600	1,878,989,123.19	263,930,533.68	240,350,830.73
Investing Revenue.....	63,175,800.00	86,043,083.00	50,025,085.58	27,157,802.00
Loans Revenue.....	338,436,800.00	192,190,834.61	---	146,245,965.39
Grand Totals.....	2,281,244,200	2,157,223,040.80	313,955,619.26	413,754,598.12

**GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Schedule 9

Heads of Appropriation	Original Budget	Redeployment and Virements	Revised Estimate	Actual Expenditure 2012	(Over) / Under Expenditure
	\$	\$	\$	\$	\$
GENERAL ADMINISTRATION					
Office of the President	1,968,342	(115,000)	1,853,342	1,538,568	314,774
Office of the Prime Minister	61,546,175	3,678,769	65,224,944	64,976,204	248,740
Attorney General and Solicitor General	7,072,500	(689,997)	6,382,503	4,629,442	1,753,061
Ministry of Finance	73,386,400	(2,495,056)	70,891,344	67,192,476	3,698,868
Ministry of iTaukei Affairs	18,548,202	---	18,548,202	16,642,315	1,905,887
Ministry of Defence, National Security and Immigration	5,990,347	(287,500)	5,702,847	5,350,073	352,774
Ministry of Labour, Industrial Relations and Employment	8,321,021	(287,500)	8,033,521	8,025,044	8,477
Ministry of Foreign Affairs, International Co-operation	28,922,029	(115,000)	28,807,029	27,151,190	1,655,839
Office of the Auditor General	4,092,156	(404,519)	3,687,637	2,871,723	815,914
Elections	7,405,221	---	7,405,221	6,538,546	866,675
Judiciary	23,500,272	(2,300,000)	21,200,272	17,623,418	3,576,854
Legislature	1,525,495	(71,117)	1,454,378	1,195,605	258,773
Office of Accountability and Transparency	1,431,548	(264,691)	1,166,857	513,255	653,602
Office of the Director of Public Prosecutions	4,987,755	(333,752)	4,654,003	3,646,898	1,007,105
Ministry of Justice and Anti-Corruption	23,494,231	6,571,128	30,065,359	29,336,025	729,334
Ministry of Information	4,700,203	(115,000)	4,585,203	3,841,923	743,280
Ministry of Provincial Planning, National Development and Statistics.	7,266,646	(706,891)	6,559,755	5,839,585	720,170
Ministry of Strategic Development and Disaster Management	37,208,456	(4,839,291)	32,369,165	30,687,309	1,681,856
Fiji Military Forces	112,740,537	(5,098,910)	107,641,627	106,046,625	1,595,002
Fiji Police Force	85,279,840	(865,675)	84,414,165	84,394,423	19,742
Total for General Administration	519,387,376	(8,740,002)	510,647,374	488,040,646	22,606,728
SOCIAL SERVICES					
Ministry of Education, National Heritage, Culture and Arts	257,341,887	(677,937)	256,663,950	270,261,887	(13,597,937)
Ministry of Health	153,074,214	(1,528,065)	151,546,149	158,348,449	(6,802,300)
Department of Housing	20,449,000	(315,005)	20,133,995	16,304,333	3,829,662
Ministry of Social Welfare, Women and Poverty Alleviation	39,123,505	(6,987,211)	32,136,294	27,981,488	4,154,806
Department of Youth and Sports	3,655,170	(115,000)	3,540,170	3,352,328	187,842
Higher Education Institutions	67,597,200	(2,077,972)	65,519,228	65,518,222	1,006
Total for Social Services	541,240,976	(11,701,190)	529,539,786	541,766,707	(12,226,921)

**GOVERNMENT OF THE REPUBLIC OF FIJI
STATEMENT OF EXPENDITURE AGAINST APPROPRIATION HEADS
FOR THE YEAR ENDED 31 DECEMBER 2012**

Schedule 9

Heads of Appropriation	Original Budget	Redeployment and Virements	Revised Estimate	Actual Expenditure 2012	(Over) / Under Expenditure
	\$	\$	\$	\$	\$
ECONOMIC SERVICES					
Department of Agriculture	55,121,570	(5,284,994)	49,836,576	45,761,232	4,075,344
Department of Fisheries and Forests	16,920,428	(1,257,648)	15,662,780	15,011,172	651,608
Ministry of Lands and Mineral Resources	26,992,045	(3,499,391)	23,492,654	19,105,918	4,386,736
Ministry of Industry and Trade	15,313,000	(1,294,836)	14,018,164	12,503,639	1,514,525
Ministry of Sugar	8,666,622	(1,494,988)	7,171,634	7,089,420	82,214
Ministry of Public Enterprise, Communications, Civil Aviation and Tourism	37,080,886	(3,065,195)	34,015,691	32,696,510	1,319,181
Ministry of Local Government, Urban Development and Environment	9,674,964	(879,001)	8,795,963	8,259,244	536,719
Total for Economic Services	169,769,515	(16,776,053)	152,993,462	140,427,134	12,566,328
INFRASTRUCTURE SERVICES					
Ministry of Works and Transport	269,038,200	36,475,253	305,513,453	290,901,863	14,611,590
Department of Public Utilities and Energy	129,469,087	947,100	130,416,187	124,960,056	5,456,131
Total for Economic Services	398,507,287	37,422,353	435,929,640	415,861,919	20,067,721
UNALLOCABLE					
Miscellaneous Services	137,420,276	1,794,892	139,215,168	161,291,322	(22,076,154)
Pensions, Gratuities and Compassionate Allowances	43,347,400	(2,000,000)	41,347,400	36,371,122	4,976,278
Charges on Account of Public Debt	471,564,900	---	471,564,900	510,344,803	(38,779,903)
Total for Unallocable Services	652,332,576	(205,108)	652,127,468	708,007,247	(55,879,779)
GRAND TOTALS	2,281,237,730	---	2,281,237,730	2,294,103,653	(12,865,923)

GOVERNMENT OF THE REPUBLIC OF FIJI
DETAILS OF EXPENDITURE REPORTABLE AUTHORISATIONS
FOR THE YEAR ENDED 31 DECEMBER 2012

Schedule 10

Heads of Appropriation	Original Budget	Redeployment	Supplementary Appropriation	Virements	Revised Estimate 2012	Actual Expenditure 2012	(Over) / Under Expenditure
SUMMARY BY SEGS							
1. Established Staff	549,948,620	(2,000,000)	---	(8,647,240)	539,301,380	554,739,632	(15,438,252)
2. Unestablished Staff	44,060,427	---	---	(313,595)	43,746,832	46,478,108	(2,731,276)
3. Travel and Communications	23,085,164	---	---	1,277,513	24,362,677	22,358,274	2,004,403
4. Maintenance and Operations	80,192,746	(750,434)	---	3,764,703	83,207,015	77,382,481	5,814,534
5. Purchase of Goods and Services	81,253,590	(3,908,915)	---	2,156,137	79,500,812	74,163,071	5,337,741
6. Operating Grants and Transfers	309,482,371	(4,975,550)	---	14,299,816	318,806,637	313,849,427	4,957,210
7. Special Expenditures	62,813,224	(1,095,689)	---	(1,106,824)	60,610,711	46,635,976	13,974,735
8. Capital Construction	248,791,702	(7,949,537)	---	(45,429,637)	195,412,528	202,948,106	(7,535,578)
9. Capital Purchase	34,900,145	(7,136,095)	---	(2,235,437)	25,528,613	22,500,630	3,027,983
10. Capital Grants and Transfers	270,739,315	32,304,495	---	34,969,307	338,013,117	308,380,253	29,622,864
11. Pensions, Gratuities and Compassionate Allowances	43,347,400	(2,000,000)	---	---	41,347,400	36,371,123	4,976,277
12. Charges on Account of Public Debt	471,564,900	---	---	---	471,564,900	510,344,803	(38,779,903)
13. Value Added Tax	61,058,126	(2,488,275)	---	1,265,257	59,835,108	50,043,665	9,791,443
Trading and Manufacturing Accounts	---	---	---	---	---	27,888,104	---
Grand Total	2,281,237,730	---	---	---	2,281,237,730	2,294,103,653	15,022,181

GOVERNMENT OF THE REPUBLIC OF FIJI
BUDGET RESULT, ESTIMATE AND PROJECTIONS
FOR THE PERIOD 2010 - 2013

Schedule 11

	Actual 2010 \$	Actual 2011 \$	Estimate 2012 \$	Actual 2012 \$	Projected 2013 \$	Projected 2014 \$
REVENUE						
Operating Revenue	1,484,044,681	1,771,566,057	1,879,631,600	1,878,989,123	1,984,306,000	2,045,206,900
Investing Revenue	52,470,629	29,699,917	63,175,800	86,043,083	209,800	210,000
Public Debt - New Borrowings	<u>462,965,102</u>	<u>650,513,643</u>	<u>338,436,800</u>	<u>192,190,835</u>	<u>338,481,200</u>	<u>377,189,300</u>
TOTAL REVENUE	<u>1,999,480,412</u>	<u>2,451,779,617</u>	<u>2,281,244,200</u>	<u>2,157,223,041</u>	<u>2,322,997,000</u>	<u>2,422,606,200</u>
EXPENDITURE						
Operating Expenditure	1,056,348,375	1,094,016,732	1,190,883,465	1,199,876,195	1,169,372,600	1,167,397,200
Capital Expenditure	339,654,348	494,534,924	558,954,257	533,838,990	506,486,500	399,383,100
Value Added Tax	48,735,276	43,978,964	59,835,108	50,043,665	53,803,600	51,161,200
Interest Payments on Loans	217,934,376	258,434,474	263,100,400	260,860,919	267,552,100	267,647,300
Repayment of Principal of Loans	<u>237,409,283</u>	<u>511,787,423</u>	<u>208,464,500</u>	<u>249,483,884</u>	<u>185,997,000</u>	<u>203,947,100</u>
TOTAL EXPENDITURE	<u>1,900,081,658</u>	<u>2,402,752,517</u>	<u>2,281,237,730</u>	<u>2,294,103,653</u>	<u>2,183,211,800</u>	<u>2,089,535,900</u>
BUDGET RESULT	<u>99,398,754</u>	<u>49,027,100</u>	<u>6,470</u>	<u>(136,880,612)</u>	<u>139,785,200</u>	<u>333,070,300</u>

Note:

- Operating Expenditure includes in Standard Expenditure Group (SEG) 1 - 7 & 11 and TMA Expenses in SRG 25 & 26.
- Capital Expenditure includes SEGs 8 - 10.

GOVERNMENT OF THE REPUBLIC OF FIJI
DISAGGREGATION OF ACTUAL REVENUE AND EXPENDITURE BY ECONOMIC TYPE
FOR THE PERIOD 2010 - 2014

Schedule 12

	Actual 2010 \$	Actual 2011 \$	Estimate 2012 \$	Actual 2012 \$	Projected 2013 \$	Projected 2014 \$
REVENUE						
Operating Revenue						
Direct Receipts (Income Tax & Capital Gain Tax)	425,983,347	478,552,406	477,427,400	492,714,104	501,298,700	528,368,900
Indirect Revenue						
Customs	350,170,724	343,434,454	366,706,700	372,105,170	384,049,200	388,312,400
Service Turnover Tax	30,611,584	36,285,368	56,981,300	52,582,149	59,830,300	63,061,200
Water Resource Tax	469,773	34,714,524	37,830,700	28,382,238	39,722,200	41,867,200
Superyacht Charter Fee	---	---	---	---	---	---
Departure Tax	---	61,288,625	94,095,500	87,070,821	98,800,300	102,851,100
Stamp Duty	---	---	17,655,600	21,081,268	18,538,400	19,539,400
Fish Levy	---	1,034,711	2,323,700	1,492,522	2,439,900	2,571,600
Telecommunication Levy	---	---	2,000,000	---	2,100,000	2,213,400
Credit Card Levy	---	---	3,000,000	---	3,150,000	3,320,100
Third Party Insurance Levy	---	---	---	---	2,100,000	2,213,400
Luxury Vehicle Tax	---	95,000	2,000,000	1,257,500	---	---
Miscellaneous Fees & Receipts	---	(851,992)	---	1,893,403	---	---
VAT	494,895,149	618,859,015	669,176,700	663,568,403	704,165,400	727,831,300
Fees, Fines, Charges and Penalties	138,863,131	117,513,458	87,494,700	87,195,729	89,875,900	92,565,500
Operating Revenue Sales	45,407	---	---	---	---	---
Operating Revenue TMA	---	24,202,117	---	24,222,180	---	---
Other Revenue and Surpluses	25,435,733	56,164,477	31,925,900	22,282,985	31,944,700	31,963,700
Reimbursement and Recoveries	8,683,012	17,446,328	13,047,700	9,976,410	12,059,800	12,071,900
Grant in Aid	8,886,821	6,774,771	17,965,700	13,164,243	15,140,800	12,923,200
Total Operating Revenue	1,484,044,681	1,795,513,262	1,879,631,600	1,878,989,123	1,965,215,600	2,031,674,300
Investing Revenue						
Repayment of Term Loans Receivable	175	60	500,000	20,882	---	---
Sale of Government Assets	---	200,916	34,900,000	25,053,815	---	---
Dividends from Investment	12,726,623	10,631,806	27,356,600	10,524,101	19,090,300	13,532,800
Interest from Bank Balance	39,728,048	18,867,135	419,200	47,811,625	209,800	210,000
Return of Surplus Capital from Investment	15,783	---	---	2,632,661	---	---
Gain on Exchange Rate	---	---	---	---	---	---
Total Investing Revenue	52,470,629	29,699,917	63,175,800	86,043,084	19,300,100	13,742,800
Loans drawn	462,965,102	650,513,643	338,436,800	192,190,835	338,481,200	377,189,300
TOTAL REVENUE	1,999,480,412	2,475,726,822	2,281,244,200	2,157,223,041	2,322,996,900	2,422,606,400
EXPENDITURE						
General Administration Services						
Operating Expenditure	348,928,113	388,440,222	431,846,110	415,027,038	434,131,500	434,116,100
Capital Expenditure	52,554,339	36,468,921	58,063,853	55,421,409	66,418,900	52,532,000
Total General Administration	401,482,452	424,909,143	489,909,963	470,448,447	500,550,400	486,648,100
Social Services						
Operating Expenditure	461,451,321	485,911,086	485,023,229	503,367,019	481,177,800	481,017,800
Capital Expenditure	24,588,140	20,604,204	33,187,980	27,863,736	35,378,000	34,378,000
Total Social Services	486,039,461	506,515,290	518,211,209	531,230,755	516,555,800	515,395,800
Economic Services						
Operating Expenditure	82,278,453	61,745,673	79,870,243	71,253,228	81,615,500	81,615,500
Capital Expenditure	58,215,099	48,823,454	65,555,917	63,074,296	83,879,900	75,180,800
Total Economic Services	140,493,552	110,569,127	145,426,160	134,327,524	165,495,400	156,796,300
Infrastructure Services						
Operating Expenditure	94,056,950	99,106,220	127,317,914	123,727,168	107,183,000	107,183,000
Capital Expenditure	145,084,112	223,266,766	291,509,487	278,769,651	220,822,000	137,303,800
Total Infrastructure Services	239,141,062	322,372,986	418,827,401	402,496,819	328,005,000	244,486,800
Miscellaneous Services						
Operating Expenditure	36,494,986	34,088,281	25,478,569	50,130,621	21,917,400	20,117,400
Capital Expenditure	59,212,658	188,981,215	110,637,020	108,709,897	99,987,600	99,987,600
Total Miscellaneous Services	95,707,644	223,069,496	136,115,589	158,840,518	121,905,000	120,105,000
Pensions, Gratuities and Compassionate Allowance						
Allowance	33,138,552	37,628,200	41,347,400	36,371,123	43,347,400	43,347,400
Value Added Tax	48,735,276	51,741,771	59,835,108	50,043,665	53,803,600	51,161,200
Interest Payments on Loans	217,934,376	258,434,474	263,100,400	260,860,919	267,552,100	267,647,300
Repayment of Principal of Loans	237,409,283	511,787,423	208,464,500	249,483,884	185,997,000	203,947,100
TOTAL EXPENDITURE	1,900,081,658	2,447,027,910	2,281,237,730	2,294,103,654	2,183,211,700	2,089,535,000
Surplus (deficit) for the year	99,398,754	28,698,912	6,470	(136,880,612)	139,785,200	333,071,400

GOVERNMENT OF THE REPUBLIC OF FIJI
ESTIMATE AND ACTUAL BUDGET RESULT
FOR THE PERIOD 2010 - 2012

Schedule 13

	Actual 2010 \$	Actual 2011 \$	Estimate 2012 \$	Actual 2012 \$
REVENUE				
Operating Revenue	1,484,044,681	1,771,566,057	1,879,631,600	1,878,989,123
Investing Revenue	52,470,629	29,699,917	63,175,800	86,043,083
Public Debt - New Borrowings	462,965,102	650,513,644	338,436,800	192,190,835
TOTAL REVENUE	<u>1,999,480,412</u>	<u>2,451,779,618</u>	<u>2,281,244,200</u>	<u>2,157,223,041</u>
EXPENDITURE				
Operating Expenditure	1,056,348,375	1,094,016,732	1,190,883,465	1,199,876,195
Capital Expenditure	339,654,348	494,534,924	558,954,257	533,838,990
Value Added Tax	48,735,276	43,978,964	59,835,108	50,043,665
Interest Payments on Loans	217,934,376	258,434,474	263,100,400	260,860,919
Repayment of Principal of Loans	237,409,283	511,787,423	208,464,500	249,483,884
TOTAL EXPENDITURE	<u>1,900,081,658</u>	<u>2,402,752,517</u>	<u>2,281,237,730</u>	<u>2,294,103,653</u>
BUDGET RESULT	<u>99,398,754</u>	<u>49,027,101</u>	<u>6,470</u>	<u>(136,880,612)</u>

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

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1.0 FINANCIAL POSITION OF GOVERNMENT

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

The Government uses the cash basis system of accounting, as such the underlying format is cash based with direct reference to the budget estimates.

1.1 Financial Performance 2012

The performance of the Fiji Government for the year 2012 is provided in Table 1.1.

TABLE 1.1: GOVERNMENT PERFORMANCE IN 2012

Item	Original Budget 2012 (\$'000)	Revised Budget 2012 (\$'000)	Actual Results 2012 (\$'000)	Variance ⁽¹⁾ 2012 (\$'000)	Variance (%)
REVENUE					
Operating Receipts					
Direct Taxes	477,427.4	477,427.4	492,714.1	15,286.7	3.2
Indirect Taxes	1,251,770.0	1,251,770.2	1,229,433.5	(22,336.7)	(1.8)
Others	177,790.4	488,870.8	349,032.4	(139,838.4)	(28.6)
Total Operating Receipts	1,906,987.8	2,218,068.4	2,071,180.0	(146,888.4)	(6.6)
Total Investing Receipts	35,819.2	63,175.8	86,043.1	22,867.3	36.2
TOTAL REVENUE	1,942,807.0	2,281,244.2	2,157,223.1	(124,021.1)	(5.4)
EXPENDITURE					
Operating	1,462,440.1	1,190,883.5	1,199,876.2	8,992.7	0.8

⁽¹⁾ Variance = Actual Results less Revised Budget

Item	Original Budget 2012 (\$'000)	Revised Budget 2012 (\$'000)	Actual Results 2012 (\$'000)	Variance ⁽¹⁾ 2012 (\$'000)	Variance (%)
Capital	554,431.2	558,954.3	533,839.0	(25,115.3)	(4.5)
Value Added Tax	61,058.1	59,835.1	50,043.7	(9,791.4)	(16.4)
TOTAL EXPENDITURE	2,077,929.4	1,809,672.9	1,783,758.9	(25,914)	(1.4)
Net Surplus/(Deficit)	(135,122.4)	471,571.3	373,464.2	98,107.2	(20.8)
Debt Repayment	203,314.5	471,564.9	510,344.8	38,779.9	8.2
Gross Surplus/(Deficit)	(338,436.9)	6.4	(136,880.6)	136,887.1	(2,105,955)
Net Deficit/(Surplus) As A Percent of GDP	(1.9)%	6.5%			
Nominal GDP	7,223,737.0	7,223,737.0	+ 7223.0 million		

Original Budget 2012 is sourced from the 2012 Budget Book.

+ Provisional Estimate

Source: Ministry of Strategic Planning and Bureau of Statistics

The gross deficit for the year was \$136.9 million which was \$201.5 million less than the 2012 original forecast of \$338.4 million.

The deficit was attributed to a decrease in revenue collection by \$124.0 million and an increase in operating expenditure by \$8.9 million (0.8%) and debt repayment by \$38.8 million (8.2%).

The loans raised in 2012 to finance the budget deficit (Table 1.3) totalled \$329.7 million. In addition, treasury bills were also raised in 2012 to meet short term financing shortfalls. These are discussed in Section 1.5 and Table 1.4.

1.2 2012 Appropriation Decree

There was a total of 36 appropriation heads in the 2012 budget¹. The expenditure under the various heads and their variances are detailed in Appendix 1. Against a revised budget of \$2,281,237,730, the government spent \$2,294,103,655 resulting in an over-spending of \$12,865,925.

Four agencies that exceeded their budgets totalling \$81.3 million are outlined in Table 1.2 below:

TABLE 1.2 MINISTRY'S WITH OVERSPENT BUDGET

Heads of Appropriation	Original Budget (\$)	Redeployment (\$)	Revised Estimate (\$)	Actual Expenditure 2012 (\$)	Over-Expenditure (\$)	% Over-spent (\$)
Ministry of Education, National Heritage, Culture and Arts	257,341,887	(677,937)	256,663,950	270,261,887	13,597,937	5.3
Ministry of Health	153,074,214	(1,528,065)	151,546,149	158,348,449	6,802,300	4.5
Miscellaneous Services	137,420,276	1,794,892	139,215,168	161,291,322	22,076,154	15.9
Finance Charges on Public Debt	471,564,900	---	471,564,900	510,344,803	38,779,903	8.2
Total	1,019,401,277	(411,110)	1,018,990,167	1,100,246,461	81,256,294	8.0

¹ Schedule 1 of the Appropriation Decree 2012

Under the Lending Fund Appropriation of \$22.4 million, the loan outstanding to Government as at 31/12/12 totalled \$67,813,754 compared to the balance of \$70,377,339 as at 31/12/11 a decrease by 3.6%.

1.3 Operating Results

A net surplus totalling to \$373.5 million was recorded in 2012 compared to the forecasted net surplus of \$471.6 million; a decrease by \$98.1million (21%).

This was attributed to the decrease in revenue collection by \$124 million in 2012

1.4 Financing of Operating Expenditure

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

Figure 1.1 and Table 1.3 show the percentage of loan that was used in meeting government's operating expenditure over the last 10 years.

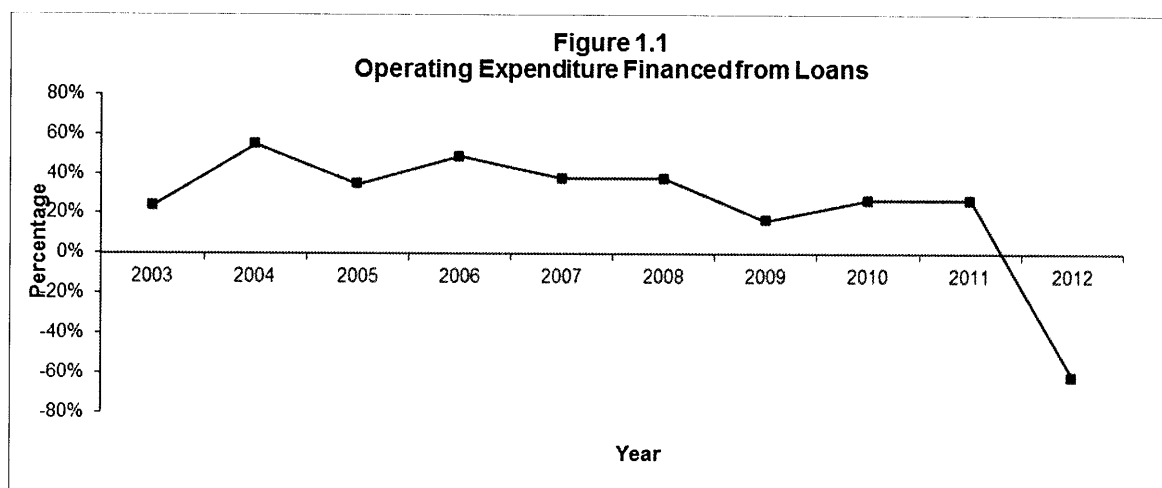


TABLE 1.3: CAPITAL EXPENDITURES VS. LOANS RAISED

Details	2003 (\$'000)	2004 (\$'000)	2005 (\$'000)	2006 (\$'000)	2007 (\$'000)	2008 (\$'000)	2009 (\$'000)	2010 (\$'000)	2011 (\$'000)	2012 (\$'000)
Total Loans (Domestic & Overseas)	319,738	458,468	328,608	417,810	334,937	345,649	405,390	462,965	693,707	329,655
Less Capital Expenditures	243,692	205,609	213,509	212,642	206,933	212,748	335,014	339,654	503,910	534,842
Balance for Operating Expenditures	76,046	252,859	115,099	205,168	128,004	132,901	70,376	123,311	189,797	(205,187)
% Loans Utilized for Operating Expenditures	24%	55%	35%	49%	38%	38%	17%	27%	27%	(62%)

The percentage of loans which financed operating expenditure varied over the years. However, during 2012, the ratio of loans utilised for operating expenditure reduced to (62%) which indicate that 38% of capital expenditure was financed by operating revenue during the year.

1.5 Treasury Bills

The Government borrowing for year 2012 shall not exceed the sum of \$338,436,800.²

As government had raised domestic loans in accordance with the approved budgets over the years, the excess borrowing has been in the form of Treasury Bills. Outstanding Treasury Bills as at 31/12/12 amounted to \$111,731,276. Table 1.4 details the loans raised by government to finance its budget deficits over the last 10 years.

TABLE 1.4: ORIGINAL BUDGET DEFICIT VS. LOANS RAISED

Details	2003 (\$)	2004 (\$)	2005 (\$)	2006 (\$)	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)
Gross Deficit	380,275,486	302,912,124	366,334,030	394,450,200	369,552,279	225,554,800	498,557,100	363,566,600	302,976,000	338,436,800
Domestic Loans	291,000,000	449,200,000	319,965,000	356,778,570	100,536,321	341,266,932	404,239,758	452,734,100	117,370,000	192,102,000
Overseas Loans	28,745,347	9,267,717	8,641,300	61,031,585	234,400,549	4,381,720	1,149,982	10,231,002	576,336,884	137,552,531
Treasury Bills	276,925,838	126,987,822	136,018,387	141,311,687	141,160,433	64,552,990	97,721,294	74,969,800	70,921,393	111,731,276
Loans	596,671,185	585,455,539	464,624,687	559,121,842	476,097,303	410,201,642	503,111,034	537,934,902	764,628,277	441,385,807
Deficit %	64%	52%	79%	71%	78%	55%	99%	68%	40%	77%
Excessive Borrowings %	36%	48%	21%	29%	22%	45%	1%	32%	60%	23%

The 2012 revised budget funding programme³ appropriated \$338.4 million (equal to the forecasted gross deficit) to be loan funds borrowed to finance the gross deficit.

Furthermore, despite the gross deficit as at 31/12/12 being only \$338.4 million, which amount to 77% of the total borrowing, an excess borrowing of \$102.9 million was undertaken in 2012.

1.6 Agency Financial Statements

Section 30 (3) of the Finance Instructions 2010 states that each annual report must include financial statements which have been prepared and signed in accordance with these Instructions, audited and accompanied by an audit opinion prepared by the Auditor General. Furthermore, section 70 (3) of the Instructions states that the draft financial statements must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor-General.

Of the 35 Ministries/Departments appropriated in the 2012 appropriation decree, 5 failed to submit their Agency Financial statements (AFS) by 31/3/12 delaying the issue of their audit reports. Refer Table 1.5 for details of Ministries/Departments that failed to submit their AFS by 31 March.

TABLE 1.5: LATE SUBMISSION OF DRAFT AFS

Ministry/Department	Date AFS Submitted	Appropriated Budget (\$)
Ministry of Health	11/04/2013	153,074,301
Ministry of Public Utilities and Energy	08/04/13	129,469,088
Ministry of Works and Transport	08/04/13	269,038,058
Ministry of Sugar	09/04/13	8,666,667

² 2012 Appropriation Decree 2011, Decree No. 59 of 2010, section 3 (1)

³ Revised Budget Estimate 2012, Page 8

Ministry/Department	Date AFS Submitted	Appropriated Budget (\$)
Ministry of Strategic Planning, National Development and Statistics	10/05/13	7,266,659
Total		567,514,773

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

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

2.0 CASH AT BANK

2.1 Accounting Issues

A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency officers authorised to operate on it.

All agency bank accounts must be kept in the name of the agency or the official title of a unit within the agency.⁴

Cash at Bank balance increased significantly from \$80,632,359 in 2011 to \$96,597,006 in 2012. This cash balance is the net of bank balances after offsetting the un-presented cheque amount as at 31/12/12.

This increase was due to a significant increase in domestic bank balance and overseas bank balance by 19% and 248% respectively. However, the trading and manufacturing account bank balance decreased by 46%. Refer Table 2.1 for details.

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

Account Category	2011 Balance (\$)	2012 Balance (\$)	Change (\$)	Increase/Decrease	% Change
Domestic Bank	89,553,394	106,660,817	17,107,423	Increase	19%
Fiji Overseas Agents	25,349,728	88,196,257	62,846,529	Increase	248%
Trading & Manufacturing Account (TMA)	16,841,546	9,100,209	(7,741,337)	Decrease	(46%)
Drawings Account	(51,112,309)	(107,360,277)	(56,247,968)	Increase	110%
Net Cash Balances	80,632,359	96,597,006	15,964,647	Increase	20%

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

⁴ Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – 32(1) & (4)

2.2 Non-Disclosure of the Components and the Policy for Determining the Composition of Cash and Cash Equivalents

An entity shall disclose the components of cash and cash equivalents, and shall present a reconciliation of the amounts in its cash flow statement with the equivalent items reported in the statement of financial position.⁵

In view of the variety of cash management practices and to comply with International Public Sector Accounting Standards (IPSAS) 1 which requires an entity to disclose its accounting policy on the determination for the composition of cash and cash equivalents.⁶

The audit noted that the consolidated whole of government accounts showed the bank account held locally and with overseas banks.

However, there are no disclosure of cash in transit, cash imprest and cash on hand as at 31/12/12 to be disclosed separately in the cash balance as cash equivalents.

Additionally, there is also no policy in place that clearly defines the composition of cash and cash equivalents.

Unless the components of cash and cash equivalents are disclosed and a policy is in place to determine the composition of cash and cash equivalents, the Whole of Government financial statement may not comply with IPSAS.

Recommendations

As Government is moving towards adopting IPSAS cash basis, the Ministry should ensure that a policy is put in place to determine the composition of cash and cash equivalents. In addition the components of cash and equivalents held by Ministries/Departments should include the cash on hand and cash in transit.

Management Comment

No comment received from management.

2.3 Variances in the conversion of foreign bank account balances

Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.⁷

The cash flows of a foreign controlled entity shall be translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.⁸

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items signed and dated by the responsible officer.⁹

⁵ IPSAS 2 – Cash Flow Statements – Components of Cash and Cash Equivalents - 56

⁶ IPSAS 2 – Cash Flow Statements – Components of Cash and Cash Equivalents - 57

⁷ IPSAS 2 – Cash Flow Statements – Foreign Currency Cash Flows - 36

⁸ IPSAS 2 – Cash Flow Statements – Foreign Currency Cash Flows - 37

⁹ Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

The audit noted the variances between the general ledger and the bank reconciliation statement balances as at 31/12/12 of overseas bank accounts after the conversion to Fijian dollars using the December 2012 exchange rates provided by Ministry of Finance. Refer Table 2.2 below for details of these:

TABLE 2.2: OVERSEAS BANK BALANCE VS. GENERAL LEDGER BALANCE IN FIJIAN DOLLARS.

Description	General Ledger (GL) Figures (\$)	Bank Reconciliation Statement Amounts (FJ\$)	Variance (\$)	GL Overstated / Understated
Fiji High Commission Canberra	53,060	71,660	18,600	Understated
Crown Agents London	(1,914,893)	288,327	2,203,220	Understated
Fiji High Commission Wellington	8,400	39,602	31,202	Understated
Fiji Mission Brussels	684,885	296,347	(388,538)	Overstated
Fiji High Commission UN Washington	270,689	201,070	(69,619)	Overstated
JP Morgan	378,770	452,014	73,244	Understated
JP Morgan Interest Account	85,208,767	63,439,143	(21,769,624)	Overstated
PNG	26,993	26,500	(493)	Overstated
FHC New Delhi	99,570	100,517	947	Understated
TOTAL	85,644,517	65,174,637	(20,469,880)	Overstated

The current cash management and monitoring process does not adequately address the issue of proper reconciliation by Accounting Heads to enforce and ensure that proper reconciliations of the general ledger cash balances are carried out regularly.

Hence, the cash at bank balance for overseas bank accounts is overstated by \$20.47 million.

Recommendations

- **The Ministry of Finance should follow up with Ministry of Foreign Affairs about the variances which needs to be rectified by relooking at the bank reconciliations of all bank accounts and those variances if it can be explained and the general ledger being adjusted accordingly to reflect actual cash held**
- **The Ministry of Finance should constantly follow up with Accounting Heads of these accounts to submit proper and correct reconciliations**
- **Officers failing to reconcile the bank accounts and to explain the variances are to be disciplined**

Management Comment

No comment received from management.

2.3.1 Non Preparation of Bank Reconciliations

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

All bank accounts must be reconciled monthly with the bank reconciliation showing all the outstanding cheques and other reconciling items and signed and dated by the responsible officer.¹⁰

¹⁰ Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

The following anomalies were noted:

- (i) Numerous bank accounts for the Domestic and Overseas Agencies did not have bank reconciliation statements for the year ended 31/12/12.
- (ii) There were variances between the bank statements for domestic bank balances and the Financial Management Information System (FMIS) general ledger balances which could not be explained by the Ministry. Moreover, there was no evidence in the bank reconciliation statements to indicate that these variances being related to unrepresented cheques, interest received or other relevant charges incurred.
- (iii) Furthermore, the Ministry could not provide a satisfactory explanation over the responsibility for the preparation of the bank reconciliations of domestic bank balances.

Refer Table 2.3 for examples of overseas bank accounts that exist on general ledger without any evidence of bank records.

TABLE 2.3: BANK ACCOUNTS WITHOUT ANY EVIDENCE OF BANK RECORDS

Account ID	Description	GL Balance (\$)
Domestic Bank		
1292446	Australia & New Zealand Banking Ltd	17,085,613
42055600	Westpac Banking Corporation	32,522,415
7347548	Inland Revenue	22,256,974
7347366	Customs Lodgement	29,210,340
7663868	PSC Scholarship Recovery Unit	497,904
719354	Colonial National Bank	(54,329,802)
Overseas Agencies		
10410204202510700	Sinai	21,956
10410204202510105	FMF-Bank Account in Darwin	5,091
10410204202510100	Sydney Trade Commission	(2,027)
104102204202510200	Crown Agents London	(1,914,893)
13410134101510102	Fiji Consulate Sydney Cabinet	28,231
	Total	45,381,802

These issues of not preparing proper bank reconciliations for cash at bank have yet to be resolved by the Ministry which are also recurring audit issues.

The absence of proper cash books and monthly bank reconciliation statements increases the likelihood of inappropriate transfers, undetected payments and makes it impossible to determine the actual cash position of government at any given time.

Recommendations

The Ministry should maintain a separate cash book for each bank account to track all transactions effected through the banks.

The Ministry at the close of each month should prepare a formal bank reconciliation statement for each bank account with discrepancies fully documented and followed-up.

The Ministry of Finance cash position at the bank at any time should be the sum total of the balances on the reconciled bank accounts which should be checked and approved by the Chief Accountant.

Management Comment

No comment received from management.

2.3.2 Bank Balances without evidence of Cash Held

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or send for and have the custody of any records, books, accounts, vouchers or documents under the control of any officer, and to keep such records, books, accounts, vouchers or documents for such time as he may require them¹¹.

Independent audit confirmation is an audit tool to verify client's account balances with the external (third) party. The mechanism checks that the audited entity's records are updated and ensures that account balances are fairly stated.

A bank audit certificate details all the accounts held by ministries/departments or opened and closed by the Ministry of Finance during the year, the name of the account owner(s), signatories to the accounts, any borrowings or security deposits noted during the year.

The bank audit certificate therefore not only confirms detailed information of the bank account, but it also confirms that all assets and liabilities that exist with the bank have been captured in the financial statements.

The following anomalies were noted:

Domestic Bank Accounts

- The relevant bank statements or bank audit certificates for 15 domestic bank accounts reflected in the general ledger totalling to \$52.03 million or 18% of the total cash held as at 31/12/12 were not provided for audit;

TABLE 2.4: DOMESTIC BANK ACCOUNTS WITHOUT BANK RECORDS FOR CASH HELD

No.	General Ledger Account	Name of Bank	Amount (\$)
1	1-04102-04201-520312	WBC – Max Direct Account	4,515,281
2	1-05101-05101-520415	BSP/CNB - Indigenous Affairs Scholarship	(76,074)
3	1-04102-04000-520417	BSP Savings Accounts	41,476,660
4	1-24101-24999-520601	Bank of the South Pacific	642,648
5	1-04102-04202-525201	RBC General	2,200,366
6	1-30101-30999-520412	BSP/CNB – Taveuni	(2,689)
7	1-30101-30999-520303	WBC – Levuka	(10)
8	1-30101-30999-520304	WBC – Tavua	(266)
9	1-30101-30999-590101	WBC (Alternative Livelihood Projects) - Term Deposit	873,950
10	1-50101-50999-525201	RBC (Remittance Between Chests) General	5,458
11	1-00000-00000-520601	Habib Bank Ltd – Suva	2,332,260
12	1-00000-00000-520404	BSP/CNB – Nadi	(645)
13	1-04102-04202-520103	RBF Special Account IBRD 3188	38,371
14	1-04102-04202-520105	RBF Loan Prepayment Account	1,000
15	1-40601-84999-525282	RBC PWD Western	25,130
		TOTAL	52,031,440

¹¹ Audit Act 1998, section 7 (1) (2)

- Of the 15 domestic bank accounts, five (5) bank accounts totalling to \$79,684 had overdrawn bank accounts;
- General ledger account numbers 6 to 11 totalling \$3,208,703 were indicated to have been closed off;

Overseas Bank Accounts

- There are 14 overseas bank accounts in the general ledger totalling \$1.307 million as at 31/12/12 without any evidences of cash held in the bank as bank statements were not made available for audit;
- Three accounts totalling \$161,321 have been overdrawn. Refer to ledger account numbers 4, 6 and 10. In addition, general ledger account balances for number 8 to 14 were brought forward from previous years without any evidence of actual cash held;

The audit noted that there are four overseas mission accounts maintained by Ministry of Foreign Affairs with the bank reconciliation statements being prepared for these accounts. However, the audit noted that these bank accounts are not recorded in the general ledger and as a result there is an understatement of \$818,896.15.

Refer Table 2.5 for examples of those 4 bank accounts ledger number not being part of the general ledger item for cash at bank.

TABLE 2.5: OVERSEAS BANK ACCOUNTS WITHOUT BANK STATEMENTS OR EVIDENCE OF CASH HELD

No.	Account ID	Account Description	Amount (\$FJ)	Amount
1	1-08103-08102-510106	Fiji Consulate General Sydney	121,140	
2	1-08103-81001-510202	Fiji High Commission London	67,278	
3	1-08103-80501-510401	Fiji Embassy Tokyo DOM Cash	238,405	
4	1-08103-80402-510901	Bank in Kuala Lumpur	(33,539)	
5	1-08103-80601-510901	Bank in Kuala Lumpur	595,424	
6	1-04301-65101-510108	Westpac Bank – Australia	(125,755)	
7	1-04301-65101-510505	Westpac Bank - New Zealand	122,067	
8	1-34101-34101-510102	Fiji Consulate Sydney Cabinet	28,231	
9	1-04102-04202-510105	FMF – Bank a/c in Darwin	5,091	
10	1-08101-08101-510106	Fiji Trade Commission Sydney	(2,027)	
11	1-34101-34101-510503	Fiji Trade Commission LA	194,234	
12	1-04102-04202-510701	Sinai	21,956	
13	1-08103-80301-510901	Bank in Kular Lumpur	11,544	
14	1-34101-34101-510904	Taiwan Trade Commission	63,875	
	TOTALS		1,307,924	
	Bank Accounts not recorded in general ledger		Fj\$	
	Fiji Embassy in Seoul South Korea		3,908.08	
	Fiji Embassy in Brasil		31,028.17	R\$35,856.16
	Fiji Embassy in Abu Dhabi		677,943.86	AED1,404,428.51
	Fiji High Commission South Africa		106,016.04	R507,477.60
			\$818,896.15	

Trust Fund Account

- There are 4 trust fund account balances totalling \$576,361 without any evidence of cash held;

- Two general ledger account balances for trust funds totalling \$939,472 have been overdrawn without any satisfactory explanation provided during audit;

Refer Table 2.6 for details of these:

TABLE 2.6: TRUST ACCOUNTS WITHOUT BANK CONFIRMATIONS/BANK STATEMENT

No.	Account ID	Ministry / Department	Amount (\$)
1	9-23101-23999-520401	City Wide Trust Account - Local Government	(1,065)
2	9-02101-02999-520401	Generated A/c	(938,407)
3	9-18501-18001-520401	National Disaster Management	1,138,538
4	9-37301-37999-520401	Generated A/c	377,295
			576,361

The above findings reflect that the Ministry has not taken any positive or remedial action to ensure that cash at bank are correctly stated. As such the unsubstantiated amount of \$53.92 million or 18.6% from the total cash at bank totalling \$288,419,373 could not be substantiated.

Recommendations

- The Ministry should ensure that it takes a lead role in ensuring that all bank accounts maintained with Ministries/Departments are reported with Ministry of Finance and that bank reconciliations agree to the general ledger balances.
- The Ministry of Finance should ensure that all bank accounts are verified with bank statements and adjustment are carried out for accounts that do not exist and updated in the general ledger in order to reflect correct balances;
- The Ministry should request the Banks for production of bank statements and confirmations for all bank accounts for audit verification purposes.

Management Comment

No comment received from management.

2.3.3 Variance in the Cash at Bank Balance as per the General Ledger and Cash held with bank

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.¹²

The audit noted that there were variances in the bank confirmations provided by the banks to the bank balances reflected in the general ledger. These are outlined below:

Domestic Bank Balances

1. The domestic bank balances is noted to be understated by \$129.38 million or by 45% of the cash at bank balance reflected in the statement of assets and liabilities in the whole of Government financial statements.
2. The general ledger is showing that the bank account held with BSP – Suva is overdrawn by \$54.33 million while the bank confirmation is indicating \$28.14 million held in the account.

¹² Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

TABLE 2.7: DOMESTIC - CASH IN THE BANK AS PER BANK CONFIRMATION AND GENERAL LEDGER (FMIS) CASH AT BANK BALANCE

Description	GL / Appendix Figures (\$)	Bank Confirmation Figures (\$)	Variance (\$)	GL Overstated / Understated
Reserve Bank of Fiji Suva	(49,999,332)	943,333	50,942,665	Understated
ANZ Suva	17,085,613	18,638,386	1,552,774	Understated
ANZ Customs Lodgement	29,210,340	23,210,340	(6,000,000)	Overstated
ANZ Inland Revenue	22,256,974	60,902,642	38,645,669	Understated
WBC – Suva	32,522,415	40,853,945	8,331,530	Understated
BSP – Suva/Lautoka/Labasa	(54,329,802)	28,140,167	82,469,969	Understated
BSP/CNB - PSC Scholarship	497,904	667,322	169,418	Understated
BSP - Term Deposit	55,596,234	8,868,374	(46,727,860)	Overstated
TOTAL	52,840,346	182,224,509	129,384,163	Understated

Overseas Bank Balances

- The general ledger for overseas bank balances is overstated by \$112.217 million or by 39% of the cash at bank balance reflected in the Whole of Government statement of assets and liabilities. Refer Table 2.8 for details of these:

TABLE 2.8: OVERSEAS BANK BALANCE VS. GENERAL LEDGER BALANCE.

Description	GL / Appendix Figures (\$)	Bank Reconciliation Statement Amounts (\$)	Variance (\$)	GL Overstated / Understated
Fiji High Commission Canberra	53,060	71,660	18,600	Understated
Crown Agents London	(1,914,893)	288,327	2,203,220	Understated
Fiji High Commission Wellington	8,400	39,602	31,202	Understated
Fiji Mission Brussels	684,885	296,347	-388,538	Overstated
Fiji High Commission UN Washington	270,689	201,070	-69,619	Overstated
JP Morgan	378,770	452,014	73,244	Understated
JP Morgan Collateral	85,208,767	63,439,143	-21,769,624	Overstated
JP Morgan Interest Account	27,342,550	26,828,529	-514,021	Overstated
JP Morgan Other Offshore Shop	26,993	26,500	-493	Overstated
Closing Balance for PNG	109,231,532	17,998,148	-91,233,384	Overstated
FHC New Delhi	99,570	100,517	947	Understated
TOTAL	222,218,599	110,001,314	(112,217,285)	Overstated

The current cash management and monitoring process do not adequately address the issue of proper reconciliation by Accounting Heads to enforce and ensure that proper reconciliation of the general ledger cash balances are carried out regularly.

Hence, the cash at bank balance reflected in Whole of Government financial statement of assets and liabilities is understated by \$17,166,878 or 6% of the cash at bank reflected in the financial statements.

Recommendations

- The Ministry of Finance should ensure that bank reconciliations are prepared on regular basis for all bank accounts, the variances are explained and the general ledger is adjusted accordingly to reflect actual cash held.
- The Ministry of Finance should regularly follow up with Accounting Heads of these accounts to submit proper and correct reconciliations.

Management Comment

No comment received from management.

2.3.4 Cash at bank with Negative Balances

Officers operating official bank accounts must not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts.¹³

The audit noted that a total of \$114.13 million in the cash at bank general ledger was recorded as a credit balance, contrary to the nature of cash at bank balances. Refer Table 2.9 below for details of these;

TABLE 2.9: CASH AT BANK WITH NEGATIVE BANK BALANCE

Account ID	Description	GL Balance (\$)
<i>Domestic Bank Balance</i>		
1-04102-04202-520101	Reserve Bank of Fiji Suva	(49,999,332)
1-00000-00000-520401	BSP/CNB – Suva	(57,724,682)
1-05101-05101-520415	BSP/CNB - Indigenous Affairs Scholarship	(76,074)
1-30101-30999-520412	CNB - Taveuni	(2,689)
1-30101-30999-520303	WBC - Levuka	(10)
1-30101-30999-520304	WBC - Tavua	(266)
1-00000-00000-520404	BSP/CNB – Nadi	(645)
<i>Overseas Bank Balances</i>		
1-04102-04202-510201	Crown Agents London	(1,914,893)
1-08103-80402-510901	Bank in Kuala Lumpur	(33,539)
1-04301-65101-510108	Westpac Bank – Australia (COGs)	(125,755)
1-08101-08101-510106	Fiji Trade Commission Sydney	(2,027)
<i>Trust Fund Account</i>		
9-30B01-78068-520301	Fisheries Trust – WBC	(25,966)
9-32301-76068-520301	Generated Account	(472,569)
9-05201-68999-520301	Provincial Development	(1,959,998)
9-02101-02999-520401	Generated A/c	(938,407)
9-23101-23999-520401	City Wide Trust Account - Local Government	(1,065)
9-37301-37999-520301	Generated Account	(857,705)
Total		(114,130,630)

Furthermore, these negative balances have been offset with the debit cash at bank balances thus reducing the cash at bank balances as at 31/12/12. A satisfactory explanation could not also be provided by the Ministry of Finance for these general ledger balances without any evidence of cash held.

Hence, the cash at bank balance cannot be deduced to be fairly stated of the actual cash held.

Recommendation

The Ministry should ensure that bank reconciliation are prepared on a monthly basis and Ministry of Finance should follow up with Ministry/Department on the reasons for these negative cash at bank balances and rectify these irregularities to reflect the actual cash held by Government.

¹³ Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (5)

Management Comment

No comment received from management.

2.3.5 Discrepancies in Drawings Account

The “Drawings Account” will be operated for all payments except for those payable from petty cash bank accounts, TMA bank accounts and trust bank accounts.¹⁴ The Accounting Head shall certify the monthly drawings reconciliation statements before submitting to the Ministry of Finance.¹⁵

Drawings accounts balance reflect the unpresented cheques that are yet to be presented to the bank for payments and should have a credit or zero balance in the general ledger.

The following anomalies were noted for the drawings account balances held in the general ledger:

1. Five drawings accounts in the general ledger totalled to \$2.192 million have debit balances which is contrary to its nature;
2. Drawings account general ledger balances number 3 to 5 have been brought forward from previous years;
3. The Ministry of Finance is yet to facilitate the reconciliation and clearance of these balances from the general ledger.

Refer Table 2.10 below for details of these accounts.

TABLE 2.10: MINISTRIES/DEPARTMENTS DRAWINGS DEBIT BALANCE

No.	Account ID	Ministry/Department	GL Balance (\$)
1	1-04102-04251-530195	Inland Revenue - ANZ Suva	20,350
2	1-18101-68999-537103	Imprest CNB	612
3	1-41201-95991-530201	Water Supplies - WBC Suva	1,396,308
4	1-41201-85999-530381	Water & Sewerage (PWD DECE) - CNB Suva	299,673
5	1-40501-95991-535001	Works - RBC Suva	475,622
		TOTAL	2,192,565

As such the cash at bank balance for the drawings accounts may be overstated by \$2.2 million.

Recommendations

- Effective control measures should be implemented to ensure that the differences in the drawings account reconciliations for Ministries/Departments are corrected and updated into the Financial Management Information System before the closure of the accounts.
- The Ministry should adopt a check and review mechanism for all reconciliations to ensure that agencies appropriately address errors and discrepancies in their monthly reconciliations before the next reconciliations are due.
- Proper supervision should be carried out as reconciliation is an important control check in order to ensure that balances reflected in the accounts are correctly and fairly stated.
- Ministries/Departments failing to rectify these balances are to be disciplined accordingly.

¹⁴ Proforma Finance Manual 2011 – Section 7.4.3

¹⁵ Proforma Finance Manual 2011 – Section 17.3.1

Management Comment

No comment received from management.

2.3.6 Drawings Account

The accounts supervisor shall prepare bank reconciliation within 5 days of the end of the month. Details of unrepresented cheques and other reconciling items should be attached to the reconciliation statement.¹⁶

Permanent Secretaries are requested to advise their Section Heads to plan well ahead for all their proposed purchases of goods and services to ensure their Local Purchase Orders (LPOs) are prepared and approved by 07/12/12 and that all payments are made by 31/12/12.

Accounting Heads are also requested to advise various suppliers to present all their unrepresented cheques to the bank before or on 30/12/12 to avoid unnecessary large cash balances sitting in the various drawings account.¹⁷

A review of the unrepresented cheques balances over the past 10 years is provided in Table 2.11 and Figure 2 indicate that it accounts for a significant portion of the domestic cash at bank and total cash holdings of the Government.

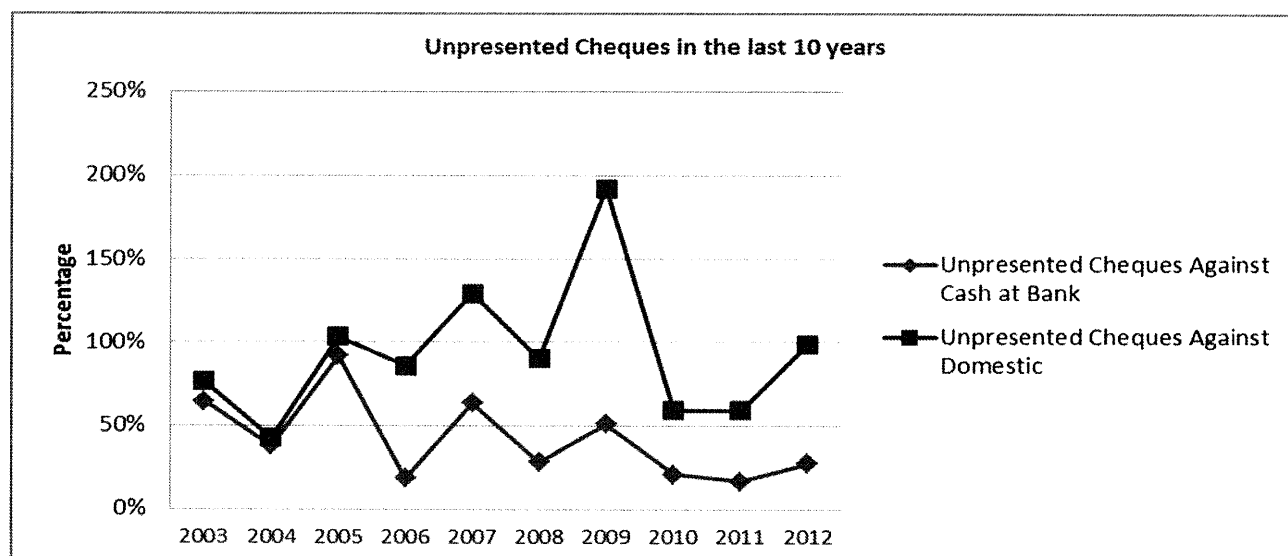
TABLE 2.11: UNPRESENTED CHEQUES

Year	Unpresented Cheques (\$)	Cash at Bank	% of Unpresented Cheques against Cash at Bank	Domestic Cash Holding (\$)	% of Unpresented Cheques against Domestic
2003	45,687,430	70,886,542	64	59,566,056	77
2004	29,749,633	79,080,721	38	69,771,759	43
2005	51,889,269	56,633,778	92	50,071,389	104
2006	60,501,189	330,250,882	18	70,524,396	86
2007	73,586,193	115,983,879	63	56,774,511	130
2008	59,570,322	211,202,847	28	65,865,376	90
2009	97,864,276	192,376,274	51	50,840,686	192
2010	48,770,140	234,213,755	21	82,425,719	59
2011	50,271,113	301,148,113	17	84,999,748	59
2012	107,711,878	396,131,251	37	109,817,694	99

¹⁶ Proforma Finance Manual 2011 – Part 7 Cash Management Section 7.4.8 & 7.4.9

¹⁷ 7.1.4 of Finance Circular 13/2012, Closure of Accounts 2012

FIGURE 2.1: UNPRESENTED CHEQUES VERSUS THE CASH AT BANK



An increase was noted in unpresented cheques for 2012 compared to 2011 of \$57.44 million or 114%. Ministries and Departments that continued to have significant unpresented cheque balances as at 31/12/12 are outlined in Table 2.12 for details.

TABLE 2.12: MINISTRIES AND DEPARTMENTS WITH SIGNIFICANT UNPRESENTED CHEQUE BALANCES

Ministries/Departments	Amount (\$)	% of Total
Agriculture	3,971,882	4
Police	2,887,012	3
Customs	6,431,986	6
Education	4,367,708	4
Health	5,468,452	5
Lands	1,798,822	2
Fiji Military Forces	2,999,467	3
Roads (PWD – HQ)	39,991,808	37
Energy	2,584,659	2
Social Welfare	1,978,369	2
Treasury	22,367,629	21
Others	12,864,084	12
TOTAL	107,711,878	100

The audit was also not furnished with any explanation by the respective Ministries/Departments accounts officers for these significant balances in unpresented cheques at year end.

The significant unpresented cheques balances indicated that spending for these Ministries and Departments was concentrated towards the end of the year. Such spending often resulted in uneconomical purchases, which could affect the following year's budgetary allocations and sometimes do not comply with procurement procedures.

Recommendations

- **Ministries/Departments should be encouraged to plan their expenditure well in order to avoid the accumulation of unpresented cheques at year end.**

- **The Ministry should monitor such end of year purchases and prepare analysis for justifications with the non - compliance to Finance Circulars.**

Management Comment

No comment received from management.

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

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

The following balances which are reflected in the whole of Government financial statement of assets and liabilities contained errors and omissions as shown in Table 2.13.

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

Errors and Omissions	Amount (\$)
General Ledger (GL) accounts whose bank reconciliations were not prepared	45,381,802
Unrecorded 4 Overseas Mission Accounts	818,896.15
GL Bank Balances without any evidence of Cash Held	53,915,725
Variance between Cash at Bank in the General ledger and the Actual cash held with the bank	(17,166,879)
GL Cash at bank account with Negative balance	(114,130,630)
Debit balance in the Drawings accounts	2,192,565
Net Errors and Omissions	\$28,988,521

The net impact on Cash at Bank of the errors and omissions in the 2012 accounts is substantial and reflects the existence of weak internal controls in cash management.

In spite of this being reported and qualified in the 2011 audit of the whole of Government financial statements, the Ministry failed to instigate the reconciliation of these balances to correctly reflect cash at bank at year end.

Recommendations

The Ministry should ensure that bank balances are reconciled monthly under adequate supervisions. Any omission and errors should be investigated and coordination between the treasury and ministries and departments on the resolving of these anomalies.

Management Comment

No comment received from management.

3.0 ACCOUNTS RECEIVABLE

3.1 Accounting Issues

3.1.1 Lack of Consolidated Debtors Schedule to Support Accounts Receivables balances

Each agency must maintain a Debtors Register within the Financial Management Information System (FMIS) or an accounts receivable ledger for licenses, debts, court fees and other State or agency revenues receivable.¹⁸

The audit noted that there was no consolidated supporting schedule at whole of government level to substantiate the accounts receivable balance of \$21,252,166 at year end.

The accounts receivable balances are extracted from the FMIS general ledger (GL) however these balances are not properly supported as the FMIS system cannot generate a debtors' schedule/register as at 31/12/12. In addition, the Ministries/Departments are not maintaining a manual debtors' register to validate the following balances.

TABLE 3.1: UNSUBSTANTIATED ACCOUNTS RECEIVABLES BALANCES

Fund	Account	Description	Balance as at 31/12/12 (\$)	Balance as at 31/12/11 (\$)	Movement (\$)
Operating Fund Account	1-00000-00000-560000	Accounts Receivable	16,087,944	17,877,753	(1,789,809)
Trading and Manufacturing Account	4-00000-00000-560000	Accounts Receivable	5,163,636	4,454,147	709,489
Trust Fund Account	9-00000-00000-560000	Accounts Receivable	586	---	586
Total			21,252,166	22,331,900	(1,079,734)

Account receivables amount disclosed in the accounts would be incorrect if they are not properly maintained and recorded.

Recommendation

In view of full accrual basis of accounting to be adopted by government, the Ministry of Finance should consider upgrading the FMIS to allow the generation of a Schedule of Receivables both at agency and whole of government level.

The Ministry of Finance should ensure that all Ministries/Departments maintain a debtor register and reconciled to the account receivable reconciliations on a monthly basis and submit to the Ministry of Finance for consolidation and verification purposes.

Management Comment

No comment received from management.

¹⁸ Finance Instructions – s6.4.1

3.1.2 Uncertainty of Opening Balances – Accounts Receivable

Opening balances means those account balances which exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and accounting policies from prior periods.¹⁹

The audit could not substantiate the opening balances for accounts receivables as at 1/1/12 as there was no supporting receivables schedule or consolidated aging of debtors schedule provided for review.

In the absence of a consolidated receivable schedule and aging of debtors' schedule, audit could not satisfactorily deduce that opening balances did not contain misstatements that materially affect the current period's financial report.

Recommendation

The Ministry of Finance should ensure that opening balances are properly supported and consider upgrading the FMIS system to allow the generation of the consolidated accounts receivable schedule and an age of debtors schedules both at agency level and at whole of government level.

Management Comment

No comment received from management.

3.1.3 Provisions for Doubtful Debts

A provision shall be recognized when:

- (a) An entity has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.²⁰

A provision shall be used only for expenditures for which the provision was originally recognized.

Only expenditure that relate to the original provision are set against it. Setting expenditure against a provision that was originally recognized for another purpose would conceal the impact of two different events.

The audit noted that no provision for doubtful debts has been made by government for those uncertain recoverable amounts. It was also noted that provision for doubtful debts cannot be booked as there is no mechanism in place within government to keep track of those unrecoverable receivables.

Moreover, it is also not possible to generate a consolidated aging of debtors report both at agency level and at whole of government level to make reliable provisions for doubtful debts.

Consequently, the accounts receivable and term loans receivable amount totalling \$89,065,920 at year end may be overstated as the certainty to fully recover the amount booked could not be established at year end.

¹⁹ AUS 510.03

²⁰ IPSAS 19 – para 22

In the absence of the aging of debtors it is not possible to determine or make reliable provisions for bad and doubtful debts.

Recommendation

In view of full accrual basis of accounting to be adopted by Government, the Ministry of Finance should consider upgrading the FMIS system to allow the generation of the Age of Debtors report both at agency level and at whole of government level as a tool for making reliable provisions for doubtful debts.

Management Comment

No comment received from management.

3.1.4 Difference in Revenue Recognition Criteria across Government Ministries/Departments

An entity shall select and apply its accounting policies consistently for similar transactions, other events, and conditions, unless an IPSAS specifically requires or permits categorization of items for which different policies may be appropriate. If an IPSAS requires or permits such categorization, an appropriate accounting policy shall be selected and applied consistently to each category.²¹

Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses.²²

Users of Accounts Receivable (AR) module of the FMIS are accessed to issue online generated invoices. As the invoices are generated, accounts receivables are booked until such time payments are made by debtors to settle their accounts.

Out of 53 Ministries/Departments, 8 which are currently using the Account Receivable module of the FMIS includes Government Printing and Stationery Department, Ministry of Health, Ministry of Works, Department of Agriculture, Office of the Auditor General, Public Service Commission, Bureau of Statistics and Ministry of Fisheries and Forests. Other ministries/departments are still adopting the cash basis of accounting when recognizing revenue.

With only 16% of these Ministries/Departments using the AR module or are adopting the accrual basis of accounting, there is a high risk that account receivable balances as per the FMIS general ledger may be understated.

The above anomalies are attributed to the inconsistency in the revenue recognition policies currently being adopted across government ministries/departments and as a result the accounts receivable booked could either be overstated or understated at year end.

²¹ IPSAS 3 – para16

²² IPSAS 1 – para7

Recommendation

In view of the full accrual basis of accounting to be adopted by government, all government ministries/departments should be encouraged to use the AR module of the FMIS when receipting revenue to ensure full accrual adoption.

Management Comment

No comment received from management.

3.2 Arrears of Revenue

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

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

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

3.2.1 Arrears of Revenue for last 5 Years

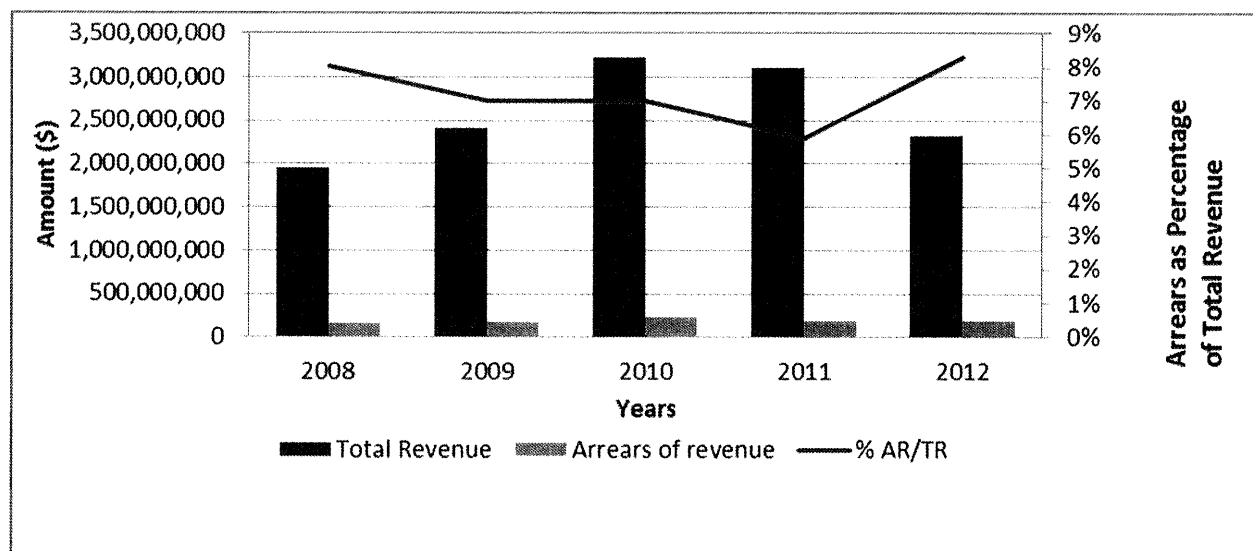
The arrears of revenue in 2012 amounted to \$193,179,638 an increase of \$10,216,687 or 5% compared to the arrears as at 31 December 2011.

This resulted from some Ministries/Departments who made significant collection efforts during 2012. Tabulated and graphed below are the details of the arrears of revenue and as a percentage to total revenue for the last 5 years.

TABLE 3.2: 5 YEAR ANALYSIS

Year	Arrears of Revenue	Revenue	Total Revenue	% Arrears of Revenue to Total Revenue
2008	157,733,856	1,800,583,846	1,958,317,702	8%
2009	169,021,351	2,247,669,226	2,416,690,577	7%
2010	226,943,758	3,002,046,345	3,228,990,103	7%
2011	182,962,951	2,925,069,680	3,108,032,631	6%
2012	193,179,638	2,157,223,041	2,350,402,679	8%

FIGURE 3.1 ARREARS OF REVENUE TREND



Seven entities did not submit the 4th Quarterly Report to the Ministry of Finance for 2012 thus the total arrears of \$193,179,638 may not correctly reflect the total arrears of revenue owed to the Government.

These entities included Communications (Telecom Authority of Fiji), Elections Office, Immigration, Rewa Rice Limited, Meteorological Services, Solicitor General's Office and Divisional Engineer Works (Northern).

3.2.2 Significant Balances of Arrears as at 31 December 2012

The arrears of revenue as at 31 December 2012 totaled \$ 193,179,638.

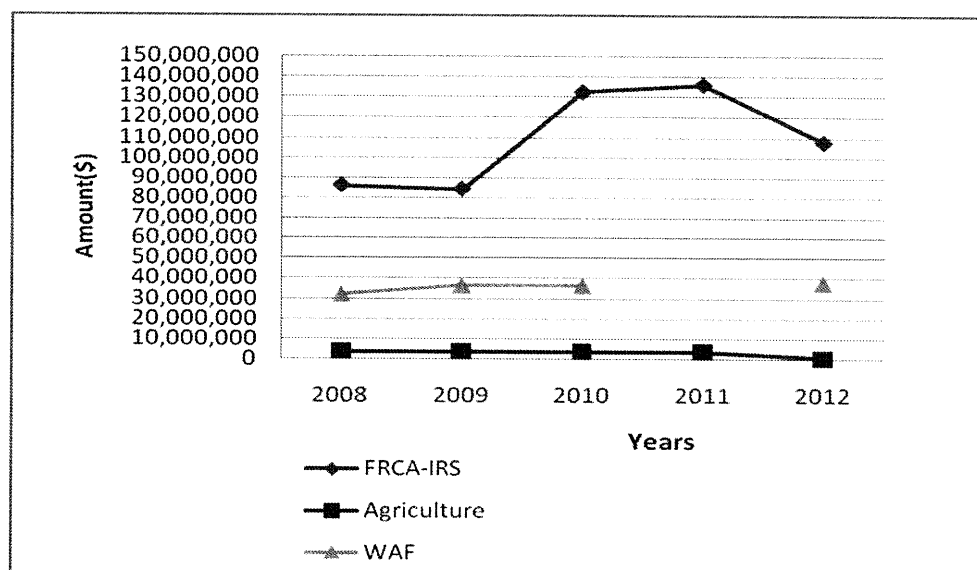
The huge proportion of debt were in relation to Income Tax, VAT and Customs arrears for Fiji Islands Revenue Customs Authority which has accumulated to \$111,180,005 or 57% followed by Water Authority of Fiji of \$38,127,154 or 20% with various ministries and departments making up the remaining arrears balance of \$43,872,479 or 23%.

Table 3.3 shows details of these arrears of revenue and a graphical representation of the allocation of the arrears.

TABLE 3.3: SIGNIFICANT ARREARS OF REVENUE OVER PAST 5 YEARS

Year	Arrears of Revenue		
	FRCA - IRS	Agriculture	Water Authority of Fiji
2008	86,348,514	3,978,918	32,355,792
2009	84,509,589	3,970,848	36,755,411
2010	132,520,763	3,995,810	34,843,653
2011	136,069,034	3,979,609	-
2012	107,887,503	824,986	38,127,154

FIGURE 3.2: SIGNIFICANT ARREARS OF REVENUE TREND



3.2.3 Ageing and Recovery of Arrears of Revenue

Arrears ageing for a longer period of time have higher chances of becoming irrecoverable. The table 3.4 below shows the aging of arrears for ministries and departments and the State Owned Entity.

TABLE 3.4 ARREARS OF REVENUE 1-5 YEARS

Entity	Total Arrears	Less than A year	1 Year & Over	2-5 Years	Over 5 Years	Arrears over 5 years as % of total
	\$		\$	\$	\$	(%)
Agriculture	824,986	6,039	587	116,030	702,330	85
Auditor-General	232,734	73,023	80,856	-	78,855	34
Education, Youth & Services	8,119	8,119	-	-	-	-
Communication (Telecommunication Authority of Fiji)	-	-	-	-	-	-
Elections	-	-	-	-	-	-
Fiji Islands Maritime Safety Administration.	123,645	123,645	-	-	-	-
FRCA – Customs	3,292,502	931,078	1,433,948	776,716	150,760	5
FRCA – IRD	107,887,503	53,641,741	-	22,484,704	31,761,058	29
Fiji Procurement Office (FPO)	113,548	-	-	113,548	-	-
Finance – Surcharge	702,527	224,409	51,377	215,723	211,018	30
Finance – Pensions Office	15,589	-	15,589	-	-	-
Fisheries & Forests	17,308	-	-	17,308	-	-
Government Printing & Stationery Department	641,012	549,926	91,086	-	-	-
Health	451,365	145,839	191,722	58,914	54,890	12
Immigration	-	-	-	-	-	-
Information Technology & Computing Services	1,862	1,862	-	-	-	-
Judicial	11,341,730	528,491	435,434.00	1,649,375	8,728,430	77
Labour and Industrial Relation	37,908	22,320	90.00	1,046	14,452	38
Lands	22,729,013	2,805,858	8,075,005	6,673,958	5,174,192	23
Loans: Rewa Rice Ltd	-	-	-	-	-	-
Meteorological Services	-	-	-	-	-	-
Overseas Peace Keeping Missions (MFO)	6,133,366	-	6,133,366	-	-	-

Entity	Total Arrears	Less than A year	1 Year & Over	2-5 Years	Over 5 Years	Arrears over 5 years as % of total
Police	2,708	1,022.00	-	1,686.00	-	-
Prisons	-	-	-	-	-	-
Public Utilities(Water Authority of Fiji)	38,127,154	9,890,845	5,470,876	10,170,940	12,594,493	33
Provincial Development & Multi Ethnic Affairs	495,059	12,408	195,171	199,116	88,364	18
Solicitor General's Office	-	-	-	-	-	-
Total	193,179,638	68,966,625	22,175,107	42,479,064	59,558,842	31

The following analysis was made from the table above:

- Arrears of revenue which are more than a year old amounted to \$124 million or 64% of the total arrears of which the FRCA – Inland Revenue Department has the highest arrears of \$54,245,762 as at 31/12/12 which are taxes outstanding to Government.
- 85% of the arrears of revenue for Agriculture still remained uncollected for over 5 years.²³ The Ministry declared that arrears deemed irrecoverable amounting to \$3,153,259.74 was approved for write off in 2012.
- Arrears of revenue outstanding for over 5 years for the Judicial Department stood at 77% of total arrears of revenue as at 31/12/12. The execution of warrants for revenue collection is undertaken by Fiji Police Force. Lack of resources had been a factor to the untimely collection of revenue.
- Water Authority of Fiji had arrears of revenue which are more than year old amounting to \$28.2million or 74% of the total arrears of the authority. The substantial amount of arrears has resulted due to dispute with the billing system.
- Keeping debtors in over ninety-day category for a long time reflects a weak system of revenue collection mechanism in place by ministries and departments and affects the financial position of the government.
- There is risk that debtors would default in their payments which would result in increase losses in government revenue.

Recommendations

- **Ministry of Finance should review their strategies / policies to ensure debts over 1 year can be collected and improve its debt position.**
- **The Ministry of Finance could take proactive role to discuss strategies put in by Ministries / Departments to improve the worsening debt situation.**

Management Comment

The MOF is looking into setting up a Taskforce to spearhead the review of all Arrears of Revenue and examine the internal control machinery of the respective revenue collection entities. Generally, the Taskforce will be responsible for reviewing the existing strategies/policies in place to ensure swift collection of debt and irrecoverable debts reduced and will also be conducting meetings with Ministries /Department representatives to discuss internal control procedures and policies. The underlying intention is to eliminate the existing anomalies in the revenue recovery process and have a efficient system in place.

²³ MOF letter dated 2nd February 2012.

3.2.4 Errors in Arrears of Revenue Quarterly Report

The Arrears of revenue report must outline the total of each overdue age category and name of each debtor within each age category²⁴.

The Chief Accountant Treasury is responsible for the safe keeping and proper maintenance of all accounting records or documents.²⁵

The audit of arrears of revenue returns noted the following anomalies:

- The Ministry of Labour, Industrial Relations and Employment failed to include amount totaling \$685 in their arrears of revenue return for the year ending 31/12/12. This was related to arrears for the Nadi and Savusavu Office of \$595 and \$90 respectively.
- The Ministry of Fisheries and Forests failed to provide the aged debtors listing as at 31/12/12 totaling \$17,308.

This shows that the Ministry of Finance is not checking the returns submitted by ministries / departments and state owned entities.

Recommendation

Ministry of Finance should remind Ministries/Departments to always check the arrears of revenue reports and returns are correct in all aspects.

Management Comment

The Ministry has noted the recommendation above and will continue to remind Ministries/Departments HOD's for the timely and accurate submission of their quarterly arrears of revenue report. Accurate submission is important as it weighs 15% of their annual Permanent Secretary Performance assessment by PSC.

4.0 PREPAYMENTS AND ACCRUED INCOME

4.1 Accounting Issues

4.1.1 Lack of Supporting Schedules - Prepayments and Accrued Income Balances

Permanent Secretary of each ministry is responsible for the preparation of their respective Financial Statements.²⁶ The Ministry of Finance to compile a set of Financial Statements for the Whole of Government at the financial year end (31st December).²⁷

The audit noted that there is no consolidated supporting schedule at Whole of Government level to substantiate the Prepayments and Accrued Income balance of \$13,687,618 at year end.

The balances were extracted from the FMIS GL however these balances were not properly supported as agencies do not maintain prepayments schedules and no consolidation is done by the Ministry of Finance at year end to validate the prepayments balances as at 31/12/12. Refer Table 4.1 below for composition of balances.

²⁴ Finance Manual 2011 – Section 9.3.3

²⁵ Finance Manual 2011, Section 18.1.3

²⁶ Finance Management Act 2004 – s28

²⁷ Finance Management Act 2004 – s46

TABLE 4.1: UNSUBSTANTIATED PREPAYMENTS AND ACCRUED INCOME BALANCES

Fund	Account	Description	Balance as at 31/12/12 (\$)	Balance as at 31/12/11 (\$)	Movement (\$)
Operating Fund Account	1-00000-00000-570100	Prepayments	2,008,944	1,768,969	239,975
	1-00000-00000-570200	Accrued Income	319,979	308,093	11,886
	1-00000-00000-570300	Advances. Dishonoured Cheques	11,909,747	11,680,183	229,564
	1-00000-00000-578100	Clearing Accounts Term Loans Payable Overseas Loan	(551,052)	603,814	(1,154,866)
	1-00000-00000-578200	Clearing Accounts Term Loans Payable Domestic Loan	---	(2,449,775)	2,449,775
Total			13,687,918	11,911,284	(1,776,335)

In the absence of a schedule of prepayments at the agency and whole of government level, movement in the prepayments balances may not be properly explained hence it could not be verified by audit.

Recommendation

In view of full accrual accounting adoption by Government, the Ministry of Finance should consider upgrading the FMIS system to allow the generation of prepayments schedule both at agency level and at whole of government level.

Management Comment

No comment received from management.

4.1.2 Audit of Opening Balances

Opening balances means those account balances which exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and accounting policies from prior periods.²⁸

The correctness and existence of the opening prepayments and accrued income balance could not be verified as there was no prepayment or accrued income schedule to adequately support these balances at Whole of Government level.

It could not be ascertained whether the opening balance for prepayments was the actual amount paid in advance by government as at 31/12/11, hence, the opening balances may be either over or understated.

In the absence of a consolidated prepayments schedule, the audit could not satisfactorily deduce that the prior year's closing balances had been correctly brought forward to the current period.

Recommendation

The Ministry of Finance should ensure that opening balances are properly supported and in view of full accrual adoption by Government, the Ministry of Finance should consider upgrading

²⁸ AUS 510.03

the FMIS system to allow the generation of prepayments schedule both at agency level and at whole of government level.

Management Comment

No comment received from management.

4.1.3 Analysis of Outstanding Advances, Dishonoured Cheque, Unclaimed Monies & Surcharges

Departments should forward monthly Revolving Fund Account (RFA) reconciliation statements to Treasury.²⁹ The Ministry of Finance should review the reconciliations upon receipt and highlight any discrepancies.

The average of the total outstanding advance figure has been around the \$3.2 million mark whilst the outstanding figure for unclaimed monies has been between the ranges of \$7.5 to \$8.2million for the past 5 years.

The \$7.5million unclaimed moneys outstanding as at 31/12/12 relates to stock adjustments for Fiji Procurement Office.

No significant movement was noted for the unclaimed monies and surcharge balances when compared to the balance as at 31/12/11 whilst little action has been taken to recover the outstanding advances and dishonoured cheques balances of \$3.7million and \$0.5million respectively as at 31/12/12.

Balances for outstanding advances have significantly increased by 19% over the past 4 years while dishonoured cheques balance have increased by 8% over the financial year. Refer Table 4.2 and Figure below for trend analysis on these accounts:

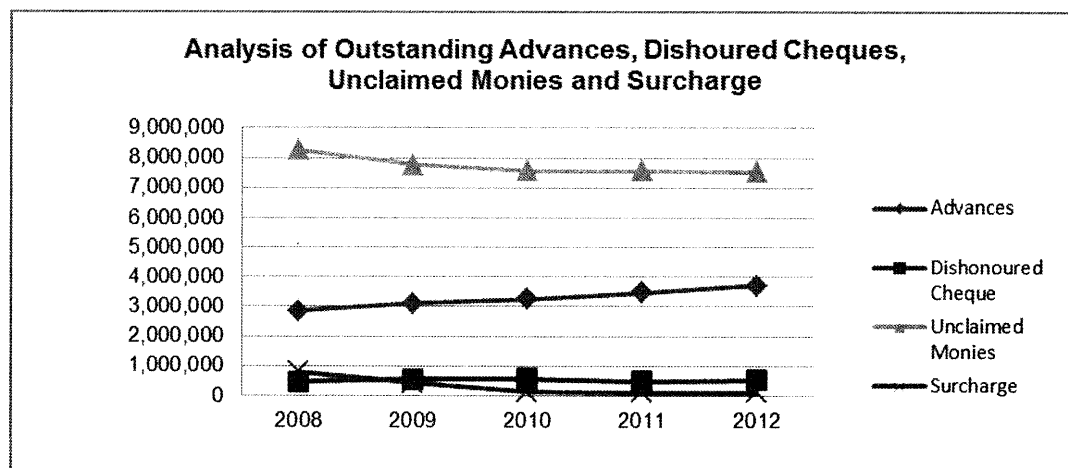
TABLE 4.2: ADVANCES, DISHONoured CHEQUE, UNCLAIMED MONIES & SURCHARGES

Year	Advances [570301] (\$)	%age Change	Dishonoured Cheque [570302] (\$)	%age Change	Unclaimed Monies [570303] (\$)	%age Change	Surcharge [570304] (\$)	%age Change
2008	2,861,584	(20)	489,021	8	8,279,035	16	807,099	(0)
2009	3,107,139	9	576,037	18	7,783,826	(6)	428,110	(47)
2010	3,275,503	5	584,017	1	7,572,689	(3)	142,394	(67)
2011	3,485,312	6	504,871	(14)	7,576,903	0	113,096	(20)
2012	3,712,184	7	546,391	8	7,531,861	(0.6)	113,096	(0)
On Average	3,288,344		540,067		7,748,863		320,759	

Graphical representation of balances per specific type: advances, dishonoured cheques, unclaimed monies and surcharge is shown below in Figure 4.1:

²⁹ Finance Circular No. 10 of 02 April, 1982

FIGURE 4.1: TREND ANALYSIS OF ADVANCES, DISHONOURD CHEQUES, UNCLAIMED MONIES & SURCHARGE



The significant increase and accumulation of balances over the years increases risk of non-recovery of these outstanding balances thus making it more difficult for Ministries/Departments to reconcile and clear these balances.

Recommendation

The Ministry should ensure that:

- **Outstanding balances in the SAG 57 are cleared by the respective Ministries and Departments as prolonged delays could increase the risk of non-recovery.**
- **All RFA reconciliations submitted by Ministries and Departments are thoroughly scrutinised for regular clearance per month.**
- **Static and long outstanding balances carried over the years should be reviewed and necessary action should be taken to clear this balances.**

Management Comment

No comment received from management.

5.0 INVENTORY

The value of inventory held by Government was \$781,571 compared to \$875,150 in 2011. Inventory is measured at cost.

5.1 Accounting Issues

5.1.1 Non Disclosures of Accounting Policies Adopted in Valuing Inventories

The financial statements shall disclose:

- (a) The accounting policies adopted in measuring inventories, including the cost formula used;
- (b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;
- (c) The carrying amount of inventories carried at fair value less costs to sell;
- (d) The amount of inventories recognized as an expense during the period;

- (e) The amount of any write-down of inventories recognized as an expense in the period;
- (f) The amount of any reversal of any write-down that is recognized in the statement of financial performance in the period
- (g) The circumstances or events that led to the reversal of a write-down of inventories; and
- (h) The carrying amount of inventories pledged as security for liabilities.³⁰

The Whole of Government financial statements only showed the ending balances of inventories. It also failed to disclose the accounting policies adopted in measuring inventories including the cost formula used.

Recommendations

- **The Ministry should consider drafting and adopting clear accounting policies, valuation methods, write off policies, provisions for obsolescence and developing supporting schedules that can provide accurate information on the value of inventory at any given time.**
- **The Ministry should disclose in the financial statement the valuation methods and accounting policies adopted for accountability and transparency purposes and for the benefit of users of the financial statement.**

Management Comment

No comment received from management.

5.1.2 Valuation of Inventories

Inventories must be valued at the lower of cost and net realizable value. Costs must be assigned to inventory items on a consistent basis year-to-year using one of the following costing methods:

- (a) specific identification;
- (b) first-in, first-out; or
- (c) weighted average cost.³¹

The audit noted that there was no assessment of net realizable value of the inventories held by Government as at 31/12/12. The Asset Management Unit revealed that the inventories are recorded at cost.

With no assessment of net realizable value or current replacement cost of inventories being carried out, the Ministry is unable to accurately determine the future economic benefits to be realized from their sale, exchange, distribution or use.

Recommendations

The Ministry must work towards ensuring that an assessment of net realizable value or current replacement cost is done to certify that the future economic benefits to be realized from the sale, exchange, distribution or use are accurately determined.

Management Comment

No comment received from management

³⁰ IPSAS 12 – Inventories – Disclosure - 47

³¹ Part 6 Division 2 (39) 1 of Finance Instruction 2010

5.1.3 Unsubstantiated Inventory Balances and Ineffective Inventory Management System

Inventories which are material in value must be recorded in an inventory system.³² A stock take must be undertaken each year to verify the existence and condition of inventories on hand.³³

The audit noted that \$978,349 or 13% of the total inventory disclosed in the financial statement could not be substantiated or verified to supporting documents or stock certificates. Tabulated below are the un-substantiated accounts.

TABLE 5.1: UNSUBSTANTIATED ACCOUNTS

Ministry/Department	GL account number	Amount (\$)
Fiji Procurement Office	4-04351-91011-580301	87,588
Ministry of Works	4-40251-92011-580101	51,555
Ministry of Works	4-40251-92011-580301	15,464
Ministry of Works	4-40252-92011-580101	16,753
Ministry of Works	4-40252-92011-580301	3,117
Ministry of Works	4-40253-91071-580101	650,209
Ministry of Works	4-40253-91071-580301	127,795
Ministry of Works	4-40257-92011-580301	25,868
		\$978,349

Details to substantiate these balances were not provided to audit by the Asset Management Unit.

In addition, the Government lacks an effective inventory management system. Currently all stores use tally cards to update inventory movements in the year. Any obsolesce or damage stock will only be determined after the stock take at year end after which the general ledger is then updated.

With this current system, theft, stock loss and unauthorised adjustment are prevalent as evident in previous years TMA audit reports of related ministries and departments.

Failure to verify the existence of stock on hand reflects on the poor management and reconciliation of movements and changes in inventories kept by Government.

Recommendation

The Ministry should consider:

- establishing a programme of regular stock takes for entities that hold significant balances of inventory to provide assurance that balances held in inventory at any given time are accurate;
- Training stock taking staff so that they are adequately skilled to identify evidence of obsolescence or damage.
- Acquiring an effective computerised inventory management system interfaced with purchasing, accounts payable and accounts receivable systems to ensure that all inventory movements are reflected in the general ledger.

³² Part 6 Division 2 (37) of Finance Instruction 2010

³³ Part 6 Division 2 (38) of Finance Instruction 2010

Management Comment

No comment received from management.

5.1.4 Anomalies in Trading Manufacturing Account Year End Process

Permanent Secretary of each ministry is responsible for the preparation of their respective Financial Statements.³⁴ The Ministry of Finance to compile a set of Financial Statements for the Whole of Government at the financial year end (31st December).³⁵

The Asset Management Unit facilitates the TMA year-end process in five processes as detailed below.

Process 1 – Posting of Opening Stock (done at year end)

Opening stock is posted by debiting the SRG269900 and the corresponding entry is posted to the Inventory account SAG 580000 to clear the previous years' ending stock balance.

Process 2 – Posting of Closing Stock (done at year end)

Closing stock balance is then posted to SAG580000 to account for the closing stock in the balance sheet.

Process 3 – Posting of Net Profit/Loss

The net profit/loss is also accounted for in SRG269900 and the corresponding entry to the equity account.

Process 4 – Posting Entries for Net Equity (transfer to SLG91 Fund 1)

The net impact on equity following the posting done in Process 3 is transferred then to the equity account of Fund 1(Operating Fund Account).

Process 5 – Compilation of WOG TMA Financial Statements³⁶

Our review of the TMA year-end processes noted the following anomalies:

- Stock adjustments to reflect movement in stock figures during the year in the financial statements are done on an annual basis at year end by the Ministry of Finance and is not done on a monthly basis to ensure proper cut offs and monthly financial statements are also generated for review of monthly operational results.
- Ministries/Departments are only required to carry out annual stock takes and furnish a certificate to the Asset Management Unit at year end that does the posting into the FMIS GL. However it is noted that the closing stock and net profit/loss are both posted to the SRG269900 and the net balance is not taken into account in the WOG TMA income statement, however the postings is basically done to balance off the TMA books.

³⁴ Finance Management Act 2004 – s28

³⁵ Finance Management Act 2004 – s46

³⁶ TMA Year End Process Guideline

- The TMA Income Statement (4-00000-00000-IS0000) extracted from the FMIS GL at year does not show the net profit/loss during the year.
- Moreover, the net impact of the net profit postings to the Equity account (SLG 940400) is also transferred from Fund 4(TMA) to Fund 1(Operating Fund Account).

While audit acknowledges the current TMA year-end processes adopted for government TMAs' whereby the Asset Management Unit handles the year end processes, audit is concerned that the accounting processes have not been implemented across all government TMAs to ensure that government ministries and departments draw up their own TMA income statements and balance sheets from the FMIS GL on a monthly basis.

With the current year end process, it is noted that the responsibility of the preparation of the TMA financial statement is with the Ministry of Finance and not the respective Ministries and Departments.

Moreover, in the absence of readily available monthly financials, real time reviews of operational results may not be possible.

Financial reforms work carried out by Ministry of Finance are appreciated, however audit is of the view that accounting guidelines adopted should be properly vetted and thoroughly scrutinised to ensure that accounting principles are not breached and more importantly, financial statements of Whole of Government is not misstated.

Recommendations

- **The Ministry should immediately review its TMA year-end processes to a monthly closing off procedures for TMAs.**
- **Monthly closing off procedures should be forwarded to all government ministries/departments for adoption and to ensure that they are responsible for the preparation of their financial statements.**
- **The Ministry should consider having monthly stock adjustment postings at month end.**

Management Comment

No comment received from management.

6.0 TRUSTED ASSET

6.1 Accounting Issues

6.1.1 Anomalies in Trusted Assets

An asset means future economic benefits controlled by an entity as a result of past events.³⁷

The balance of Trusted Asset (SAG 59) as at 31/12/12 totalled \$781,571 compared to \$93,578 in 2011. Refer Table 6.1 for details:

³⁷ Part 1 Preliminaries Interpretation 2010 Finance Instruction

TABLE 6.1: BALANCE OF TRUSTED ASSET

Department/Ministry	GL Account	Balance as at 31/12/12	Balance as at 31/12/11	Change (\$)
Department of Agriculture	1-30101-30999-590101	873,950	873,950	---
Ministry of Education	1-21302-91025-590101	1,199	1,199	---
Ministry of Foreign Affairs	1-08103-80601-590201	(93,578)	---	(93,578)
TOTALS		781,571	875,149	(93,578)

The audit noted that a balance of \$873,950 for the Ministry of Agriculture has been reflected in the general ledger since 2006 was in relation to a project for the Alternative Livelihood Project. This balance could not be substantiated and continued to be raised during audit.

In addition, the Ministry of Foreign Affairs incorrectly credited \$93,578 to SAG 59 instead of SLG 84 funds to facilitate vehicle purchase for the Fiji Embassy in Malaysia. This fund was supposed to be carried over to 2013.

There is also a lack of clear description of the account as the chart of accounts failed to explain what constitutes and/or qualified to be treated as a trusted assets.

Therefore assets of government are overstated by \$781,571 as these are incorrectly posted and unsubstantiated balances reflected in government's financial statement.

Recommendations

- **Static and long outstanding balances carried over the years should be reviewed and necessary action should be taken to clear this balances.**
- **Access to SAG 59 should be restricted by FMIS section**
- **Thorough scrutiny of GL balances should be carried out monthly to identify and rectify incorrect postings on time.**

Management Comment

No comment received from management.

7.0 TERM LOANS RECEIVABLES

7.1 Control Issues

The Minister may, on behalf of the state, make loans of public money from the Consolidated Fund on such terms and conditions as the Minister thinks fit and whether within or outside Fiji.³⁸

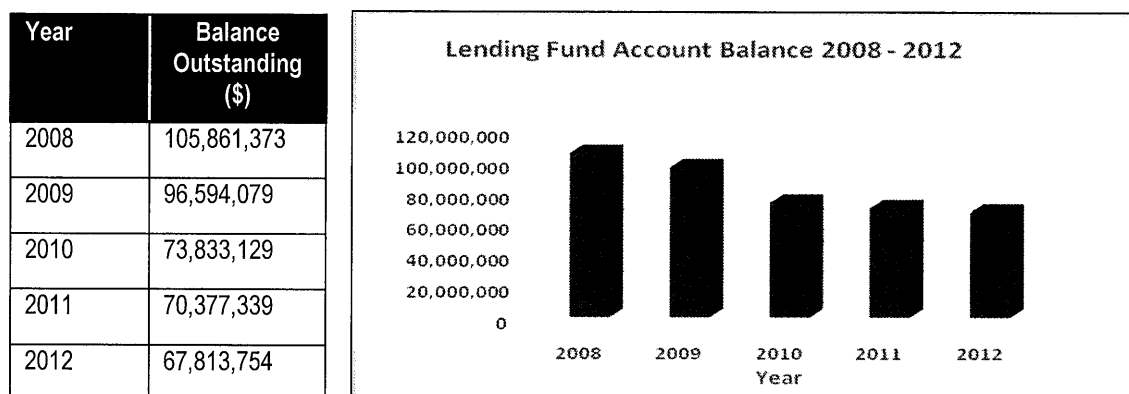
The audit noted that outstanding loans made by Government as at 31/12/12 totalled \$67,813,754; a decrease of \$2,563,586 compared to 2011. Repayments received in 2011 totalled \$3,474,057 whilst no additional loan was given or interest capitalised during 2012.³⁹

The Lending Fund balances in the past five years are graphed and tabulated below.

³⁸ Financial Management Act 2004, Section 61 (1)

³⁹ Appendix 16 Statement of Lending Fund Account as at 31 December 2010

TABLE 7.1: LENDING FUND BALANCES TREND



The loan balances have decreased steadily over the years except in 2010 which resulted from a loan repayment of \$20,000,000 by the I-Taukei Affairs Board.

7.1.1 Lending Fund Account Anomalies

Lending Fund Accounts records all advances made by Government. All money received as principal and interest charges in respect of advances by the government will be credited to the Lending Fund Account and subsequently transferred to the Operating Fund Account⁴⁰.

The following anomalies were noted from the audit of the Lending Fund account:

1. Out of the \$3,474,057 recovered in 2012 as tabulated in Table 16.2:
 - \$633,273 was merely a book entry to close off the loan account without any evidence of money being received. These are recoveries from I-Taukei Land Trust Board and Fiji Sports Council of \$575,617 and \$57,656 respectively.
 - Recoveries for Student Loan Scheme and Private Students' general ledger account totalling \$709,319 could not be supported with actual receipts details;
 - \$257,321 that was receipted in relation to the Copra Stabilisation Fund was not recorded under revenue Standard Revenue Group (SRG) 31, defeating the Cash Basis of Accounting adopted by Government.

TABLE 7.2 REPAYMENTS/RECOVERIES MADE IN 2012

Borrowing Institution	Amount Recovered (\$)
Fiji Sports Council	57,656
Copra Industry for Stabilization of Earnings	257,321
Consumer Cooperatives Societies	148
Advances to Ministers & Members of House of Representatives	26,563
Tertiary Education	705,877
Private Students	3,442
Student Loan Scheme	1,847,435
Total	3,474,057

⁴⁰ Page 2 of Accounting Training Manual issued by Ministry of Finance

2. Total amount lent of \$910,472 to Telecom for DIGs 5 loan is a book entry in the system which indicates that the lending fund account may be either showing under or overstated balances.
3. Loan accounts that attract interest have not been capitalised by the Ministry. These loans are Copra Industry for Stabilisation of Earning loan, Consumer Co-operative loan, advances to public officers, advances to ministers and members of House of Representatives, production loan to farmers, Viti Corp Limited, National Trading Corporation limited loan and Fiji Sugar Corporation loan.⁴¹
4. Loan account files that were not provided during our audit included Timber Exporters, Viti Corp, NATCO and Consumer Cooperative.

This reflects the laxity of officers and supervising officers in the Ministry in carrying out necessary reconciliation to ensure that the general ledger and loan accounts are accurately maintained and reflects true and fair information of the transactions of the accounts in the financial year.

This is further exacerbated by the absence of a Lending Fund policy that documents processes and procedures that governs the account.

This has resulted in the misstatement of revenue and surplus in the government accounts.

Recommendations

- **The Ministry should ensure that control measures and proper authorization are put in place to avoid unauthorized and incorrect postings into the general ledger;**
- **Reconciliation of the entities records and the FMIS GL should be carried out regularly, variances noted should be investigated and necessary adjustments made.**
- **The Lending Fund Policy should be put in place to guide officers for any issues arising for any lending funds transactions.**

Management Comment

DCFMU Unit has commenced reviewing the comments and will ensure that reconciliation of the entities records and the FMIS GL are carried out on a quarterly basis. A meeting with relevant stakeholders in July has resulted in consensus of how to address issues above and the possibility write off of Dormant/Inactive Loan Accounts.

7.1.2 Scholarship Unit Loan Account

The Fiji Government Scholarship operates on a cost sharing system in which the Government contributes two-thirds (2/3) and the student 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.⁴²

The lending fund account reflects three scholarship loan accounts controlled by the Public Service Commission as detailed in Table 7.3.

⁴¹ Appendix 16 2012 Detailed Statement of Loans made by Government Outstanding as at 31/12/12

⁴² PSC Scholarship and Student Loan Scheme Handbook

TABLE 7.3 SCHOLARSHIP ACCOUNTS UNDER THE LENDING FUND

Loan Account	Balance as at 31/12/12 (\$)
Private Student	(3,756,326)
Tertiary Education	(1,941,555)
Student Loan Scheme	(1,552,068)

The following anomalies were noted from the audit of the scholarship accounts.

1. Private Student (1-02305-02999-610901)

The general ledger balances for Private Students Loan handled by Public Service Commission (PSC) has been showing a credit balance of \$3,756,326 for the past five (5) years.

The audit noted that there has been no effort to clear these amounts nor a reconciliation statement for the Private Student Loan account, for 2012 being prepared.

2. Tertiary Education (1-02300-00000-610800)

The account has a credit balance in 2012, an increase of \$705,877 from \$1,235,678 recorded in 2011.

No proper reconciliation was submitted by the Public Service Commission for the account.

3. Student Loan Scheme account

- The account has a credit balance of \$1,552,068 as at 31/12/12.
- This account is made up of balances reflected under PSC and Ministry of Education as tabulated in Table 7.4. This balance was the result of mapping exercise of transferring balances from old accounts to the new accounting system in 2006.

TABLE 7.4: STUDENT LOAN SCHEME BALANCES AS AT 31/12/12.

Account	Department/Ministry	Amount as at 31/12/12 (\$)
1-02000-00000-611100	Public Service Commission	(5,414,865.19)
1-21000-00000-611100	Ministry of Education	3,862,796.76
Total balance as at 31/12/12		(1,552,068.43)

In addition, the audit noted that new scholarships and student loan schemes issued in the year is not reflected in these lending fund accounts. Thus the loan account may be understated by these amounts.

Bank reconciliation of the consolidated fund account (BSP Account 7663868) opened to facilitate scholarship repayment were not prepared by Public Service Commission.

This also reflects on the lack of coordination and consultations by the Ministry of Finance being steward for government finances.

Recommendations

- **The Ministry should follow up with Public Service Commission to remind them of their responsibility to ensure that all lending fund account reconciliation are being updated and details of receipts and payments are supported with relevant documents.**
- **The Ministry should consider establishing a task force team as to ensure that records needed for whole of government accounts are readily available.**
- **Inactive accounts are looked into and if appropriate be removed from the system.**

Management Comment

A meeting held with the PSC Accounts Team held on 18th July about the inactive/dormant loan to be written off. DCFMU will ensure by following up with PSC about the lending fund account reconciliation to be submitted on a monthly basis.

7.1.3 I Taukei Affairs Board (ITAB)

A ledger shall be maintained for advances. Any transaction raised affecting this account shall be entered in the appropriate ledger.⁴³

The ledger reconciliation statement shall be forwarded to the *Accounting Head* who must ensure that all balances are accurate and adequately supported; any misallocations or outstanding balances from the previous month have been dealt with.⁴⁴

Currently, for any loan repayment, the cashier at the Ministry receipts these loan repayments and also obtains the account codes provided by the debt management unit.

This allocation is entered into the receipt and the loan repayment recorded to that account allocation.

The audit noted that loan repayments made by ITAB since 1999 did not reduce their loan account as the allocation used for the loan repayment was incorrect. In addition, there is no written guideline in place to be referred to when there is a loan repayment transaction.

The I Taukei Affairs Board loan balance record with the Ministry of Finance continued to show a balance of \$7,518,924 as at 31 December 2012, without any adjustment to show loan repayments from ITAB from 1999. Detailed in Table 7.5 are the repayments made by the I Taukei Affairs Board.

These receipts were wrongly receipted into the commission revenue general ledger account (1-04102-04999-270301) by the Treasury without reducing the debtor account. In addition, the Debt Management Unit of the Ministry as custodian of the lending fund account failed to check the correctness of the repayment postings into the general ledger. Nor did the Unit sought confirmation from ITAB to correctly reflect the loan records in the system.

This issue was raised in the 2009 audit report however no action has been made by the Ministry to correct this account.

⁴³ Part 16.3 Proforma Finance Manual 2012

⁴⁴ Part 16.3.6 Proforma Finance Manual 2012

TABLE 7:5: CONFIRMATION OF REPAYMENTS OF ITAB LOAN ACCOUNT

ITAB Cheque Number	Date of Receipt	MOF Receipt Number	Amount (\$)
403	10/03/1999	17605	4,900,000
404	08/04/2010	177500	240,000
411	09/06/2011	378207	240,000
412	11/05/2012	715205	240,000
Total repaid by ITAB			\$5,620,000

Thus the Lending Fund account is overstated by \$5,138,924. This reflects on the lack of monitoring and coordination between the Treasury Division and the Debt Management Unit of the Ministry.

Recommendations

Reconciliation of the entities records and the FMIS GL should be carried out regularly, variances noted should be investigated and necessary adjustments made to correct the material misstatement.

Management Comment

DCFMU staffs will ensure that reconciliation of the entities records and the FMIS GL are carried out on a quarterly basis. Standard operating procedures will be created to minimize misposting in future. In addition, a meeting was held on 19th July advising I Taukei Affairs Board about the Dormant/Inactive Loan Accounts to be written off.

7.1.4 Copra Industry Stabilisation Fund

The Minister, with the approval of the Minister for Agriculture and Fisheries may fix and from time to time vary the minimum price at which copra produced in Fiji shall be purchased by purchasers carrying on business in Fiji.⁴⁵

The payment and recovery of monies authorised by the House of Representatives for the support of any minimum copra price shall continue to be made by such copra millers or other agents as have been or shall from time to time be appointed by me. Such agents shall maintain full accounts of the payments made to and repayments made by copra producers to the satisfaction of the Permanent Secretary for Finance.⁴⁶

Loans made to copra producers under the Copra Industry Loans Regulation together with interest shall be repaid by producers except those holding certificates of exemption, by instalments. Where the proceeds of sale exceed the minimum price for copra for the time being fixed in terms of section 2 of the Act, the instalments shall consist of the difference between the proceeds of sale and the minimum price so fixed.⁴⁷

The audit noted that receipts from farmers and producers of copra have not been receipted into any revenue allocation. These receipts have been credited to the Copra Industry Stabilisation of Earnings loan account and have reduced the loan balance by \$257,321 in 2012. Refer Table 7.6.

⁴⁵ Section 2, Chapter 153 Copra Industry Loan, Act No. 26 of 1976

⁴⁶ Section 3 (2) Chapter 153 Copra Industry Loan Act revised 1985

⁴⁷ Section 3 (4) Chapter 153 Copra Industry Loan Act revised 1985

The Debt Management Unit explained that this Copra Industry for Stabilization of Earnings accounts is not a lending fund account. The receipts are not loan repayment of loan but a risk premium charge and should be classified as revenue of the State.

Farmers and millers have to remit 25 per cent of every dollar above the support price which currently stands at \$500 per metric tonne and \$130 for millers.

Should the price of copra go below the support price, Government will subsidise the cost from the funds set aside under the Copra Stabilisation Fund.

Contrary to the explanation given on the operation of the Copra Stabilisation Fund, the general ledger accounts of the fund are not recording any repayments from millers and farmers as revenue but rather only reducing the loan amount as reflected under Standard Asset Group (SAG) 620200.

TABLE 7.6: RECEIPTS NOT RECORDED UNDER REVENUE ACCOUNT

Receipt Date	Receipt Number	Allocation Credited	Amount (\$)
20/01/2012	657569	1-04104-04999-620205	26,322.55
22/02/2012	657745	1-04104-04999-620205	10,000.00
27/02/2012	715003	1-04104-04999-620205	16,044.26
13/04/2012	715125	1-04104-04999-620202	12,919.26
30/04/2012	715158	1-04104-04999-620202	37,727.48
23/05/2012	715232	1-04104-04999-620202	31,256.93
28/08/2012	883015	1-04104-04999-620202	23,481.89
04/12/2012	10127	1-04104-04999-620202	15,344.00
25/06/2012	790064	1-04104-04999-620202	34,585.78
18/07/2012	790138	1-04104-04999-620202	33,700.03
20/09/2012	883075	1-04104-04999-620202	15,938.39
Total			257,321

In addition a revenue receipt number 883220 receipted on 01/11/2012 amounting to \$20,882 was receipted into SRG 31 but was not reflected under the Lending Fund account (SAG 62).

This issue reflects on the absence of checks and reconciliation of the loan account by the ministry.

Failure to record these repayments as revenue has understated total revenue by \$256,321.

Recommendations

- The Ministry should ensure that an accounting manual for the treatment of loan repayment should be developed and written instruction made available to all staffs so that they are aware of the accounting entries to be effected.
- Reconciliation of the entities records and the FMIS general ledger should be carried out regularly, variances noted should be investigated and necessary adjustments made.
- Officer responsible for maintaining this account should be disciplined for failing to perform her duties.

Management Comment

DCFMU will review entries and ensure proper recording are done from now onwards. In addition, these errors arise due to staff movement within ministry. Quarterly reconciliation of the entities records and the FMIS GL will be carried out on a quarterly basis and proper accounting entries to be taken into account when repayments are made.

7.1.5 Absence of Loan agreement with the Fiji Sports council

Cabinet agreed on the 30/08/2005 that a loan agreement between the Fiji Sports Council (FSC) and Government be drawn up to facilitate repayment by the Council of the total sum paid by Government to Fiji National Provident Fund (FNPF), consistent with the Financial Management Act.⁴⁸

The Loan agreement between Government and Fiji Sports Council(FSC) is yet to be drawn up contrary to the cabinet decision number CP(05)320.

According to the Debt Management Unit, government is expected to pay FNPF a total of \$4,435,339 by 2014.⁴⁹ Subsequently the agreement will be drawn up once the loan has been fully repaid.

Furthermore, the Fiji Sports Council loan account has been adjusted to nil in the Lending Fund account as at 31/12/12. There is no record in the government books of the amount owed by the Fiji Sports Council to Government.

Detailed below are the repayments made by Government to FNPF on behalf of the Fiji Sports Council.

TABLE 7.7: REPAYMENTS MADE BY GOVERNMENT TO FNPF ON BEHALF OF FIJI SPORTS COUNCIL

Year	Amount (\$)	Evidence of Payment
2001	364,033.23	Govt Chq No. 36408 of 27/07/01
2002	124,038.79	FNPF RR No.575726 of 28/06/02
	60,384.72	FNPF RR No.575729 of 28/06/02
	115,247.69	FNPF RR No.584465 of 14/08/02
	62,951.07	FNPF RR No.584466 of 14/08/02
2003	178,198.76	FNPF acknowledge of receipt
2005	321,870.03	Govt chq No. 3280 of 15/07/05
2006	178,198.76	Govt chq No. 173540 of 01/02/06
	179,236.22	Govt chq No. 394691 of 25/08/06
2007	178,198.76	Govt chq No. 396984 of 31/01/07
	178,198.76	Govt chq No. 397751 of 31/07/07
2008	178,198.76	Govt chq No. 398203 of 31/01/08
	178,198.76	Govt chq No. 398590 of 31/07/08
2009	178,198.76	Govt chq No. 398973 of 30/01/09
	178,198.76	Govt Chq No. 399539 of 30/08/09
2010	178,198.76	Govt chq No. 400074 of 29/01/10
	178,198.76	Govt chq No. 400603 of 03/08/09
2011	178,198.76	Govt chq No. 401340 of 31/01/11
	178,198.76	Govt chq No. 401820 of 28/07/11
2012	178,198.76	Confirmed receipt from FNPF
	178,198.76	Govt chq No. 403279 of 15/08/12
	3,722,544.39	Total repayment

⁴⁸ Cabinet Decision number CP(05) 320 of 30/08/2005 on Lawaqa Park Loan Recovery Proposal

⁴⁹ MOF letter to PS Youth & Sports dated 09/07/08: Government guarantee on Fiji Sports Council Loan

The FNPF confirmed to audit that as at 31/12/12, the Fiji Sports Council loan balance was \$668,637.⁵⁰

The debtor's account of government is understated.

Recommendations

- **The Ministry should ensure that a loan agreement between the Fiji Sports Council and the Government is drawn up immediately and the loan account is reflected in Government books.**
- **The Cabinet Decision number CP(05) 320 of 30/08/2005 should be complied with by the Ministry and if there are non-compliance the Ministry should advise Cabinet accordingly.**

Management Comment

We feel that the Cabinet decision approving the repayment of FSC loan by government is sufficient. However, we will draft a loan agreement considering further loan undertaken by the Council lately that government has made a commitment to prepay.

7.1.6 Failure to Make Loan Repayments during 2012

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.⁵¹

Most loans under the Lending Fund Account for the year 2012 have not been recovered by the government. Refer Table 7.8 below for examples:

TABLE 7.8 NO LOAN REPAYMENTS MADE IN 2012

Borrowing Institution	Amount Lent (\$)	Balance Outstanding as at 01/01/12 (\$)	Amount Lent/Interest Capitalised in 2012 (\$)	Amount of Loan Recovered in 2012 (\$)	Balance Outstanding as at 31/12/12 (\$)	Date Amount Lent	Interest (%)
Fiji Pine Limited:							
Loan No.13	4,750,000	4,750,000	---	---	4,750,000	1991	Free
Loan No.14	2,200,000	2,200,000	---	---	2,200,000	1992	Free
Loan No.15	2,200,000	2,200,000	---	---	2,200,000	1993	Free
Loan No.16	2,200,000	2,200,000	---	---	2,200,000	1994	Free
Loan No.17	650,000	650,000	---	---	650,000	1995	Free
National Trading Corporation Ltd	2,900,000	2,900,000	---	---	2,900,000	2001	5
Viti Corps Company Limited	3,700,000	3,189,667	---	---	3,189,667	1999	5
Fiji Sugar Corporation	35,500,000	35,500,000	---	---	35,500,000	2010	5
Advance to Public Officers	1,000,000	5,526	---	---	5,526	---	11
Rewa Rice Limited		1,900,000	---	---	1,900,000		
NLTB/NLDC	820,000	820,000	---	---	820,000	1986	6
Timber Exporters	1,000,000	795,034	---	---	795,034	1983-1984	Free
Production Loan to	72,000	16,288	---	---	16,288	1990	1

⁵⁰ Audit Confirmation letter dated 29/05/13

⁵¹ Financial Instructions 2005, Section 48

Borrowing Institution	Amount Lent (\$)	Balance Outstanding as at 01/01/12 (\$)	Amount Lent/Interest Capitalised in 2012 (\$)	Amount of Loan Recovered in 2012 (\$)	Balance Outstanding as at 31/12/12 (\$)	Date Amount Lent	Interest (%)
Farmers							
Total	56,992,000	57,126,515	---	---	57,126,515		

The above table shows borrowing institutions that failed to make any loan repayment in 2012.

Explanation from the liaising officer with the Ministry noted that these borrowing institutions are facing solvency problem in their ability to make payment. These entities included Fiji Pine Limited, National Trading Corporation Limited and Rewa Rice Limited whereas Native Land Trust Board/NLDC, Timber Exporters and Production Loan to Farmers are now considered dormant for a considerable number of years.

Recommendations

- Stringent recovery measures should be in place to ensure that all loans are recovered yearly by the government.
- The Ministry should review its recovery procedure in its Finance Manual and could make arrangement with these entities as to how they can repay their loan obligations.

Management Comment

Accounting Heads/Desk officers at the respective agencies have been reminded via e-mail or meetings about the repayments. Debt Unit will ensure that loans are recovered.

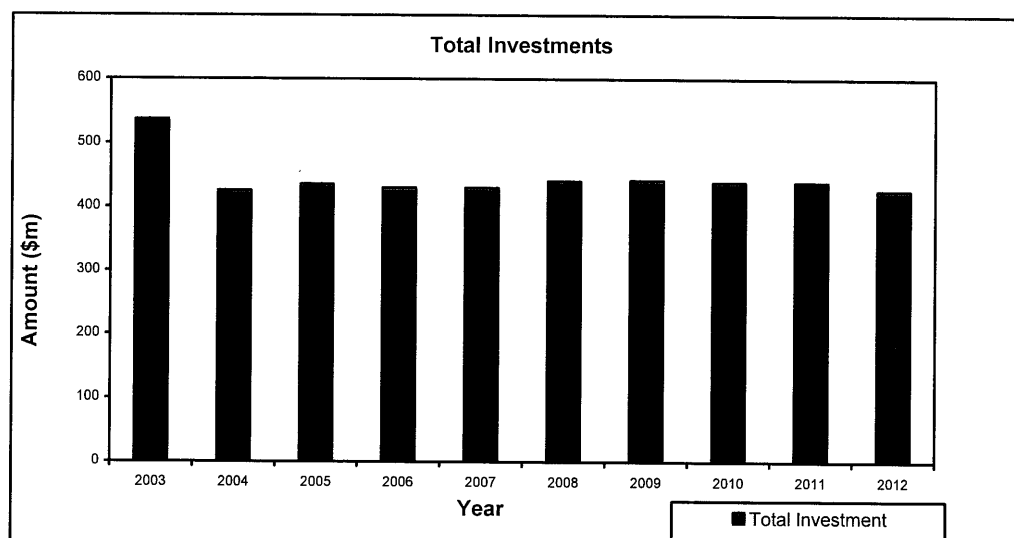
8.0 INVESTMENTS

8.1 Regularity Issues

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

Government investment in 2012 totalled \$426,197,668 held in 25 companies have decreased by \$12,709,536 or 2.9% compared to 2011. The investment of the Government for the last 10 years is shown in the figure below.

FIGURE 8.1: TOTAL GOVERNMENT INVESTMENTS: 2003 – 2012

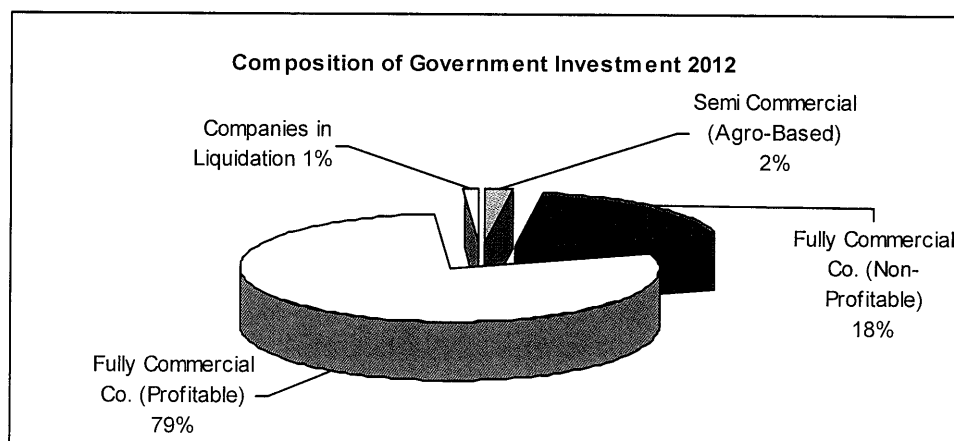


The decrease in government investment in 2012 was due to the sale of Government shares in Fiji Television Limited and those inoperative entities being struck off. The entities struck off included Fiji Ships & Heavy Industries Limited, Ports Terminal Limited, Equity Investment Management Company Limited, Fiji Shipping Corporation Limited, Rewa Co-operative Dairy Company Limited, Fiji Sugar Marketing Company Limited and International Hotels of Fiji Limited.

8.1.1 Composition of Government Investments

The composition of Government Investments for 2012 is shown in the figure below:

FIGURE 8.2: COMPOSITION OF GOVERNMENT INVESTMENTS



The major component of the Government Investments as at 31/12/12 were allocated to profitable fully commercial companies of \$334,776,108 or 79% of total investments. Fully commercial companies that were not profitable accounted for \$77,555,518 or 18%, semi-commercial (Agro-Based) accounted for \$9,385,750 or 2% whilst the remaining 1% or \$4,480,292 was made up of government investments in companies that are in liquidation.

8.1.2 Return on Capital

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

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders' funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.⁵²

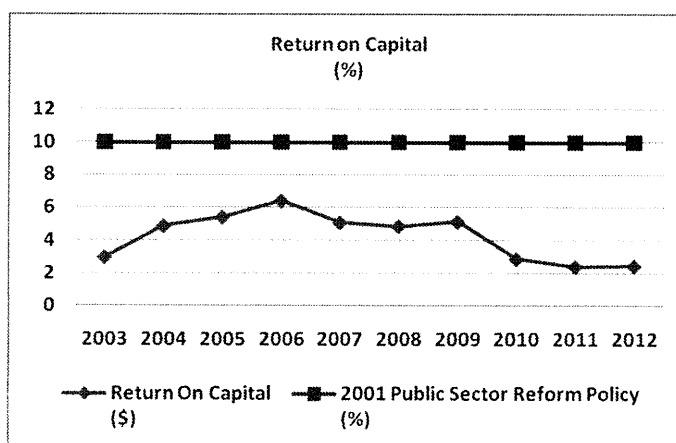
The audit noted that from 2003 to 2012, the average return on capital was 4% with 2006 recording the highest return of 6%. In addition, none of the entities met the 10% baseline as required by the 2003 Corporate Governance Policy Framework.

In 2012, the return on capital was 2% similar to 2011.

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

TABLE 8.1: RETURN ON CAPITAL 2003 – 2012

Year	Total Government Shareholding (\$)	Dividends On Investment (\$)	Return On Capital %
2003	536,950,162	17,552,494	3
2004	425,216,242	20,834,101	5
2005	435,208,218	23,701,130	5
2006	429,778,664	27,619,234	6
2007	429,861,896	21,971,159	5
2008	440,255,991	21,515,841	5
2009	441,960,505	22,827,214	5
2010	438,862,903	12,726,623	3
2011	438,907,122	10,631,806	2
2012	426,197,586	10,524,101	2



8.1.3 Analysis of Dividends and Investments

The Asset Management Unit is tasked to monitor Government Investments which was the targeted output for the Ministry of Finance for the management of financial asset and liability with respect to market and portfolio management with an allocation of \$1.073 million in 2012.

Moreover, the forecast for dividend revenue in 2012 was \$27.4 million. The audit noted that dividends on investments have decreased in year 2012 compared to 2011 by \$107,705 or 1%. There was a shortfall of \$16.9 million or by 62% in dividends received compared to the 2012 estimate. Refer Table 8.2 below for details of analysis:

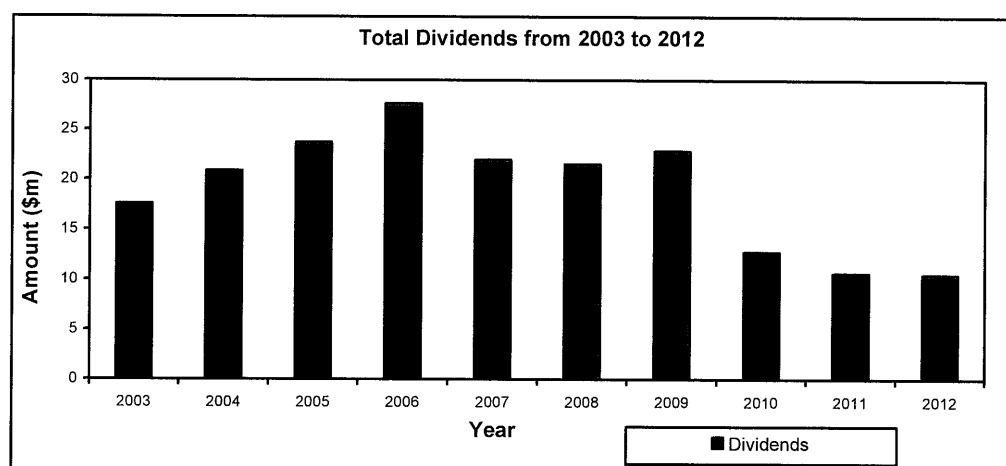
⁵² Corporate Governance Policy Framework – December 2003, Part II, Section 22

TABLE 8.2: INVESTMENTS AND DIVIDENDS RECEIVED 2003 – 2012

Year	Total Government Shareholding (\$)	Dividends on Investment (\$)	% Change In Dividend	Dividend Paying Entities	Number of Entities Holding Government Investments	% of Dividend Paying Entities
2003	536,950,162	17,552,494	(19)	12	30	40
2004	425,216,242	20,834,101	19	10	30	33
2005	435,208,218	23,701,130	14	9	30	30
2006	429,778,664	27,619,234	17	12	32	38
2007	429,861,896	21,971,159	(20)	11	30	37
2008	440,255,991	21,515,841	(3)	7	30	23
2009	441,960,505	22,827,214	(2)	8	31	26
2010	438,862,903	12,726,623	(39)	8	30	27
2011	438,907,122	10,631,806	(16)	8	30	27
2012	426,197,668	10,524,101	(1)	6	25	24

Refer to the figure below for the graphical analysis of dividends collected over the 10 year period:

FIGURE 8.3: TOTAL DIVIDENDS REMITTED: 2003 - 2012



Over the past 10 years, the number of entities paying dividends to Government averaged at 9 entities compared to the 25 companies it had investments with. Decline in dividends revenue indicate non-performing portfolios and therefore warrants the stringent monitoring of the Ministry of Finance to ensure maximum returns on Government investment.

8.1.4 Dividends Remitted per Entity

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders' funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.⁵³

All Government Commercial Companies and Commercial Statutory Authorities pay at least 50% of the net earnings to the Government as dividends in consultation with the Minister for Public Enterprises, Minister of Finance, and relevant Minister.⁵⁴

⁵³ Corporate Governance Policy Framework – December 2003, Part II, Section 22

⁵⁴ Corporate Governance Policy Framework – December 2003, Part II, Section 26

The audit noted that dividend totalling \$10.5 million was received in 2012 from 6 out of the 25 entities with an investment of \$426.2 million by Government.

TABLE 8.3: ANALYSIS FOR ENTITIES WHICH REMITTED DIVIDENDS: 2009 - 2012

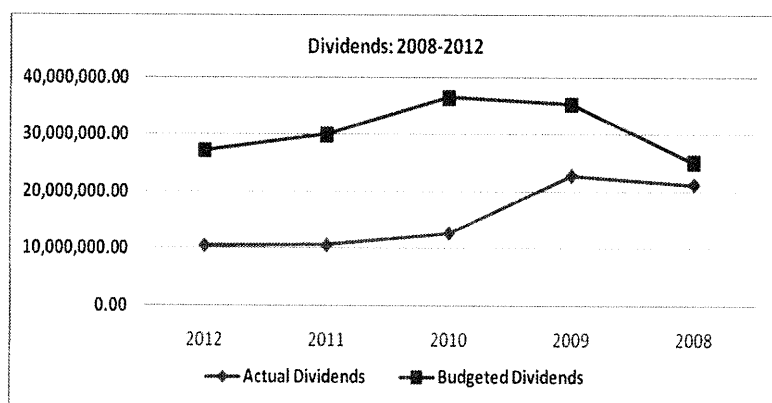
Description	Shareholding as at 31/12/12	2012 (\$)	2011 (\$)	2010 (\$)	2009 (\$)
Post Fiji Limited	5,600,000	0	434,820	184,126	371,772
UTOF (Management) Limited	50,000	74,276	0	2,250	233,016
Social Services (ATS)	765,000	496,117	319,651	514,248	0
Yaqara Pastoral Company Limited	1,191,846	0	279,287	0	1,068,817
Fiji Ports Corporation Limited	73,154,852	2,821,102	2,641,643	0	875,983
Public Trustee Corporation	0	0	0	3,000,000	0
Airports (Fiji) Limited	92,300,180	1,020,640	1,000,000	3,000,000	2,292,707
Amalgamated Telecom Holding Limited	36,483,052	4,377,966	4,377,966	3,594,494	11,674,577
Fiji International Telecom Limited	3,570,000	1,734,000	1,376,559	0	4,113,463
Fiji Television Limited	0	0	201,880	173,040	201,880
Ports Terminal Limited	0	0	0	1,758,465	0
Civil Aviation Authority of the Fiji Islands	0	0	0	500,000	1,995,000
Dividends from Investments	213,114,930	10,524,101	10,631,806	12,726,623	22,827,215

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

TABLE 8.4: BUDGETED VS ACTUAL DIVIDEND REVENUE

Descriptions	2012	2011	2010	2009	2008
Actual Dividends	10,524,101.30	10,631,806	12,726,623	22,827,214	21,256,281
Budgeted Dividends	27,356,500.00	30,149,700	36,642,100	35,457,600	25,215,300

FIGURE 8.4: BUDGETED VS ACTUAL DIVIDEND REVENUE



Of the total investment of \$426.2 million⁵⁵, only \$206.3 million worth of investment in 2012 or 48% of the investment returned dividend to government. Refer Table 8.5 for details of Government entities which paid dividend in year 2012.

⁵⁵ Includes all investments in Statement of Investments in Appendix 9

TABLE 8.5: GOVERNMENT ENTITIES WHICH PAID DIVIDEND IN 2012

Entity	Total Shareholding as at 31/12/12 (\$)	Dividend 2012 (\$)	Percentage of Dividend to total Shareholdings
Amalgamated Telecom Holding Limited	36,483,052	4,377,966	12
Fiji International Telecom Limited	3,570,000	1,734,000	49
<i>Fiji Ports Corporation Limited</i>	73,154,852	2,821,102	4
Air Terminal Services	765,000	496,117	65
<i>Airports (Fiji) Limited</i>	92,300,180	1,020,640	1
Unit Trust of Fiji (Management) Limited	50,000	74,276	149
Total	206,323,084	10,524,101	5

The table shows that Fiji Ports Corporation Limited and Airports (Fiji) Limited failed to meet the 10% required dividend remittance in accordance with Public Enterprises Corporate Governance Policy Framework.

8.1.5 Non-remittance of Dividend over the 5 year Period

An initial measure that corporatized entities are operating as successful businesses is 10% after tax return on shareholders' funds. Once the expectations of annual returns are established, the 10% baseline should be revised based on corporate plan targets.⁵⁶

All Government Commercial Companies and Commercial Statutory Authorities pay at least 50% of the net earnings to the Government as dividends in consultation with the Minister for Public Enterprises, Minister of Finance, and relevant Minister.⁵⁷

The following entities have not remitted any dividend over the 5 year period contrary to the 2001 Public Enterprise Sector reform policies.

TABLE 8.6: NON-REMITTING DIVIDEND ENTITIES

Entity	Total Government Shareholding (\$)	Total Government Shareholding (%)	Ministry of Finance Comments
Fiji Hardwood Corporation	90,000,000	100	The industry as well as the company is currently been restructured under the Mahogany Industry Development Decree 2010.
Fiji Pine Limited	61,002,064	99.9	The company is undergoing an internal restructure which is spearheaded by the Executive Chairman.
Fiji Sugar Corporation Limited	15,119,580	68	The restructure for the Company ended on 31/12/12.
Rewa Rice Limited	1,506,224	100	The company is now been considered for restructure, preferably under divestment and/or strategic partnership with the new board being appointed.
Viti Corps Company Limited	6,000,000	100	The company has entered into the lease agreement with Tebara Halal (Fiji) Limited.
TOTAL	173,627,868		

⁵⁶ Corporate Governance Policy Framework – December 2003, Part II, Section 22

⁵⁷ Corporate Governance Policy Framework – December 2003, Part II, Section 26

This is because these entities are under-going reforms which are yet to be finalized.

Recommendations

The Ministry should ensure that proper analysis are carried out in order to ascertain the nature and status of an investment entity, and also to ensure to entities remit dividends on an annual basis in accordance with requirements under the Public Enterprises 2003 Corporate Governance Policy Framework.

Management Comment

The Ministry would like to inform that payment of dividend from state owned entities are dependent on the performance of the respective state owned entities. As per section 114 of Tabl3 A, Second Schedule, pg 125 of the Fiji Companies Act which states “No dividend shall be paid otherwise than out of profits.”

The Ministry cannot dictate or enforce SOE’s to remit dividends if they do not profit.

8.1.6 Missing Share Certificates

The Minister of Finance 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 authorized by an Act or by resolution of the House of Representatives;
- d) in any way in which trustees are authorized 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.⁵⁸

Share certificates are a legal document for the amount of shares that are held by shareholders in a particular entity.

The audit noted that investment totalling to \$42,490,246 as reflected in the statement of assets and liabilities are without share certificates. Refer Table 8.7 for details:

TABLE 8.7: MISSING SHARE CERTIFICATES

Entity	Description	Amount (\$)
Fiji Ports Corporation Ltd	36,577,426 Shares @ \$1 – PSPE	36,577,426
Rewa Rice Ltd	2 Shares @ \$2	4
Airports (Fiji) Ltd	5,225,136 Shares @ \$1 – PSPE	5,225,136
Food Processor Fiji Ltd	343,840 shares @ \$1 each – PSF	687,680
	343,840 shares @ \$1 each – PSPE	
Total		42,490,246

Moreover, audit noted a variance of \$999,999 between Foods Processors Fiji Limited (FPFL) confirmation and the statement of investments. The variance was due to a conversion of \$1m of government loan to equity for which the Ministry had not received any notification. Refer Table 8.8 for details:

⁵⁸ Financial Management Act 2004, Section 55 (1)

TABLE 8.8: VARIANCE BETWEEN FPFL CONFIRMATION AND APPENDIX

FPFL Confirmation Amount (\$)	Appendix Amount (\$)	Variance
1,687,679	687,680	999,999

The Ministry of Public Enterprise stated that the Ministry is in the process of obtaining new share certificates from Register of Companies after being misplaced⁵⁹.

Without the shares certificates the verification of the shareholdings could not be made.

Recommendation

The Ministry should follow up with the Ministry of Public Enterprise on the issuance of the new share certificates and ensure that these are filed in the respective investment files.

Management Comment

The Ministry notes the comments of the Office of the Auditor General and will action accordingly. The Ministry will formally request the Ministry of Public Enterprise for copies of new share certificates and file accordingly.

8.2 Investment in Sinking Fund

The Minister may invest public money, and other money on deposit with a bank.⁶⁰ All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.⁶¹

The audit noted that the investment in sinking fund of \$192,170,315 disclosed in the statement of assets and liabilities of government as at 31/12/12 is overstated by \$138,475,264 or 72%.

TABLE 8.9: INVESTMENT IN SINKING FUND

Investment Account	Bank Audit Certificate (\$)	FJD amount (ex. rate 0.5605) ⁶²	GL Balance (\$)	GL Overstatement/ (Understatement) (\$)
BSP Term Deposit (7884753)	FJD8,868,374	---	55,596,233	46,727,859
JP Morgan Collateral (ILF0003597)	USD15,037,390	26,828,528	27,342,550	514,022
JP Morgan Offshore (ILF0004868)	USD10,087,962	17,998,148	109,231,532	91,233,384
TOTAL				138,475,264

The Debt Management Unit which maintains a reconciliation of the JP Morgan accounts acknowledges the variances in the general ledger balance and the bank statement; however postings and maintenance of the general ledger are handled by the Treasury Division.

⁵⁹ Email from Sujeet Chand dated 19/06/13

⁶⁰ Part 8 (55) a Financial Management Act 2004

⁶¹ Finance Instructions 2010 – Part 6: Assets – Division 1 – Cash Management – Bank Accounts 32 (6)

⁶² Exchange rate on 31/12/12

Recommendation

The Ministry should clearly identify which Unit (AMU/ DMU or Treasury) should be responsible for the maintenance of the Investment in Sinking Fund accounts and to take responsibility of the maintenance of investment reconciliations as well as the general ledger accounts and ensure that postings into the general ledger balances are correct and in accordance with the bank statement advice received from the banks.

In addition there should be continuous review of the general ledger to correct any incorrect postings of balance into these accounts.

Management Comments

No comment received from management.

9.0 TERM-LOANS PAYABLE**9.1 Accounting Issues****9.1.1 Dormant General Ledger Balance**

The Accounting Head is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.

The audit noted an unexplained dormant general ledger accounts reflected in the borrowing fund account ledger totalling \$46.3 million. Refer Table 9.1 below for details:

TABLE 9.1: UNEXPLAINED DEBT GENERAL LEDGER BALANCES

Account Number	Description	Balance in the GL	Last date of Movement
1-04104-04105-910241	Borrowing revenue – overseas loans	(937,147)	2005
1-04104-04201-910242	Borrowing Revenue – Domestic Loans	48,900,000	2005
1-04104-04198-910215	Charges on Public debt – Domestic	(4,647)	2005
1-04104-04105-910214	Charges on Public debt – Domestic	(1,629,980)	2005
Total		46,328,226	

Despite being repeatedly raised in the Auditor General's Report there was no improvement taken to explain and adjust these balances accordingly.

Further our review of borrowing funds noted other dormant general ledger accounts existing in the treasury bills outstanding.

TABLE 9.2: UNEXPLAINED TREASURY BILL BALANCES

Account Number	Description	Balance in the GL	Last date of Movement
1-04104-04100-830101	Treasury Bill Outstanding	154,585	2006
1-04104-04101-830101	Treasury Bill Outstanding	(354,665)	2006
1-04104-04201-830101	Treasury Bill Outstanding	(3,778,726)	2006
1-04104-04201-830103	Treasury Bill Outstanding	3,978,806	2006
Total			

Dormant general ledger balances inflates government accounts and does not indicate a true view of government's financial status.

Recommendation

The Ministry should review these dormant accounts and make appropriate adjustments to ensure that amounts reflected in the Whole of Government Accounts are correctly reflected.

Management Comment

The recommendation is noted and the ministry is currently working on the adjustments to the dormant accounts highlighted. The Ministry will also ensure that the amounts reflected in the Whole of Govt. Accounts are correctly reflected.

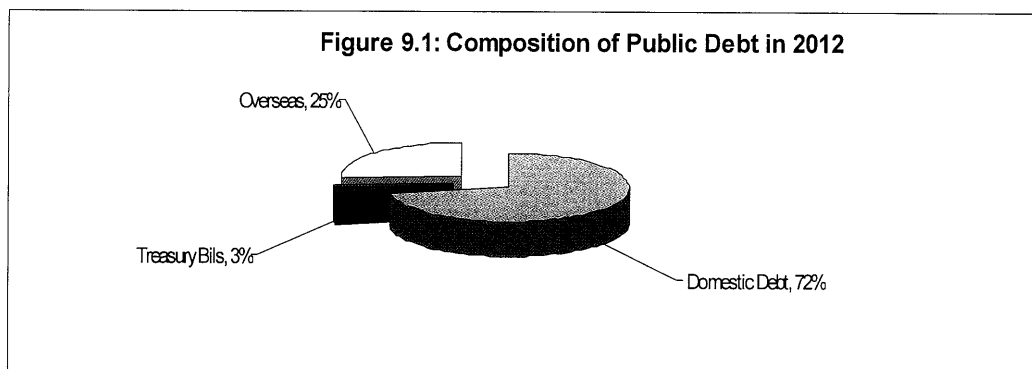
9.2 Regularity Issues

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

Public debt in 2012 totalled \$3,678,821,497 and comprised of domestic loans of \$2,631,565,650 or 72% of total debt; overseas loans of \$935,524,571 or 25%; and Treasury Bills \$111,731,276 or 3%.

These are illustrated in Figure 9.1 below.

FIGURE 9.1: COMPOSITION OF PUBLIC DEBT IN 2012



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 cleared within a day. During the year, Government borrowed a sum of \$24.9 million from RBF through this facility which was all cleared within the year.

9.2.1 Trends in Government Borrowing by Category

The total Government borrowings outstanding at the end of each year from 1998 to 2012 on its composition for the last 15 years are summarised in Table 9.3

TABLE 9.3: GOVERNMENT OUTSTANDING BORROWINGS (1998 – 2012)

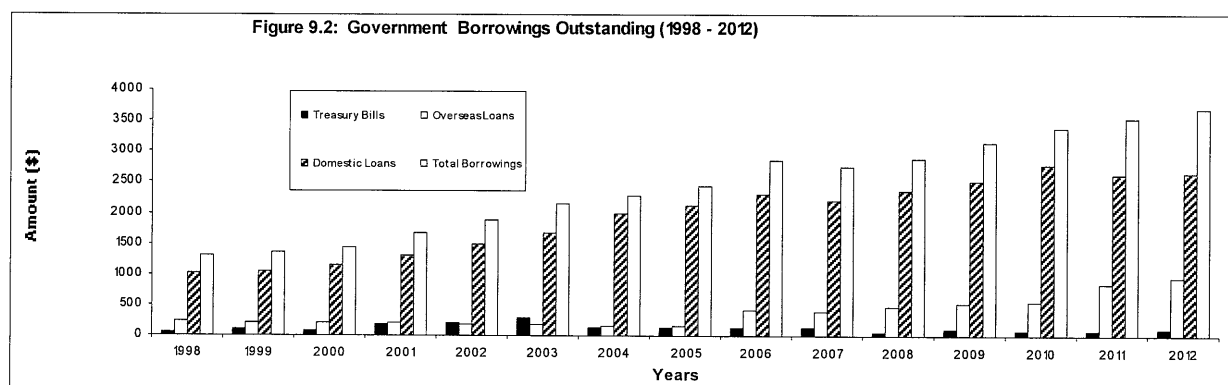
Year	Domestic Bond (\$)	% of Total Borrowing	Treasury Bills (\$)	% of Total	Overseas Loan (\$)	% of Total Borrowing	Total (\$)
1998	1,016,273,250	78	43,790,072	3	245,557,713	19	1,305,621,035
1999	1,046,595,650	76	117,231,671	9	206,036,450	15	1,369,863,771
2000	1,158,595,650	81	72,449,838	5	207,697,167	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	79	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	88	136,018,387	6	164,050,924	7	2,421,491,961
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	81	64,552,990	2	475,994,415	16	2,886,805,555
2009	2,505,092,150	80	97,721,294	3	527,248,475	17	3,130,061,919
2010	2,759,292,150	82	74,969,800	2	548,461,798	16	3,382,723,748
2011	2,627,382,087	74	70,921,393	2	832,147,793	24	3,530,451,273
2012	2,631,565,650	72	111,731,276	3	935,524,571	25	3,678,821,497

Government bonds mature between 3 to 13 years whilst the term of Treasury Bills ranges between 14 days to 420 days.

Over the last 15 years, the percentage of overseas loans constituted an average 15% of the borrowings.

A graphical representation of the outstanding government borrowings position is provided in Figure 9.2.

FIGURE 9.2: GOVERNMENT BORROWINGS OUTSTANDING TREND



Government borrowings in 2012 have increased by 4% compared to 2011, where it surpassed three and a half billion dollars. This is mainly due to an increase in overseas loans by \$103m in 2012 and domestic debts by \$4m.

Figure 9.3 shows the relationship between actual revenues and expenditures over the last 15 years.

FIGURE 9.3: REVENUE VS EXPENDITURE

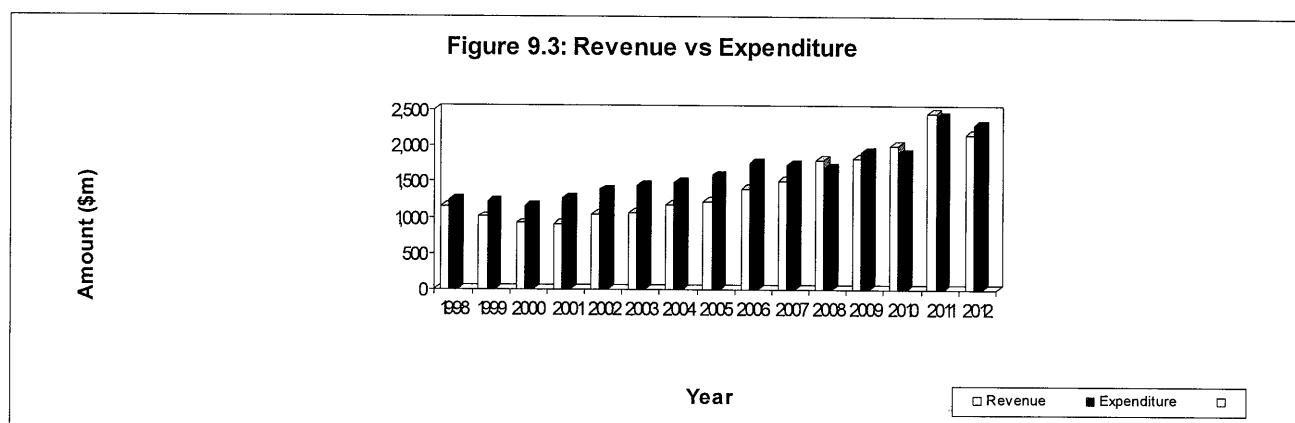
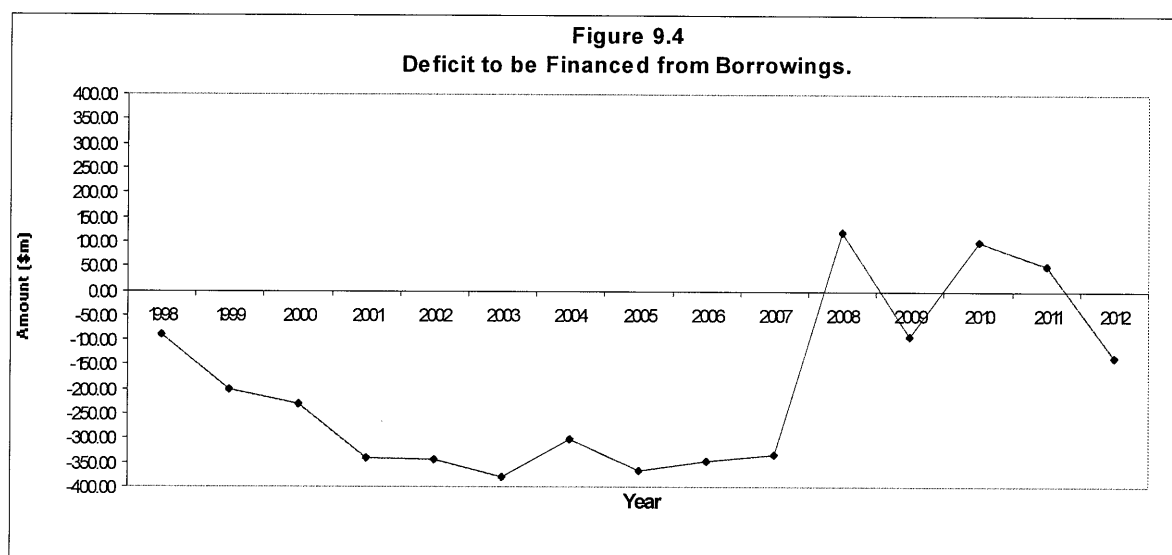


Figure 9.4 reveals that government expenditure \$2,294,103,653 exceeded revenue of \$2,157,223,041 during 2012 resulting in a deficit of \$136,880,612 in 2012.

FIGURE 9.4: DEFICIT FINANCED FROM BORROWINGS



The deficit of \$136.8 million is attributed to the decrease in government revenue by \$322,069,815 or 13% in 2012. Government revenue during 2011 and 2012 totalled \$2,479,292,856 and \$2,157,223,041 respectively.

9.2.2 Borrowings over the 15 Year Period

The composition of the Government's borrowings over the last 15 years is summarised in Table 9.4.

TABLE 9.4: ADDITIONAL BORROWINGS PER YEAR 1998 – 2012

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

Year	Domestic Bonds		Overseas Loans		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
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	3,178	141,311.7	4	781,320.4	68
2007	100,527.5	(71)	18,326.5	(93)	141,160.4	(0.1)	260,014.4	(66)
2008	341,260.0	239	4,381.7	(76)	64,553.0	(54)	410,194.7	57.8
2009	404,239.0	18	1,150.0	(74)	97,721.30	51	503,110.3	23
2010	452,740.5	12	10,231.0	790	74,969.8	(23)	537,941.3	7
2011	81,470.0	(82)	569,043.1	5,462	70,921.4	(5)	721,434.5	34
2012	192,102.0	136	91.6	(100)	111,731.2	58	303,924.80	58

Government borrowings in 2012 totalled \$303.92 million of which \$192.1 million was funded through domestic bonds, \$111.73 million in treasury bills and \$0.09 million in overseas cash disbursements.

9.2.3 Loan Repayments

There is an annual obligation for the Government of Fiji to redeem the loans when it is 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 9.5:

TABLE 9.5: REPAYMENT OF LOANS PER YEAR 1998 – 2012

Year	Domestic Bonds		Overseas Loans		Treasury Bills	
	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)	Principal (\$)	Interest (\$)
1998	225,991,847	99,232,714	24,273,114	12,209,299	397,939,413	2,163,843
1999	152,913,211	82,728,811	36,130,378	12,958,164	280,400,000	1,440,656
2000	84,500,000	81,846,108	33,342,934	11,404,967	173,910,978	2,505,365
2001	87,000,000	88,493,634	20,294,173	9,755,046	320,504,093	2,207,889
2002	100,500,000	95,284,124	20,772,240	9,297,644	417,637,927	2,362,073
2003	109,377,000	101,997,794	16,265,941	7,150,813	500,141,175	2,597,656
2004	145,403,000	108,597,234	11,173,546	6,114,485	339,194,733	4,310,352
2005	185,058,000	120,220,533	12,721,412	5,473,517	317,920,558	2,392,788
2006	177,500,000	129,455,783	13,459,979	5,737,600	523,422,114	5,746,278
2007	204,992,000	148,023,033	17,126,498	22,201,747	686,040,488	10,514,012
2008	191,210,000	147,383,717	12,473,769	20,787,406	468,333,380	566,620
2009	245,405,000	165,287,007	21,211,637	24,410,365	220,653,349	1,971,651
2010	198,540,500	190,736,707	32,850,575	22,901,709	710,064,626	4,295,961
2011	213,380,000	213,248,464	291,113,603	43,104,766	416,019,281	2,081,244
2012	233,268,000	210,534,849	19,274,087	49,322,771	265,852,974	850,851

Principal payments on government borrowings in 2012 totalled \$518,395,061 whilst interest payments amounted to \$260,708,471. Refer Table 9.6 for details.

TABLE 9.6: TOTAL LOANS AND INTEREST REPAYMENTS IN 2012

Description	Principal Repayment (\$)	Interest Repayment (\$)
Domestic Bonds	233,268,000	210,534,849
Overseas Loans	19,274,087	49,322,771
Treasury Bills	265,852,974	850,851
Total	518,395,061	260,708,471

The interest on domestic loans for 2012 was \$210,534,849 compared to \$49,322,771 for overseas loans and \$850,851 for treasury bills. The interest rate on domestic borrowings ranges from 2% to 14.0% whilst interest rates for overseas loans range from 1% to 10.25%.

9.3 Domestic Borrowings

The total domestic borrowings as at 31/12/12 amounted to \$2,631,565,650 or 72% of total Government borrowings. Table 9.7 shows the amounts that are owed by the Government of Fiji to bond holders.

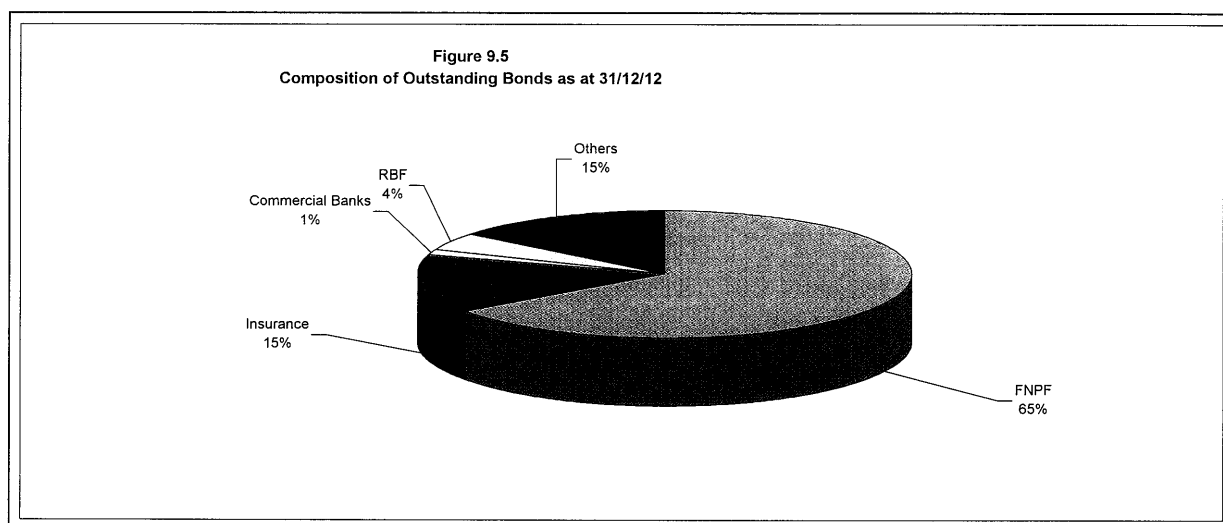
TABLE 9.7: COMPOSITION OF OUTSTANDING GOVERNMENT BORROWINGS

Bond Holder	Amount (\$)	% of Outstanding Debt
FNPF	1,704,689,500	65
Insurance	386,838,500	15
Commercial Banks	35,765,000	1
RBF	113,082,000	4
Trust Fund	25,020,950	1
Unit Trust of Fiji	23,260,000	1
Credit Corporation	1,500,000	-
Home Finance	17,905,000	1
Merchant Finance & Investment Ltd	7,100,000	-
Fiji Sugar Cane Growers Council Loan	9,455,150	-
Others	306,949,550	12
Total	2,631,565,650	100

Fiji National Provident Fund hold 65% of the bonds totalling \$1,704,689,500 as at 31/12/12; Insurance Companies 15%; Commercial Banks 1%; RBF 4%; the remaining 15% 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 borrowings is shown in Figure 9.5

FIGURE 9.5: COMPOSITION OF OUTSTANDING BONDS AS AT 31/12/12



9.3.1 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 9.8. Interest payments on bonds are made every six months.

TABLE 9.8: DOMESTIC LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISIONS

Year	Domestic Loans \$m	% Increase /(Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	% Change
1998	1,016.3	(9)	99.2	13	100.3	1.1
1999	1,046.6	3	82.8	(17)	98.5	15.7
2000	1,158.6	11	81.8	(1)	85.2	3.4
2001	1,302.6	12	88.3	8	92.7	4.4
2002	1,501.1	15	95.3	8	102.0	6.7
2003	1,682.7	12	102.0	7	110.0	8.0
2004	1,986.5	18	108.6	6	121.5	12.9
2005	2,121.4	7	120.2	11	124.0	3.8
2006	2,300.7	8	129.5	8	127.7	(1.8)
2007	2,196.2	(5)	148.0	14	148.2	0.2
2008	2,346.3	7	147.4	(0.4)	151.4	4.0
2009	2,505.1	7	165.3	12	156.7	(8.6)
2010	2,759.3	10	190.7	15	190.6	(0.1)
2011	2,627.4	(5)	213.2	12	225.4	18.3
2012	2,631.6	0.16	210.5	(1.3)	211.7	(6.1)

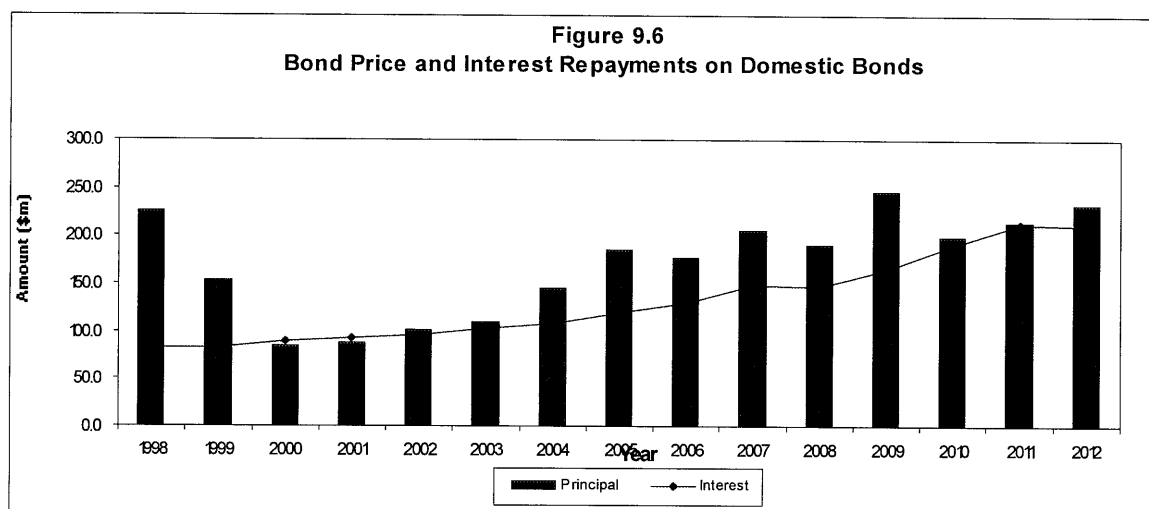
Total domestic loans increased to by \$4.2m or 0.16% in 2012 compared to 2011. The interest paid on domestic loans decreased by 1.3% or by \$2.7m.

The Government had allocated \$211.7 million for interest payments during 2012. However, actual interest payments for the year totalled \$210.5 million.

The interest expense and the principal repayments over the past 15 years are shown in Figure 9.6.

The audit noted that 76 domestic bonds were either fully or partially redeemed or repaid in 2012 amounting to \$233.27 million resulting in bond redemptions exceeding the interest payments during the year.

FIGURE 9.6: BOND PRICE AND INTEREST REPAYMENTS ON DOMESTIC BONDS



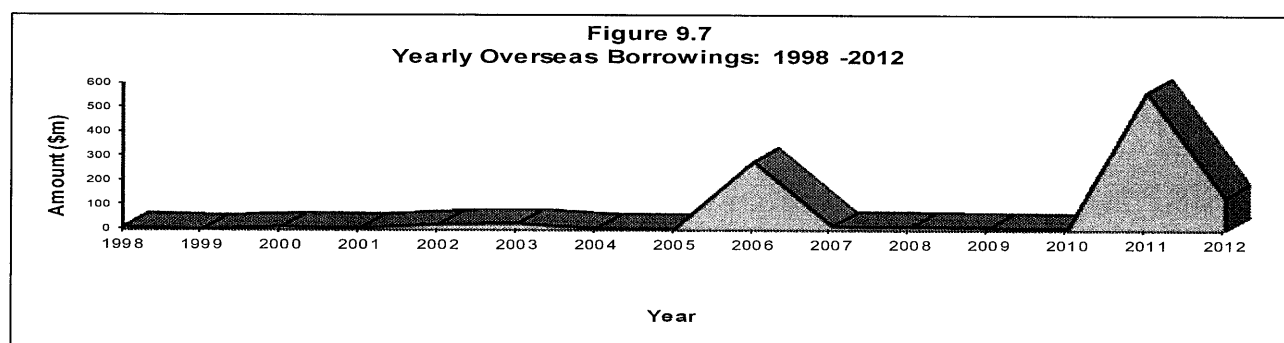
9.4 Overseas Loans

The total outstanding overseas borrowing of Government as at 31 December 2012 was \$935,524,571 which represents 25% of the total outstanding borrowings. Majority of the overseas loans obtained were to finance capital projects.

9.4.1 Yearly Overseas Borrowings

Figure 9.7 shows the trend of the yearly cash overseas borrowings over the past 15 years.

FIGURE 9.7: YEARLY OVERSEAS BORROWINGS 1998 -2012



The year 2006 and 2011 showed marked increased in overseas borrowing due to the issue of the \$US150 million and the \$US250 million in global bonds raised respectively.

The Government had borrowed \$137.55 million in 2012 whilst loan repayments totalling \$65,538,655 were made, comprising of \$49,322,771 in interest and \$16,215,884 in principal payments.

Refer Table 9.9 for the details of overseas loans raised in year 2012.

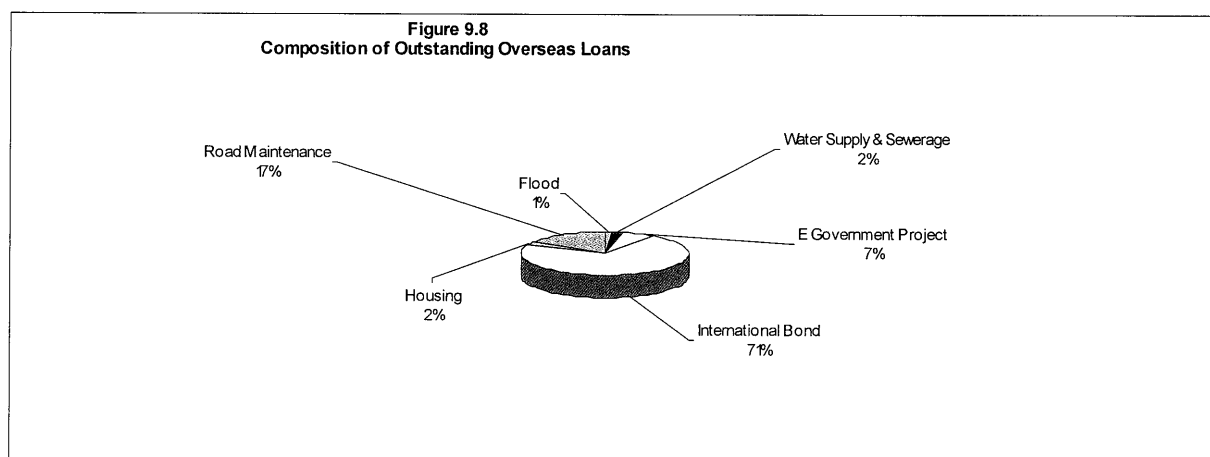
TABLE 9.9: OVERSEAS LOAN DISBURSEMENTS FOR 2012

Loan	Cash (\$)	Capitalisation Of Interest (\$)	Direct Disbursement (\$)	Total (\$)
Fiji Road Upgrading Project III– Supplementary	-	183,556	11,503,307	11,686,863
Emergency Flood Recovery Loan	91,587	106,180	7,747,932	7,945,699
Fiji Low Cost Housing	-	-	9,670,439	9,670,439
Fiji Public Rental Housing Project	-	-	2,690,170	2,690,170
Suva/Nausori Water Supply Supplementary	-	100,059	10,287,290	10,387,349
Buca/ Moto Roads	-	-	27,330,867	27,330,867
Sigatoka / Serea Roads	-	-	14,179,214	14,179,214
Queens Highway Rehabilitation	-	-	14,652,546	14,652,546
ADB Suva/Nausori Water Project	-	642,433	1,775,063	2,417,496
Nabouwalu/ Dreketi	-	-	36,591,887	36,591,887
Total	91,587	1,032,228	136,428,715	137,552,530

Furthermore details of outstanding loans by Government as at 31/12/12 are outlined as follows:

- (a) Loans in relation to the Road Upgrading Project comprised of 76% or \$104.44 million of the total outstanding overseas loans. The funds obtained for this project were to be used for road upgrading, rehabilitation, and the management of road assets and sector resources.
- (b) Loans for Water Supply Projects, namely, the Nadi/Lautoka Regional Water Supply and Suva/Nausori Water Supply & Sewerage accounted for 9% or \$12.80 million of the total loans which were mainly used for improving the water supply services. The composition of the overseas loans is illustrated in Figure 9.8

FIGURE 9.8: COMPOSITION OF OUTSTANDING OVERSEAS LOANS



- (c) E-government Project had an outstanding balance of \$42.7 million or 7% of the overseas loans as at 31/12/12. The project is being implemented with Information and Technology and Computing Services (ITCS) of US\$20 million with disbursements in the form of goods, technology and services to be purchased from China.
- (d) The International Global Borrowing had an outstanding balance of \$446.8 million or 71% of the overseas loans as at 31/12/12. This was the second Fiji Government Global Bond raised from the International Bond Market

- (e) Housing loan totalled to \$12.36 million or 2% of the outstanding loan. These are loans facilitated for low cost housing and public rental housing project.
- (f) Emergency Flood Recovery loan totalled to \$7.9 million or 1% of the overseas loan outstanding as at 31/12/12.

9.4.2 Overseas Loans Outstanding & Interest Paid

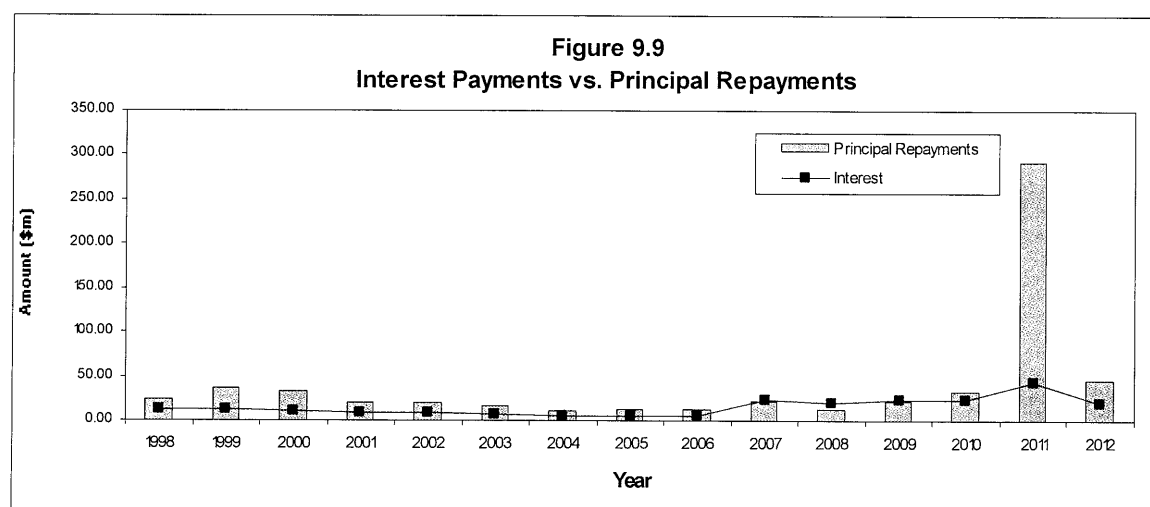
Table 9.10 provides details on the overseas loans outstanding over the past 15 years with the total interest paid each year.

TABLE 9.10: OVERSEAS LOANS OUTSTANDING, INTEREST PAID AND BUDGETARY PROVISION

Year	Overseas Loans \$m	% Increase/ (Decrease)	Interest Paid \$m	% Increase/ (Decrease)	Budgetary Provision \$m	Variance \$m
1998	245.6	1	12.2	19.6	17.8	5.6
1999	206.0	(16)	13.0	7	16.9	3.9
2000	207.7	1	11.4	(12.0)	13.2	1.8
2001	206.9	0	9.8	14	10.6	0.8
2002	193.5	(6)	9.3	(5)	10.0	0.7
2003	174.1	(10)	7.2	(23)	9.4	2.2
2004	168.7	(3)	6.1	(15)	7.0	0.9
2005	164.1	(3)	5.5	(10)	6.7	1.2
2006	416.7	154	5.7	4	6.4	0.7
2007	397.1	(5)	22.2	289	23.4	1.2
2008	476.0	20	20.8	(6.3)	24.8	4
2009	527.2	11	24.4	17	29.1	4.7
2010	548.5	4	22.9	(6)	28.2	5.3
2011	832.1	52	43.1	88	45.1	2
2012	935.5	12	49.3	14.4	51.4	2.1

In 2012, the outstanding overseas loans increased by 12% compared to 2011. A sum of \$51,437,500 was provided in the 2012 revised budget for interest expense on overseas loans. Interest payments on overseas loans during the year totalled \$46,264,569 resulting in a saving of \$5,172,931. The principal and interest payments are illustrated in Figure 9.9.

FIGURE 9.9: INTEREST PAYMENTS VS PRINCIPAL REPAYMENTS



Principal payment for 2012 amounted to \$16,215,884. This is a decrease of \$273.4 million or 94% compared to 2011. The huge decrease in 2012 was due to the repayment of the 2006 Global Bond maturing in 2011 amounting to \$266,051,791.

9.4.3 Revaluation of Overseas Loans

Overseas loans are revalued each year by the RBF using the exchange rate as at 31/12/12. Table 9.11 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 9.11: REVALUATION OF OVERSEAS LOANS & EXCHANGE GAINS/LOSS

Year	Revaluation Increase/ (Decrease) (\$)	Overseas Loans (\$)	Exchange (Gain)/Loss as a % of Overseas Loans
1998	11,964,370	245,557,713	5
1999	9,068,963	206,036,450	4
2000	(19,589,702)	207,697,167	(9)
2001	(9,239,298)	206,889,315	(4)
2002	(18,905,125)	193,505,881	(10)
2003	(31,859,534)	174,125,752	(18)
2004	(3,554,545)	168,665,379	(2)
2005	(534,342)	164,050,924	(0.3)
2006	(17,120,505)	416,729,200	(4.1)
2007	(21,844,864)	397,103,384	(5.5)
2008	70,352,312	475,994,415	15
2009	46,988,862	527,248,475	9
2010	22,885,617	548,461,798	4
2011	1,537,285	832,147,104	0.2
2012	14,895,650	935,524,571	2

The value of the overseas loans decreased by \$14,895,650 or 2% due to floating exchange rates in 2012.

9.5 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 \$308,000,000 in treasury bills of which \$306,664,544 constituted net borrowings by the government whilst \$1,335,456 represented discount, as summarised in Table 9.12.

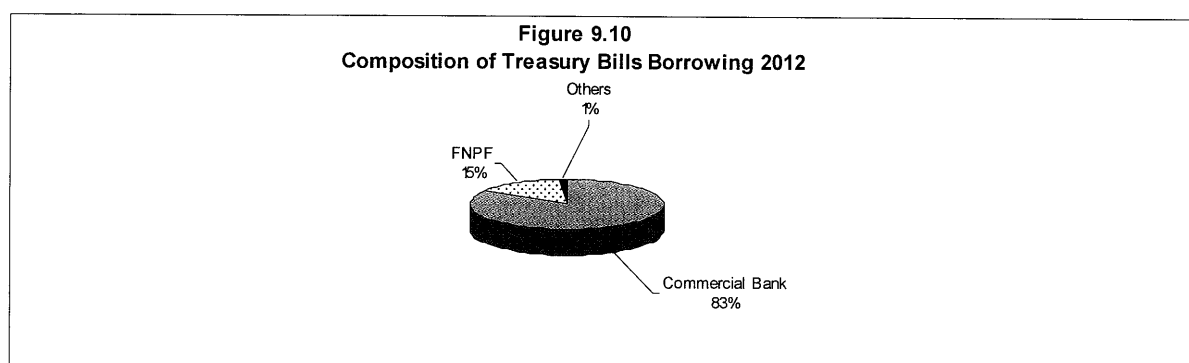
TABLE 9.12: TREASURY BILL HOLDERS FOR BILLS ISSUED IN 2012

Bank	Face Value	%	Discount (\$)	%	Net Receipts (\$)	%
Commercial Banks	258,860,000	84	1,051,375	79	257,808,625	84
FNPF	45,140,000	15	280,710	21	44,859,290	15
Others	4,000,000	1	3,372	-	3,996,628	1

Bank	Face Value	%	Discount (\$)	%	Net Receipts (\$)	%
Total	308,000,000	100	1,335,457	100	306,664,543	100

Moreover, 84% of the Treasury bills raised were purchased by commercial banks, 15% by FNPF, and the remaining 1% purchased by other entities and individuals.

FIGURE 9.10: COMPOSITION OF TREASURY BILLS BORROWED FOR 2012



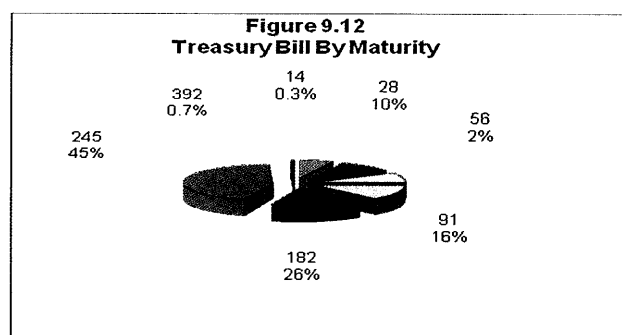
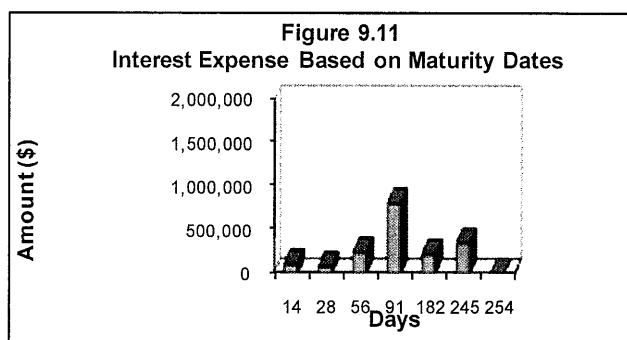
The Treasury bills, which are issued by the Government through the RBF, have a maturity period of 14 to 420 days.

Table 9.13 details the total Treasury bills that were raised in 2012 together with their maturity dates and interest.

TABLE 9.13: MATURITY OF TREASURY BILLS ISSUED IN 2012

Maturity in Days	Treasury Bill Cost (\$)	Interest (\$)	Face value (\$)
14	18,350,000.00	3,215.21	18,346,784.79
28	31,050,000.00	16,237.21	31,033,762.79
56	26,100,000.00	27,256.25	26,072,743.75
91	40,100,000.00	75,324.24	40,024,675.76
182	50,800,000.00	262,013.57	50,537,986.43
245	134,600,000.00	945,049.10	133,654,950.90
392	2,000,000.00	996.76	1,999,003.24
420	5,000,000.00	5,364.10	4,994,635.90
Total	308,000,000	1,335,456.44	306,664,543.56

The amount raised by the Government through Treasury bills with varying maturity dates were bought largely by the Commercial Banks and Fiji National Provident Fund (FNPF) as reflected in the pie chart. The interest expense has been fluctuating as the maturity date increases. Refer to Figures 9.11 and 9.12 for these details:



9.5.1 Treasury Bills Over a 15-year Period

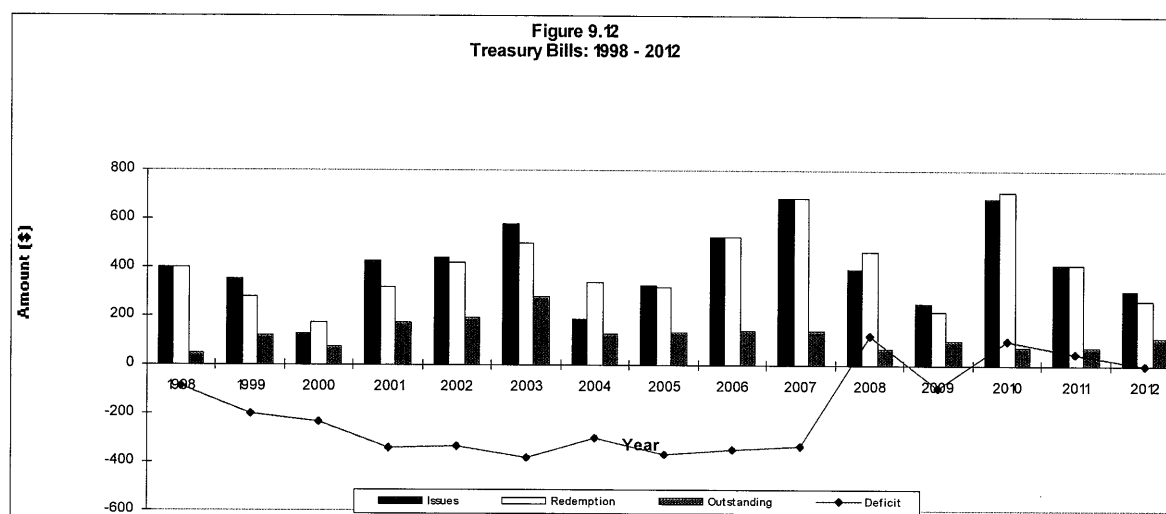
Treasury bills issued and redeemed over the last 15 years is summarised in Table 9.14.

TABLE 9.14: TREASURY BILLS 1998 – 2012

Year	Balance Brought Forward (\$)	Issues (\$)	Redemption (\$)	Outstanding (\$)
1998	40,527,802	401,201,683	397,939,413	43,790,072
1999	43,790,072	353,841,599	280,400,000	117,231,671
2000	117,231,671	129,129,145	173,910,978	72,449,838
2001	72,449,838	424,654,868	320,500,093	176,604,613
2002	176,604,613	437,465,767	417,637,927	196,432,453
2003	196,432,453	580,634,561	500,141,176	276,925,838
2004	276,925,838	189,256,716	339,194,733	126,987,822
2005	126,987,822	326,951,124	317,920,558	136,018,388
2006	136,018,388	528,715,414	523,422,114	141,311,687
2007	141,311,687	685,889,234	686,040,488	141,160,433
2008	141,160,433	391,725,937	468,333,380	64,552,990
2009	64,552,990	253,821,653	220,653,349	97,721,294
2010	97,721,294	687,313,133	710,064,626	74,969,800
2011	74,969,800	411,970,874	416,019,281	70,921,393
2012	70,921,393	306,664,544	265,852,974	111,731,276

Treasury bills raised by Government over the last 15 years have fluctuated significantly. Similarly, the government deficits/surplus has also fluctuated over past 15 years. The trend for Treasury bills issued, redemptions, the bills outstanding at the end of the financial year and the yearly deficit/surplus are shown in Figure 9.12.

FIGURE 9.12: GRAPHICAL ILLUSTRATION OF TREASURY BILLS 1998 -2012



In 2012, a budget deficit of \$1.36 million was recorded, with treasury bills outstanding totalling \$111.73 million.

9.5.2 Treasury Bills Management

Treasury Bills are short-term financial instruments used by 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 are as follows:

TABLE 9.15: REVENUE VARIANCE VS. TREASURY BILLS RAISED

Revenue	1999 \$m	2000 \$m	2001 \$m	2002 \$m	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012
Budgeted Revenue														
Operating Receipts & Investing	999.0	816.3	951.7	1,011.8	1,115.8	1,149.7	1,257.4	1,346.6	1,430.0	1,411.5	1,522.4	1,496.5	1,745.7	1,942.8
Loan Receipts	193.9	234.7	253.1	338.5	315.2	461.5	370.0	394.5	371.0	370.2	522.5	497.5	734.5	338.4
Total	1,191.2	1,041.3	1,204.9	1,350.3	1,431.0	1,611.2	1,627.4	1,741.1	1,801.0	1,781.6	2,044.9	1,994.0	2,480.2	2,281.2
Actual Revenue														
Operating Receipts & Investing	1004.5	911.0	900.5	1,038.4	1,066.3	1,176.2	1,221.9	1,401.3	1,391.3	1,454.9	1,412.8	1,536.5	1,801.3	1,965.0
Loan Receipts	192.2	225.0	239.2	325.2	319.7	458.5	328.6	633.9	118.9	345.6	405.4	463.0	693.4	192.2
Total	1,196.7	1,136.0	1,139.8	1,363.6	1,386.0	1,634.7	1,550.5	2,035.2	1,510.2	1,800.5	1,818.2	1,999.5	2,494.7	2,157.2
Revenue Variance	5.5	94.7	(65.1)	13.3	(45.0)	23.5	(76.9)	294.1	(290.8)	18.9	(226.7)	5.5	14.5	(124.0)
Treasury Bills as at 31 st Dec	117.2	72.4	176.6	196.4	276.9	127.0	136.0	141.3	141.2	64.6	97.7	75.0	70.9	111.7
Excess	122.7	167.1	111.5	209.7	231.9	150.5	59.1	435.4	149.6	83.5	(129.0)	80.5	85.4	(12.3)

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.

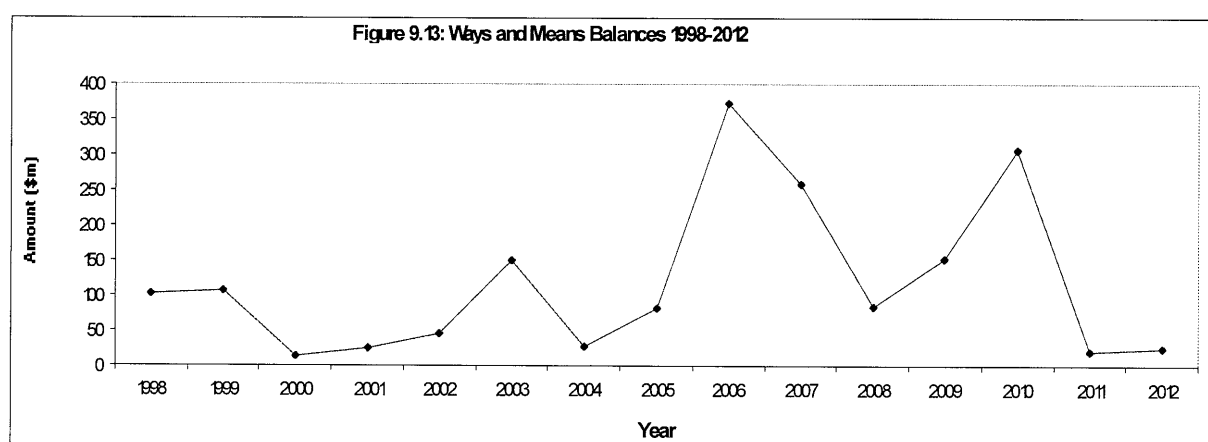
The actual revenue collection in 2012 was less than the budgeted revenue by \$124.0 million. Government revenue and loans from the domestic and the overseas market were not sufficient to meet the actual expenditure. In addition Government has raised treasury bills amounting to \$306,664,544 in 2012.

9.6 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 9.13.

FIGURE 9.13: TREND ANALYSIS OF WAYS AND MEANS BALANCES FOR 1998 – 2012



The Government borrowed \$24,900,000 from RBF through this advance facility in 2012, an increase of \$3,400,000 or 16% compared to 2011.

9.7 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 9.16 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.

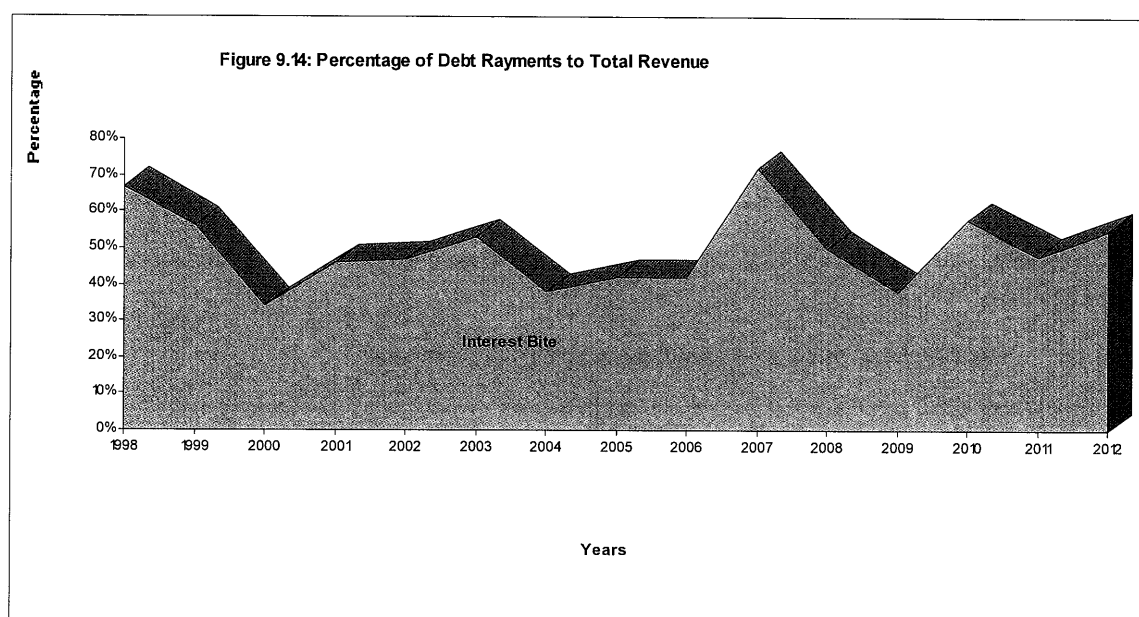
TABLE 9.16: COMPARISON OF REVENUE AND DEBT REPAYMENTS

Year	Revenue (\$)	Repayments (\$)	Interest Bite %
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

Year	Revenue (\$)	Repayments (\$)	Interest Bite %
2006	2,035,207,842	857,682,649	42
2007	1,510,117,953	1,091,633,056	72
2008	1,800,583,846	896,317,497	50
2009	1,818,235,071	683,801,800	38
2010	1,999,480,409	1,155,094,117	58
2011	2,451,779,618	1,176,866,114	48
2012	2,157,223,041	1,196,385,490	55

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.

FIGURE 9.14: PERCENTAGE OF DEBT REPAYMENTS TO TOTAL REVENUE



In 2012, the flexibility measure was 55% indicating that the total debt repayment was equivalent to 55% of the revenue received by the Government during the year compared to 48% during 2011. Hence, 45% of revenues collected were available for government programs compared to 52% during 2011.

9.8 Vulnerability

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

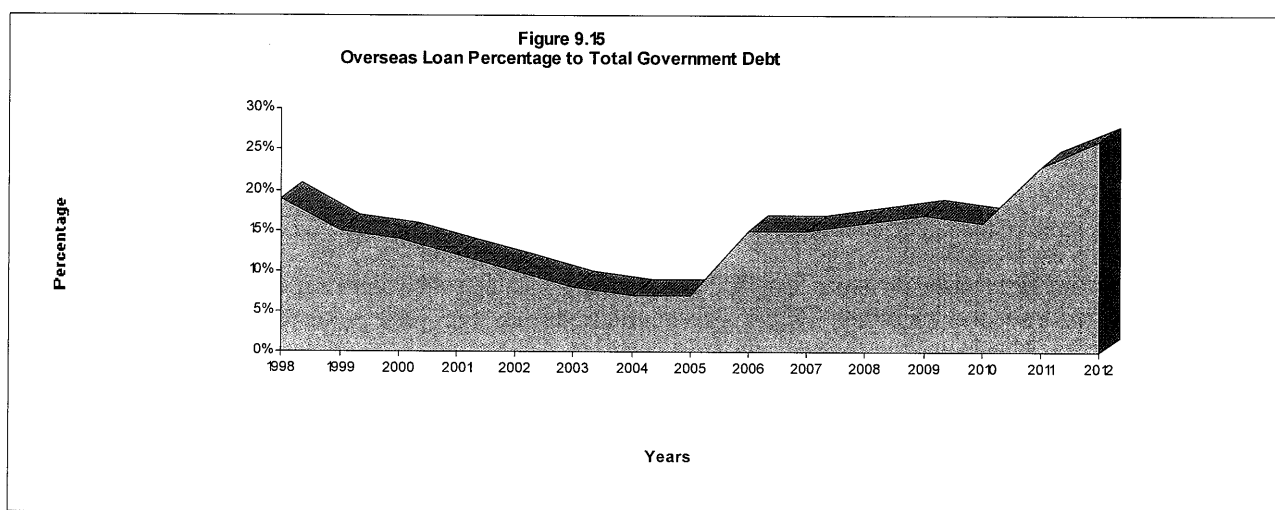
A measure of vulnerability is the comparison of overseas loans to the total Government debt. Table 9.17 compares overseas loans to total Government Borrowings for a period of 15 years.

TABLE 9.17: COMPARISON OF OVERSEAS BORROWINGS AND TOTAL BORROWINGS

Year	Outstanding Overseas Loans (\$)	Total Borrowings (\$)	%
1998	245,557,713	1,305,621,035	19
1999	206,036,450	1,369,863,771	15
2000	207,697,167	1,438,742,654	14
2001	206,889,315	1,686,089,578	12
2002	193,505,879	1,891,033,984	10
2003	174,125,752	2,133,770,240	8
2004	168,665,379	2,282,168,851	7
2005	164,050,924	2,421,491,962	7
2006	416,729,200	2,858,713,537	15
2007	397,103,384	2,734,471,967	15
2008	475,994,415	2,886,805,555	16
2009	527,248,475	3,130,061,918	17
2010	548,461,798	3,382,723,748	16
2011	832,147,793	3,566,351,336	23
2012	935,524,571	3,678,821,497	25

In 2012, overseas loans made up 25% of outstanding government borrowings which increase by 2% compared to 2011.

FIGURE 9.15: PERCENTAGE OF DEBT REPAYMENTS TO TOTAL REVENUE



The overall trend indicated an increasing reliance on overseas borrowings from 2006; the sharp increase in 2006 and 2011 is due to the international bond issuance for of US\$150m and US\$250m respectively.

Another measure of vulnerability is the comparison of overseas loans to GDP. Table 9.18 compares overseas loans to GDP for a period of 10 years.

TABLE 9.18: COMPARISON OF OVERSEAS BORROWINGS AND GDP

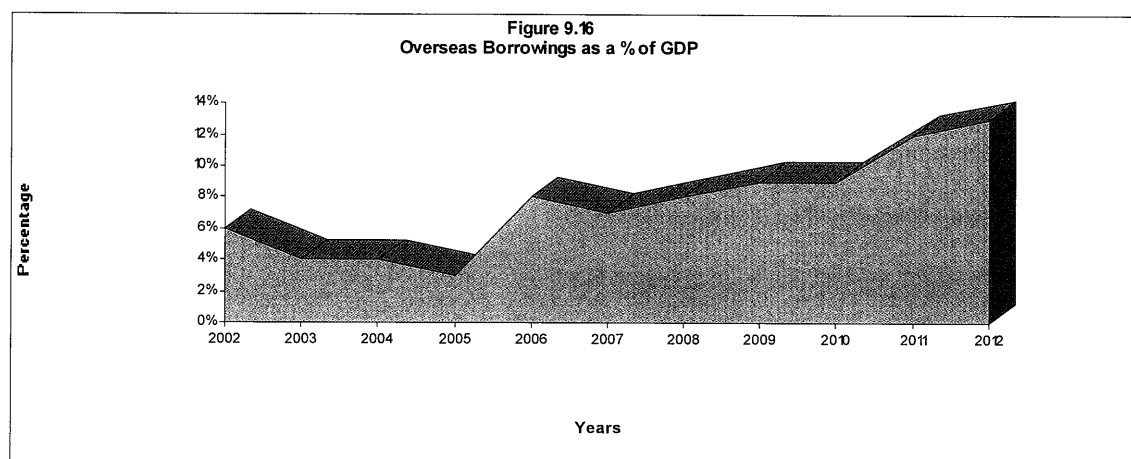
Year	Overseas Loans (\$)	Nominal GDP (\$)	% of Overseas Loans/GDP
2003	174,125,752	4,325,420,000	4
2004	168,665,379	4,539,000,000	4
2005	164,050,924	5,069,432,000 ⁺	3
2006	416,729,200	5,431,720,200 ⁺	8
2007	397,103,384	5,566,057,664 ⁺	7
2008	475,994,415	5,895,900,000 ⁺	8
2009	527,248,475	5,768,400,000 ⁺	9
2010	548,461,798	6,111,648,000 ⁺	9
2011	832,147,793	6,846,600,000 ⁺	12
2012	935,524,571	7,316,564,000 ⁺	13

Provisional Estimate

Source: Ministry of Strategic Planning, National Development and Statistics

Figure 9.16 shows that the percentage of the overseas debt to GDP increased by 1% to that of 2011, this is a reflection of the nation's capability to meet its external debt obligations have increased.

FIGURE 9.16: OVERSEAS BORROWINGS AS A PERCENTAGE OF GDP



Moreover, the comparison of the Domestic debt to GDP is another measure of vulnerability. Table 9.19 compares Domestic loans to GDP for a period of 10 years.

TABLE 9.19: COMPARISON OF DOMESTIC BORROWINGS AND GDP

Year	Domestic Loans (\$)	GDP (\$)	% of Domestic Loans/GDP
2003	1,682,718,650	4,325,420,000	39
2004	1,986,515,650	4,539,000,000	44
2005	2,121,422,650	5,069,432,000 ⁺	42
2006	2,300,672,650	5,431,720,200 ⁺	42
2007	2,196,208,150	5,566,057,664 ⁺	40
2008	2,346,258,150	5,895,900,000 ⁺	40
2009	2,505,092,150	5,768,400,000 ⁺	43
2010	2,759,292,150	6,111,648,000 ⁺	45
2011	2,663,282,150	6,846,600,000 ⁺	39
2012	2,631,565,650	7,316,564,000 ⁺	36

* Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

In 2012 the Domestic Loans as a percentage of GDP decreased to 36%, a decrease by 3 percentage point and constitute the lowest debt recorded to GDP over the 10 year period.

FIGURE 9.17: DOMESTIC BORROWINGS AS A PERCENTAGE OF GDP

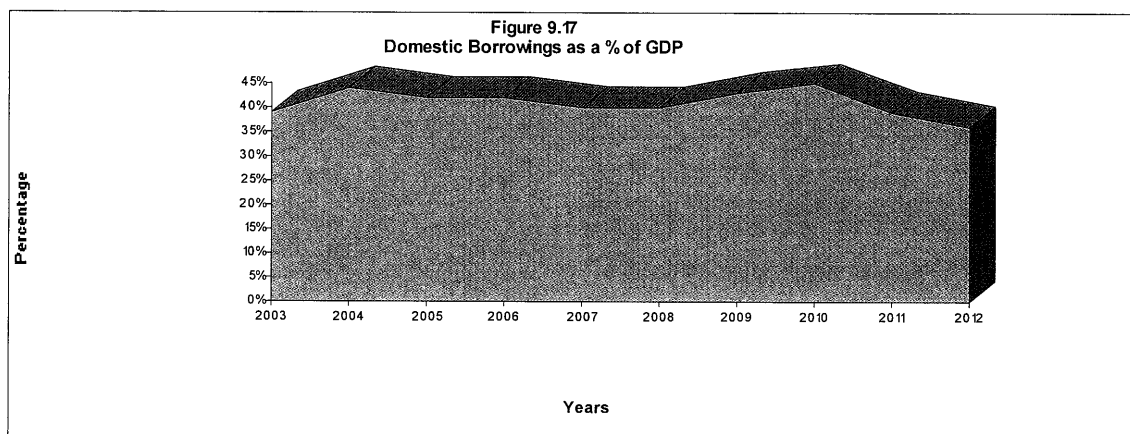


Figure 9.17 shows that the Domestic Borrowing as a percentage of the GDP has been fluctuating over the years and although indicates the nation's capability to meet its internal debt obligations when due, the government needs to control its domestic loans.

Table 9.20 shows the comparison between Tax Revenue and the GDP.

TABLE 9.20: COMPARISON OF TAX REVENUE AND GDP

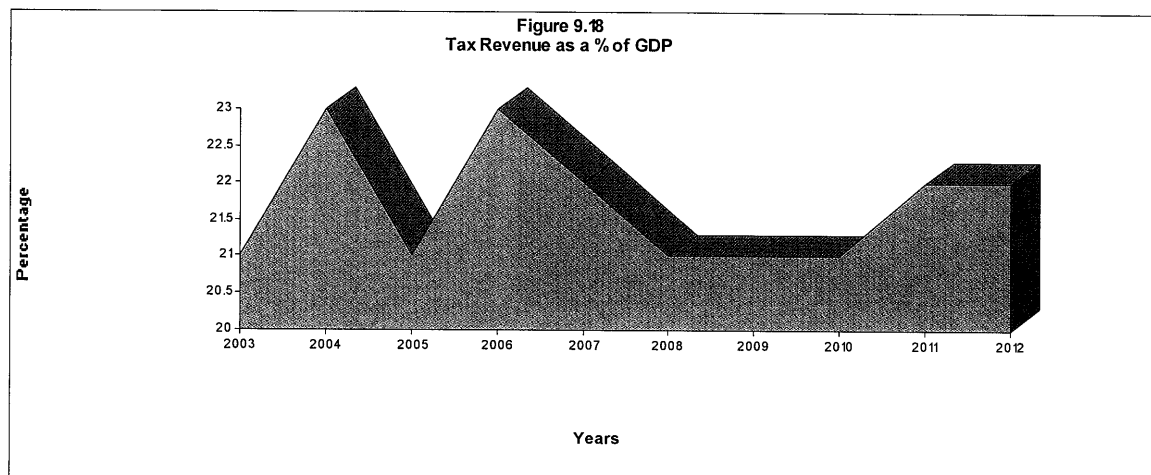
Year	Tax Revenue (\$)	GDP (\$)	% of Tax Revenue/GDP
2002	789,721,816	3,442,905,000	23
2003	929,900,966	4,325,420,000	21
2004	1,033,319,644	4,539,000,000	23
2005	1,065,808,942	5,069,432,000*	21
2006	1,227,220,772	5,431,720,200*	23
2007	1,230,363,366	5,566,057,664*	22
2008	1,243,057,337	5,895,900,000*	21
2009	1,209,223,648	5,768,400,000*	21
2010	1,302,130,578	6,111,648,000*	21
2011	1,512,378,397	6,846,600,000*	22
2012	1,616,297,515	7,316,564,000*	22

* Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

Table 9.20 shows that the Tax Revenue as a percentage of GDP over the last 10 years has been in the range between 21% - 23%.

FIGURE 9.18: TAX REVENUE AS A PERCENTAGE OF GDP



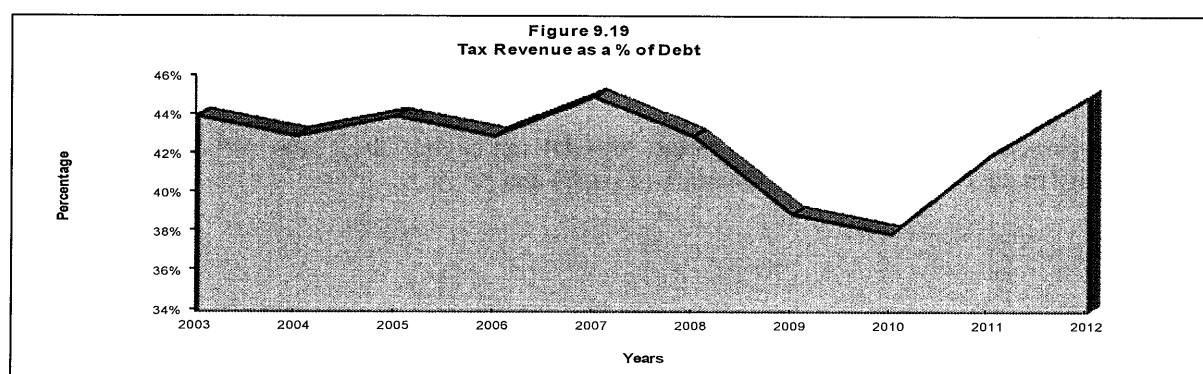
Another measure of vulnerability is the comparison of tax revenue to debt. Table 9.21 compares tax revenue to debt for a period of 10 years.

TABLE 9.21: COMPARISON OF TAX REVENUE AND DEBT

Year	Tax Revenue (\$)	Debt (\$)	% of Tax Revenue/Debt
2002	789,721,816	1,891,033,982	42
2003	929,900,966	2,133,770,240	44
2004	1,033,319,644	2,282,168,851	45
2005	1,065,808,942	2,421,491,962	44
2006	1,227,220,772	2,858,713,537	43
2007	1,230,363,366	2,734,471,967	45
2008	1,243,057,337	2,886,805,555	43
2009	1,209,223,648	3,130,061,918	39
2010	1,302,130,578	3,382,723,748	38
2011	1,512,378,397	3,566,351,336	42
2012	1,616,297,515	3,678,829,200	44

The tax revenue as a percentage of debt has increased by 2% compared to 2011 resulting from the increase in tax collections in 2012. Further it indicates that 44% of the debt can be met from tax revenue.

FIGURE 9.19: TAX REVENUE AS A PERCENTAGE OF DEBT



The ability of tax revenue to meet the debt over the 10 year period was on a declining trend since year 2007 however, increased in 2011 and 2012 due to increase in tax collections for these years.

Moreover, Table 9.21 shows the comparison of government surplus/ (deficit) to GDP.

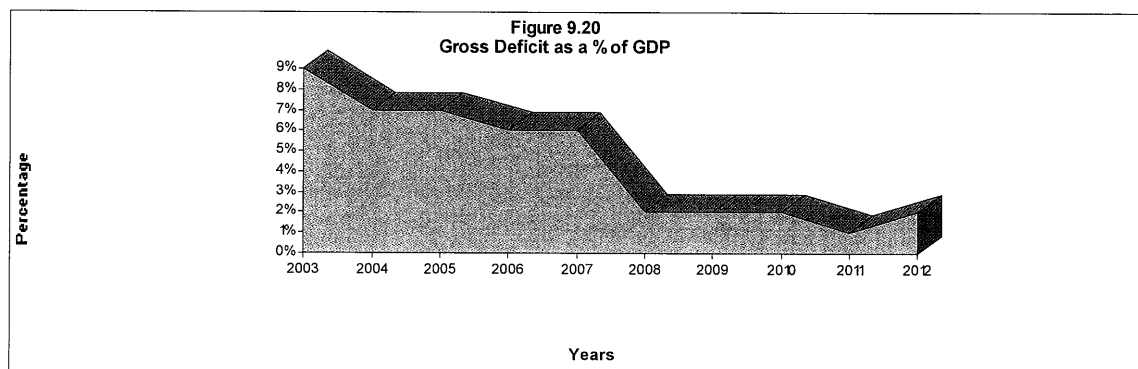
TABLE 9.21: COMPARISON OF GOVERNMENT DEFICIT (SURPLUS) AND GDP

Year	Gross Surplus/ (Deficit) (\$)	GDP (\$)	% of Gross Surplus (Deficit) /GDP
2003	(380,275,486)	4,325,420,000	(9)
2004	(302,912,124)	4,539,000,000	(7)
2005	(366,334,029)	5,069,432,000 ⁺	(7)
2006	(346,769,675)	5,431,720,200 ⁺	(6)
2007	(334,935,764)	5,566,057,664 ⁺	(6)
2008	120,093,824	5,895,900,000	2
2009	(93,167,378)	5,768,400,000 ⁺	(2)
2010	99,398,751	6,111,648,000 ⁺	2
2011	49,027,101	6,846,600,000 ⁺	1
2012	(136,880,612)	7,316,564,000 ⁺	(2)

Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

FIGURE 9.20: GROSS DEFICIT AS A PERCENTAGE OF GDP



In 2012, the gross surplus as a percentage of GDP decreased by 3% compared to a 1% gross surplus in 2011.

9.9 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 31/12/12 was 49%, indicating debt sustainability in debt relative to the production of goods and services.

TABLE 9.22: TOTAL GOVERNMENT DEBT TO GROSS DOMESTIC PRODUCT

Year	Government Debt (\$)	% of Growth	GDP (\$)	% of Growth	Public Debt as a % of GDP
2003	2,133,770,240	13	4,325,420,000	26	49
2004	2,282,168,851	7	4,539,000,000	5	50
2005	2,421,491,962	6	5,069,432,000	12	48
2006	2,858,713,537	18	5,431,720,200	7	53
2007	2,734,471,967	(4)	5,566,057,664	2	49
2008	2,886,805,555	6	5,895,900,000	6	49
2009	3,130,061,918	8	5,768,400,000 ⁺	(2)	54
2010	3,382,723,748	8	6,111,648,000 ⁺	8	55
2011	3,566,351,336	5	6,846,600,000 ⁺	12	52
2012	3,678,821,497	3	7,316,564,000 ⁺	7	50

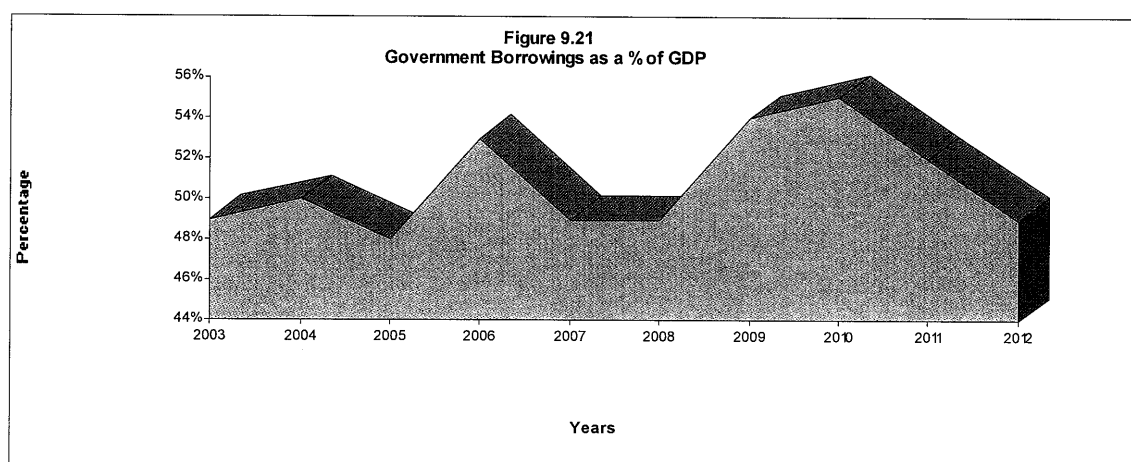
⁺ Provisional Estimate - Forecasted Figure

Source: Ministry of Strategic Planning, National Development and Statistics

Table 9.22 shows that percentage growth in Government debt is 3% only while the percentage growth in the economy is 7% indicating improving debt burden of individuals in 2012.

In 2012, percentage change in national debt relative to the GDP decreased to 50% compared to 52% in 2011.

FIGURE 9.21: GOVERNMENT BORROWINGS AS A PERCENTAGE OF GDP



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.

9.10 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 9.23 outlines the Gross Domestic Product per Capita and National Income per Capita over the 13 year period.

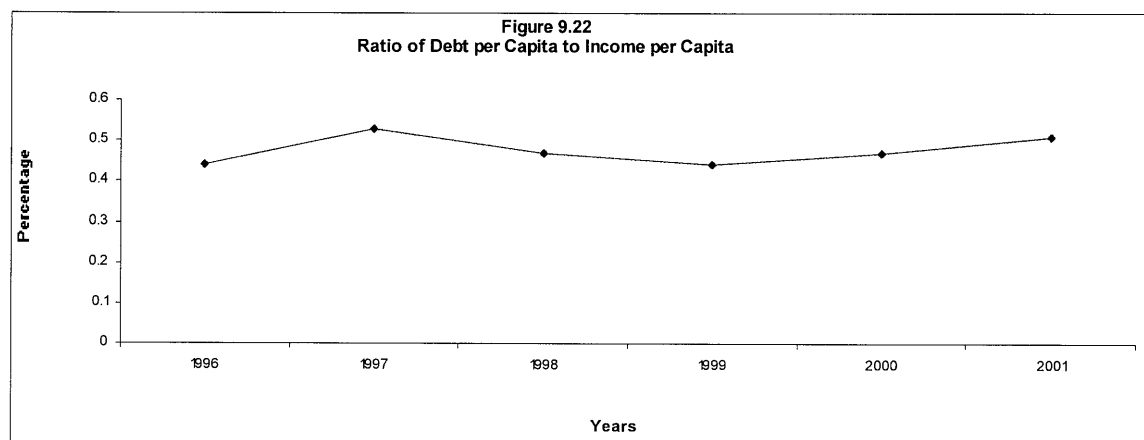
TABLE 9.23: GROSS DOMESTIC PRODUCT PER CAPITA AND NATIONAL INCOME PER CAPITA

Year	Outstanding Debt (\$)	Estimated Population	Debt/Capita (\$)	GNP/Capita (\$)	Ratio of Debt/Capita to GNP/Capita
2000	1,438,742,654	810,421	1,775	3,807	0.47
2001	1,686,089,577	815,013	2,069	4,064	0.51
2002	1,891,033,982	825,478	2,291	*	
2003	2,133,770,240	831,343+	2,567	*	
2004	2,282,168,851	838,317+	2,722	*	
2005	2,421,491,962	846,085+	2,862	*	
2006	2,858,713,537	853,445+	3,350	*	
2007	2,734,471,967	827,900+	3,303	*	
2008	2,886,805,555	839,621	3,438	*	
2009	3,130,061,918	837,271+	3,738	*	
2010	3,382,723,748	837,271+	4,040	*	
2011	3,530,451,171	861,024+	4,100	*	
2012	3,678,821,497	858,038+	4,171	*	

* The GNP for years 2002 to 2012 is not available.

The lower the ratio of debt/capita to income/capita 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.

FIGURE 9.22: RATIO OF DEBT PER CAPITA TO INCOME PER CAPITA TREND



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 for 2012 could not be analyzed as the data for the GNP/capita was unavailable.

Recommendation

The Ministry of Finance in consultation with the Ministry of Strategic Planning & National Development and Statistics should ensure that the Gross National Product per capita is readily made available with the Gross Domestic Product on a yearly basis.

Management Comment

The recommendation is noted and the Ministry has set up a database to record the annual GNP and GDP figure from MSPNDS.

10.0 ACCOUNTS PAYABLE

10.1 Accounting Issues

Accounts Payable (or creditors) represents amounts owed by the entity to other parties in respect of transactions such as the purchase of goods and services.

The accounts payable for the Government as at 31/12/12 showed a balance of \$17,321,156 being unutilised project funds at year end which has been approved to be carried over to the next financial year.

Actual verification however showed a total of \$17,429,328 with a variance of \$108,172 as a result of incorrect postings by ministries and departments.

10.1.1 Trading and Manufacturing Account Creditors

Agencies must ensure that all commitments and invoices are promptly and accurately recorded in the accounting system to meet management and external reporting needs.

The audit noted that the Trade and Sundry Creditors Balance reflected under the allocation 0-00000-00000-840400 has a debit balance of \$525,892.73. This debit balance is incorrect postings of TMA creditors carried forward from previous years.

This shows gross negligence by the Ministry as the TMA creditors balances are not monitored to allow for adjustments to be made in the system to ensure more accurate reporting of TMA creditors balance in the FMIS.

Recommendation

The Ministry should ensure that reconciliations submitted by the Ministries and Departments are monitored to ensure that incorrect postings are identified during the financial year and not carried forward to the future thus distorting the TMA Creditors balances.

Management Comment

No comment received from management.

10.1.2 Variance in the 2012 Opening Balance

Opening balances means those account balances which exist at the beginning of the period based on the closing balances of the prior period and reflect the effects of transactions and accounting policies from prior periods.⁶³

The audit noted that several RFA-miscellaneous account numbers showed nil balances as at 01/01/2012 even though there were balances as at 31/12/11 on the FMIS general ledger totalling \$5,481,285.69.

As a result there was a variance of \$5,481,285.69 between the 2012 opening RFA-miscellaneous balances as per the FMIS general ledger (GL) and opening balances as per the Whole of Government Report provided by Ministry of Finance. Refer to Appendix 1.0 for details.

⁶³ Fiji Standards of Auditing 510

The variance above is attributed to the carrying over funds by Ministry of Finance from period zero (0) to period one (1) of 2012 to enable Departments to incur funds under these allocations.

Fund balances sitting in period zero (0) cannot be utilised by government ministries/ departments due to fund control implemented by Ministry of Finance on these allocations, hence the transfer of balances from period zero (0) to period one (1).

While the fund control implemented by Ministry of Finance is noted, audit is of the view that the transfer process should not distort the opening balances in the next financial year.

Failure to address the above may result in the accumulation of the variances resulting in material misstatement of the ending account balances which reflect the effects of transactions and accounting policies from prior periods.

Recommendation

The Ministry should ensure that the opening balances are based upon the closing balances of the prior period.

The Ministry of Finance should review the transfer of funds process currently in place which should not in any way affect the opening balances for the following year.

Ministry's Comments

No comment received from management.

10.1.3 Unutilised Funds Balances in SLG 840101

If an amount appropriated by an Annual Appropriation Act for a financial year has not been used in that financial year; or is unlikely to be used in that financial year, the Minister may authorize the carry-over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date, and the amount authorized for carry-over may be used accordingly in that following year, subject to such conditions as the Minister specifies in the authorization.⁶⁴

Unspent balances lying in SLG84 is to be returned to the originating Ministry or Department by 15th December so that the receiving Ministry or Department can lodge these funds into the Consolidated Fund Account by 31 December. In order to retain funds received from organisations other than Government Ministries and Departments full justifications will have to be provided to the Ministry of Finance failing which these funds will be credited to revenue.⁶⁵

The total unutilised funds sitting under Standard Liability Group 84 for all Ministries/Departments as at 31/12/12 increased significantly by \$9,886,129 or 124% when compared to 2011. The overall increase is attributed to the increase in capital projects not completed at year end and fund balances are sitting in the Standard Liability Group 840101.

Ministry/Departments recording increase in liability balances as at 31/12/12 are tabulated below.

⁶⁴ Finance Management Act 2004 – s19

⁶⁵ Finance Circular 14/11 – para 3.2

TABLE 10.1: MINISTRIES/DEPARTMENTS RECORDING INCREASES IN SLG 84 BALANCES

Ministry (Capital Projects)	SLG 84 Balance 2011 (\$)	SLG 84 Balance 2012 (\$)	Increase (\$)
Ministry of Finance (CCAR)	17,042	1,000,045	983,003
Prisons (Suva Remand Centre Construction)	0.00	4,642,837	4,642,837
Ministry of Provincial Development (DISMAC – Cyclone Evan 2012, TC Evans Rehabilitation, TC Evans Ration)	1,121,945	6,008,875	4,886,930
Ministry of Education (TC Evans Rehabilitation)	98,391	1,312,960	1,214,569
Ministry of Agriculture (TC Evans Rehabilitation)	451,977	1,216,663	764,686
Department of Water and Sewerage (Desalination Project)	41,692	2,511,800	2,470,108
Total	1,731,047	16,693,180	14,962,133

Ministries/Departments recording increases in their respective SLG 84 balances as at 31/12/12 denotes that capital projects are not completed within the current financial year hence are carried over to the next financial year.

While funds carry over may be anticipated due to unforeseen circumstances, the carrying over of unutilised funds appropriated to the next financial year increases government liability at year end might affect government's cash flow in the next financial year, hence it should not be encouraged.

Recommendations

The Ministry of Finance should continuously follow up with the Ministry/Department to ensure that funds appropriated to Ministries/Departments are utilised within the same financial year in which those funds were appropriated in.

Management Comment

No comment received from management.

11.0 ACCRUED EXPENSES AND DEFERRED INCOME

11.1 Accounting Issues

Liability accounts maintain a credit balance. If a debit balance incurs, it means that government has overpaid on the account.

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts, inter-departmental clearance accounts, and expenditure and commitment accounts. Any transaction raised affecting these accounts shall be entered in the appropriate ledger.⁶⁶

⁶⁶ Proforma Finance Manual 2011 – s16.3.1

The audit noted that the standard liability group (SLG) 85 has been overdrawn by \$1.28 million as at 31/12/12, a decrease of \$666,614 or 34% compared to the overdrawn balance as at 31/12/11.

Majority of the debit balances relate to the Republic of the Military Forces (RFMF) whilst the remainder is for the Department of Water and Sewerage, Ministry of Fisheries and Forests and Ministry of Agriculture. Refer Table 11.1 below for details:

TABLE 11.1: DETAILS OF SLG 85 BALANCES

Ministries/ Departments	Account Number	Account Description	Amount (\$) 2012	Amount (\$) 2011	Change in (\$)	%age Change
Fiji Military Forces	1-19101-19999-850202	GL Deferred income open item	1,806,852	1,806,852	---	---
Ministry of Fisheries and Forests	1-32301-78999-850202	Observer levy fee	(109,565)	---	(109,565)	100
	1-32301-78999-850203	GL Deferred Income	(3,478)	---	(3,478)	100
Ministry of Agriculture	1-30101-30999-850101	AP Unprocessed AP	(300)	---	(300)	100
	1-30101-30999-850102	Agriculture Show 2011	(7,145)	---	(7,145)	100
Water & Sewerage	1-41201-85999-850102	GL Deferred expenses open item	153,454	153,454	---	---
Information Technology & Computing Services	4-04451-66999-850201	JC UNEARNED INCOME	(9,176)	(9,176)	---	---
Fiji Military Forces	4-19151-19999-850201	UNEARNED INCOME	(546,126)	---	(546,126)	100
Total			1,284,516	1,951,130	(666,614)	34

The audit noted that the balance of \$1.8 million relates to an over-expenditure by the RFMF on the Telstat Operations which was contracted to set up satellites in rural areas and outer islands.

This over expenditure is yet to be settled by Telecom Fiji and the RFA allocation has been static since 2006 without any recovery action taken by RFMF.

In addition, the balances reflected under Fund 4 totalling \$666,302 could not be explained despite numerous requests to the Ministry of Finance.

Despite the issue being raised in previous years audit report, no action has been taken. The above denotes that FMIS GL balances and reconciliations have not been properly scrutinised by the Ministry of Finance and the affected ministries/departments to ensure that RFA balances are continuously monitored and postings into the general ledger are substantiated.

Recommendation

The Ministry of Finance and RFMF should liaise with Telecom Fiji about the outstanding debt. If TFL fails to repay its debt, then legal recovery action should be considered through the Solicitor General's office.

Ministry of Finance should ensure that incorrect balances are reviewed and cleared on the monthly basis.

Management Comment

No comment received from management.

12.0 TRUST FUND ACCOUNT**12.1 Regularity Issues**

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

The Trust Fund Account consists of Main 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.

Accounts in the Main Trust Fund include tender deposits, bonds, and aid monies from overseas agencies.

Operating Trust Fund Accounts facilitate transactions relating to the Ministry/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 and other deductions for onward payment to the respective payees.

The Trust Fund Account had a balance of \$73,764,291 as at 31/12/12, an increase of \$12,644,968 or 21% from 2011.

The Main Trust account increased by \$15,069,863 or 39% compared to 2011 and Operating Trust fund account balance increased by \$1,711,057 or 9% from \$18,066,392 in 2011.

The increase in the Main Trust Fund Account balance as at 31/12/12 showed increases in the balances of fourteen out of the nineteen main trust accounts. The five ministries and departments with the highest increases are tabulated as follows:

TABLE 12.1: FIVE HIGHEST INCREASES IN MAIN TRUST FUND BALANCES

Trust Fund Account	Opening Balance (\$)	Closing Balance (\$)	Increase (\$)	% Increase
Department of Energy	(311,254)	1,761,238	2,072,492	665%
Provincial Development	(1,589,708)	2,435,050	4,024,758	253%
Ministry of Lands	---	2,084,908	2,084,908	100%
Immigration Department	6,046,512	7,993,102	1,946,590	32%
Judiciary	13,234,088	15,602,157	2,368,069	18%

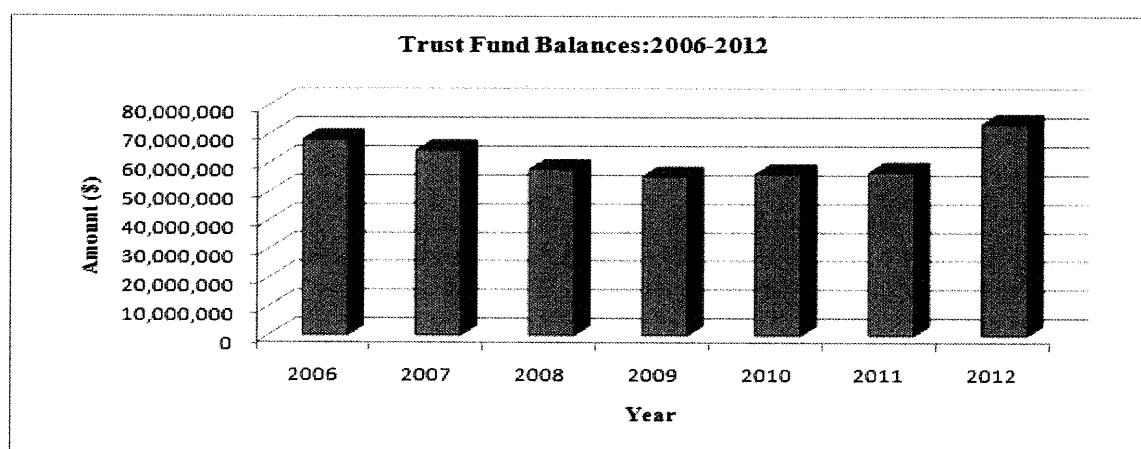
The increase in the Operating Trust Fund is attributed to major increases in twenty eight of the fifty one operating trust fund accounts maintained by Ministries and Departments. Five of the operating trust fund accounts with highest increases are tabulated below.

TABLE 12.2: FIVE HIGHEST INCREASES IN OPERATING TRUST FUND BALANCES

Trust Fund Account	Opening Balance (\$)	Closing Balance (\$)	Increase (\$)	% Increase
Provincial Development	55,291	296,466	241,175	436%
Health	283,025	1,078,277	795,252	281%
Police	832,535	1,993,421	1,160,886	139%
Forestry	261,756	531,673	269,917	103%
Public Service Commission	496,856	650,819	153,963	31%

A graphical analysis of the Trust Fund Account maintained by Ministries and Departments over the last seven years is shown below.

FIGURE 12.1 COMPARISONS OF THE TRUST FUND ACCOUNT BALANCES



The Main Trust Fund Accounts of 19 Ministries/Departments comprised of \$53.9 million or 73% of the total trust monies of \$73.6 million as at 31/12/12.

The balance of \$19.7 million or 27% relate to the Operating Trust Fund Accounts of 51 Ministries/Departments. Refer Table 12.3 for the summary of these trust fund details.

TABLE 12.3: SUMMARY OF TRUST FUND ACCOUNT

Title	Amount (\$)	
Main Trust Fund	54,378,316.78	
Operating Trust Fund	26,649,780.11	
Total Monies held in Trust		81,028,096.89
Overdrawn Account		
Main Trust Fund	(457,916.32)	
Operating Trust Fund	(6,872,330.41)	
Total Overdrawn		(7,330,246.73)
Total Trust Fund		73,697,850.16

The actual monies held in trust fund account as at 31/12/12 was \$81,028,096.89 and \$7,330,246.73 being the overdrawn trust accounts leaving a net balance \$73,697,850.16.

12.1.1 Overdrawn Trust Accounts

Trust money is to be accounted separately from public money and other money⁶⁷ and Officers operating official bank accounts must not allow such accounts to be overdrawn and may be liable for surcharge in respect of any bank charges arising from the overdrawn accounts⁶⁸.

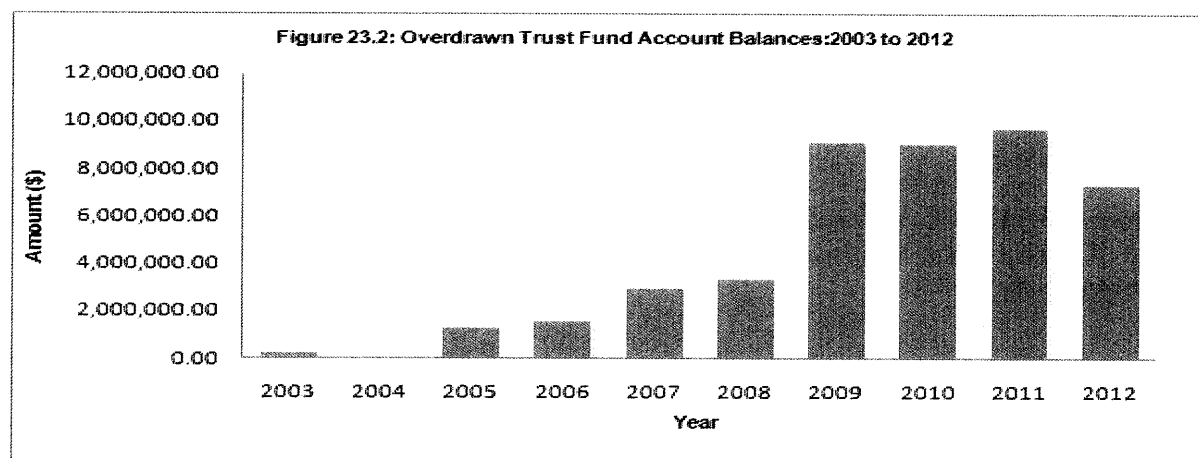
The following Ministries/Departments had their Trust Fund Accounts overdrawn as at 31 December 2012 contrary to the Finance Circular.

TABLE 12.4: OVERDRAWN TRUST FUND

Title of Account	Balance 31/12/12 Amount (\$)
Main Trust Fund	
Ministry of Fisheries & Forestry	457,916.32
Operating Trust Fund	
Agriculture	1,194,011.53
Elections Office	495,101.14
RFMF	5,073,760.49
President's Office	97,310.40
Public Enterprise	8,082.24
Women's Affairs	4,064.61
Total	\$ 7,330,246.73

These findings indicate that Accounts Officers are not exercising control measures nor checking the reconciliations to ensure that there are no overdrawn accounts.

FIGURE 12.2 SHOWS THE TREND IN THE OVERDRAWN TRUST FUND ACCOUNT BALANCES FROM 2003-2012



The overdrawn trust fund account decreased by \$2,393,384 in 2012 compared to 2011.

⁶⁷ Section 25(1) of the Financial Management Act

⁶⁸ Finance Instructions 2010 – Section 32 (5)

The overdrawn trust funds are the results of incorrect postings, lack of proper supervision and monitoring of overdrawn accounts.

Recommendation

Ministry of Finance should inform the Ministries/Departments to ensure that Trust Fund Accounts are not overdrawn at any time and the overdrawn Trust Fund Accounts to be investigated and reconciled accordingly.

Management Comment

The FMIS Unit of the Ministry of Finance has beefed up on its Reconciliation Team. The Team is currently monitoring all Balance Sheet items. From a very high level Items such as Trust Account Cash need to be at a Debit Balance.

Furthermore, Trust Cash needs to tally with Trust Liability Accounts. When the team notices that Trust Account Cash Balances does not tally with Trust Account Liabilities, Audiences are sort with Accounting Heads as well as Deputy Secretaries of guilty ministries to create awareness on the issues at hand.

The team has also noticed that Ministries and Departments have unverifiable balances in their Accounts. This was discovered in RFA, Drawings, and Main Trust Reconciliations.

Hence, the Reconciliation Team designed a new Format for the RFA and SLG84 Reconciliations in the First Quarter of 2013 which was published in Finance Circular 2/2013. The new formats were specifically designed to separate the unverifiable balances in the Accounts from the General Movements within the Accounts. The Team is also working on Formats for the other four Reconciliations; however, the Team will have to gather all the relevant data from the field before firming up on new formats to publish in a Finance Circular.

Once all the unverifiable balances have been ascertained, they will be submitted for write-off at the end of the year.

12.1.2 Variance noted in Cash and Main Trust Balances

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 for use or investments.⁶⁹

The audit noted that trust monies totalling \$53,920,400 were not properly supported by cash at bank indicating that trust monies were being used for the operations of government contrary to the provisions of the Act.

Our review of cash trust contained in the cash appendix revealed variances against the main trust fund balances. Detailed below is the main trust fund account balance that varies from the cash trust balances in Cash-Appendix 2.

TABLE 12.5: CASH VERSUS MAIN TRUST FUND

Trust Accounts	Cash Trust Balances (\$)	Main Trust Accounts (\$)	Variance (\$)
Cabinet	82,246.81	103,075.88	(20,829.07)
Co-operatives	64,675.81	64,675.81	0

⁶⁹ Section 25, Financial Management Act (2004)

Trust Accounts	Cash Trust Balances (\$)	Main Trust Accounts (\$)	Variance (\$)
Ministry of Commerce	0	1,758.91	(1,758.91)
Director of Public Prosecutions	177,858.46	177,858.46	0
Government Supplies	977,152.65	961,316.35	15,836.30
Ministry of Labour & Industrial Relations	5,701,751.72	5,237,123.88	464,627.84
Judiciary	14,817,217.70	15,602,157.50	(784,939.80)
Immigration Department	7,370,198.93	7,993,102.11	(622,903.18)
Ministry of Agriculture	793,366.69	241,268.27	552,098.42
Ministry of Finance	9,966,160.34	9,787,383.65	178,776.69
Ministry of Health	152,725.00	169,975.00	(17,250.00)
Ministry of Lands	2,075,072.07	2,084,907.74	(9,835.67)
Mineral resources	2,730,286.04	2,730,286.04	0
Prisons & Correction Department	113,595.23	117,206.87	(3,611.64)
Provincial Development	4,238,770.95	2,435,049.96	1,803,720.99
Public Enterprise	3,423,657.76	3,423,524.33	133.43
Department of Energy	710,424.68	1,761,238.05	(1,050,813.37)
Tourism & Environment	542,694.07	1,486,407.97	(943,713.90)
Ministries of Fisheries & Forestry	(498,534.11)	(457,916.32)	(40,617.79)
Total/Variances	53,439,320.80	53,920,400.46	(481,079.66)

In addition, the main trust fund balance of \$53,920,400 exceeds the cash trust of \$53,439,321 by \$481,079 which is in separate bank accounts for the above Ministries and Departments.

The above implies that the reconciliation have not been prepared on a timely basis and not being monitored to ensure that the cash trust being sufficient to cover for the main trust funds.

Recommendations

- **The Ministry of Finance should investigate and assists these Ministries and Departments in correcting their records and ensuring that sufficient cash is held to meet governments obligation for monies kept in trust.**
- **The Ministry of Finance should institute surcharge action against Accounts Officer by not taking responsibility to ensure that these trust fund amounts are not overdrawn.**

Management Comment

We totally agree with the issues raised by the OAG. The Reconciliation team found that there were instances where Operational Activities were funded by the True Trust Cash. The Anomaly could have arisen in the two scenarios mentioned below:

- a) *Scenario 1- Drawings Operations*
 - i) *Everything was processed for Fund 1-Drawings Account in the System*
 - ii) *FMIS Bank ID chosen referred to Fund 1- Drawings Bank Account*
 - iii) *Error- Cheque Leaf used was for Fund 9- Cash*
 - iv) *System will reflect that Fund 1- Cash was used*
 - v) *Bank statement will show that Fund 9- Cash account was used.*

b) *Solution*

- i) *Assuming that the cheque has already been accepted by the Bank*
- ii) *Reverse the original Transaction that was issued in the system*

GL Entry- to reverse the Original Cheq Issued			
Dr	Fund 1- Cash	XXX	
Cr	Fund 1- Expenses		XXX

- iii) *Post the error to in a) iii) to 'Fund 9- Cash'.*

GL Entry- Post the Error to Fund 9- Cash			
Dr	Fund 9- Expenses	XXX	
Cr	Fund 9- Cash		XXX

- iv) *Issue a cheque from 'Fund 1- Cash' to 'Fund 9- Cash' to reimburse 'Fund 9- Cash' in the form of 'Fund 1- Expense'.*

GL Entry- Reimbursement Cheque			
Dr	Fund 1- Expenses	XXX	
Cr	Fund 1- Cash		XXX

(This Cheque will be payable to Trust Account)

- v) *Receive the cheque that was issued in b)iv) and receipt it to the Fund 9- Expenses Allocation to reverse the error in GL posting as stated in b)iii)*

GL Entry- Receive the Cheque from Fund 1			
Dr	Fun 9- Cash	XXX	
Cr	Fund 9- Expenses		XXX

c) *Scenario 2- Trust Operations*

- i) *Payment vouchers for true trust were undertaken*
- ii) *Error- FMIS Bank ID for Fund 1 was used*
- iii) *Cheque leaf for Fun 9- Cash was correctly issued when the cheque was printed*
- iv) *Bank statement will show that True Trust account was correctly used*
- v) *System will reflect that Drawings Cash was used*

d) *Solution*

- i) *Reverse the original Transaction that was issued in the system to nullify the error in c)ii)*

GL Entry- to reverse the Original Cheq Issued			
Dr	Fund 1- Cash	XXX	
Cr	Fund 1- Expenses		XXX

- ii) *Post the correct entry to affect Fund 9- Cash and Fund 9- Expenses.*

GL Entry- Receive the Cheque from Fund 1			
Dr	Fun 9- Cash	XXX	
Cr	Fund 9- Expenses		XXX

However, the Reconciliation team noted that when Ministries discover the miss-postings, they usually raise a Journal Vouchers (JV) where the following entry is made:

GL Posting- Current Treatment by Ministries			
DR	Fund 1 Cash	XXX	
CR	Fund 9 Cash		XXX

The JV raised above becomes problematic later on, because as depicted in the illustration, while the Debit is in Fund 1, the Corresponding Credit is sitting in Fund 9.

Furthermore, there are some ministries who do not discover the miss-posting, and there is nothing done about it. This contributes to the Un-reconciled Balances in Drawings Account as well as the Variance between the Trust Cash and Main Trust Account.

13.0 REVENUE

13.1 Accounting Issues

The function of the Fiji Revenue Customs Authority (FRCA) is to act as an agent of the State and provide services in administering and enforcing the laws specified in schedule 1 of the FIRCA Act.⁷⁰

The Accounting Head is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.

The following anomalies were noted:

- (i) The Ministry did not carry out monthly revenue reconciliations for the months of April, May, August, October, November and December 2012.
- (ii) A variance of \$10 million exists between Ministry of Finance general ledger balances and the FRCA revenue collection report for the year 2012.
- (iii) The Telecommunication Levy, Credit card Levy and Third Party Insurance Levy introduced in the 2012 National Budget showed nil balance in the revenue general ledger of government while FRCA had made collections in 2012. Refer Table 13.1 below for details:

TABLE 13.1: VARIANCE IN REVENUE COLLECTION BETWEEN FRCA REPORT & MOF GENERAL LEDGER

Account Number	Operating Revenue	Amount (\$)
1-04102-04251-210101	Income Tax Personal	(519,196,593.06)
1-04102-04252-210101	Income Tax Personal	42,075,474.53
1-04102-04253-210101	Income Tax Personal	3,567.94
1-04102-04251-210107	Capital Gains Tax	(15,599,176.55)
1-04102-04251-220101	Customs Import VAT	(436,955,039.73)
1-04102-04251-220199	Value Added Tax	(430,747,651.04)
1-04102-04252-220199	Government Department Value Added Tax	200,707,905.08
1-04102-04253-220199	Government Department Value Added Tax	3,426,382.45
1-04102-04251-220299	Fiscal Duty	(254,519,424.69)

⁷⁰ FRCA Act 1998, Section 22 (a)

Account Number	Operating Revenue	Amount (\$)
1-04102-04251-220399	Excise Dues	(82,980,613.45)
1-04102-04251-220499	Export Duty	(7,304,369.82)
1-04102-04251-220501	Import Excise Duty	(27,300,715.62)
1-04102-04251-220601	Hotel Turnover Tax	(52,582,149.07)
1-04102-04251-220701	Water Resource Tax	(28,382,238.31)
1-04102-04251-220901	Departure Tax	(91,513,557.23)
1-04102-04251-221001	Fish Levy – FIRCA	(1,492,521.80)
1-04102-04251-221201	Stamp Duty	(21,081,267.74)
1-04102-04251-221301	Luxury Vehicle Levy	(1,257,500.00)
1-04102-04251-229999	Miscellaneous Fees & Receipts	(783,466.44)
Total Operating Revenue as per AFS		(1,725,482,954.55)
Total Revenue as per FIRCA Revenue Report		(1,735,556,553.00)
Variance		(10,073,598.45)

Furthermore, audit noted that \$269.8 million in refunds (debit amounts in the Operating Revenue Account) are included in Operating Revenue resulting in the understatement of the operating revenue by the same amount. Refer Table 13.2 for revenue allocations with debit balances in FMIS.

TABLE 13.2: REFUNDS INCLUDED IN THE OPERATING REVENUE

Account Number	Operating Revenue	Amount (\$)
1-04102-04252-210101	Income Tax Personal	42,075,474.53
1-04102-04253-210101	Income Tax Personal	3,567.94
1-04102-04252-220199	Govt. Dept. Value Added Tax	200,707,905.08
1-04102-04253-220199	Govt. Dept. Value Added Tax	3,426,382.45
1-04102-04251-230201	Stamp Duty	40,153.50
1-04102-04251-230316	Departure Tax	4,442,735.80
1-04102-04351-230412	License Telecom & TV	1,682,700.34
1-04102-04351-230501	Water Charges	17,467,618.11
Total		269,846,537.75

Recommendations

The Ministry of Finance should obtain monthly revenue reports from FRCA and carry out revenue reconciliations.

Management Comment

No comment received from management.

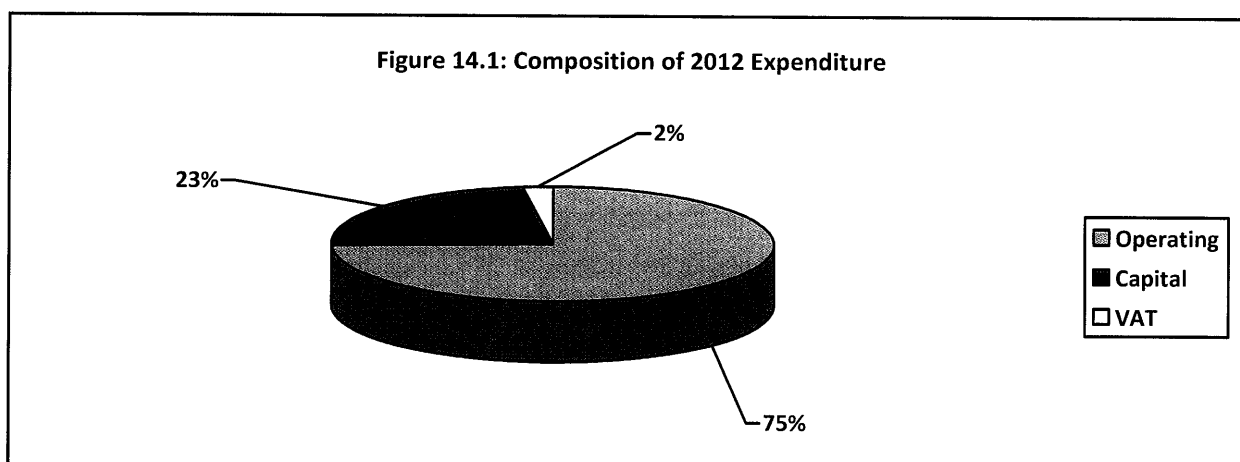
14.0 EXPENDITURE

14.1 Overall Government Expenditures - 2012

Government spending for the year ended 31st December 2012 totalled \$2,294,103,654 a decline of \$108.6 million or 5% from \$2,402,752,517 spent in 2011.

Total operating expenditures amounted to \$1,710,220,999 or 75%, capital expenditures totalled \$533,838,990 or 23% and VAT totalled \$ 50,043,665 or 2%.

FIGURE 14.1: COMPOSITION OF 2012 EXPENDITURE



Compared to 2011, total operating expenditure declined by \$154 million or 8% and capital expenditure increased by \$39 million or 8% from \$494.5 million in 2011 to \$533.8 million in 2012. There was an increase of \$6.1 million or 14% in VAT expenditure from \$43.9m in 2011 to \$50m in 2012.

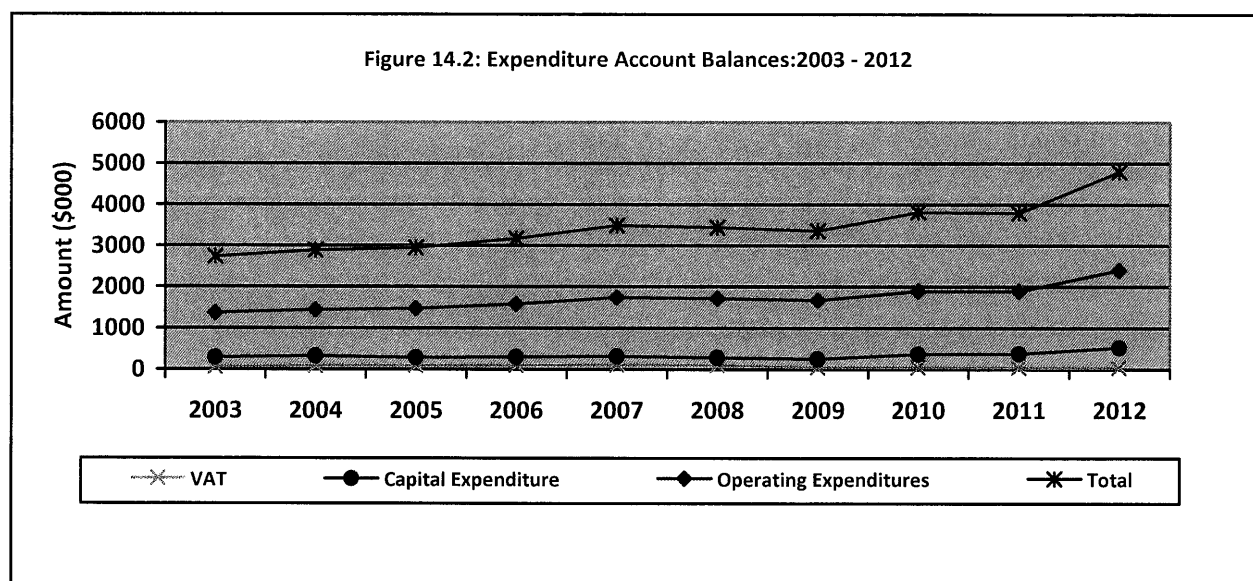
14.1.1 Expenditures in the Last 10 years

From 2003 to 2012 operating expenditure increased by \$612.06 million with an average increment of \$68 million or 10%. Operating expenditures when compared to 2011 recorded a decline of \$181.91million or 11% during 2012.

Furthermore capital expenditure and VAT payment of government had a fluctuating trend over the past 10 years. Capital Expenditure increased by \$154.88m or 46% in 2011 and increased further by \$39.31m or 8% in 2012. VAT increased by \$6.06m from 2011 to 2012.

A graphical analysis of the total and expenditure account components for the past 10 years is summarized below:

FIGURE 14.2: EXPENDITURE ACCOUNT BALANCES: 2003 -2012



There was an overall budget saving of \$12.86 million in 2012 compared to \$77.7 million in 2011. Tables 14.2 provide details of these savings or excess spending made in the past three years.

TABLE 14.2: BUDGET AND EXPENDITURES AT SEG LEVEL FOR PAST 3 YEARS

SEG	2012			2011			2010		
	Budget	Actual	Over-Expenditure/ (Savings)	Budget	Actual	Over-Expenditure/ (Savings)	Budget	Actual	Over-Expenditure/ (Savings)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1	539.30	554.74	15.44	518.82	523.15	4.33	507.60	516.83	9.23
2	43.75	46.48	2.73	43.23	46.11	2.88	45.22	47.27	2.05
3	24.36	22.36	(2.00)	22.16	20.54	(1.62)	19.89	18.02	(1.87)
4	83.21	77.40	(5.81)	75.25	72.41	(2.84)	68.31	67.72	(0.59)
5	79.50	74.16	(5.34)	71.18	67.06	(4.12)	57.04	58.31	1.27
6	318.81	313.85	(4.96)	295.51	292.30	(3.21)	262.68	263.16	0.48
7	60.61	46.63	(13.98)	50.52	39.06	(11.46)	58.45	51.91	(6.54)
8	195.41	202.95	(7.54)	186.50	181.89	(4.61)	158.58	143.32	(15.26)
9	25.53	22.50	(3.03)	22.84	20.51	(2.33)	26.88	19.64	(7.24)
10	338.01	308.39	(29.62)	307.50	292.13	(15.37)	194.18	176.69	(17.49)
11	41.35	36.37	(4.98)	37.63	33.38	(4.25)	37.63	33.14	(4.49)
12	471.56	510.34	38.78	797.59	770.22	(27.37)	507.98	455.34	(52.64)
13	59.84	50.07	(9.77)	51.74	43.98	(7.76)	49.51	48.74	(0.77)
Total	2,281.24	2,294.10	(12.86)	2,480.47	2,402.74	(77.73)	1,993.95	1,900.09	(93.86)

The surplus recorded in 2012 was due to the savings made from the following standard expenditure group allocations:

- Travel and Communications recorded savings of \$2,004,403 (13%),
- Maintenance and operations \$5,814,534 (39%),
- Purchases of goods and services \$5,337,741 (36%),
- Operating grants & transfers \$4,957,210 (33%),
- Special expenditures \$13,974,735 (93%),

- Capital purchases \$3,027,983 (20%),
- Capital grants and transfers \$29,622,864 (197%),
- Pensions and gratuities \$4,976,277 (33%), and
- Value Added Tax \$9,791,443 (65%).

Furthermore the government overspent in the following allocations:

- Established staff (SEG 1) - \$15,438,252;
- Unestablished Staff (SEG 2) - \$2,731,276 and;
- Finance Charges on Public Debt (SEG 14, 15 & 12) \$38,779,903.

14.1.2 Over-Expenditure

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Parliament approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without proper authorisation of the Ministry of Finance, pending approval by Parliament.⁷¹

The Accounting Head or accounts supervisor must not certify a payment correct unless they are satisfied that sufficient uncommitted funds are available for payment of the account.⁷²

When a transaction is entered which will bring the committed expenditure beyond the established Error threshold (100%), the system will issue an Error to the screen. The transaction is NOT allowed. For processing to continue, more funds must be allocated or a different account used.⁷³

The audit noted that the Ministry of Education, National Heritage, Culture and Arts, Prime Minister's Office, Charges on Account of Public Debt and the Ministry of Health overspent their total budget appropriation in 2012. Details are shown in Table 14.3.

TABLE 14.3: EXCESS EXPENDITURE

Ministry	Original Budget (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Over Expenditure (\$)
Prime Minister's Office	10,268,332	15,390,606	16,092,779	702,173
Ministry of Education, National Heritage, Culture and Arts	257,341,887	256,663,950	270,261,887	13,597,937
Ministry of Health	153,074,214	151,546,149	158,348,449	6,802,300
Charges on Account of Public Debt	471,564,900	471,564,900	510,344,803	38,779,903

TABLE 14.4: EXCESS EXPENDITURE BY SEGs

Ministry	SEG	Description	Revised Estimate (\$)	Actual Expenditure (\$)	Amount Overspent (\$)
Prime Minister's Office	6	Operating Grants & Transfers	1,226,343	1,242,233	15,890
	8	Capital Construction	3,967,064	5,210,894	1,243,830

⁷¹ Finance Instruction 2010 Part 3 Div 1(7)

⁷² Part 2.8.3(iii) Finance Manual 2005

⁷³ FMIS User Manual – Fund Accounting, Scenario 5: Fund Accounting Error – Exceed 100% of Appropriation - Requisition

Ministry	SEG	Description	Revised Estimate (\$)	Actual Expenditure (\$)	Amount Overspent (\$)
Ministry of Education, National Heritage, Culture and Arts	1	Established Staff	195,769,268	210,730,756	14,961,488
	2	Unestablished Staff	1,882,664	2,157,366	274,702
	6	Operating Grants & Transfers	44,538,305	44,538,571	266
Ministry of Health	1	Established Staff	65,138,935	76,216,424	11,077,489
	2	Un-established staff	9,848,512	12,576,750	2,728,238
	5	Purchases of Goods & Services	28,838,428	29,413,026	574,598

In addition, the audit noted that while most Ministries and Departments have overall budget savings, a few had overspent in some expenditure accounts. These departments and ministries are tabulated below.

TABLE 14.5: MINISTRIES/DEPARTMENT WITH OVERALL BUDGET SAVINGS BUT OVERSPENT IN SOME SEGs

Ministry	SEG	Description	Revised Estimate (\$)	Actual Expenditure (\$)	Amount Overspent (\$)
Fiji Military Forces	1	Established Staff	84,373,146	86,486,170	2,113,024
	2	Un-established Staff	1,903,788	1,981,985	78,197
Fiji Police Force	1	Established Staff	67,607,294	68,902,927	1,295,633
	8	Capital Construction	247,240	253,816	6,576
Ministry of Primary Industries, Dept of Fisheries & Forestry	2	Unestablished Staff	1,217,410	1,469,374	251,964
Ministry of Sugar	6	Operating Grants & Transfers	1,424,220	1,425,420	1,200
Ministry of Public Enterprise, Tourism, Civil Aviation & Communication	6	Operating Grants & Transfers	5,647,067	5,818,667	171,600
Ministry of Works & Transport	2	Unestablished Staff	13,856,336	14,629,817	773,481
	6	Operating Grants & Transfers	22,505,159	23,086,967	581,808
	8	Capital Construction	133,774,639	145,200,413	11,425,774

Tabulated in Table 14.6 is the summary of total expenditure of the whole of government for 2012.

TABLE 14.6 SUMMARY OF TOTAL EXPENDITURE BY SEGs

SEGs	Account Description	Revised Estimate (\$)	Actual Expenditure (\$)	Increase (\$)	Decrease (\$)
1	Established Staff	539,301,380	554,739,632	15,438,252	---
2	Unestablished Staff	43,746,832	46,478,108	2,731,276	---
3	Travel and Communications	24,362,677	22,358,274	---	2,004,403
4	Maintenance & Operations	83,207,015	77,392,481	---	5,814,534
5	Purchase of Goods & Services	79,500,812	74,163,071	---	5,337,741
6	Operating Grants & Transfers	318,806,637	313,806,637	---	4,957,210
7	Special Expenditures	60,610,712	46,635,976	---	13,974,735

SEGS	Account Description	Revised Estimate (\$)	Actual Expenditure (\$)	Increase (\$)	Decrease (\$)
	Total Departmental Operating	1,149,536,065	1,135,574,179	18,169,528	32,088,623
	Net Decrease				13,919,095
11	Pensions, Gratuities and Compassionate Allowances	41,347,400	36,371,123	---	4,976,277
12	Finance Charges on Public Debt	471,564,900	510,344,803	38,779,903	---
	Total Operating	1,662,448,365	1,682,327,147	56,949,431	37,064,900
	Net Increase			19,878,782	
8	Capital Construction	195,412,527	202,948,106	7,535,579	---
9	Capital Purchase	25,528,613	22,500,630	---	3,027,983
10	Capital Grants & Transfers	338,013,117	308,390,253	---	29,622,864
	Total Capital	558,954,257	533,838,989	7,535,579	32,650,847
	Net Decrease				25,115,268
13	Value Added Tax	59,835,108	50,043,665	---	9,791,443
	Total Expenditure	2,281,237,730	2,266,209,801	64,485,010	79,507,190
	Net Decrease				15,022 180

Furthermore the audit also noted that SEGs 1 and 2 are still being excluded from Fund Accounting as these SEGs cannot be monitored effectively because they involve the payment of salaries and wages through the Payroll system.

Additionally, virements out of an allocation could have been done without checking the actual amount already incurred or committed. The purpose of having fund accounting is therefore defeated.

As a result of the above, these Ministries and Departments have recorded over expenditure for the year 2012 as the amounts being inputted into the system are not being rejected automatically when actual expenditure exceed their revised figures.

Recommendation

The Ministry's FMIS Division should review the software program with the assistance of IT consultants set up all accounts for fund controls in the General Ledger so that the system automatically rejects those amounts that are still being inputted when actual expenditure exceed revised estimates.

Management Comment

No comment received from management.

14.1.3 Virements Maintenance Anomalies

Permanent Secretaries may authorise the transfer of budgeted funds from one appropriation category to another appropriation category within the agency's head of appropriation provided that both appropriation categories are administered by the same Permanent Secretary.⁷⁴

⁷⁴ 2010 Finance Instruction 10 (3)

The Minister may authorise the redeployment of amounts appropriated by the most recent Annual Appropriation Act for administration by the Ministry of Finance to the heads of appropriation and appropriation categories to be administered by one or more other budget sector agencies.⁷⁵

In the process of reconciling virements raised during the year, the following anomalies were noted:

- Numerous posting in the general ledger of one virements form. This created a lot of errors as reversals of these postings were incorrectly done misstating budget amounts. Even though these were corrected during the audit, it indicates that responsible officers at FMIS section are not checking the correctness of virements posting;
- Approved virements from Ministries and Departments not posted into the general ledger by the FMIS officer responsible. For example V2003/12;
- Posting of virements to incorrect allocations – refer to virement reference V22001 dated 03/02/12;
- An electronic copy of the virement register maintained by the FMIS section was not accurately maintained as some virements recorded in the system were not on the Register. There is a risk of tampering with records kept in an electronic register.

Despite the anomalies noted, the revised budget estimates still ties to the Original Budget. The Officer in charge at FMIS section was unable to provide to a satisfactory explanation for the weaknesses noted.

Recommendations

- **The Officer responsible should improve on the record keeping of account changes authorised through virements, departmental virements and cash flow adjustments.**
- **Officer responsible should conduct month end reconciliations to ensure that all virements are posted accurately into their respective account allocations to avoid errors from occurring and accumulating at the end of the financial year.**

Management Comment

No comment received from management.

15.0 EQUITY

15.1 Accounting Issues

15.1.1 Uncertainty of Opening Balances and usage of equity accounts

Opening balances means those account balances which exist at the beginning of the period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and accounting policies from prior periods.⁷⁶

The correctness and existence of the opening equity balance amounting to \$2,815,628,265 cannot be verified as there is no schedule to adequately support these balances at Whole of Government level which is inclusive of accumulated surplus deficits [SLG 910000] and Appropriation TMA operations [SLG 940000].

⁷⁵ Division 2. 22 (1) 2004 Financial Management Act

⁷⁶ AUS 510.03

The statement of changes in equity disclosed as Schedule 3 in the financial statements did not provide comparative figures for 2011.

In addition, the equity accounts are being used as contra accounts for assets and liabilities transactions for example: When Domestic Borrowing is received; the ministry passes four entries to account for borrowing revenue [DR: Cash CR: Revenue] and to also recognise the loan account [DR: Equity CR: Term Loans payables]. Similar journals are raised for lending fund accounts to recognise the debtor.

When these loans are repaid the ministry reverses the Equity and Term Loans Payable initial posting and also raises a debit to Expenditure and credits cash. Thus at balance date, Equity is understated by these borrowing amounts.

While the effort towards recognising the accrual side of these transactions is appreciated, these postings have defeated the correct accounting treatment of Equity where only shares and surplus/deficit are accounted for.

In view of the unsubstantiated opening balances and the high volume of the usage of the equity account, the equity balance may be either over or understated.

Recommendation

- **The Ministry of Finance should ensure that opening balances are properly supported and substantiated.**
- **In view of the current practise, postings into the Equity accounts should be restricted to relevant postings only and should be monitored by FMIS section to ensure that contra transactions are balanced at month end.**
- **Incorrect postings to the equity account should be reviewed and adjusted accordingly.**

Management Comment

No comment received from management.

16.0 CONTINGENT LIABILITY

16.1 Accounting Issues

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity⁷⁷.

Contingent liability is a potential liability that may or may not become due, depending on whether a possible event occurs, such as a claim for compensation, an indemnity or other legal claim.⁷⁸

The Government under the authority of the House of Representatives provides guarantees for the financial liability of entities in respect of loans or otherwise.⁷⁹

Currently, in the absence of the House of Representatives, guarantees are approved under the authority of the Cabinet. A cabinet paper is presented by the Minister for Finance to seek approval for the issue of guarantees sought by the entities concerned.

⁷⁷ Refer to IPSAS 19 – Definition section of contingent liabilities

⁷⁸ Financial Instructions 2010, Section 2

⁷⁹ Finance Management Act 2004, Section 62(1)

The Debt Management Unit administers the documentation, legal issues, variations, drawdown and reporting of the Government guarantees annually. While the Asset Management Unit makes the financial assessment of loan guarantees, it has the task of making recommendations on the eligibility criteria.

In addition, the Public Enterprise and line Ministries concerned are also involved in the loan assessment process. A guarantee fee of up to 2 per cent is charged on all guarantees. The fee percentage range is agreed upon taking into account each entity's financial performance.⁸⁰

16.2 Contingent Liabilities for Government

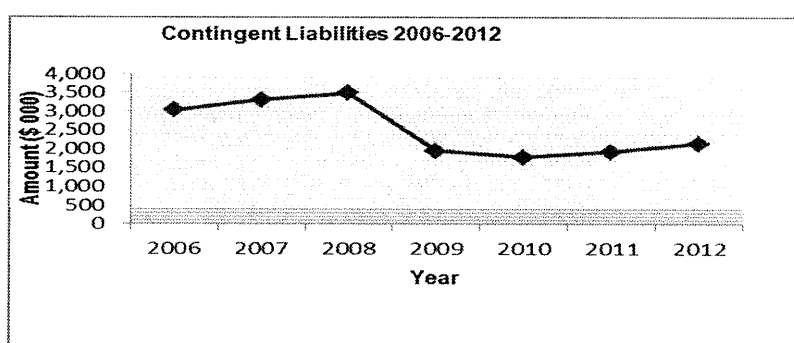
The Government under the authority of the House of Representatives provides guarantees for the financial liability of entities in respect of loans or otherwise.⁸¹

Currently, in the absence of the House of Representatives, guarantees are approved under the authority of the Cabinet. A cabinet paper is presented by the Minister for Finance to seek approval for the issue of guarantees sought by the entities concerned.

The Government's total contingent liabilities recorded fluctuations over the years. There has been an increase during 2012 as additional government guarantee provided on the loans taken by Fiji Sports Council and Fiji Pine Limited. A total of 15 entities were covered under Government guarantee in 2012, compared to 16 entities in 2011. Table 16.1 and Figure 16.1 below show the trend in total contingent liabilities for the years 2006 to 2012.

TABLE 16.1: CONTINGENT LIABILITIES -7 YEAR ANALYSIS

Year	Number of Entities on Govt. Guarantee	Total Liabilities (\$)
2006	19	3,036,693,046
2007	15	3,328,068,372
2008	15	3,499,088,018
2009	16	1,963,068,505
2010	16	1,791,461,261
2011	16	1,931,795,891
2012	15	2,155,254,122



Government guarantee during the year covered both domestic and overseas loans. The total contingent liabilities as at 31/12/12 amounted to \$2,155,254,122. Domestic loans accounted for \$2,146,810,005 or 99.6% of total liabilities during the year. Overseas loans on the other hand accounted for \$8,444,117 or 0.4% of total liabilities as at 31/12/12.

Total liabilities for overseas loans are for the membership subscriptions of the Government with overseas agencies namely the International Bank for Reconstruction & Development and the International Development Association.

The subscriptions represent callable capital in the books of these international agencies. The Government subscribes for shares as its membership contributions/capital holdings with these institutions. The agencies would call on this callable capital if Fiji is proven not to be complying with

⁸⁰ Finance Circular No. 8 of 2004

⁸¹ Finance Management Act 2004, Section 62(1)

the articles of agreement or if Fiji fails to honour its loan commitments under respective agreements with these institutions.

16.2.1 Increased Liabilities for Domestic Loan Guarantee

The guarantee on domestic loans covers most public institutions such as the Fiji Development Bank, Fiji National Provident Fund, Fiji Sugar Corporation, Fiji Electricity Authority and Housing Authority. These institutions form an integral part of Fiji's infrastructure and financial services and the guarantees are a commitment on the part of the government to ensure the delivery of their services.

Total contingent liabilities on domestic loans increased by \$223,458,231 or 11.61% compared to 2011 which are attributed to an increase in liability balance for the 5 institutions outlined below:

TABLE 16.2: INCREASED LIABILITIES FOR GOVERNMENT GUARANTEES

Institutions	Government Guarantee 2012 (\$)	Liability as at 31/12/2012 (\$)	Liability as at 31/12/2011 (\$)	Variance (\$)	% change	Reason for increase
Housing Authority	130,998,000	105,548,292	82,592,964	22,955,328	27.79	Bonds from Bank of Baroda for term of 3 and 5 years
Fiji Sugar Corporation	120,000,000	117,883,274	116,408,666	1,474,608	1.27	Movement in Exchange rate
Fiji National Provident Fund (FNPF)	1,247,556,595	1,247,556,595	1,013,520,093	234,036,502	23.09	Increased in Members contribution
Fiji Pine Limited	17,057,000	17,057,000	13,721,244	3,335,756	24.31	Additional loan from FDB
Fiji Sports Council	18,200,000	15,926,725	926,725	15,000,000	1,619	Additional loan from ANZ

The movement in guaranteed amounts or the outstanding balances for entities are not monitored by the Ministry of Finance as there are unavoidable costs associated with the loan accounts such as late payment fees, accrued interest and principal.

The Debt Management Unit conducts quarterly visits and assessments on all guarantee entities and reports to the Permanent Secretary of Finance on the debt servicing sustainability of entities.

Increase in contingent liability poses a significant financial risk to Government as it puts pressure on Government cash flows and resources should these entities fail to honour their loan agreements with respective lenders and Government will have no choice but to activate the guarantor role.

Recommendation

The Debt Management Unit should carry out risk analysis and advise Government prior to signing loan guarantees or declarations.

Management Comment

Comments are noted. Proper analyses were undertaken by DCFMU for any request for Government Guarantee. Furthermore, DCFMU also produce Annual Contingent Liability Report which provides a more detailed

analysis of the performance of the guaranteed entities. Audit should also note that most request for guarantees were mainly for public institutions such Fiji Development Bank (FDB), Fiji Electricity Authority (FEA), Housing Authority (HA) and Public Rental Board (PRB), who perform services that are consistent with Government's social obligations and also play a vital role in infrastructure and financial sector development.

APPENDICES

Appendix 1: Appropriation Decree 2012

Head No	Ministry/Department	Appropriation Amount (\$)	Revised Amount (\$)	Actual Expenditure 2012 (\$)	(Savings/(Over-Spent)) (\$)	%
1	Office of the President	1,968,342	1,853,342	1,538,568	314,774	17.0
2	Office of the Prime Minister	61,546,175	65,224,944	64,976,204	248,740	0.4
3	Attorney General and Solicitor General	7,072,500	6,382,503	4,629,442	1,753,061	27.5
4	Ministry of Finance	73,386,400	70,891,344	67,192,476	3,698,868	5.2
5	Ministry of iTaukei Affairs	18,548,202	18,548,202	16,642,315	1,905,887	10.3
6	Ministry of Defence, National Security and Immigration	5,990,347	5,702,847	5,350,073	352,774	6.2
7	Ministry of Labour, Industrial Relations and Employment	8,321,021	8,033,521	8,025,044	8,477	0.1
8	Ministry of Foreign Affairs, International Co-operation	28,922,029	28,807,029	27,151,190	1,655,839	5.7
9	Office of the Auditor General	4,092,156	3,687,637	2,871,723	815,914	22.1
10	Elections Office	7,405,221	7,405,221	6,538,546	866,675	11.7
11	Judiciary	23,500,272	21,200,272	17,623,418	3,576,854	16.9
12	Parliament	1,525,495	1,454,378	1,195,605	258,773	17.8
13	Office of Accountability and Transparency	1,431,548	1,166,857	513,255	653,602	56.0
14	Office of the Director of Public Prosecutions	4,987,755	4,654,003	3,646,898	1,007,105	21.6
15	Ministry of Justice and Anti-Corruption	23,494,231	30,065,359	29,336,025	729,334	2.4
16	Ministry of Information	4,700,203	4,585,203	3,841,923	743,280	16.2
17	Ministry of Strategic Planning, National Development and Statistics.	7,266,646	6,559,755	5,839,585	720,170	11.0
18	Ministry of Provincial Development and Disaster Management	37,208,456	32,369,165	30,687,309	1,681,856	5.2
19	Fiji Military Forces	112,740,537	107,641,627	106,046,625	1,595,002	1.5
20	Fiji Police Force	85,279,840	84,414,165	84,394,423	19,742	0.0
21	Ministry of Education, National Heritage, Culture and Arts	257,341,887	256,663,950	270,261,887	(13,597,937)	(5.3)
22	Ministry of Health	153,074,214	151,546,149	158,348,449	(6,802,300)	(4.5)
23	Department of Housing	20,449,000	20,133,995	16,304,333	3,829,662	19.0
24	Ministry of Social Welfare, Women and Poverty Alleviation	39,123,505	32,136,294	27,981,488	4,154,806	12.9
25	Department of Youth and Sports	3,655,170	3,540,170	3,352,328	187,842	5.3
26	Higher Education Institutions	67,597,200	65,519,228	65,518,222	1,006	0.0
30	Ministry of Primary Industries- Department of Agriculture	55,121,570	49,836,576	45,761,232	4,075,344	8.2
32	Ministry of Primary Industries- Department of Fisheries and Forests	16,920,428	15,662,780	15,011,172	651,608	4.2

Head No	Ministry/Department	Appropriation Amount	Revised Amount	Actual Expenditure 2012	(Savings/(Over-Spent))	%
		(\$)	(\$)	(\$)	(\$)	
33	Ministry of Lands and Mineral Resources	26,992,045	23,492,654	19,105,918	4,386,736	18.7
34	Ministry of Industry and Trade	15,313,000	14,018,164	12,503,639	1,514,525	10.
35	Ministry of Sugar	8,666,622	7,171,634	7,089,420	82,214	1.1
36	Ministry of Public Enterprise, Communications, Civil Aviation and Tourism	37,080,886	34,015,691	32,696,510	1,319,181	3.9
37	Ministry of Local Government, Urban Development and Environment	9,674,964	8,795,963	8,259,244	536,719	6.
40	Ministry of Works and Transport	269,038,200	305,513,453	290,901,863	14,611,590	4.8
41	Ministry of Public Utilities and Energy	129,469,087	130,416,187	124,960,056	5,456,131	4.2
50	Miscellaneous Services	137,420,276	139,215,168	161,291,322	(22,076,154)	(15.9
51	Pensions, Gratuities and Compassionate Allowances	43,347,400	41,347,400	36,371,122	4,976,278	12.2
52	Finance Charges on Public Debt	471,564,900	471,564,900	510,344,803	(38,779,903)	(8.2
	Total	2,281,237,730	2,281,237,730	2,294,103,655	(12,865,925)	(0.6)

Appendix 2: Details of Variances in Opening balances

Allocation	Description	2011 FMIS End Balance (\$)	2012 Opening Balance (\$)	Variance (\$)
10110101999840602	WITHHOLDING TAX PAYABLE	(512.25)	(512.25)	-
10110160999840101	AP TRADE-GOV DEPTS & AGENCY	(20,639.13)	-	(20,639.13)
10210102999840602	WITHHOLDING TAX	(56.25)	(56.25)	-
10230102999840201	AP NT-GOV DEPTS & AGENCY	62.61	62.61	-
10310103101849901	ACCOUNTS PAYABLE OTHERS	(169,470.03)	(169,470.03)	-
10410604699840101	MOH IMPLEMENTATION PROJECT	(17,042.05)	(17,042.05)	-
10450167101840602	WITHHOLDING TAX PAYABLE	(4,451.69)	(4,451.69)	-
10620170999840602	WITHHOLDING TAX	(112.50)	(112.50)	-
10810108101840102	AP TRADE-COMPANIES	(64,101.66)	(64,101.66)	-
11010110999840602	WITHHOLDING TAX PAYABLE	(84.00)	(84.00)	-
11110111999840101	RENOVATION PROJECT OF GOVT BLDGS	(530,034.93)	-	(530,034.93)
11810168999840602	WITHHOLDING TAX PAYABLE	(37,921.64)	(37,921.64)	-
11820168999840101	STATE OF NATURAL DISASTER-2012	(1,050,013.00)	(1,050,013.00)	-
11820168999840102	AP TRADE-COMPANIES	(6.00)	(6.00)	-
11820168999840602	WITHHOLDING TAX PAYABLE	(42,303.02)	(42,303.02)	-
11820292991840602	WITHHOLDING TAX PAYABLE	8,298.46	8,298.46	-
11860187101840602	WITHHOLDING TAX PAYABLE	(540.00)	(540.00)	-
11910119999840602	WITHHOLDING TAX	(11,914.59)	(11,914.59)	-
11910191021840101	BLACKROCK	(18,903.75)	(18,903.75)	-
11910519999840101	LEP	(494,000.00)	-	(494,000.00)
11910519999840602	WITHHOLDING TAX PAYABLE	157.50	157.50	-
11910591011840101	PATROL BOAT REFIT	(55,000.00)	-	(55,000.00)
12010120999840602	WITHHOLDING PAYABLE	101,454.47	101,454.47	-
12110121999840201	AP NT-GOV DEPTS & AGENCY	(10,675.33)	(10,675.33)	-
12110121999840202	AP NT-COMPANIES	(2,661.35)	(2,661.35)	-
12110121999840203	AP NT-INDIVIDUALS	(1,475.00)	(1,475.00)	-
12110191011840201	AP NT-GOV DEPTS & AGENCY	(3,360.90)	(3,360.90)	-
12110191012840203	AP NT-INDIVIDUALS	(6,700.00)	-	-

Allocation	Description	2011 FMIS End Balance (\$)	2012 Opening Balance (\$)	Variance (\$)
			(6,700.00)	
12110191014840201	AP NT-GOV DEPTS & AGENCY	(827.85)	(827.85)	-
12110191014840202	AP NT-COMPANIES	(807.28)	(807.28)	-
12110191015840202	AP NT-COMPANIES	(40,322.38)	(40,322.38)	-
12110191016840202	AP NT-COMPANIES	(1,136.10)	(1,136.10)	-
12110191016840201	AP NT-GOV DEPTS & AGENCY	(405.00)	(405.00)	-
12110191019840201	AP NT-GOV DEPTS & AGENCY	(17,752.20)	(17,752.20)	-
12110191019840203	AP NT-INDIVIDUALS	(1,143.56)	(2,648.56)	1,505.00
12110191075840201	AP NT-GOV DEPTS & AGENCY	(11,123.82)	(11,123.82)	-
12210122999840102	AP TRADE-COMPANIES	(269,565.01)	(269,565.01)	-
12210122999840602	WITHHOLDING TAX PAYABLE	9,204.67	9,204.67	-
13010130101840101	RETENTION MONIES	(228,904.57)	(40.09)	(228,864.48)
13010130101840602	WITHHOLDING TAX PAYABLE	(223,072.83)	(223,072.83)	-
13090130999840602	WITHHOLDING TAX PAYABLE	(8,637.79)	(8,637.79)	-
13210132999840602	WITHHOLDING TAX PAYABLE	(450.01)	(450.01)	-
13230178999840102	AP TRADE-COMPANIES	-	60,000.00	(60,000.00)
13310133101840101	AP TRADE-GOV DEPTS & AGENCY	(585,575.38)	-	(585,575.38)
13330191011840602	WITHHOLDING TAX PAYABLE	(6,279.62)	(6,279.62)	-
13340133999840602	WITHHOLDING TAX PAYABLE	(2,880.00)	(2,880.00)	-
13610104999840602	WITHHOLDING TAX PAYABLE	(15,170.12)	(15,170.12)	-
13610186999840602	WITHHOLDING TAX PAYABLE	478.50	478.50	-
14010140491840302	GL EMPLOYEE EXPENSES OPEN	8,149.43	8,149.43	-
14010440411840302	GL EMPLOYEE EXPENSES OPEN	98.40	98.40	-
14010440491840202	AP NT-COMPANIES	(434.70)	(434.70)	-
14010440491840301	AP EMPLOYEE EXPENSES	93.12	93.12	-
14010440491840302	EMPLOYEE EXPENSES - OPEN ITEMS	27,936.60	27,936.60	-
14010440491840402	GL SUNDRY CREDITRS OPEN ITEM	7,779.28	7,779.28	-
14010440491840602	WITHHOLDING TAX PAYABLE	(122,362.47)	(122,362.47)	-

Allocation	Description	2011 FMIS End Balance (\$)	2012 Opening Balance (\$)	Variance (\$)
14020181102840602	WITHHOLD TAX	(27.00)	(27.00)	-
14050183999840402	GL SUNDRY CREDITRS OPEN ITEM	(13,149.06)	(13,149.06)	-
14050183999840602	WITHHOLDING TAX PAYABLE	(30,545.16)	(30,545.16)	-
14050191011840401	GL TRADE CREDITRS OPEN ITEM	(65.00)	(65.00)	-
14050199991840101	WAINIYAVU LOW LEVEL CROSSING \$200,000	(200,000.00)	-	(200,000.00)
14050199991840201	AP NT-GOV DEPTS & AGENCY	33.00	33.00	-
14050295212840401	GL TRADE CREDITRS OPEN ITEM	396.20	396.20	-
14060184999840602	PROVISIONAL TAX PAYABLE	(415,050.53)	(415,050.53)	-
14060191991840104	APADB GENERAL CAPITAL INCREASE	2,315.32	2,315.32	-
14060199991840601	VAT PAYABLE	(30,784.36)	(30,784.36)	-
14060584999840101	EMERGENCY FLOOD RECOVERY COST	(12,434.05)	(12,434.05)	-
14120195639840201	AP NT-GOV DEPTS & AGENCY	(23,115.62)	(23,115.62)	-
14120495639840201	AP NT-GOV DEPTS & AGENCY	(18,576.19)	(18,576.19)	-
140510910118404011	GL TRADE CREDITRS OPEN ITEM	140.00	140.00	-
1405019699184010108	AP TRADE-GOV DEPTS & AGENCY	-	(40.00)	40.00
1405019699184010153	AP TRADE-GOV DEPTS & AGENCY	-	(8.85)	8.85
14050196991840101151	VIO ISLAND NORTH POINT LIGHT HOUSE	(61,013.66)	-	(61,013.66)
14050196991840101152	MOMI BAY FRONT LEAD LIGHT HOUSE	(48,978.35)	-	(48,978.35)
14050196991840101154	NAVULA POINT GREEN LIGHT HOUSE	(48,709.76)	-	(48,709.76)
14050196991840101153	CURACOA ROCK LIGHT HOUSE	(32,823.99)	-	(32,823.99)
14050196991840101155	NAVULA RED PASSAGE LIGHT HOUSE	(27,199.69)	-	(27,199.69)
14050196991840101150	NAVULA GREEN PASSAGE LIGHT HOUSE	(23,934.66)	-	(23,934.66)
14050199991840101150	NAVULA GREEN PASG LIGHTHOUSE \$57,240	(57,240.00)	-	(57,240.00)
14050199991840101153	CURACOA ROCK LIGHTHOUSE \$32,803	(32,803.00)	-	(32,803.00)
14050199991840101155	NAVULA RED PASSAGE LIGHTHOUSE \$32,803	(32,803.00)	-	(32,803.00)
14050199991840101151	VIO IS NTH PONT LIGHTHOUSE \$28,690	(28,690.00)	-	(28,690.00)
14050199991840101154	NAVULA POINT GREEN LIGHTHOUSE \$22,360	(22,360.00)	-	(22,360.00)
14050199991840101152	MOMI BAY FRONT LEAD LH \$16,345	(16,345.00)	-	(16,345.00)

Allocation	Description	2011 FMIS End Balance (\$)	2012 Opening Balance (\$)	Variance (\$)
			-	
14060199991840101001	PURCHASE OF ROLLERS	(2,570,824.51)	-	(2,570,824.51)
14060199991840101002	BURESALA PROJECT	(305,000.00)	-	(305,000.00)
14050191011840401161 032	GL TRADE CREDITRS OPEN ITEM	277.44	277.44	-
14050291011840401161 032	GL TRADE CREDITRS OPEN ITEM	185.33	185.33	-
14050291011840401161 033	GL TRADE CREDITRS OPEN ITEM	506.97	506.97	-
14050291011840401161 039	GL TRADE CREDITRS OPEN ITEM	625.63	625.63	-
14050291011840401161 011	GL TRADE CREDITRS OPEN ITEM	675.84	675.84	-
10110101999840602	WITHHOLDING TAX PAYABLE	(512.25)	(512.25)	-
10110160999840101	AP TRADE-GOV DEPTS & AGENCY	(20,639.13)	-	(20,639.13)
10210102999840602	WITHHOLDING TAX	(56.25)	(56.25)	-
10230102999840201	AP NT-GOV DEPTS & AGENCY	62.61	62.61	-
10310103101849901	ACCOUNTS PAYABLE OTHERS	(169,470.03)	(169,470.03)	-
Total		(7,692,433.58)	(2,481,147.89)	(5,481,285.69)

